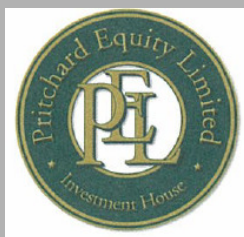


# Pritchard Equity Limited

## Bidder's Statement

Off-Market Offer by **PRITCHARD EQUITY LIMITED** ACN 100 517 404  
To Acquire All Your Class A Shares in  
**PROPERTY FOX NO. 1 LIMITED** ACN 101 816 353



Consideration of 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities for every Property Fox A Class Share equating to 1,500 PEQ A Ordinary Shares, 500 PEQ B Ordinary Shares and 68 PEQ Preferred Income Securities for every 20,000 Property Fox A Class Shares.

The Offer is scheduled to open on 1 September 2008 and close on 2 October 2008 unless extended.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR OWN FINANCIAL OR OWN LEGAL ADVISER AS SOON AS POSSIBLE.

Financial Adviser



Legal Adviser

**BAKER & MCKENZIE**

## Important Dates

Offer Announcement	5 August 2008
Original Bidder's Statement Lodged with ASIC	5 August 2008
Replacement Bidder's Statement Lodged with ASIC	22 August 2008
Date of the Offer	1 September 2008
Scheduled closing date of the Offer (unless extended)	7.00 pm (AEST) 2 October 2008

## Important Information

This is a replacement Bidder's Statement given by Pritchard Equity Limited to Property Fox No. 1 Limited under Part 6.5 of Chapter 6 of the Corporations Act, and sets out certain disclosures required by the Corporations Act together with the terms of the Offer. It replaces the original Bidder's Statement lodged with ASIC on 5 August 2008 and contains amendments made as a result of matters raised by ASIC.

This replacement Bidder's Statement is dated 22 August 2008. A copy of this replacement Bidder's Statement was lodged with ASIC on 22 August 2008, but ASIC takes no responsibility for the contents of the Bidder's Statement.

The Bidder's Statement contains an Offer dated 1 September 2008. The terms and conditions of the Offer are set out in Annexure 1.

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of the Bidder's Statement.

### Defined terms

Terms used in this Bidder's Statement are defined in the Glossary in section 8.

### Notices in relation to jurisdictions other than Australia and New Zealand

As a result of clause 6.6 of the Offer Terms, this Bidder's Statement does not constitute an offer to sell, nor the solicitation of any offer to buy, any Pritchard Equity securities in any jurisdiction other than Australia or New Zealand, unless Pritchard Equity determines to the contrary.

Investors resident in places other than Australia or New Zealand should note that this Offer is being proposed and will be conducted in accordance with the laws in force in Australia and the NSX Listing Rules. The disclosure requirements in relation to the Offer in Australia will differ from those applying in other jurisdictions. The financial statements included in this Bidder's Statement have been prepared in accordance with generally accepted accounting principles in Australia that may differ from those in other jurisdictions.

In making the Offer to persons resident in New Zealand, Pritchard Equity is relying on an exemption contained in the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002 in relation to prospectus and investment statement requirements in New Zealand.

The PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to be issued pursuant to this Offer have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (Securities Act) or the

securities laws of any United States state or other jurisdiction and therefore may not be offered or sold to persons in the United States without registration or an applicable exemption from the registration.

### Disclosure about forward looking statements

This Bidder's Statement contains forward looking statements which have not been based solely on historical facts, but are rather based on Pritchard Equity's current expectations about future events. These forward looking statements are, however subject to risks, uncertainties and assumptions, and actual events or results may differ materially from the expectations described in these statements. The risks include, amongst other things, the risks identified in section 5 as well as other matters not yet known to Pritchard Equity or not currently considered material by Pritchard Equity.

### Implied value

As you are being offered PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as consideration for Property Fox A Class Shares, the implied value to you of the Offer may vary with the market prices of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. In addition, all references to the implied value of the Offer in this Bidder's Statement are subject to the effects of rounding. Further information concerning the implied value of the Offer is contained in this Bidder's Statement.

### Disclaimer as to Property Fox and Merged Entity information

The information in this Bidder's Statement concerning Property Fox and Property Fox's securities has been prepared by Pritchard Equity using publicly available information.

The information in this Bidder's Statement concerning Property Fox and the assets and liabilities, financial position and performance, profits and losses and prospects of Property Fox has not been independently verified by Pritchard Equity. Accordingly Pritchard Equity does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information in this Bidder's Statement on the Merged Entity, to the extent that it incorporates or reflects information on Property Fox, has been prepared using publicly available information. Accordingly, information in relation to the Merged Entity is subject to the foregoing disclaimer.

**Investment Decision**

You should read all of this Bidder's Statement before deciding whether to accept the Offer.

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of any Property Fox A Class Shareholder or any other person.

You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.



5 August 2008

Dear Property Fox A Class Shareholder

### **Letter from the Chairman of Pritchard Equity**

Pritchard Equity is pleased to make you an Offer to acquire all of your Property Fox A Class Shares and to invite you to become shareholders of Pritchard Equity.

The Offer provides you with the opportunity to take a direct holding in Pritchard Equity and at the same time to continue to have an indirect interest in Property Fox's assets which, when combined with those of Pritchard Equity, will create a stronger and more diversified organisation.

Under the Offer, Property Fox A Class Shareholders will receive 1,500 PEQ A Ordinary Shares, 500 PEQ B Ordinary Shares and 68 PEQ Preferred Income Securities per 20,000 Property Fox A Class Shares.

The implied value of the Offer is 45 cents per Property Fox A Class Share, which represents a 25.8% premium to the VWAP of Property Fox A Class Shares traded on NSX during the year ended 30 June 2008 (excluding Property Fox A Class Shares bought back by Property Fox). Please refer to section 1.9 of the Bidder's Statement for details regarding the calculation of the implied value of the Offer.

Pritchard Equity's aim is to achieve above average returns for its shareholders over the medium to long term by developing a focused portfolio of significant stakes in companies which it believes offer good prospects of growth over time. The historical results of Pritchard Equity indicate that under the stewardship of its current directors, it is moving towards achieving this aim.

Pritchard Equity's board believes that, by the application of their management skills and investment philosophies, they will be able to turn around the poor performance of Property Fox, to deliver maximum shareholder value for all shareholders in the longer term.

Upon completion of the Offer, a strategic review of the assets and the operating structure of Property Fox will be undertaken. As a result of this review, it is expected that a strategy will be developed on how to realise the maximum value from Property Fox's underperforming assets and achieve cost savings.

On behalf of Pritchard Equity, I strongly encourage you to accept our attractive Offer, which is scheduled to close on 2 October 2008 unless extended. I also encourage you to read carefully the details of our Offer in this Bidder's Statement. To accept the Offer, please follow the instructions on your accompanying personalised Acceptance Form and How to Accept the Offer section of this Bidder's Statement.

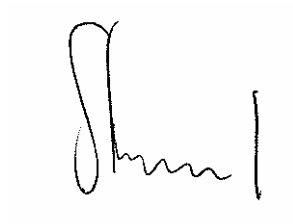
On behalf of our board of directors, I look forward to welcoming you as a shareholder in the combined group, and sharing with you in the continued evolution and growth of our investment house.

**Pritchard Equity Limited** ABN 80 100 517 404

10 Murray Street Hamilton NSW 2303 • PO Box 413 Hamilton, NSW Australia 2303 • Telephone: 02 4920 2877 • Facsimile: 02 4920 2878  
Email: [mail@pritchards.com.au](mailto:mail@pritchards.com.au) • Webpage: [www.pritchards.com.au](http://www.pritchards.com.au)

If you have any queries in relation to the Offer, please consult your own independent professional adviser or contact the **Pritchard Equity Offer Information Line** 1800 134 234 (within Australia) or +61 2 4920 2877 (outside Australia), between 9:00 am and 5:00 pm (AEST), Monday to Friday.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Pritchard', enclosed within a light gray rectangular border.

Steven Pritchard  
Chairman  
Pritchard Equity Limited

**Pritchard Equity Limited** ABN 80 100 517 404

10 Murray Street Hamilton NSW 2303 • PO Box 413 Hamilton, NSW Australia 2303 • Telephone: 02 4920 2877 • Facsimile: 02 4920 2878  
Email: [mail@pritchards.com.au](mailto:mail@pritchards.com.au) • Webpage: [www.pritchards.com.au](http://www.pritchards.com.au)

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### **The Offer Information Line is:**

- 1800 134 234 (callers in Australia); or
- +61 2 4920 2877 (callers outside Australia)

# How to accept the Offer

You should read this Bidder's Statement carefully before making a decision as to whether or not to accept the Offer.

## THERE ARE SEVERAL WAYS TO ACCEPT THE OFFER

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### **CHESS Holdings of Property Fox A Class Shares**

If your Holder Identification Number begins with an "X", your Property Fox A Class Shares are in a CHESS Holding.

To accept the Offer you must either:

- complete, sign and return the Acceptance Form included with this Bidder's Statement in accordance with the instructions on the form, which will authorise Pritchard Equity to instruct your broker to accept the Offer on your behalf; or
- instruct your broker to accept the Offer on your behalf.

### **Issuer Sponsored Holdings of Property Fox A Class Shares**

If your Securityholder Reference Number begins with an "I", your Property Fox A Class Shares are in an Issuer Sponsored Holding.

To accept the Offer you must complete and sign the Acceptance Form enclosed with this Bidder's Statement in accordance with the instructions on the form, and return it to the address indicated on the form.

---

For details regarding accepting the Offer, see clause 5 of Annexure 1.

To validly accept the Offer for your Property Fox A Class Shares, **your acceptance must be received before 7:00 pm (AEST) on 2 October 2008** unless the Offer Period is extended.

## Why you should accept the Offer

1. The Offer provides an attractive premium for Property Fox A Class Shareholders
2. Pritchard Equity shares have proven to be an attractive investment
3. Property Fox A Class Shares have proven to be a very poor investment
4. Property Fox has not been well managed
5. PEQ Preferred Income Securities have a cumulative preferential dividend of \$10 per share per annum (inclusive of franking credits)
6. Pritchard Equity will add value to Property Fox
7. Pritchard Equity will actively pursue further investment opportunities
8. Pritchard Equity directors and shareholders' interests are aligned
9. Pritchard Equity expects the liquidity of its shares to improve
10. Pritchard Equity's Offer is the only offer available



## Summary of Material Risks in accepting the Offer

1. Pritchard Equity relies on a number of key personnel.
2. Pritchard Equity directly and indirectly owns or has an interest in a number of listed companies, whose market price may fluctuate.
3. The portfolios of investments held by the Company and its associated entities are less diversified than those of many other listed investment companies.
4. The stockbroking industry is subject to numerous regulatory requirements.
5. Pritchard & Partners' remuneration for managing Illuminator's portfolio is based partially on performance which is risky in a volatile market.
6. The consideration under the Offer comprises solely of securities, being PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities which are relatively illiquid. The ownership of Pritchard Equity securities is more concentrated than that of Property Fox A Class Shares and there may be limited buyers for them.
7. If acceptances under the Offer are less than 100%, there is a risk that Pritchard Equity is unable to achieve all of the potential benefits set out in this Bidder's Statement.
8. Pritchard Equity may not be able to dispose of Property Fox's property investments when desired or for their book value.
9. The consideration under the bid is securities quoted on the NSX, and their prices may rise and fall from day to day and are subject to stock market fluctuations.
10. The future earnings of Pritchard Equity and the value of its investments may be materially affected by general economic and climate and other factors.

**\* Please refer to Section 5 of this Bidder's Statement for a complete description of these Risks.**

## Detailed reasons why you should accept

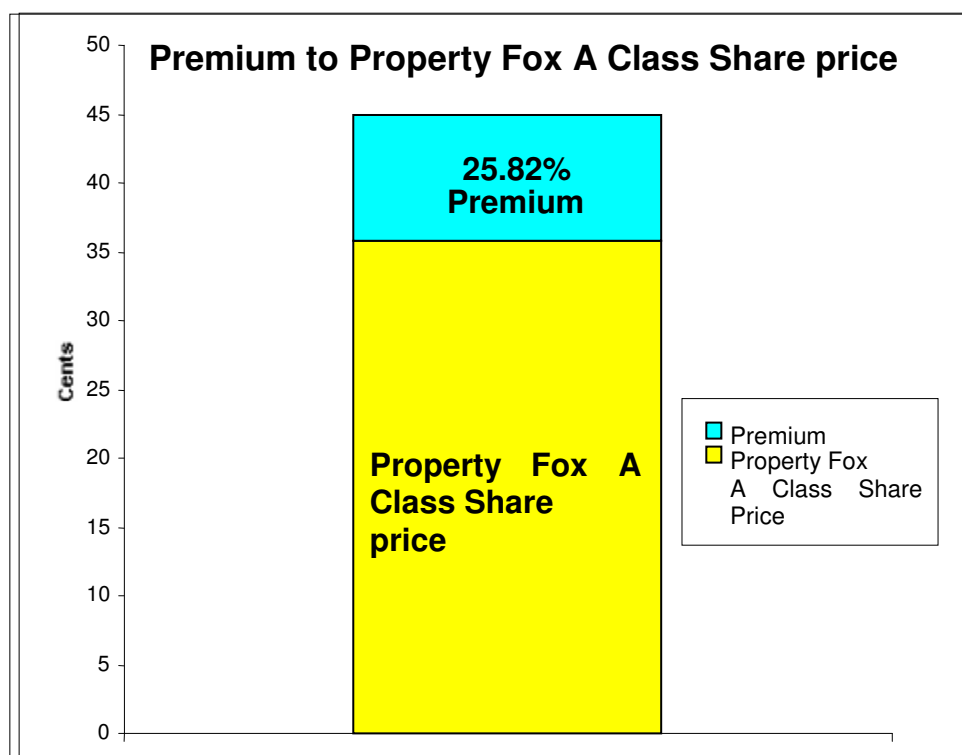
### *The Offer provides an attractive premium for Property Fox A Class Shareholders*

The Offer represents an attractive takeover premium of 25.8%.

The Pritchard Equity Board believes that this is a favourable takeover premium for Property Fox A Class Shareholders, given the outlook for property markets and interest rates.

The takeover premium calculations are summarised in Chart 1 and Tables 2, 3 and 4.

**Chart 1: Implied takeover premium**



Pritchard Equity considers that the volume weighted average price (VWAP) of Property Fox A Class Shares for the year to 30 June 2008, excluding the Property Fox A Class Shares bought back by Property Fox, represents the best estimate of the market value of Property Fox A Class Shares. This VWAP is 35.76 cents per share. All of the transactions in Property Fox A Class Shares for the year to 30 June 2008 are set out in Table 3 of this Bidder's Statement. The VWAP of Property Fox A Class Shares for the year to 30 June 2008 (*including* the Property Fox A Class Shares bought back by Property Fox) is 41.22 cents per share.

**Table 2: Implied takeover premium**

Offer for 20,000 Property Fox A Class Shares		
<b>Consideration offered</b>		<b>\$</b>
1,500 PEQ A Ordinary Shares at \$1.10 per share <sup>1</sup>		1,650
500 PEQ B Ordinary Shares at \$1.10 per share <sup>2</sup>		550
68 PEQ Preferred Income Securities at \$100 per security <sup>3</sup>		6,800
<b>Implied offer value for 20,000 Property Fox A Class Shares</b>		<b>9,000</b>
<b>Value of 20,000 Property Fox A Class Shares at 35.76 cents per share<sup>4</sup></b>		<b>7,153</b>
<b>Implied takeover premium</b>		<b>25.8%</b>

<sup>1</sup> The value of the PEQ A Ordinary Shares is based on the price at which PEQ A Ordinary Shares last traded on NSX on 24 April 2007. Please refer to Table 4 below and section 1.8 of this Bidder's Statement for trading history of these securities.

<sup>2</sup> The value of the PEQ B Ordinary Shares is based on the price at which PEQ B Ordinary Shares last traded on NSX on 24 April 2007. Please refer to Table 4 below and section 1.8 of this Bidder's Statement for trading history of these shares.

<sup>3</sup> The value of the PEQ Preferred Income Securities takes into account the preferential cumulative dividend of \$10 per annum as well as the \$100 payment holders of PEQ Preferred Income Securities will receive per security ahead of payment to the holders of ordinary shares on a winding up of the Company. The PEQ Preferred Income Securities are quoted on the NSX but there has been no trading to date. Please note that the indicative value determined by the directors of Pritchard Equity for the PEQ Preferred Income Securities is only an estimate and is not based on any detailed analysis of the value of the contingent dividend income stream. There is no guarantee that these shares will trade on NSX at this indicative value. Further, if Pritchard Equity elects to mandatorily convert the PEQ Preferred Income Securities into PEQ A Ordinary Shares the market value of those resulting PEQ A Ordinary Shares may be less than \$100 per PEQ Preferred Income Security. See Annexure 4, Part 2, for a worked example of how the conversion process operates.

<sup>4</sup> Based on the VWAP of Property Fox A Class Shares traded on NSX during the year ended 30 June 2008 (excluding shares bought back by Property Fox). Please refer to Table 3 for the transactions taken into account in calculating the VWAP. The VWAP of Property Fox A Class Shares for the year to 30 June 2008 (including the Property Fox A Class Shares bought back by Property Fox) is 41.22 cents per share.

As noted above, the value of PEQ A Ordinary Shares and PEQ B Ordinary Shares is based on the last traded price for these securities. The VWAP was not considered by the Pritchard Equity directors to be the best measure of value in circumstances where the shares were last traded on 24 April 2007. Refer to Table 4 and Section 1.8 of this Bidder's Statement. As PEQ Preferred Income Securities are newly admitted to the NSX and have not traded their value is based as set out in Note 3 to Table 2 above.

**Table 3: Transactions in Property Fox A Class Shares for the year ended 30 June 2008**

Date	Normal Transactions			Buy Back Transactions			Total Transactions		
	Price	Volume	Value	Price	Volume	Value	Price	Volume	Value
29/04/2008				0.42	20,000	8,400.00	0.42	20,000	8,400.00
21/04/2008				0.42	10,000	4,200.00	0.42	10,000	4,200.00
5/03/2008				0.42	40,000	16,800.00	0.42	40,000	16,800.00
21/02/2008				0.40	238,000	95,200.00	0.40	238,000	95,200.00
30/01/2008	0.35	20,000	7,000.00				0.35	20,000	7,000.00
30/01/2008	0.35	20,000	7,000.00				0.35	20,000	7,000.00
18/12/2007				0.50	2,000	1,000.00	0.50	2,000	1,000.00
14/12/2007				0.50	18,000	9,000.00	0.50	18,000	9,000.00
4/12/2007				0.56	19,000	10,640.00	0.56	19,000	10,640.00
3/12/2007				0.56	20,000	11,200.00	0.56	20,000	11,200.00
3/12/2007				0.56	20,000	11,200.00	0.56	20,000	11,200.00
3/12/2007				0.56	59,999	33,599.44	0.56	59,999	33,599.44
30/11/2007				0.56	10,000	5,600.00	0.56	10,000	5,600.00
30/11/2007				0.56	10,000	5,600.00	0.56	10,000	5,600.00
22/11/2007				0.56	15,000	8,400.00	0.56	15,000	8,400.00
9/11/2007	0.35	10,000	3,500.00				0.35	10,000	3,500.00
17/10/2007				0.56	5,000	2,800.00	0.56	5,000	2,800.00
25/09/2007	0.35	1,000	350.00				0.35	1,000	350.00
25/09/2007	0.37	19,000	7,030.00				0.37	19,000	7,030.00
25/09/2007	0.35	2,000	700.00				0.35	2,000	700.00
24/09/2007	0.36	18,000	6,480.00				0.36	18,000	6,480.00
19/09/2007	0.35	20,000	7,000.00				0.35	20,000	7,000.00
19/09/2007	0.35	60,000	21,000.00				0.35	60,000	21,000.00
19/09/2007	0.35	40,000	14,000.00				0.35	40,000	14,000.00
19/09/2007	0.34	20,000	6,800.00				0.34	20,000	6,800.00
18/09/2007	0.35	20,000	7,000.00				0.35	20,000	7,000.00
17/09/2007	0.35	20,000	7,000.00				0.35	20,000	7,000.00

17/09/2007	0.35	80,000	28,000.00			0.35	80,000	28,000.00
4/09/2007	0.385	30,000	11,550.00			0.385	30,000	11,550.00
21/08/2007	0.395	20,000	7,900.00			0.395	20,000	7,900.00
20/08/2007	0.395	20,000	7,900.00			0.395	20,000	7,900.00
		420,000	150,210.00	486,999	223,639.44		906,999	373,849.44
<b>VWAP</b>	<b>0.35764</b>			<b>0.45922</b>		<b>\$0.41218</b>		

The VWAP of Property Fox A Class Shares traded on NSX for the year ended 30 June 2008, excluding the Property Fox A Class Shares bought back by Property Fox, is 35.76 cents.

Property Fox paid an average price of 45.92 cents per share to buy back 486,999 Property Fox A Class Shares. This is a premium of 28.41% to the VWAP of other sales.

Pritchard Equity believes that Property Fox has paid more than fair market value for the Property Fox A Class Shares it bought back, and that the price of the Property Fox A Class Shares has been inflated by the support given by the buy back. Please refer to section 2.4 for further details in relation to the buy-back.

There is currently only one bid for Property Fox A Class Shares registered on NSX. The quoted bid is 26 cents per share.

#### **Table 4: Transactions in Pritchard Equity securities for the year ended 30 June 2008**

Since the Company listed on NSX on 27 April 2006, there have only been 16 on-market trades of PEQ A Ordinary Shares and 5 on-market trades of PEQ B Ordinary Shares. The following table sets out the details of the on-market trades:

Date	Price \$	Volume	Value \$
PEQ A Ordinary Shares			
24/04/07	1.10	1,000	1,100.00
22/01/07	1.00	11,250	11,250.00
16/01/07	0.85	5,000	4,250.00
23/05/06	0.85	5,000	4,250.00
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
3/05/06	0.85	1,000	850.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
PEQ B Ordinary Shares			
24/04/07	1.10	1,000	1,100.00
22/01/07	1.00	11,250	11,250.00
16/01/07	0.85	5,000	4,250.00
23/05/06	0.85	5,000	4,750.00
3/05/006	0.95	1,000	950.00

The PEQ Preferred Income Securities have only been quoted since 28 May 2008 and no on-market trades have taken place.

### ***Pritchard Equity shares have proven to be an attractive investment***

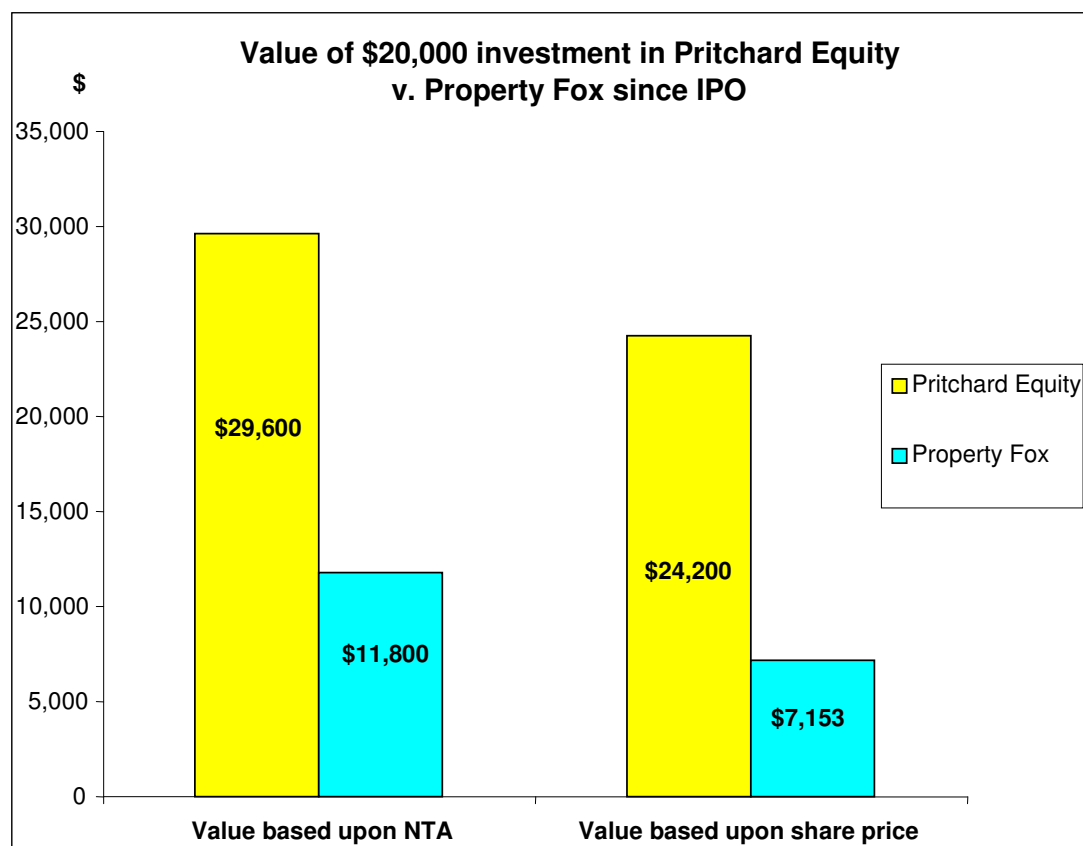
Pritchard Equity has delivered substantial value to its shareholders. An investment of \$20,000 in Pritchard Equity at the time of the initial public offer in 2006 currently has a market value of \$24,200, an increase of 21% (based on the prices at which PEQ A Ordinary Shares and PEQ B Ordinary Shares last traded on ASX on 24 April 2007). The investment has a net tangible asset value of \$29,600, an increase of 48% based on the 31 December 2007 reviewed financial statements.

### ***Property Fox A Class Shares have proven to be a very poor investment***

A Property Fox A Class Shareholder who invested \$20,000 in Property Fox at the time of the initial public offer in 2002 has seen the value of their investment depreciate by \$12,847, or 64%, based on the VWAP of Property Fox A Class Shares for the year ended 30 June 2008 (excluding the Property Fox A Class Shares bought back by Property Fox).

If the investment is valued on the basis of the Property Fox directors' assessment of the net assets per share in the December 2007 financial statements, the value of the investment has depreciated by \$8,200, or 41%, since the time of Property Fox's initial public offer.

**Chart 2: Value of a \$20,000 investment in Pritchard Equity shares v. Property Fox A Class Shares**



## ***Property Fox has not been well managed***

Since Property Fox was established, its managing director has been Mr. Peter Spann and the company has been managed by Fox Portfolio Pty Limited, a company controlled by Mr. Spann.

During this time, Property Fox has achieved poor results for its shareholders.

## **Property Fox has failed to make a profit since 2004**

**Table 5: Property Fox results since establishment**

Period	Operating Profit/(Loss)	Shareholders Equity
	\$	\$
26/08/02 – 30/06/03	38,926	4,769,276
1/07/03 – 30/06/04	445,149	4,847,758
1/07/04 – 30/06/05	(647,187)	4,200,570
1/07/05 – 30/06/06	(849,140)	3,351,855
1/07/06 – 30/06/07	(197,310)	3,154,121
1/07/07 – 31/12/07	(113,209)	2,941,873

## **Property Fox has paid almost \$1,000,000 to Peter Spann, his associates and Property Fox's directors**

Despite the fact that Property Fox directors have invested a total of just \$100 in Property Fox shares, and despite the fact that Property Fox A Class Shareholders have seen a 64% diminution in the value of their investment since the initial public offering of Property Fox in 2002, Peter Spann, his associates and Property Fox directors have received \$904,838 from the company in various fees and charges.

**Table 6: Payments made to Peter Spann, his associates, and Property Fox directors**

Period	Management and administration fees	Directors fees	Commissions	Loan guarantee fees	Total
	\$	\$	\$	\$	\$
26/08/02 – 30/06/03	56,540	32,800	165,000		254,340
1/07/03 – 30/06/04	110,000	26,400			136,400
1/07/04 – 30/06/05	110,000	27,700	16,500	65,823	220,023
1/07/05 – 30/06/06	110,000	27,200			137,200
1/07/06 – 30/06/07	110,000	22,275			132,275
1/07/07 – 31/12/07	12,000	12,600			24,600
					<b>904,838</b>

Source: Property Fox No. 1 Limited and controlled entities financial report for the period ended 30 June 2003, Property Fox No. 1 Limited and controlled entities financial report for the Years Ended 30 June 2004, 2005, 2006 and 2007, Property Fox No 1 Limited Financial Statements for the period ended 31 December 2007.

## **Property Fox has made an unsecured interest free loan to an associate of Peter Spann without shareholder approval**

Property Fox No. 1 Limited and Controlled Entities Financial Report for the year ended 30 June 2004 indicates that at some stage during the year, Property Fox provided a loan of \$135,000 to Freeman Property Fox Property Pty. Limited, a company controlled by Peter Spann. The loan was unsecured and interest free.

Property Fox No. 1 Limited 2005 Annual Report indicates that, during the course of the year, the terms of the loan appear to have changed, and the loan then carried interest at the aggregate of the base rate on the first drawdown date plus a margin of 1.5% per annum, but not exceeding 6.5% per annum.

Property Fox No. 1 Limited Annual Report 2007 indicates that the loan was repaid at some stage during the year.

Pritchard Equity finds it difficult to see how the making of an unsecured interest free or low interest loan to Freeman Fox Property Pty. Limited was in the best interests of Property Fox or brought any benefit to Property Fox.

## ***PEQ Preferred Income Securities have a cumulative preferential dividend of \$10 per share per annum***

In December 2003 Property Fox A Class Shareholders received a dividend of 5.5 cents per share. This is the only dividend which Property Fox has paid since its establishment. As dividends may only be paid by a company out of profits. Property Fox will not be able to pay further dividends unless it makes profits in the future.

A Property Fox A Class Shareholder who accepts Pritchard Equity's Offer will, in addition to receiving PEQ A Ordinary Shares and PEQ B Ordinary Shares, receive PEQ Preferred Income Securities that entitle the holder to a cumulative preferential dividend of \$10 per annum, inclusive of franking credits. However, there is no guarantee that Pritchard Equity will make profits in the future to enable it to pay these dividends.

## ***Pritchard Equity will add value to Property Fox***

Pritchard Equity believes that it can bring substantial value to Property Fox through its financial skills.

The Pritchard Equity board have aggregated between them decades of experience across all aspects of investment and legal, financial and strategic advisory work. This experience has been gained during periods of economic downturn as well as periods of financial prosperity.

## ***Pritchard Equity will actively pursue further investment opportunities***

Pritchard Equity will continue to identify and acquire investments which it believes can add value to the Company.

Pritchard Equity ordinary shareholders will share in the value that Pritchard Equity is able to create by applying the skills and expertise of its Board to a diversified portfolio of assets and investments.

## ***Exposure to Prichard Equity's diverse investment portfolio***

By accepting the Offer, you will become a shareholder in a company with a solid investment portfolio which enjoys exposure to a number of investment projects.

Based on existing cash reserves, the Merged Entity is expected to have access to cash reserves in excess of \$1.8m and may have greater capacity to raise new capital, as required, for further value

creation opportunities. The aim is to ensure that the management of the Merged Entity is aligned with shareholder interests and focused on maximising shareholder value.

Pritchard Equity will undertake a strategic review of Property Fox's assets and operating structure following a successful completion of the Offer. As a result of this review, it is expected that a strategy will be developed on how to realise the maximum value from Property Fox's underperforming assets and achieve cost savings.

Property Fox is managed by Fox Portfolio Pty Ltd (the Manager), an entity in which Property Fox has no ownership or direct control. The Manager is owned and controlled by Peter Spann, the Managing Director of Property Fox. Pritchard Equity considers that this type of contractual arrangement creates the potential for conflicts of interest between the Manager and Property Fox A Class Shareholders.

Following successful completion of the Offer, Pritchard Equity intends to conduct a detailed review of the Management Agreement, and arrangements between the Manager and Property Fox.

### ***Pritchard Equity directors and shareholders interests are aligned***

Property Fox directors have invested a total of \$100 in Property Fox shares.

Pritchard Equity directors and their associates have a total investment in Pritchard Equity shares of \$1,078,768, based on the market values for the Pritchard Equity shares as set out in Table 2 on page 5 of this Bidder's Statement. The shares have been acquired by the directors of Pritchard Equity and their associates at various times since the Company was incorporated in 2002. The total amount paid for these shares over this period was \$368,112.

Pritchard Equity's directors believe that the most effective way to align the interests of the directors and management of a company with those of its shareholders is for the directors and management to have a significant amount of their own money invested in the company's shares.

The interests of Property Fox directors and management are not aligned in this way with the interests of Property Fox A Class Shareholders.

### ***Pritchard Equity expects the liquidity of its shares to improve***

Pritchard Equity believes that the acquisition of Property Fox will increase the liquidity of Pritchard Equity shares.

At present there is a relatively small free float of Pritchard Equity shares. This reflects the fact that the Pritchard Equity board and their associates have invested a substantial amount of their own money in Pritchard Equity shares. Although the free float will increase if the Offer is successful, the directors of Pritchard Equity and their associates will continue to hold a substantial percentage of issued capital immediately after the close of the Offer and this may negatively impact liquidity.

If Pritchard Equity acquires 100% of the Property Fox A Class Shares, Property Fox A Class Shareholders will join current Pritchard Equity shareholders on the Pritchard Equity register, increasing the number of shareholders in Pritchard Equity from approximately 100 to approximately 300.

### ***Pritchard Equity's Offer is the only offer available***

Pritchard Equity's Offer to acquire all Property Fox A Class Shares represents the only offer currently available to Property Fox A Class Shareholders.

Pritchard Equity believes that the price of Property Fox A Class Shares is inflated as a result of Property Fox's share buy back.



### ***There are risks in not accepting the Offer***

If the conditions of the Offer are not satisfied or waived (including the minimum 66.0% acceptance condition), Pritchard Equity will not acquire Property Fox A Class Shares from any Property Fox A Class Shareholder who accepts the Offer.

If you do not accept the Offer and the Offer becomes or is declared unconditional before Pritchard Equity has received acceptances resulting in it being entitled to a relevant interest of at least 90% (by number) of Property Fox A Class Shares, then you remain a minority Property Fox A Class Shareholder. The implications of being a minority shareholder include the following:

- it is unlikely the Property Fox A Class Share price would include any takeover premium;
- the liquidity of Property Fox A Class Shares may be lower than at present, making it even more difficult for you to dispose of your Property Fox A Class Shares in the future;
- Property Fox may be de-listed from NSX, which would materially impact the liquidity of Property Fox A Class Shares; and
- Property Fox will be controlled by Pritchard Equity.

### ***Other important considerations for Property Fox A Class Shareholders***

#### **Potential to crystallise capital losses**

The Offer may allow Property Fox A Class Shareholders to crystallise capital losses arising from their investment in Property Fox.

#### **No brokerage fee**

All costs and expenses of the Offer and all brokerage or stamp duty payable in respect of a transfer of Property Fox A Class Shares for which the Offer is accepted will be paid by Pritchard Equity.

If you hold your Property Fox A Class Shares through a bank, broker or nominee which charges transaction fees or service fees in connection with your acceptance of the Offer or if you are a Foreign Property Fox A Class Shareholder, Pritchard Equity will not pay those fees.

## Summary of the Offer

Question	Answer	Further information
<b>What is Pritchard Equity offering to buy?</b>	Pritchard Equity is offering to buy ALL of your Property Fox A Class Shares on the terms set out in Annexure 1 of this Bidder's Statement.	Annexure 1, clause 1
<b>What will happen to the Property Fox Ordinary Shares?</b>	This Offer does not extend to the Property Fox Ordinary Shares and these will continue to be held on the same basis as they were held prior to the Offer. Property Fox Ordinary Shares will retain approximately 21.7 % of the voting rights in Property Fox.	Section 2.3
<b>What will I receive if I accept the Offer?</b>	<p>If you accept the Offer, you will receive 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities for every Property Fox A Class Share, equating to 1,500 PEQ A Ordinary Shares, 500 PEQ B Ordinary Shares and 68 PEQ Preferred Income Securities for every 20,000 Property Fox A Class Shares, if the Offer becomes or is declared unconditional.</p> <p>Fractions of shares will be rounded up to the nearest whole number.</p>	Annexure 1, clause 2
<b>What are the terms of the PEQ Preferred Income Securities?</b>	<p>The PEQ Preferred Income Securities carry a right to a cumulative preferential dividend of \$10 per annum accruing at the rate of \$5 for each 6 month period (or part thereof) ending on 30 June and 31 December (inclusive of any franking credits that would accrue to an Australian resident shareholder).</p> <p>Each PEQ Preferred Income Security has a preferred right to a return of \$100 on a winding up.</p> <p>The PEQ Preferred Income Securities do not have voting rights in a general meeting other than the limited rights set out in Annexure 4, part 2, paragraph (b).</p> <p>Holders of PEQ Preferred Income Securities have the right to convert them into PEQ A Ordinary Shares on 30 November 2013 or on 30 November of any subsequent year by written notice. The Company may convert</p>	Annexure 4, part 2

Question	Answer	Further information
	the shares to PEQ A Ordinary Shares at any time on giving 60 days written notice.	
<b>What are the terms of the PEQ A Ordinary Shares?</b>	<p>The PEQ A Ordinary Shares have a right to any dividends determined by the directors of Pritchard Equity. The payment of dividends is subordinate to the right of PEQ Preferred Income Securities to receive dividends.</p> <p>The PEQ A Ordinary Shares do not confer any right to vote at general meetings of the Company.</p>	Annexure 4, part 1
<b>What are the terms of the PEQ B Ordinary Shares?</b>	<p>The PEQ B Ordinary Shares have a right to any dividends determined by the directors of Pritchard Equity. The payment of dividends is subordinate to the right of PEQ Preferred Income Securities to receive dividends.</p> <p>The PEQ B Ordinary Shares confer on holders the right to vote at general meetings of the Company.</p>	Annexure 4, part 1
<b>What will be my voting rights in Pritchard Equity?</b>	<p>The PEQ B Ordinary Shares confer a right to vote at general meetings of the Company.</p> <p>Neither the PEQ A Ordinary Shares nor the PEQ Preferred Income Securities carry any right to vote at general meetings of Pritchard Equity. The PEQ Preferred Income Securities carry limited voting rights as set out in Annexure 4.</p>	Annexure 4 and section 1.6
<b>Are there any conditions to the Offer?</b>	<p>The Offer is subject to a number of conditions, including the following:</p> <ul style="list-style-type: none"> <li>- Minimum Offer acceptance condition of 66.0%.</li> <li>- No material adverse change to Property Fox and, in particular, no change that results in a diminution in value of the net assets of Property Fox to less than \$2,750,000.</li> <li>- No acquisitions or disposals of any assets by Property Fox or entry by Property Fox into any agreement with an aggregate value in excess of \$100,000.</li> <li>- No giving of a financial benefit to a related party of Property Fox.</li> <li>- No lending to another party other than in the ordinary course of business.</li> <li>- The S&amp;P/ASX 300 index not falling below 4,250 at any time between the</li> </ul>	Annexure 1, clause 7

Question	Answer	Further information
	<p>Announcement Date and the end of the Offer Period.</p> <ul style="list-style-type: none"> <li>- None of the 'prescribed occurrences' listed in section 652C of the Corporations Act occurring.</li> </ul> <p>Full details of the Offer Terms are set out in clause 7 of Annexure 1.</p>	
<b>Why is there a 66% minimum acceptance condition?</b>	The Offer does not extend to the Property Fox Ordinary Shares, which will retain approximately 21.7 % of the voting rights in Property Fox following completion of the Offer. Accordingly, Pritchard Equity needs to acquire 66% of the Property Fox A Class Shares to obtain over 50% of the total voting rights in Property Fox.	
<b>How do I accept the Offer?</b>	To accept the Offer, you must follow the instructions set out in the "How to Accept the Offer" section near the start of this Bidder's Statement, in your personalised Acceptance Form and in clause 5 of Annexure 1.	How to Accept the Offer, Acceptance Form and Annexure 1, clause 5
<b>When will I be issued with PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities?</b>	<p>Pritchard Equity will issue the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to you under the Offer by the earlier of:</p> <ul style="list-style-type: none"> <li>- one month after the Offer is accepted or one month after all the conditions have been fulfilled or removed; and</li> <li>- 21 days after the end of the Offer Period.</li> </ul> <p>You will only receive these shares if the Offer becomes unconditional.</p>	Annexure 1, clause 6
<b>When does the Offer close?</b>	The Offer closes at 7:00 pm (AEST) on 2 October 2008 unless it is extended under the Corporations Act.	Annexure 1, clause 4
<b>Do I have to pay costs or expenses associated with the Offer?</b>	<p>All costs and expenses of the Offer and all brokerage or stamp duty payable in respect of a transfer of Property Fox A Class Shares for which the Offer is accepted will be paid by Pritchard Equity.</p> <p>If you hold your Property Fox A Class Shares through a bank, broker or nominee which charges transaction fees or service fees in connection with your acceptance of the Offer or if you are a Foreign Property Fox A Class Shareholder, Pritchard Equity will not pay those fees.</p>	Annexure 1, clauses 6.6 and 10.3
<b>Are there any risks in accepting the Offer?</b>	Property Fox A Class Shareholders who accept the Offer will receive PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ	Section 5

Question	Answer	Further information
	Preferred Income Securities as consideration and will be exposed to the same risk factors and subject to the same investment considerations as existing holders of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. You should refer to section 5 of this Bidder's Statement for further information on some of the potential risks.	
<b>What are the tax implications if I accept the Offer?</b>	<p>The tax implications depend on your personal tax situation.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer.</p>	Section 6
<b>Where do I go for further information?</b>	<p>If you are in any doubt as to how to deal with the Offer, you should consult your broker or your legal, financial or other professional adviser.</p> <p>If you have any questions about the Offer or how to accept it, please contact 1800 134 234 (callers in Australia) or +61 2 4920 2877 (callers outside Australia).</p>	

## **1. INFORMATION ON PRITCHARD EQUITY AND ITS SECURITIES**

### **1.1. Overview of Pritchard Equity and its principal activities**

Pritchard Equity is an NSX listed company which was incorporated on 10 May 2002 and was admitted on the Official List of NSX on 27 April 2006.

Pritchard Equity is a strategic investment house that makes medium to long term investments (that is, 3 to 5 years) in both listed and unlisted entities.

Pritchard Equity aims to achieve long term shareholder returns through a focused portfolio of significant stakes in companies where Pritchard Equity believes there are good opportunities for the value of an investment to grow over time.

Further details in relation to Pritchard Equity are contained in Pritchard Equity's Annual Report for the year ended 30 June 2007 which was released to NSX on 16 November 2007 and is available at [www.nsx.com.au](http://www.nsx.com.au) and [www.peq.com.au](http://www.peq.com.au).

In Pritchard Equity's 31 December 2007 balance sheet, listed portfolio investments are carried at \$1,304,509. Since December 2007, the group has disposed of a majority of its listed investments.

As at 5 August 2008, the market value of the remaining portfolio investments was approximately \$663,913. This includes the group's investment in Property Fox of \$105,420. The cash and cash equivalents of Pritchard Equity as at 31 December 2007 were \$119,284 and as at 5 August 2008 had increased to \$396,201. Pritchard Equity's external borrowings were reduced from \$93,758 as at 31 December 2007 to \$2,057 as at 5 August 2008.

### **1.2. Current Investments**

Details of Pritchard Equity's material investments are set out below

#### **1.2.1. Cameron Stockbrokers Limited**

##### ***Background***

Pritchard Equity currently holds a 33.06% interest in Cameron Capital Limited (***Cameron Capital***). Cameron Capital's results are equity accounted by Pritchard Equity. The equity accounted value of the investment in Cameron Capital is \$1,060,021 as at 31 December 2007. Cameron Capital is the owner of Cameron Stockbrokers Limited (***Cameron Stockbrokers***).

##### ***Description of business***

Cameron Stockbrokers is a stockbroking firm which was established in 1994. It specialises in providing its private clients with personalised and comprehensive services in portfolio management, cash management, margin lending and superannuation. Cameron Stockbrokers is the holder of AFS Licence Number 246705 issued by ASIC, and is a participant of both ASX and NSX.

##### ***Compliance***

As the holder of an AFS Licence under the Corporations Act, Cameron Stockbrokers is regulated by the Corporations Act and the rules of ASX, NSX, ACH and ASTC. The firm has a compliance program to ensure that it complies with its legal obligations and best practice standards in the giving of advice to clients and the execution of client instructions.

### ***Broking***

Cameron Stockbrokers provides advice on investing in equities and other financial products. Cameron Stockbrokers has approximately 7,717 broking clients.

### ***Corporate finance***

Cameron Stockbrokers also operates a boutique corporate advisory business. This business has been active in providing corporate advice on capital raisings, underwritings and initial public offerings.

### ***Industry environment***

The stockbroking industry is highly competitive and is becoming increasingly so, as online broking encroaches into the client full service market. Competition is intensifying as broking houses compete with non traditional participants such as banks, which can now provide execution services to clients. An increasing proportion of the Australian population hold, directly and indirectly, listed securities. This is partially offsetting the negative impact of reduced retail brokerage margins, increased competition amongst providers of broking services and the increasing costs of providing these services. Cameron Stockbrokers is constantly reviewing industry conditions with the aim of implementing measures to improve the firm's position in the market.

### ***Financial information***

Set out below for various periods is the consolidated operating profit after tax of Cameron Capital.

<b>Period</b>	<b>Annual results (\$)</b>	<b>Half year results (\$)</b>
Year ended 30 June 2005	206,303	
Year ended 30 June 2006	482,905	
Half year ended 31 December 2006		342,152
Year ended 30 June 2007	1,157,148	
Half year ended 31 December 2007		358,613

Source: Cameron Capital Limited and controlled entities Annual Reports for the periods ended 30 June 2005, 30 June 2006 & 30 June 2007, Cameron Capital Limited management reports for the period ended 31 December 2006 & 31 December 2007.

Whilst the consolidated operating profit for the half year ended 31 December 2007 was greater than the result for the half year ended 31 December 2006, the consolidated operating profit for the year ended 30 June 2008 is expected to be below the result for the year ended 30 June 2007 due to the downturn currently being experienced in financial markets.

## **1.2.2. Illuminator Investment Company Limited**

### ***Background***

Pritchard Equity currently holds approximately 16% of the issued capital of Illuminator Investment Company Limited (*Illuminator*), a company listed on the NSX. This investment is not equity accounted. As at 5 August 2008 the investment in Illuminator had a market value of approximately \$189,149.

### ***Description of business***

Illuminator is an investment company whose portfolio of investments currently consists predominantly of listed Australian securities.

Illuminator has appointed Pritchard & Partners Pty Limited as its investment manager.

The manager receives a management fee of 1% per annum of gross assets.

Where the portfolio of Illuminator increases in value over a 12 month performance calculation period, the manager is also entitled to a performance fee of 20% of:

- where the level of the UBS Australian Bank Bill Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the UBS Australian Bank Bill Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable to the manager in respect of any performance period where the value of the portfolio has decreased in value over that period.

The manager is also entitled to be reimbursed for certain expenses under the management agreement.

Illuminator's investment portfolio is managed with a view to having a minimum of 20 and a maximum of 50 different issuers securities in the portfolio. In making its investment decisions the company generally takes a medium to long term view with respect to investments (3 to 5 years).

Further details are contained in Illuminator's Annual Report for the year ended 30 June 2007 which was released to NSX on 18 September 2007 and is available at [www.nsx.com.au](http://www.nsx.com.au).

### ***Financial information***

Set out below for various periods is the operating profit after tax for Illuminator.

<b>Period</b>	<b>Annual results</b>	<b>Half year results</b>
	<b>(\$)</b>	<b>(\$)</b>
Year ended 30 June 2005	34,362	
Year ended 30 June 2006	7,990	
Half year ended 31 December 2006		50,903
Year ended 30 June 2007	49,632	
Half year ended 31 December 2007		13,229

Source: Illuminator Investment Company Limited Annual reports for the periods ended 30 June 2005, 2006 and 2007 and Illuminator Investment Company Limited, interim reports for the periods ended 31 December 2006 and 2007.

Illuminator's operating profit is dependent upon the state of the financial markets, and the realisation of capital profits from time to time.

It is expected that as the size of Illuminator's investment portfolio increases over time, the operating costs as a proportion of the assets of the company will decrease.

To assist in the growth of its portfolio, Illuminator recently issued its 2008-2009 prospectus, offering up to 20,000,000 new ordinary shares in the company at a minimum issue price of 50 cents per share. As at 31 December 2007, Illuminator had shareholders' funds of \$1,351,967.

Illuminator investments consist of listed securities, with approximately 80% being listed in Australia and the balance overseas. As at 5 August 2008 the total market value of Illuminator's portfolio was approximately \$1,264,327.

Details of specific investments held as at 31 December 2007 can be found in Illuminator's current prospectus, which is available at [www.illuminator.com.au](http://www.illuminator.com.au) or [www.nsx.com.au](http://www.nsx.com.au).



### 1.2.3. Portfolio Investments

Pritchard Equity also has material investments in the following:

- Florin Mining Investments Company Limited:  
  
Florin Mining Investment Company Limited (FMI) is an investment company that is listed on the NSX and managed by Cameron Stockbrokers Limited that specialises in investing in resource companies. As at 5 August 2008, the Pritchard Equity group held 365,951 fully paid ordinary shares in FMI (or 2% of issued shares) with a market value of approximately \$69,531;
- NSX Limited:  
  
NSX Limited (NSX) is the holding company for the National Stock Exchange of Australia Limited, Bendigo Stock Exchange Limited and the water exchange. It is listed on the Australian Securities Exchange. As at 5 August 2008, the Pritchard Equity group held 38,000 fully paid ordinary shares in NSX (or 0.05% of the fully paid ordinary shares on issue), with a market value of approximately \$5,320 and 700,000 partly paid ordinary shares with a book value of \$1 in total;
- Penrose Club Holdings Limited:  
  
Penrose Club Holdings Limited (PCH) is an unlisted public company which owns a substantial parcel of land at Penrose in the Southern Highlands of New South Wales. It is our understanding that the Board of Penrose Club Holdings Limited is presently considering a number of business opportunities which may result in good financial returns for its shareholders. As at 5 August 2008, the Pritchard Equity group, held 25 fully paid ordinary shares in PCH (or 4% of the ordinary shares on issue), with a book value of \$104,445; and
- Property Fox (via its related entities as disclosed in section 2.6 of this Bidder's Statement) with a market value as at 5 August 2008 of \$105,420.

The balance of Pritchard Equity's listed investments portfolio is made up of investments in approximately 20 other ASX and NSX listed companies. None of these investments is individually material in the context of Pritchard Equity's overall financial position.

### 1.3. Pritchard Equity Directors

The present directors of Pritchard Equity are:

#### **Steven Pritchard** **B Com, CPA, F Fin – Executive Chairman**

Steven Pritchard obtained a Bachelor of Commerce Degree from the University of Newcastle in 1986, and qualified as a Certified Practising Accountant in 1988. He has been providing investment advice as a representative of a licensed dealer in securities since 1988.

He completed the Graduate Diploma in Applied Finance and Investment at the Securities Institute of Australia and was admitted as an Associate of the Institute in 1993.

In 1996 he was admitted as a member of NSX, and was instrumental in establishing Pritchard & Partners Pty Limited to provide investment advice to clients of Rees Pritchard Pty Limited.

He was a director of NSX from 1996 to 2003 and Chairman from 2000 to 2003, and was instrumental in developing the strategic plan which saw the renaissance of NSX as a capital market for small, medium and regionally based companies.

In 2002 he was responsible for the establishment of Cameron Capital, which acquired the ASX Participating Organisation Cameron Stockbrokers. He remains the current Executive Chairman of the Cameron Capital Group.

In 2003 he was appointed to the board of the Winpar Holdings Limited, which was the first company to list on the rejuvenated NSX.

In 2004 he was jointly responsible with Daniel Di Stefano for a successful capital raising for and the listing of Illuminator on NSX. Illuminator became both the first Newcastle based company to list on NSX, and the first Newcastle based listed institutional investor.

He is a director of Florin Mining Investment Company Limited, which undertook a capital raising and listed on NSX in 2005.

He is a past Branch Councillor and Chairman of CPA Australia, and received the President's Award in 2000 for outstanding contributions to CPA Australia.

**Gordon Bradley Elkington**  
**BSc, MSc, PhD, LL.M – Non-executive Director**

Gordon Elkington is a Barrister of the Supreme Court of New South Wales and has been a successful private investor for many years.

He is a director and company secretary of Winpar Holdings Limited, a public investment company listed on NSX, a director of Stokes (Australasia) Limited and a member of the New South Wales Legal Qualifications Committee.

He was formerly a Senior Lecturer in Law and earlier a Lecturer in Pure Mathematics at the University of Sydney.

**Enzo Pirillo**  
**B Com, CPA F Fin – Executive Director and Company Secretary**

Enzo Pirillo obtained a Bachelor of Commerce Degree from the University of Newcastle in 1994 and qualified as a Certified Practising Accountant in 1996.

In 2004 he completed the Graduate Diploma in Applied Finance and Investment at the Securities Institute of Australia and was admitted as an Associate of the Institute.

He has worked in a number of senior accounting positions both in public practice and in commerce.

He is a director of Cameron Capital, Newcastle Deposit & Investment Company Limited, Newcastle Capital Markets Registries Pty. Limited and Pritchard & Partners Pty. Limited.

He is currently the financial controller and company secretary of Cameron Capital.

#### **1.4. Pritchard Equity Financial Information**

##### **1.4.1. Summary of Profit and Loss Statement**

The following summary of Profit and Loss Statement information has been extracted and/or derived from Pritchard Equity's results for the years ended 30 June 2006 and 30 June 2007 and the half-year ended 31 December 2007.

	Half-Year ended 31 December 2007	Year ended 30 June 2007	Year ended 30 June 2006
<b>Operating profit before income tax</b>	100,658	446,886	255,141
Income tax expense/(credit)	(15,799)	(20,799)	1,547
<b>Operating profit after income tax</b>	116,457	467,685	253,594
Profit/(loss) attributable to minority equity interests	5,654	10,183	2,344
<b>Profit attributable to members of the company</b>	110,803	457,502	251,250
Earnings per share (cents)*	8.09	33.41	18.35

\* Note: the earnings per share in the table are not a reliable guide for future earnings per share because the Company has recently issued PEQ Preferred Income Securities which confer on their holders a right to receive a fixed cumulative preferential dividend (refer to Part 2 of Annexure 4) in priority to PEQ A Ordinary Shares and PEQ B Ordinary Shares).

#### 1.4.2. Summary of Statement of Cash Flows

The following summary of cash flow information has been extracted from Pritchard Equity's results for the years ended 30 June 2006 and 30 June 2007 and the half-year ended 31 December 2007.

	Half-Year ended 31 December 2007	Year ended 30 June 2007	Year ended 30 June 2006
Net operating cash flows	171,136	(38,244)	(14,919)
Net investing cash flows	(104,628)	(261,528)	(547,067)
Net financing cash flows	2,110	(67,536)	830,385
Net increase (decrease) in cash held	68,618	(232,236)	268,399
Cash at beginning of period	50,666	282,902	14,343
Cash at end of period	119,284	50,666	282,742

#### 1.4.3. Summary Balance Sheet

The following summary Balance Sheet information has been extracted from Pritchard Equity's Balance Sheets as at 30 June 2006, 30 June 2007 and 31 December 2007.	As at 31 December 2007	As at 30 June 2007	As at 30 June 2006
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	119,284	50,666	282,902
Receivables	64,996	94,766	16,910
Trading portfolio	27,830	139,977	113,070
Other current assets	2,875	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>214,985</b>	<b>285,409</b>	<b>412,882</b>
<b>NON-CURRENT ASSETS</b>			
Investment portfolio	1,304,509	1,114,614	678,398
Investments in associates accounted for using the equity method	1,060,021	942,611	564,023
Other financial assets	-	-	-
Deferred tax assets	44,844	24,915	20,636

<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,409,374</b>	<b>2,082,140</b>	<b>1,263,057</b>
<b>TOTAL ASSETS</b>	<b>2,624,359</b>	<b>2,367,549</b>	<b>1,675,939</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	205,396	51,965	50,093
Short term borrowings	138,849	225,842	135,850
Current tax liabilities	22	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>344,267</b>	<b>277,807</b>	<b>185,943</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	20,462	19,923	18,161
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>20,462</b>	<b>19,923</b>	<b>18,161</b>
<b>TOTAL LIABILITIES</b>	<b>364,729</b>	<b>297,730</b>	<b>204,104</b>
<b>NET ASSETS</b>	<b>2,259,630</b>	<b>2,069,819</b>	<b>1,471,835</b>
<b>EQUITY</b>			
Issued capital	787,997	787,997	794,576
Reserves	245,076	162,789	31,880
Retained earnings	1,067,799	968,216	516,788
<b>Parent interest</b>	<b>2,100,872</b>	<b>1,919,002</b>	<b>1,343,012</b>
Minority equity interest	158,758	150,817	128,823
<b>TOTAL EQUITY</b>	<b>2,259,630</b>	<b>2,069,819</b>	<b>1,471,835</b>

See Section 1.1 of this Bidder's Statement for updated guidance on the market value of investment portfolio assets.

## 1.5. Additional Information regarding Pritchard Equity

### 1.5.1. Regular reporting and disclosure obligations

Due to the fact that Pritchard Equity is offering PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as consideration under the Offer, the Corporations Act requires this Bidder's Statement to include all information that would be required for a prospectus under sections 710 to 713 of the Corporations Act.

Pritchard Equity is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act, and is subject to regular reporting and disclosure obligations under the Corporations Act and the NSX Listing Rules. These obligations require Pritchard Equity to notify NSX of information about specified events and matters as they arise for the purposes of NSX making that information available to the stock market operated by NSX. In particular, Pritchard Equity has an obligation under the NSX Listing Rules (subject to certain limited exceptions) to notify NSX immediately of any information of which it becomes aware concerning Pritchard Equity which a reasonable person would expect to have a material effect on the price or value of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. A substantial amount of information regarding Pritchard Equity has previously been notified to NSX and is therefore publicly available.

Because of these regular reporting and disclosure obligations, Pritchard Equity is only required to disclose in this Bidder's Statement information that would usually be required in a "transaction specific prospectus". In general terms, transaction specific

prospectuses are only required to contain information in relation to the effect of the issue of the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities on Pritchard Equity and the rights and liabilities attaching to the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. It is not necessary to include general information in relation to the assets, liabilities, financial position, profits, losses or prospects of Pritchard Equity unless this information has not previously been disclosed to NSX. Accordingly, not all publicly available information has been disclosed in this Bidder's Statement.

Other than information contained in this Bidder's Statement, there is no information which has not been included in a continuous disclosure notice in accordance with the NSX Listing Rules and is information that a Property Fox A Class Shareholder or a professional adviser to a Property Fox A Class Shareholder would reasonably expect to find in this Bidder's Statement and would reasonably require for the purposes of making an informed assessment of:

- (a) the assets, liabilities, financial position, profits, losses or prospects of Pritchard Equity; or
- (b) the rights and liabilities attaching to the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities.

#### **1.5.2. Copies of available information**

During the Offer Period, Pritchard Equity will provide any of the following documents free to any person who requests them:

- Pritchard Equity's constitution;
- Pritchard Equity's annual report for the year ended 30 June 2007 (being the annual report most recently lodged with NSX before this Bidder's Statement was lodged with ASIC);
- continuous disclosure notices given to NSX by Pritchard Equity after the lodgement with ASIC of Pritchard Equity's 2007 annual report on 16 November 2007 and before lodgement of this Bidder's Statement with ASIC (a list of which is provided in Annexure 2); and
- continuous disclosure notices given to NSX by Property Fox after the lodgement with ASIC of Property Fox's 2007 annual report on 13 September 2007 and before lodgement of this Bidder's Statement with ASIC (a list of which is provided in Annexure 3).

Copies of any of these documents can be requested by contacting the Offer Information Line on 1800 134 234 (callers in Australia) or +61 2 4920 2877 (callers outside Australia). Alternatively the information can be downloaded from the Pritchard Equity website ([www.peq.com.au](http://www.peq.com.au)) or, in the case of certain of Property Fox's releases, from the Property Fox website ([www.propertyfoxno1.com.au](http://www.propertyfoxno1.com.au)).

#### **1.6. Pritchard Equity's issued securities**

Pritchard Equity has on issue PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities.

Pritchard Equity also has on issue Series 1 Options, Series 2 Options and Series 3 Options.

All ordinary shares rank equally for the purposes of participation in profits and capital of Pritchard Equity.

PEQ A Ordinary Shares confer on their holders the right to receive notices, reports and accounts and to attend and speak, but not to vote, at general meetings of the Company.

PEQ B Ordinary Shares confer on their holders the right to receive notices, reports and accounts and to attend, speak and vote at general meetings of the Company.

As at the date of this Bidder's Statement, Pritchard Equity has the following securities on issue:

Description of Securities	Number Issued
A ordinary shares (PEQA)	620,608
B ordinary shares (PEQB) <sup>1</sup>	831,378
Preferred Income Securities (PEQPA)	1,461
Series 1 options (PEQOA) <sup>2</sup>	679,358
Series 2 options (PEQOB) <sup>3</sup>	339,679
Series 3 options (PEQOC) <sup>4</sup>	339,679

<sup>1</sup> PEQ B Ordinary Shares are the only voting shares on issue (the PEQ Preferred Income Securities carry limited voting rights as set out in Annexure 4).

<sup>2</sup> Each PEQOA option is exercisable into one PEQ A Ordinary Share at an exercise price of \$1.25 on or before 10 December 2008.

<sup>3</sup> Each PEQOB option is exercisable into one PEQ A Ordinary Share at an exercise price of \$2.50 on or before 10 December 2010.

<sup>4</sup> Each PEQOC option is exercisable into one PEQ A Ordinary Share at an exercise price of \$10.00 on or before 10 December 2015.

## 1.7. Substantial shareholders and Top 20 shareholders in Pritchard Equity

As at the date of this Bidder's Statement the following entities had notified Pritchard Equity of substantial shareholdings in Pritchard Equity (with the shareholding and voting power as disclosed at the time of lodgement of the substantial shareholder notice):

Substantial shareholder	Number of Shares	Voting power %
Steven Pritchard	540,000 PEQB shares <sup>1</sup>	64.95%

<sup>1</sup> PEQ B Ordinary Shares are the only securities which give shareholders a right to vote at general meetings of Pritchard Equity (the PEQ Preferred Income Securities carry limited voting rights as set out in Annexure 4).

Assuming a 100% or 66% acceptance of the Offer, Mr Pritchard's voting power would become:

Acceptance Level	Voting power %
100%	57.19%
66%	59.61%

As at 24 July 2008, Pritchard Equity had 84 shareholders. Annexure 5 lists the 20 largest shareholders in each class of ordinary share and the PEQ Preferred Income Securities and their percentage shareholdings recorded in the share register as at that date.

## 1.8. Trading of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities

Since the Company listed on NSX on 27 April 2006, there have only been 16 on-market trades of PEQ A Ordinary Shares and 5 on-market trades of PEQ B Ordinary Shares. The following table sets out the details of the on-market trades:

Date	Price \$	Volume	Value \$
PEQ A Ordinary Shares			
24/04/07	1.10	1,000	1,100.00
22/01/07	1.00	11,250	11,250.00
16/01/07	0.85	5,000	4,250.00
23/05/06	0.85	5,000	4,250.00
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
4/05/06	0.85	250	212.50
3/05/06	0.85	1,000	850.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
2/05/06	1.00	250	250.00
PEQ B Ordinary Shares			
24/04/07	1.10	1,000	1,100.00
22/01/07	1.00	11,250	11,250.00
16/01/07	0.85	5,000	4,250.00
23/05/06	0.85	5,000	4,750.00
3/05/06	0.95	1,000	950.00

The PEQ Preferred Income Securities have only been quoted since 28 May 2008 and no on-market trades have taken place.

### 1.8.1. Shareholder spread

The distribution of holders of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as at 15 July 2008 is set out below:

PEQ A Ordinary Shares

	Number of holders	Number of shares
1 to 1,000	35	25,600
1,001 to 5,000	21	60,253

5,001 to 10,000	6	46,063
10,001 to 100,000	13	320,692
100,001 and more	1	168,000
<b>Total</b>	<b>76</b>	<b>620,608</b>

#### PEQ B Ordinary Shares

	<b>Number of holders</b>	<b>Number of shares</b>
1 to 1,000	25	23,850
1,001 to 5,000	23	70,200
5,001 to 10,000	2	18,600
10,001 to 100,000	14	285,528
100,001 and more	3	433,200
<b>Total</b>	<b>67</b>	<b>831,378</b>

#### PEQ Preferred Income Securities

	<b>Number of holders</b>	<b>Number of shares</b>
1 to 1,000	72	1,461
1,001 to 5,000	0	0
5,001 to 10,000	0	0
10,001 to 100,000	0	0
100,001 and more	0	0
<b>Total</b>	<b>72</b>	<b>1,461</b>

### 1.9. Implied value of the Offer

The Offer has an implied value of \$0.45 per Property Fox A Class Share, based on the following:

- the last recorded sale price of PEQ A Ordinary Shares on NSX was \$1.10 (on 24 April 2007);
- the last recorded sale price of PEQ B Ordinary Shares on NSX was \$1.10 (on 24 April 2007);
- the preferential cumulative dividend of \$10 per annum and the preferential return for each PEQ Preferred Income Security on a winding up of the Company of \$100; and
- the VWAP of Property Fox A Class Shares traded on NSX during the year ended 30 June 2008 (excluding shares bought back by Property Fox) was \$0.3576.



The implied value of the Offer represents a 25.8% premium to the VWAP of Property Fox A Class Shares traded on NSX during the year ended 30 June 2008 (excluding shares bought back by Property Fox).

**1.10. Rights and liabilities attaching to PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities**

As set out in Annexure 4, PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities received as consideration under the Offer will be fully paid and will rank equally with existing PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities respectively.

PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities are quoted on NSX. An application will be made to NSX within seven days of the date of this Bidder's Statement for official quotation of the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to be issued pursuant to the Offer. Quotation is not guaranteed or automatic on such an application. Nothing in this Bidder's Statement is to be taken to imply that the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities issued as consideration under the Offer will be quoted on NSX. However, quotation is expected in the ordinary course as Pritchard Equity is already admitted to the NSX Official List.

The PEQ B Ordinary Shares confer the right to vote at general meetings of the Company. However, it is important to note that neither the PEQ A Ordinary Shares nor the PEQ Preferred Income Securities carry the right to vote at general meetings of Pritchard Equity, with PEQ Preferred Income Securities carrying limited rights to vote as set out in Annexure 4, part 2.

The rights and liabilities attaching to the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities which will be issued as consideration under the Offer are set out in the constitution and the Corporations Act, and are subject to statutory, common law and NSX Listing Rule requirements.

The main rights and liabilities attaching to the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities are summarised in Annexure 4.

## **2. INFORMATION ON PROPERTY FOX AND ITS SECURITIES**

### **2.1. Publicly available information and disclaimer**

The information regarding Property Fox in section 2 and elsewhere in this Bidder's Statement has been prepared by Pritchard Equity using publicly available information, and has not been independently verified. Accordingly, Pritchard Equity does not make any representation or warranty as to the accuracy or completeness of this information.

The information on Property Fox in this Bidder's Statement should not be considered comprehensive.

Property Fox is a company listed on NSX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and the NSX Listing Rules. For information concerning the financial position and affairs of Property Fox, you should refer to the full range of information that has been disclosed by Property Fox pursuant to those requirements.

In addition, the Corporations Act requires the directors of Property Fox to provide a Target's Statement to holders of Property Fox A Class Shares in response to this Bidder's Statement, setting out certain material concerning Property Fox.

### **2.2. Brief overview of Property Fox and its principal activities**

#### **2.2.1. General Overview**

Property Fox is an NSX listed company, which was incorporated on 26 August 2002 and was admitted to the Official List of NSX on 28 February 2007.

Property Fox is a property investment company.

For further information on Property Fox, investors should read the NSX announcements made by Property Fox. A list of announcements made by Property Fox since 13 September 2007 (the date that the Property Fox annual report was most recently lodged with NSX) before this Bidder's Statement was lodged with ASIC is attached as Annexure 3.

#### **2.2.2. Property Fox Assets**

Property Fox's investments currently consist of:

- 38 Vine Street Fairfield, New South Wales

Property Fox owns 4 units in Fairfield. These units have been listed for sale for some time by the company.

- Healy and Ruthven Streets, Toowoomba Queensland

Property Fox owns a 30% share of 8 contiguous properties comprising houses and flats in the central area of Toowoomba. The properties were purchased as a landbank for possible redevelopment at a later date.

- Fox Riverside Pty Limited

Property Fox owns 2% of the issued capital of Fox Riverside Pty Limited, which owns property located on the Brisbane River. Fox Riverside Pty Limited intends to place the property for sale by public auction.

As at 31 December 2007, Property Fox's balance sheet disclosed cash and cash equivalent assets of \$1,614,136.

### **2.2.3. Property Fox Liabilities**

As at 31 December 2007, Property Fox's balance sheet, under current liabilities, disclosed "other financial liabilities" of \$446,250 being interest bearing liabilities.

However, Note 7 to the Property Fox Financial Statements for the period ending 31 December 2007 disclosed a joint venture loan agreement under which the total amount payable as at 31 December 2007 is stated to be \$1,190,000 and a liability of \$452,500 being Property Fox's interest in the joint loan being recorded and included in "other financial liabilities".

### **2.2.4. Property Fox Directors and Secretary**

The directors of Property Fox are set out below:

- Peter Spann, Managing Director;
- Jodie Morris, Executive Director; and
- Howard Woolcott, Executive Director.

Andrew Whitten is Property Fox's company secretary.

### **2.2.5. Management Agreement**

Property Fox is managed by Fox Portfolio Pty Ltd (The Manager) under a Management Agreement. The Manager is controlled and owned by Peter Spann, the Managing Director of Property Fox.

According to Property Fox's prospectus dated 1 November 2002, the Management Agreement includes the following provisions:

- *Term* – the Management Agreement will continue in full force and effect until it is determined by mutual agreement of both parties or is terminated pursuant to the default provisions;
- *Management* – the Manager will manage the affairs of Property Fox in a business-like manner and make available for use by Property Fox an office facility in Double Bay, New South Wales (or such other address as the Manager may from time to time nominate). The Manager will assume and exercise the powers and perform the duties usually associated with the position of manager;
- *Management Fee* – Property Fox will pay an annual management fee to the Manager in an amount equal to 2% of the paid up share capital of Property Fox, which amount shall be paid monthly in arrears;
- *Assignment* – the Manager will not, unless it first obtains the prior written consent of Property Fox, which consent may be withheld in Property Fox's sole discretion, assign or otherwise transfer its rights and obligations arising under the Management Agreement.

According to announcements made by Property Fox to NSX, the Management Fee was reduced from 1 July 2007 to \$12,000 per annum. Further, the Manager will not accept any profit share or performance bonus on profits in respect of the shares in Property Fox it owns until the NTA (net tangible assets) of Property Fox exceeds \$1.25 per share. Property Fox has also represented in announcements to NSX that the fees will not increase until Property Fox has returned to profitability and a capital value of \$1.25 NTA per share. It has not been disclosed whether the Management Agreement has been amended to reflect these changes.

### **2.2.6. Financial Overview**

Based on Property Fox's half year report lodged with NSX on 14 March 2008, Property Fox had, as at 31 December 2007:

- total assets of \$3,465,790;
- total liabilities of \$523,493; and
- total equity of \$2,942,297.

For further details of Property Fox's financial status, please refer to Property Fox's 2007 Annual Report and the Financial Report for the half year ended 31 December 2007, which are available on the NSX website ([www.nsx.com.au](http://www.nsx.com.au); NSX code PFAA) or on Property Fox's website ([www.propertyfoxno1.com.au](http://www.propertyfoxno1.com.au)).

### **2.3. Property Fox's issued securities**

According to the documents lodged by Property Fox with NSX, Property Fox has the following securities on issue at the date of this Bidder's Statement:

- (a) 4,513,001 Property Fox A Class Shares; and
- (b) 1,250,000 ordinary shares (*Property Fox Ordinary Shares*).

The Property Fox Ordinary Shares are not listed on NSX. Pritchard Equities is not making an offer to acquire the Property Fox Ordinary Shares.

Property Fox A Class Shares collectively receive 75% of all dividends declared by Property Fox, collectively receive 100% of any share capital repaid on a winding up, and have the right to vote at all meetings of members of Property Fox, with each Property Fox A Class Share being entitled to 1 vote.

Property Fox Ordinary Shares collectively receive 25% of all dividends declared by Property Fox and have the right to vote at all meetings of members of Property Fox, with each Property Fox Ordinary Share being entitled to 1 vote.

### **2.4. Share Buy-back**

On 30 August 2007, Property Fox announced its intention to conduct on-market buy-backs of up to 10% of Property Fox's issued capital.

The first on-market buy-back of Property Fox A Class Shares took place on 17 October 2007 when Property Fox bought back 5,000 Property Fox A Class Shares at \$0.56 per share. The last on-market buy-back prior to the date of this Bidder's Statement took place on 29 April 2008 when 20,000 Property Fox A Class Shares were bought back at \$0.42 each. As at the date of this Bidder's Statement, Property Fox has bought back 486,999 Property Fox A Class Shares, paying \$0.40, \$0.42, \$0.50 or \$0.56 per share.

Pritchard Equity believes that Property Fox has paid more than fair market value for the Property Fox A Class Shares it bought back, and that the price of the Property Fox A Class Shares has been inflated by the support given by the buy-backs.

### **2.5. Substantial shareholders in Property Fox**

As at the date of this Bidder's Statement, the following entities had notified Property Fox of current substantial shareholdings in Property Fox (with the shareholding and voting power being that which was disclosed in the substantial shareholder notice):

Substantial shareholder	Number of Property Fox A Class Shares / Property Fox Ordinary Shares held	Voting power %
Pritchard Equity Limited	313,000 Property Fox A Class Shares	5.15%
Fox Portfolio Pty Ltd	1,250,000 Property Fox Ordinary Shares	20.00%

## 2.6. Details of relevant interests in Property Fox securities held by Pritchard Equity

Pritchard Equity has a relevant interest in 313,000 Property Fox A Class Shares as at the date of the Bidder's Statement and the date of the Offer. The Property Fox A Class Shares are held by the following entities:

Shareholder	Number of Property Fox A Class Shares
Henley Underwriting & Investment Company Pty Ltd <sup>1</sup>	251,000
Pritchard & Partners Pty Ltd <sup>2</sup>	2,000
Gordon Bradley Elkington <sup>3</sup>	30,000
Winpar Holdings Ltd <sup>4</sup>	30,000

<sup>1</sup> Henley Underwriting & Investment Company Pty Ltd is a wholly owned subsidiary of Pritchard Equity.

<sup>2</sup> Pritchard & Partners Pty Ltd is associated with Steven Pritchard and Enzo Pirillo, each a director of Pritchard Equity.

<sup>3</sup> Gordon Elkington is a director of Pritchard Equity.

<sup>4</sup> Steven Pritchard and Gordon Elkington, directors of Pritchard Equity, are also directors of Winpar Holdings Limited.

## 2.7. Consideration provided for Property Fox A Class Shares during the previous 4 months

Neither Pritchard Equity nor its associates have purchased, or provided any consideration for, Property Fox A Class Shares during the period of 4 months before the date of the Offer.

## 2.8. No inducing benefits given during the previous 4 months

Except as set out in this Bidder's Statement, neither Pritchard Equity nor any of its Associates has, during the period of 4 months before the date of the Offer, given, or offered to give or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an Associate,;

- (a) to accept the Offer; or
- (b) to dispose of Property Fox A Class Shares,

which benefit is not offered to all Property Fox A Class Shareholders under the Offer.

### **3. PRITCHARD EQUITY'S INTENTIONS**

#### **3.1. Introduction**

This section sets out the intentions of Pritchard Equity in relation to Property Fox. These intentions have been formed on the basis of facts and information concerning Property Fox, and the general business environment, which are known to Pritchard Equity at the time of preparing this Bidder's Statement. Final decisions will only be reached by Pritchard Equity in the light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section of the Bidder's Statement are statements of current intention only and may vary as new information becomes available or as circumstances change.

#### **3.2. Intentions upon acquiring 90% or more of Property Fox A Class Shares**

This section sets out Pritchard Equity's intentions if, at the end of the Offer Period, Pritchard Equity holds 90% or more of the Property Fox A Class Shares and is entitled to proceed to compulsory acquisition of the Property Fox A Class Shares it does not then own, in accordance with Part 6A.1 of the Corporations Act. In these circumstances, Pritchard Equity's current intentions are set out below.

It is important to note that acquiring 90% or more of the Property Fox A Class Shares will not entitle Pritchard Equity to acquire any of the Property Fox Ordinary Shares, and these shares will continue to hold approximately 21.7 % of the voting rights in Property Fox (subject to any dilution of such rights in the future).

##### **3.2.1. Corporate matters**

###### **(a) Compulsory acquisition of Property Fox A Class Shares**

If Pritchard Equity is entitled to proceed to compulsory acquisition of any outstanding Property Fox A Class Shares in accordance with Part 6A.1 of the Corporations Act, then Pritchard Equity intends to do so.

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

Pritchard Equity intends to replace the members of the Property Fox Board (except Howard Woolcott) with at least two nominees of Pritchard Equity.

###### **(c) Delisting from NSX**

Following compulsory acquisition of any outstanding Property Fox A Class Shares, Pritchard Equity intends to cause Property Fox to apply for delisting from NSX.

##### **3.2.2. Three month review**

Pritchard Equity intends to conduct a review of the structure of the combined businesses in the first three months following the end of the Offer Period. The basis of the review, and Pritchard Equity's current intentions in relation to each matter, are set out below.

###### **(a) Review of Property Fox's property portfolio**

Pritchard Equity intends to conduct a strategic review of Property Fox's property assets to assess the performance, profitability and prospects of these assets on an asset-by-asset basis. This will involve the appointment of an independent valuer to determine the realisable value of Property Fox's property assets.

The key objective of this review will be to determine which assets should be retained and which (if any) should be sold.

Pritchard Equity has undertaken a preliminary review of Property Fox's property assets based on publicly available information, but has not currently formed any intention in relation to particular investments, and will not do so until the completion of its review.

Pritchard Equity also intends to seek to identify business opportunities and areas of revenue generation which may provide overall strategic and operation benefits for Property Fox.

**(b) Review of Management Agreement and performance of Manager**

According to Property Fox's 2007 Annual Report, Property Fox does not employ any executive officers other than the directors of Property Fox. Property Fox is primarily managed under a Management Agreement (refer to section 2.2.5 above). Pritchard Equity intends to review the Management Agreement and the performance of the Manager to determine whether the Management Agreement should be modified or terminated.

**(c) Office functions**

Pritchard Equity intends to consolidate and rationalise corporate office functions (such as company secretarial, treasury, financial reporting, corporate affairs and information technology), at Pritchard Equity's existing office in New South Wales.

**(d) Intentions in relation to current Property Fox employees**

According to Property Fox's 2007 Annual Report, Property Fox does not employ any executive officers other than the directors of Property Fox. Property Fox does not appear to have any employees. Pritchard Equity will review the existing staff of both Property Fox (if any) and the Manager, and may offer roles in the Merged Entity to appropriately skilled and experienced personnel.

**3.3. Intentions upon gaining 66% or more but less than 90% of Property Fox A Class Shares**

If, at the end of the Offer Period, Pritchard Equity gains at least 66% but less than 90% of the Property Fox A Class Shares, Pritchard Equity will not hold sufficient Property Fox A Class Shares to proceed to compulsory acquisition of the remaining Property Fox A Class Shares. However, by virtue of the voting rights attaching to the Property Fox A Class Shares, Pritchard Equity will gain effective control of Property Fox. In these circumstances, Pritchard Equity's current intentions are set out below.

**3.3.1. General Intention**

In the event that Pritchard Equity obtains 66% or more but less than 90% of Property Fox A Class Shares, then as the single largest shareholder, Pritchard Equity, intends to run Property Fox as a subsidiary in accordance with Pritchard Equity's strategy as set out above, subject to regulatory requirements and minority shareholder rights.

**3.3.2. Compulsory acquisition of Property Fox A Class Shares**

It is possible that, even if Pritchard Equity is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act (for example, Pritchard Equity subsequently obtains a 90% relevant interest in Property Fox A Class Shares as a result of acquisitions of Property Fox A Class Shares in reliance of the '3% creep' exception in item 9 of section 611 of the Corporations Act). If Pritchard Equity becomes entitled to exercise rights of compulsory acquisition, it intends to do so.

**3.3.3. Directors**

Pritchard Equity intends to seek (through discussion and negotiation but, failing agreement, by convening a general meeting of Property Fox Shareholders) to replace the members of the

Property Fox Board (except Howard Woolcott) with at least two nominees of Pritchard Equity, so that there is a majority of Pritchard Equity nominees on the Property Fox Board.

#### **3.3.4. Review of Property Fox operations and assets**

If it is appropriate in the circumstances, Pritchard Equity intends, through its nominees on the Property Fox Board, to propose that Property Fox conduct the detailed reviews described in section 3.2 above and potentially act upon some or all of them.

#### **3.3.5. Limitations on intentions**

The ability of Pritchard Equity to implement the intentions set out in this section 3.3 will be subject to the legal obligation of the Property Fox Board to have regard to the interests of Property Fox and all Property Fox shareholders, and the requirements of the Corporations Act and the NSX Listing Rules relating to transactions between related parties. Pritchard Equity will only make a decision on the above mentioned courses of action after taking legal and financial advice in relation to those requirements.

### **3.4. Intentions if Pritchard Equity does not acquire 66% of Property Fox A Class Shares**

This section sets out Pritchard Equity's intentions if the Offer closes and Pritchard Equity does not acquire 66% of Property Fox A Class Shares. A number of possibilities are open to Pritchard Equity including the following:

- (a) allowing the Offer to lapse;
- (b) waiving its 66% minimum acceptance condition;
- (c) acquiring additional Property Fox A Class Shares to the extent permitted by law; and
- (d) seeking representation on the Property Fox Board.

As at the date of the Bidder's Statement, Pritchard Equity has not formed a view as to how it is likely to proceed in those circumstances. This will depend on the level of acceptances received, and level at which the Property Fox A Class Shares trade on NSX after the offer closes. Pritchard Equity is unlikely to acquire additional shares if it considers that the prices at which the shares trade exceeds their fair value, and Pritchard Equity's view on what is fair value may change from time to time depending on a number of factors.

It may be in Pritchard Equity's interest to hold the Property Fox A Class Shares as a portfolio investment. If at any time Property Fox A Class Shares held by Pritchard Equity do not achieve an appropriate portfolio return, and Pritchard Equity forms the view that continuing to hold those Property Fox A Class Shares is not in the best interests of Pritchard Equity shareholders, it may dispose of those shares in any manner it sees fit. Further, depending on the level of its shareholding, Pritchard Equity may also seek the appointment of a representative to the Board of Property Fox. This representative is likely to be a Pritchard Equity director.

In the alternative, Pritchard Equity may decide not to hold or purchase any Property Fox A Class Shares. In those circumstances, the Offer will lapse and Pritchard Equity will not acquire any Property Fox A Class Shares under the Offer.

### **3.5. Other intentions**

Other than as set out in sections 3.1 to 3.4, it is the present intention of Pritchard Equity following completion of the Offer:

- (a) to continue to operate the business of Property Fox;
- (b) not to make any major changes to the business of Property Fox nor to redeploy any of the fixed assets of Property Fox; and
- (c) to continue the employment of Property Fox's present employees (if any).



## **4. EFFECT OF THE OFFER ON PRITCHARD EQUITY**

### **4.1. Rationale for the Offer**

Pritchard Equity considers that a number of significant benefits will arise from the proposed combination of Pritchard Equity and Property Fox. All shareholders, including current Pritchard Equity shareholders, will share in the anticipated benefits.

- The combination will create a stronger Merged Entity, with greater scope to enhance shareholder value. Based on existing cash reserves, the combined group is expected to have access to cash reserves and an investment portfolio of in excess of \$3.1 million and may have a greater capacity to raise new capital, as required, for further value creation opportunities.
- The combined group may benefit from a reduced risk profile resulting from the ownership of several assets.
- An enhanced management structure will be created through the combination of Pritchard Equity's skilled and experienced operational team with Property Fox's existing capabilities, as well as additional external appointments as necessary.
- Shareholders in the combined group may benefit from any cost savings as a result of rationalisation of corporate offices and the associated board and management structures.
- As discussed in section 3.2.2, Pritchard Equity intends to review all investments in Property Fox's property portfolio. Shareholders in the combined group may benefit from any rationalisation of the total number of investments held and an increased focus on core investments where Pritchard Equity can exert appropriate influence to create value for shareholders.

### **4.2. General effect of an acquisition on Pritchard Equity**

Other than as referred to elsewhere in this Bidder's Statement, the acquisition of Property Fox is not expected to have a material effect on the existing operations of Pritchard Equity, other than through the potential benefits of combining the operations of Pritchard Equity and Property Fox and rationalising the Property Fox portfolio.

As discussed in section 3.2.2 above, Pritchard Equity intends to undertake a strategic review of Property Fox's property portfolio, with the objective of maximising shareholder value.

### **4.3. Financial effect of the Offer**

If the Offer is accepted in respect of more than 66% of Property Fox A Class Shares, Pritchard Equity and Property Fox will be combined to form the Merged Entity. The Merged Entity Pro Forma Financial Information has been compiled under two scenarios:

- Pritchard Equity acquires 100% of the Property Fox A Class Shares (100% acquisition); and
- Pritchard Equity acquires the minimum acceptance level required to effect the Offer, being at least 66% of the Property Fox A Class Shares (66% acquisition).

For each of these scenarios, the Merged Entity Pro Forma Financial Information in this section includes the following:

- the Pro forma Historical Income Statement of the Merged Entity for the year ended 31 December 2007 (Merged Entity Pro Forma Historical Income Statement) and the related pro forma adjustments; and
- the Pro forma Historical Balance Sheet as at 31 December 2007 (Merged Entity Pro Forma Historical Balance Sheet) and the related pro forma adjustments.

Each of Pritchard Equity and Property Fox have a 30 June financial year end.

#### **4.3.1. Historical financial information**

Pritchard Equity's Historical Financial Information has been extracted from the half year ended 31 December 2007 reviewed financial statements, the financial year ended 30 June 2007 audited financial statements and the half year ended 31 December 2006 reviewed financial statements (*Pritchard Equity's Historical Financial Information*).

The financial statements of Pritchard Equity for the financial year ended 30 June 2007 were audited by Pritchard Equity's external auditor in accordance with Australian Auditing Standards. The financial statements of Pritchard Equity for the half years ended 31 December 2007 and 31 December 2006 were reviewed by Pritchard Equity's external auditor in accordance with Australian Auditing Standards. The audit opinion and review statements issued to the members of Pritchard Equity relating to those financial statements were unqualified.

Property Fox's Historical Financial Information has been extracted from the half year ended 31 December 2007 reviewed financial statements, the financial year ended 30 June 2007 audited financial statements and the half year ended 31 December 2006 reviewed financial statements (*Fox's Historical Financial Information*).

The financial statements of Property Fox for the financial year ended 30 June 2007 were audited by Property Fox's external auditor in accordance with Australian Auditing Standards. The financial statements of Property Fox for the half years ended 31 December 2007 and 31 December 2006 were reviewed by Property Fox's external auditor in accordance with Australian Auditing Standards. The audit opinion and review statements issued to the members of Property Fox relating to those financial statements were unqualified.

#### **4.3.2. Merged Entity Pro Forma Historical Financial Information**

The Merged Entity Pro Forma Historical Financial Information has been based upon Pritchard Equity's and Property Fox's Historical Financial Information, pro forma adjustments to reflect the impact of the private placement of ordinary shares and bonus issues of PEQ Preferred Income Securities to Pritchard Equity ordinary shareholders on 27 May 2008 and pro forma adjustments required to present the Merged Entity on an aggregate basis (*Pro Forma Offer Adjustments*).

The Merged Entity Pro Forma Historical Financial Information is presented for illustrative purposes for use in this Bidder's Statement only in an abbreviated form, and does not contain all the disclosures that are usually provided in a financial report prepared in accordance with the Corporations Act. In particular, it does not include the notes to and forming part of the financial statements of Pritchard Equity and Property Fox.

The accounting policies used to prepare the Merged Entity Pro Forma Historical Financial Information are based upon the accounting policies of Pritchard Equity contained in its audited financial statements for the financial year ended 30 June 2007. Where there are specific transactions that are not covered by Pritchard Equity's accounting policies, the Merged Entity has applied the current accounting policies of Property Fox contained in publicly available information. No material differences have been identified between the accounting policies of Pritchard Equity and Property Fox, and therefore no adjustments have been made to the Pro Forma Historical Financial Information to reflect any accounting policy differences.

A detailed review of the application of accounting policies will be undertaken as part of the Strategic Review and may result in further adjustments.

#### **4.3.3. Merged Entity Pro Forma Historical Income Statement**

The Merged Entity Pro Forma Historical Income Statement is compiled from the aggregation of:

- income statements extracted from Pritchard Equity's Historical Financial Information;
- income statements extracted from Property Fox's Historical Financial Information; and
- relevant Pro Forma Pritchard Equity Adjustments and Pro Forma Offer Adjustments required to present the Merged Entity on an aggregated and go forward basis.

Set out below is the Merged Entity Pro Forma Historical Income Statement for the year ended 31 December 2007 (**Relevant Period**) for the two scenarios. The Merged Entity Pro Forma Historical Income Statement is prepared on the basis that the Offer had completed on 31 December 2007. The Offer will not complete until a future date and only if the conditions to the Offer are satisfied or waived.

#### **Pro Forma Historical Income Statement for the year ended 31 December 2007**

				100% acquisition		66% acquisition	
	Pritchard Equity	Pro Forma Pritchard Equity Adjust- ments	Property Fox	Pro Forma Offer Adjust- ments	Merged Entity	Pro Forma Offer Adjust- ments	Merged Entity
	\$	\$	\$	\$	\$	\$	\$
Total income from ordinary activities	485,824		336,362		822,186		822,186
Total expenses	79,795		431,225		511,020		511,020
Earnings before interest & tax	406,029		(94,863)		311,166		311,166
Borrowing costs expense	10,827	9,957	46,105	104,568	171,456	69,015	135,903
Operating profit before income tax	395,202		(140,968)		139,710		175,263
Income tax expense/ (benefit)	(30,718)		-		(30,718)		(30,718)
Operating profit after income tax	425,920		(140,968)		170,428		205,981
Profit/(loss) attributable to minority equity interest	12,054		-		12,054		(35,875)
Profit attributable to members of the company	413,866		(140,968)		158,374		241,856

#### **4.3.4. Pro Forma Pritchard Equity Adjustments underlying the Pro Forma Historical Income Statement**

On 27 May 2008 Pritchard Equity made a bonus issue of 1,461 PEQ Preferred Income Securities to the holders of its ordinary shares.

Holders of PEQ Preferred Income Securities are entitled to a cumulative preferential dividend of \$10 per annum, inclusive of franking credits.

In accordance with the applicable Australian Accounting Standards, part of the dividends payable in respect of these PEQ Preferred Income Securities of \$9,957 has been treated as a finance cost.

No other adjustments have been made.

#### **4.3.5. Pro Forma Offer Adjustments underlying the Pro Forma Historical Income Statement**

The following pro forma adjustments have been made:

- Finance charges in respect of part of the dividends payable on the PEQ Preferred Income Securities issued as part of the acquisition have been included.
- Tax on the Pro Forma Offer Adjustments has been calculated using the corporate income tax rate of 30%.
- Adjustments for the minority interest's share of profit after income tax is shown in the event of a 66% acquisition.

- The impact of acquisition accounting is discussed in more detail in section 4.3.7.

For the purposes of the Pro Forma Historical Income Statement, no adjustments have been made to reflect the impact of acquisition accounting because it is not possible to accurately determine the fair value of Property Fox assets and liabilities at this time.

No adjustments have been made to the Pro Forma Historical Income Statement for the impact of any potential cost synergies or integration costs on the income statement.

#### 4.3.6. Merged Entity Pro Forma Historical Balance Sheet

The Merged Entity Pro Forma Historical Balance sheet is compiled from the aggregation of:

- a balance sheet extracted from Pritchard Equity's Pro Forma Historical Financial Information;
- a balance sheet extracted from Property Fox's Pro Forma Historical Financial Information; and
- relevant pro forma adjustments required to present the Merged Entity on an aggregated and go forward basis as set out below.

Set out below is the Merged Pro Forma Historical Balance Sheet as at 31 December 2007 for the two scenarios. The Merged Entity Pro Forma Historical Balance Sheet is prepared on the basis that the Offer had completed on 31 December 2007. The Offer will not complete until a future date and only if the conditions to the Offer are satisfied or waived.

#### *Pro Forma Historical Balance Sheet as at 31 December 2007*

	100% Acquisition			66% Acquisition	
	Pritchard Equity	Property Fox	Proforma Offer Adjust-Ments	Proforma Offer Adjust-Ments	Merged Entity
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents	201,784	1,614,136	-	-	1,815,920
Trade and other receivables	64,996	34,879	-	-	99,875
Trading portfolio	27,830	-	-	-	27,830
Inventory	-	1,463,276	-	-	1,463,276
Other current assets	2,875	-	-	-	2,875
Investment portfolio	1,304,509	-	-	-	1,304,509
Investments in associates accounted for using the equity method	1,060,021	-	-	-	1,060,021
Deferred tax assets	44,844	-	-	-	44,844
Other financial assets	-	353,499	-	-	353,499
<b>TOTAL ASSETS</b>	<b>2,706,859</b>	<b>3,465,790</b>	<b>-</b>	<b>-</b>	<b>6,172,649</b>
<b>LIABILITIES</b>					
Trade and other payables	205,396	77,243	-	-	282,639
Short-term borrowings	138,849	-	-	-	138,849
Current tax liabilities	22	-	-	-	22
Other financial liabilities	-	446,250	-	-	446,250
Preferred Income Securities	142,237	-	1,493,827	985,922	1,128,159
Deferred tax liabilities	20,462	-	-	-	20,462
<b>TOTAL LIABILITIES</b>	<b>506,966</b>	<b>523,493</b>	<b>1,493,827</b>	<b>985,922</b>	<b>2,016,381</b>
<b>NET ASSETS</b>	<b>2,199,893</b>	<b>2,942,297</b>	<b>1,493,827</b>	<b>985,922</b>	<b>4,156,268</b>
<b>TOTAL EQUITY</b>	<b>2,199,893</b>	<b>2,942,297</b>	<b>1,493,827</b>	<b>985,922</b>	<b>4,156,268</b>

#### 4.3.7. Pro forma adjustments relating to the impact of acquisition accounting

Accounting Standard AASB 3 Business Combinations requires Pritchard Equity to measure the cost of the Offer at the aggregate of the fair value of assets, liabilities and equity issued by Pritchard Equity in exchange for control of Property Fox at the date on which the exchange occurs.

The Pritchard Equity securities to be issued are the cost of the acquisition. In accordance with accounting standards, the Pritchard Equity securities (other than the PEQ Preferred Income Securities) have been valued at their market prices. For the purpose of determining the market price of the PEQ A Ordinary Shares and PEQ B Ordinary Shares to be issued, the last on-market sale price for these shares of \$1.10 was used.

#### 4.4. Effect on Capital Structure

The table below sets out:

- the current number and class of securities issued by Pritchard Equity;
- the number and class of securities to be issued by Pritchard Equity in the event that it receives acceptances for 100% of Property Fox A Class Shares; and
- the number and class of securities to be issued by Pritchard Equity in the event that it receives acceptances for 66% of Property Fox A Class Shares.

	PEQA	PEQB	PEQPA	PEQOA	PEQOB	PEQOC
<b>Number currently issued</b>	620,608	831,378	1,461	679,358	339,679	339,679
<b>Number to be issued if 100% acceptance</b>	338,475	112,825	15,344	-	-	-
<b>Number to be issued if 66% acceptance</b>	223,394	74,465	10,128	-	-	-

The percentage of the Merged Entity to be held by Property Fox shareholders at these acceptance levels will be:

	PEQA	PEQB	PEQPA
<b>If 100% acceptance</b>	35.29%	11.95%	91.31%
<b>If 66% acceptance</b>	26.47%	8.22%	87.39%

Please note that only PEQB shares have voting rights.

#### 4.5. Dividend Policy

Pritchard Equity has not paid any dividends to date. Following the acquisition of Property Fox, Pritchard Equity will, in conjunction with its review of Property Fox assets, consider its future dividend policy. In general terms, Pritchard Equity's dividend policy is likely to be one which will pay dividends from operating earnings to the extent that this does not prejudice its growth opportunities. Dividends will be franked to the extent that available imputation credits permit. As a dividend may only be paid out of profits of the Company, dividends will not be paid where there are no profits or accumulated profits.

The PEQ Preferred Income Securities confer on holders a right to receive a cumulative preferential dividend of \$10 per annum (inclusive of any franking credits that would accrue to an Australian resident shareholder in respect of that dividend), accruing at the rate of \$5 for each 6 month period (or part of such period) ending on 30 June and 31 December each year during which the securities are on issue. Holders of PEQ Preferred Income Securities receive a fixed preference dividend and any arrears of dividends ranks ahead of the dividend rights of holders of PEQ A Ordinary Shares and PEQ B Ordinary Shares, as and when profits permit. PEQ A Ordinary Shares and PEQ B Ordinary Shares are entitled to a dividend as determined by the directors of Pritchard Equity.

## **5. RISKS**

### **5.1. Introduction**

Property Fox A Class Shareholders who accept the Offer will receive PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as consideration and will be exposed to the same risk factors and other investment considerations as existing holders of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities.

The price of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities and the future performance of Pritchard Equity and, accordingly, the value of the Offer to Property Fox A Class Shareholders, will depend upon a range of factors and risks. Whilst some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, some are outside the control of Pritchard Equity and cannot be mitigated. The principal risks include, but are not limited to, those described below. Pritchard Equity does not give any form of guarantee of future dividends, return of capital, or the price at which the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities might trade in the future on NSX.

Property Fox A Class Shareholders should consider these risk factors, as well as other information in this Bidder's Statement, in making their decision to accept the Offer.

### **5.2. Specific business risks**

#### **5.2.1. Reliance on key personnel**

Pritchard Equity relies on a number of key personnel, in particular Steven Pritchard. The loss of any key employees, in particular Steven Pritchard, may have a detrimental effect on the Company.

Illuminator Investment Company Limited (***Illuminator***) (which is 16% owned by Pritchard Equity) also relies on a number of key personnel to make investment decisions, in particular Steven Pritchard and Daniel Di Stefano. The loss of any key employees may have a detrimental effect on the company.

Further, the loss of key staff members of Cameron Stockbrokers (which is 33.06% owned (indirectly) by Pritchard Equity) could result in that company losing valuable client relationships and transaction execution skills.

#### **5.2.2. Market price of investments**

The Company directly and indirectly owns or has an interest in shares in a number of listed companies. The market price of these shares may fall as well as rise.

#### **5.2.3. Concentration of investments**

The portfolios of investments held by the Company, Henley Underwriting & Investment Company Pty Limited (which is 100% owned by Pritchard Equity) and Illuminator are less diversified than those of many other listed investment companies.

These companies may be unable to identify other suitable companies in which to invest.

#### **5.2.4. Regulatory requirements**

The stockbroking industry is regulated by the Corporations Act, and the ASIC, ASX and NSX operating rules. Cameron Stockbrokers is required to hold certain licences and memberships to be able to conduct its business. If Cameron Stockbrokers or its advisers were to breach the requirements of the relevant regulations or licences, the company's ability to conduct its business could be threatened.

The ability of Pritchard & Partners Pty Ltd (*Pritchard & Partners*) to manage Illuminator's portfolio of investments is dependent on the maintenance of Pritchard & Partners' AFS Licence. Maintenance of the AFS Licence depends, among other things, on Pritchard & Partners continuing to comply with the licence conditions and the Corporations Act.

#### **5.2.5. Remuneration of Pritchard & Partners**

Pritchard & Partners' remuneration for managing Illuminator's portfolio is based partially on performance, which may create an incentive for Pritchard & Partners to make investments on behalf of Illuminator that are riskier or more speculative than would be the case if the fee were not based on the performance of Illuminator.

#### **5.2.6. Failure of computer systems and other services**

Cameron Stockbrokers is dependent on the ongoing efficient operation of its information and accounting computer system. A major hardware or software failure could create delays in processing daily transactions, resulting in abnormal costs if the problem cannot be addressed quickly.

Cameron Stockbrokers relies on ASX to continue to supply and operate efficiently the ITS and CHESS services to enable it to execute orders and settle share trade transactions. A failure of either or both of these services could detrimentally affect the business conducted by Cameron Stockbrokers.

### **5.3. Transaction specific risks**

#### **5.3.1. Issue of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as consideration**

Under the Offer, Pritchard Equity will issue new PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. The rights and liabilities attaching to these securities are set out in more detail in Annexure 4 of this Bidder's Statement. Some Property Fox A Class Shareholders may not intend to continue to hold their PEQ A Ordinary Shares, PEQ B Ordinary Shares or PEQ Preferred Income Securities and may wish to sell them on NSX. If a significant number of Property Fox A Class Shareholders seek to sell their PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities, this may adversely impact the price of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities.

The PEQ B Ordinary Shares entitle the holder to vote at general meetings of Pritchard Equity. However, neither the PEQ A Ordinary Shares nor the PEQ Preferred Income Securities entitle the holder to any voting rights at general meetings of Pritchard Equity and therefore, holders of these shares do not have the ability to influence the business or other decisions of Pritchard Equity.

While the PEQ Preferred Income Securities are entitled to a preferential dividend as described in Annexure 4, part 2, there is no guarantee that either the PEQ A Ordinary Shares, PEQ B Ordinary Shares or the PEQ Preferred Income Securities will provide any return in the event that Pritchard Equity does not make any profits. If Pritchard Equity makes profits sufficient to pay some, but not all, of the dividend on the PEQ Preferred Income Securities then a pro-rata dividend will be paid to the extent of available profits, and the remainder will accumulate for payment at a later date as and when profits permit.

The Company may convert any PEQ Preferred Income Securities into PEQ A Ordinary Shares at any time by giving 60 days written notice. The conversion terms of the securities are set out in Part 2(i) of Annexure 4 of this Bidder's Statement.



As outlined in Section 1.8 of this Bidder's Statement, the PEQ A Ordinary Shares and PEQ B Ordinary Shares being offered as consideration under the Offer have only had limited on-market trades and the PEQ Preferred Income Securities were quoted on 28 May 2008 and have not yet been traded. The substantial shareholding of Mr Steven Pritchard in Pritchard Equity further reduces the liquidity of these securities.

In comparison to Property Fox, the securities of Pritchard Equity are closely held with Mr Steven Pritchard being the controlling shareholder. The presence of this controlling shareholder is likely to diminish the likelihood of a third party takeover offer.

#### **5.3.2. Integration**

Pritchard Equity expects that value can be added for shareholders of the Merged Entity by the efficient integration of the businesses. If Pritchard Equity is unable to acquire 100% of Property Fox A Class Shares under the Offer, it may not achieve all of the potential benefits referred to in this Bidder's Statement.

#### **5.3.3. Property Fox assets**

Pritchard Equity may not be able to dispose of one or more of Property Fox's property investments acquired as a result of the Offer, when desired, or for full value. As a consequence, the apparent value of an investment may not be realised.

### **5.4. General economic and market risks**

#### **5.4.1. Sharemarket considerations**

PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities are listed on NSX, where their prices may rise or fall from day to day. PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on NSX. The value of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities may be determined by the stock market and will be subject to a range of factors, many of which are beyond the control of Pritchard Equity.

The performance of companies in which Pritchard Equity has a direct or indirect interest may also be adversely affected by general share market conditions.

#### **5.4.2. Economic and other considerations**

The future earnings of Pritchard Equity and the value of its investments may be materially affected by the general economic climate and other factors beyond the control of the Company, including, but not limited to, variations in legislation and government policies, taxation laws, exchange rates and short and long term interest rates.

## **6. AUSTRALIAN TAX CONSIDERATIONS**

### **6.1. General**

The following is a summary of the principal Australian tax consequences generally applicable to Property Fox A Class Shareholders who dispose of their Property Fox A Class Shares under the Offer and who hold their securities on capital account for the purposes of investment.

This summary reflects the current provisions of the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) and the regulations made under those Acts, taking into account currently proposed amendments and Pritchard Equity's understanding of the current administrative practices of the Australian Taxation Office. The outline does not otherwise take into account or anticipate changes in the law, either by way of judicial decision or legislative action, nor does it take into account tax legislation of countries other than from Australia.

The following outline is not exhaustive of all Australian income tax considerations that could apply to particular Property Fox A Class Shareholders. In particular, the outline does not apply to Property Fox A Class Shareholders who:

- hold their securities on revenue account or as trading stock;
- acquired their securities pursuant to an employee share or option plan;
- are a bank, insurance company, tax exempt organisation or superannuation fund that is subject to special tax rules
- are non-resident shareholders that hold their securities as an asset of a permanent establishment in Australia.

The outline below is general in nature and does not constitute taxation advice and should not be relied upon as such. Given the general nature of the outline, each person is advised to consult with their own tax adviser regarding the consequences of acquiring, holding or disposing of Property Fox A Class Shares in light of current tax laws and their particular investment circumstances.

### **6.2. Australian-resident Property Fox A Class Shareholders**

#### **Capital Gains Tax (CGT)**

If the Offer is accepted, the disposal of the Property Fox A Class Shares will be a CGT event for Property Fox A Class Shareholders. The time of the CGT event will be the time at which the Property Fox A Class Shareholders enter into a contract to dispose of their Property Fox A Class Shares or when the Property Fox A Class Shares are compulsorily acquired.

In summary, the consequences of the CGT event that takes place in respect of the Property Fox A Class Shares are as follows:

- (a) A capital gain (or capital loss) arising to a Property Fox A Class Shareholder is determined as the capital proceeds received less the CGT cost base (or reduced cost base) of the Property Fox A Class Shares.
- (b) The capital proceeds for the disposal of the Property Fox A Class Shares will equal the market value of the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities that are received by the Property Fox A Class Shareholders, worked out at the time of the CGT event. The CGT cost base of the Property Fox A Class Shares will generally include the actual (or deemed) cost of acquisition plus incidental costs associated with the acquisition and disposal of the shares.

- (c) Any capital gain made (after offsetting any capital losses) will be included in the Property Fox A Class Shareholder's assessable income. A capital loss that arises on the disposal of the Property Fox A Class Shares can generally be offset against any other capital gains that arise in the same year. Any unutilised capital losses can generally be carried forward and offset against capital gains in future years, subject to satisfying the relevant loss utilisation rules.
- (d) For certain Property Fox A Class Shareholders (for example individuals, complying superannuation funds and trustee of a trust) a discount may apply to the amount of a capital gain that arises on the disposal of the Property Fox A Class Shares. The CGT discount will only apply if the Property Fox A Class Shares have been held for more than 12 months before the date on which the CGT event occurs pursuant to the acceptance of the Offer. In summary, the CGT discount is applied after offsetting any available capital losses. For example, the discount rate is 50% for individuals and trustees and 33⅓% for complying superannuation funds. The application of the CGT discount rules to Property Fox A Class Shareholders that are trustees of a trust are complex and such shareholders should seek their own advice based on their particular circumstances. The CGT discount is not available to a Property Fox A Class Shareholder that is a company.
- (e) Scrip for scrip roll-over relief, which would allow a Property Fox A Class Shareholder to defer the making of a capital gain on the disposal of their Property Fox A Shares, will not be available as the Company will not become, because of the Offer, the owner of at least 80% of the voting shares in Property Fox.

### **6.3. Non-resident Property Fox A Class Shareholders**

- (a) Where a non-resident holds Property Fox A Class Shares on capital account and the Property Fox A Class Shares have not been used at any time in carrying on business through a permanent establishment in Australia, the disposal of the Property Fox A Class Shares will not be subject to Australian CGT unless:
  - (i) the assets of Property Fox (directly or indirectly) consist principally of 'real property' situated in Australia (i.e more than 50% of the value of Property Fox is represented by Australian 'real property'); and
  - (ii) the non-resident Shareholder holds a direct interest in Property Fox (together with associates) of more than 10% at the time of the sale, or throughout a 12 month period that began within two years of the time of the sale.
- (f) Therefore, if the assets of Property Fox consist principally of real property (as defined), a non-resident Property Fox A Class Shareholder will generally not have to pay Australian tax on any capital gain that arises on the disposal of the Property Fox A Class Shares unless they (together with associates) hold or have held at least 10% of the issued shares in Property Fox at the time of the disposal of the Property Fox A Class Shares or throughout a 12 month period that began within two years of the disposal.
- (g) Scrip for Scrip roll-over relief will not be available to the non-resident Property Fox A Class Shareholders (see 6.2(e) above).
- (h) Non-resident Property Fox A Class Shareholders that may be subject to Australian tax on any capital gain that arises on the disposal of the Property Fox A Class Shares within the rules described above are advised to seek their own advice relevant to their own circumstances.
- (i) Where the non-resident Property Fox A Class Shareholders is a resident of a country with which Australia has concluded a double tax treaty, the non-resident Property Fox A Class Shareholder who has made a capital gain from the disposal of their Property

Fox A Class Shares may be entitled to relief from Australian tax pursuant to the terms of the treaty. If treaty relief is not available, the Property Fox A Class Shareholder may be eligible for the CGT discount as described above for Australian resident Property Fox A Class Shareholders.

- (j) Non-resident Property Fox A Class Shareholders should seek their own taxation advice as to the taxation implications of the Offer in their country of residence.

#### **6.4. Stamp duty**

Any stamp duty payable on the transfer of Property Fox A Class Shares to Pritchard Equity pursuant to the Offer will be paid by Pritchard Equity.

#### **6.5. GST**

Dealings in securities are not subject to GST. Property Fox A Class Shareholders will not, therefore, be liable for (or required to pay) GST on the receipt of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as part of the Offer.

#### **6.6. Other Issues**

Property Fox A Class Shareholders would have been invited to provide Property Fox with their Tax File Number ("**TFN**") or Australian Business Number ("**ABN**") when they first acquired their Property Fox A Class Shares. If no TFN or ABN was quoted, Property Fox would have deducted tax from the unfranked portion of dividends paid at the highest marginal rate of tax (plus Medicare Levy).

Specific provisions of the *Privacy Act 1988* and the *Taxation Administration Act 1953* prevent Property Fox from disclosing the TFNs of Property Fox A Class Shareholders to third parties. Accordingly, Property Fox will be unable to disclose the TFNs of Property Fox A Class Shareholders to the Company without their consent.

If the Offer is accepted, Property Fox A Class Shareholders will be sent a form that the shareholder can use to provide their TFN or ABN or exemption. Property Fox A Class Shareholders are not obliged to provide their TFN or ABN. However, if a Property Fox A Class Shareholder does not provide their TFN or ABN or exemption, tax may be withheld at a rate of 46.5% on any unfranked dividends paid by the Company. However, Property Fox A Class Shareholders will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld, in their income tax returns.

## **7. ADDITIONAL INFORMATION**

### **7.1. ASIC modifications and exemptions**

#### **7.1.1. Class Orders**

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including Pritchard Equity, in relation to the operation of Chapter 6 of the Corporations Act. Pritchard Equity may rely on this class order relief.

Pritchard Equity has relied on the modification to section 636(3) of the Act set out in paragraph 11 of ASIC Class Order 01/1543 "Takeover Bids" to enable it to include references to certain statements by Property Fox and other persons in this Bidder's Statement without obtaining the consent of Property Fox or those other persons.

As required by Class Order 01/1543, Pritchard Equity will make available a copy of any of these documents (or of relevant extracts from these documents), free of charge, to Property Fox A Class Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts), Property Fox A Class Shareholders may telephone the Offer Information Line on 1800 134 234 (callers in Australia) or +61 2 4920 2877 (callers outside Australia).

In relation to the offer of PEQ Preferred Income Securities, Pritchard Equity has relied on the exemption from section 710 of the Act set out in ASIC Class Order 00/0195 in relation to an offer of convertible notes or convertible preference shares on the conversion of which the holder will be issued with continuously quoted securities, and on this basis this Offer contains information in compliance with section 713 of the Act (for a transaction specific prospectus).

### **7.2. Disclosure of interests of certain persons**

Other than as set out below or elsewhere in this Bidder's Statement:

- (a) no director or proposed director of Pritchard Equity;
- (b) no person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (c) no promoter of Pritchard Equity; and
- (d) no broker or underwriter in relation to the issue of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities pursuant to the Offer,

(together, ***Interested Persons***) holds at the date of this Bidder's Statement or has held at any time during the last two years, any interest in:

- (e) Pritchard Equity; or
- (f) property acquired or proposed to be acquired by Pritchard Equity in connection with its formation or promotion, or the offer of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities under the Offer; or
- (g) the offer of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities under the Offer.

### **7.3. Disclosure of fees and benefits received by certain persons**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (a) to a director or proposed director of Pritchard Equity, to induce them to become, or to qualify as, a director of Pritchard Equity; or
- (b) for services provided by any Interested Person (as defined in section 7.2 above) in connection with Pritchard Equity or the offer of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities under the Offer.

Pritchard Partners has acted as financial adviser to Pritchard Equity in relation to the Offer. Pritchard Equity has paid or agreed to pay approximately \$55,000 for these services to the date of this Bidder's Statement and may also pay Pritchard Partners additional fees for financial advice provided in connection with the Offer after the date of this Bidder's Statement if the Offer is successful or if certain conditions are met.

Baker & McKenzie has acted as legal adviser to Pritchard Equity in relation to the Offer. Pritchard Equity has paid or agreed to pay approximately \$55,000 for these services to the date of this Bidder's Statement. Pritchard Equity has also paid or agreed to pay Baker & McKenzie other fees for advising on other matters. Pritchard Equity may also pay or agree to pay Baker & McKenzie additional fees (based on agreed hourly rates) for legal services provided in connection with the Offer after the date of this Bidder's Statement.

The amounts disclosed are exclusive of any amount of GST that may be payable by Pritchard Equity in respect of those amounts.

#### **7.4. Disclosure of interests of Pritchard Equity Directors**

##### **7.4.1. Interest in the shares and options of Pritchard Equity and related bodies corporate**

As at the date of this Bidder's Statement, interests of the Pritchard Equity directors in the shares and options of Pritchard Equity were:

Director	A Ordinary Shares		B Ordinary Shares		Preferred Income Equity Securities		Series 1 Options		Series 2 Options		Series 3 Options	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Gordon Elkington	15,200	2.45	15,200	1.83	30	2.05	40,200	5.92	20,100	5.92	20,100	5.92
Steven Pritchard	326,480	52.61	540,000	64.95	868	59.41	207,480	30.54	103,740	30.54	103,740	30.54
Enzo Pirillo	1,000	0.16	1,000	0.12	2	0.14	51,000	7.51	25,500	7.51	25,500	7.51

##### **7.4.2. Non-executive director remuneration**

Currently Pritchard Equity's non-executive director (Gordon Elkington) does not receive any directors fees or salary. The non-executive director also receives all reasonable travel, accommodation and other expenses incurred in attending meetings of the board, committees or shareholders or while engaged in other Pritchard Equity business.

##### **7.4.3. Executive director remuneration**

Currently Pritchard Equity's executive directors receive no directors fees or salaries.

##### **7.4.4. Indemnification and insurance of directors and executives**

To the extent permitted by law, Pritchard Equity indemnifies its directors and executives on a full indemnity basis against any liability (including costs and other expenses) incurred by a

person as a director or an executive of Pritchard Equity or a related entity of Pritchard Equity.

#### **7.5. Consents**

The following persons have consented to being named in this Bidder's Statement in the form and context in which their names appear, and have not withdrawn their consent prior to lodgement of this Bidder's Statement with ASIC:

- (a) Pritchard & Partners Pty Limited;
- (b) Baker & McKenzie; and
- (c) Newcastle Capital Markets Registries Pty Limited.

None of the persons named above as having given their consent to the inclusion of a statement or to being named in this Bidder's Statement makes, or purports 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.

To the maximum extent permitted by law, each of the persons expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to their name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Bidder's Statement with the consent of that person.

#### **7.6. Date for determining holders**

For the purposes of section 633(2) of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) of the Corporations Act for the Offer is the Register Date.

#### **7.7. Foreign Property Fox A Class Shareholders**

Property Fox A Class Shareholders who are Foreign Property Fox A Class Shareholders will not be entitled to receive PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities as part of the consideration for their Property Fox pursuant to the Offer, unless Pritchard Equity otherwise determines. For the purposes of the Offer, if the address of a Property Fox A Class shareholder as shown in the register of members of Property Fox is in a jurisdiction other than Australia or its external Territories or New Zealand, the shareholder is a Foreign Property Fox A Class Shareholder. However, if Pritchard Equity is satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to that person in the relevant jurisdiction and to issue PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to that person on acceptance of the Offer, it will make the Offer and issue PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities accordingly. Notwithstanding anything else contained in this Bidder's Statement, Pritchard Equity is not under any obligation to spend any money, or undertake any action, in order to satisfy itself about any of these matters.

Any PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities which would otherwise have been issued to Foreign Property Fox A Class Shareholders under a connection with the offer will be issued to a nominee approved by ASIC, who will sell those PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities. The net proceeds of the sale of such shares after the deduction of applicable costs will then be remitted to the relevant person.

## 8. GLOSSARY

### 8.1. Definitions

In this Bidder's Statement the following words have these meanings unless the contrary intention appears or the context otherwise requires:

*\$* or *dollar* means Australian dollars.

*Acceptance Form* means the acceptance form which accompanies this Bidder's Statement.

*AEST* means Australian Eastern Standard Time.

*Announcement Date* means 5 August 2008.

*ASIC* means Australian Securities and Investments Commission.

*Associates* has the meaning given to it in the Corporations Act.

*ASTC* means the ASX Settlement and Transfer Corporation Pty Limited.

*ASTC Settlement Rules* means the rules of ASTC from time to time.

*ASX* means ASX Limited or the financial market which it operates, as the context requires.

*Bidder's Statement* means this bidder's statement in respect of the Offer given by Pritchard Equity under Part 6.5 of Chapter 6 of the Corporations Act.

*CGT* means capital gains tax.

*CHESS* means Clearing House Electronic Subregister System established and operated by ASX Settlement and Transfer Corporation Pty Limited for the clearing, settlement, transfer and registration of approved securities.

*CHESS Holding* means a holding of Property Fox A Class Shares on the CHESS subregister of Property Fox.

*Company* or *Pritchard Equity* means Pritchard Equity Limited.

*Controlling Participant* means the Participant who is designated as the controlling participant in a CHESS Holding in accordance with the ASTC Settlement Rules.

*Consideration* means 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities per 1 Property Fox A Class Share, as varied in accordance with the Corporations Act.

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

*Foreign Law* means a law of a jurisdiction other than an Australian jurisdiction.

*Foreign Property Fox A Class Shareholder* means a Property Fox A Class Shareholder whose address as shown in the register of members of Property Fox is in a jurisdiction other than Australia or its external territories or New Zealand, unless Pritchard Equity otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Property Fox A Class Shareholder in the relevant jurisdiction and to issue PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to such a Property Fox A Class Shareholder on the acceptance of the Offer.

*GST* means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999.

*HIN* means holder identification number.



***Issuer Sponsored Holding*** means a holding of Property Fox A Class Shares on Property Fox's issuer sponsored subregister.

***Management Agreement*** means the management agreement between Property Fox and Fox Portfolio Pty Ltd.

***Merged Entity*** means Pritchard Equity and its subsidiaries following the acquisition by Pritchard Equity of all, or at least 66%, of the Property Fox A Class Shares.

***NSX*** means National Stock Exchange of Australia Limited or the financial market which it operates.

***NSX Listing Rules*** or ***Listing Rules*** means the official listing rules of NSX.

***NTA*** means net tangible assets.

***Offer*** means the offer by Prichard Equity to acquire Property Fox A Class Shares on the Offer Terms.

***Offer Period*** means the period commencing 1 September 2008 and ending 2 October 2008 unless extended or withdrawn in accordance with the Corporations Act.

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

***Participant*** has the meaning given to it in the ASTC Settlement Rules.

***PEQ A Ordinary Shares*** means A ordinary shares in the capital of Pritchard Equity

***PEQ B Ordinary Shares*** means B ordinary shares in the capital of Pritchard Equity.

***PEQ Preferred Income Securities*** means preferred income equity securities in the capital of Pritchard Equity.

***Pritchard Equity*** or ***Company*** means Pritchard Equity Limited (ACN 100 517 404).

***Pritchard Equity Board*** means the board of directors of Pritchard Equity.

***Property Fox*** means Property Fox No. 1 Limited (ACN 101 816 353).

***Property Fox Board*** means the board of directors of Property Fox.

***Property Fox A Class Share*** means a fully paid Class A share in the capital of Property Fox.

***Property Fox Group*** means Property Fox and its subsidiaries.

***Property Fox A Class Shareholder*** means a holder of Property Fox A Class Shares.

***Property Fox Ordinary Share*** means a fully paid ordinary share in the capital of Property Fox.

***Register Date*** means the date set by Pritchard Equity under section 633(2) of the Corporations Act, being 13 August 2008.

***Rights*** means all accretions and rights attaching to or arising from Property Fox A Class Shares after the Announcement Date (including, without limitation, all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options and all other distributions or entitlements declared, paid or issued by Property Fox).

***SRN*** means securityholder reference number.

***Target's Statement*** means the target's statement in respect of the Offer required to be issued by Property Fox pursuant to Division 3 Part 6.5 of the Corporations Act.

**VWAP** means volume weighted average price.

## **8.2. General Interpretation**

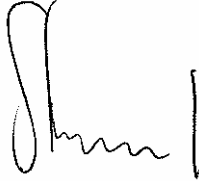
The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) a reference to time is a reference to Sydney (New South Wales) time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is a reference to a section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its other grammatical forms have corresponding meanings;
- (g) \$, dollar or cents are references to Australian currency, unless otherwise stated;
- (h) a reference to a person includes a reference to a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes a reference to any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes a reference to any variation or replacement of it;
- (l) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
- (n) a reference to you is a reference to each person to whom an Offer is made under Annexure 1 to this Bidder's Statement; and
- (o) the words "include", "including", "for example" or "such as" are not used as, and are not to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

## **9. APPROVAL OF THE BIDDER'S STATEMENT**

This Bidder's Statement has been approved by a unanimous resolution of the Pritchard Equity Board.

Signed by Steven Pritchard, a director of Pritchard Equity, in accordance with section 351 of the Corporations Act.

A handwritten signature in black ink, appearing to read 'S. Pritchard', followed by a vertical line.

5 August 2008

## **Annexure 1**

### **OFFER TERMS**

---

#### **1 Offer**

##### **1.1 Full offer**

Pritchard Equity offers to acquire all of your Property Fox A Class Shares together with all Rights attaching to them on the terms and conditions, set out in this offer.

Subject to clause 9 of this Annexure 1, you may only accept this Offer for all of your Property Fox A Class Shares.

An Offer in this form and bearing the same date is being made to each person registered as the holder of Property Fox A Class Shares in the register of Property Fox A Class Shareholders as at 8.00 am (AEST) on the Register Date.

##### **1.2 Offer extends to others**

This Offer extends to any person who is able to give good title to any of your Property Fox A Class Shares during the Offer Period.

##### **1.3 Acceptance of Offer**

By accepting this Offer, you undertake to transfer to Pritchard Equity not only the Property Fox A Class Shares to which the Offer relates, but also all Rights attached to the Property Fox A Class Shares.

##### **1.4 Date of Offer**

This Offer is dated 1 September 2008.

#### **2 Consideration**

##### **2.1 Consideration offered**

Subject to the terms of this Offer the consideration offered is 0.075 PEQ A Ordinary Shares, 0.025 PEQ B Ordinary Shares and 0.0034 PEQ Preferred Income Securities for each Property Fox A Class Share (*Consideration*).

If the number of Property Fox A Class Shares held by you results in an aggregate entitlement to PEQ A Ordinary Shares, PEQ B Ordinary Shares or PEQ Preferred Income Securities which is not a whole number, then any fractional entitlement to PEQ A Ordinary Shares PEQ B Ordinary Shares or PEQ Preferred Income Securities will be rounded up to the nearest whole number.

##### **2.2 Property Fox A Class Share splitting**

If Pritchard Equity reasonably believes that any parcel of Property Fox A Class Shares has been created or manipulated to take account of the rounding provisions in clause 2.1, then any fractional entitlement to a PEQ A Ordinary Share, PEQ B Ordinary Share or PEQ Preferred Income Security arising in relation to that parcel, or those parcels, will be rounded down to the nearest whole number so that the entitlement to PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities arising in relation to the original parcel consists of whole numbers of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities only, and fractional entitlements will be disregarded.

### **3 Official quotation of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities**

The PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities offered as consideration will be issued as fully paid and will rank equally with existing PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities respectively from the date of issue.

An application will be made within seven days after the start of the bid period to NSX for admission to quotation of the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to be issued as consideration under this Offer.

### **4 Offer Period**

The Offer will, unless withdrawn, remain open for acceptance during the period commencing on the date of this Offer and ending at 7.00 pm (AEST) on the later of:

- (a) the date which is one month after the date of this Offer, being 2 October 2008; or
- (b) any date to which the period of this Offer is extended in accordance with the Corporations Act.

### **5 How to accept this Offer**

#### **5.1 Acceptance procedure**

The acceptance procedure will depend on whether your Property Fox A Class Shares are in an Issuer Sponsored Holding or a CHESS Holding. If they are in an Issuer Sponsored Holding, you will have a securityholder reference number (SRN) beginning with "I". If they are in a CHESS Holding, you will have a holder identification number (HIN) beginning with "X".

#### **5.2 If you hold your Property Fox A Class Shares in an Issuer Sponsored Holding**

If your Property Fox A Class Shares are held on Property Fox's issuer sponsored subregister, then in order to accept this Offer in respect of those Property Fox A Class Shares, you must:

- (a) **complete and sign** the Acceptance Form which accompanies this Bidder's Statement in accordance with the terms of the Offer and the instructions on the Acceptance Form; and
- (b) **return** the Acceptance Form together with all other documents required by the terms of this Offer and the instructions on the Acceptance Form to the address specified on the Acceptance Form, so that they are received before the end of the Offer Period.

#### **5.3 If you hold your Property Fox A Class Shares in a CHESS Holding**

If your Property Fox A Class Shares are held in a CHESS Holding, then in order to accept this Offer in respect of those Property Fox A Class Shares:

- (a) you must comply with the ASTC Settlement Rules;
- (b) if you are the Controlling Participant, you must initiate acceptance of this Offer in accordance with rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period; and
- (c) if you are not the Controlling Participant, you may either:
  - (i) instruct your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period. If you choose to accept the Offer in this

way, your Controlling Participant will be obliged by rule 14.14.1 of the ASTC Settlement Rules to initiate acceptance within the following timeframes:

- (A) if you specify a time when or by which this Offer must be accepted, in accordance with those instructions; or
  - (B) otherwise, by End of Day (as defined in the ASTC Settlement Rules) on the day that you instruct the Controlling Participant to accept this Offer or, if the Offer Period ends on the day you provide those instructions, before the end of the Offer Period; or
- (ii) complete, sign and return the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form, together with all other documents required by the terms of this Offer and the instructions on the Acceptance Form, to the address specified on the Acceptance Form, so that they can be accepted on your behalf pursuant to clause 5.4 before the end of the Offer Period.

#### **5.4 Irrevocable authorisation**

By completing, signing and returning the Acceptance Form in respect of Property Fox A Class Shares in a CHESS Holding you will be deemed to have irrevocably authorised Pritchard Equity (and any nominee or nominees of Pritchard Equity):

- (a) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of all such Property Fox A Class Shares in accordance with rule 14.14 of the ASTC Settlement Rules; and
- (b) to give any other instructions concerning those Property Fox A Class Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant.

#### **5.5 Foreign Laws**

It is your sole responsibility to satisfy yourself that you are permitted by any Foreign Law applicable to you to accept this Offer.

#### **5.6 Property Fox A Class Shares held in different holdings**

If some of your Property Fox A Class Shares are in different holdings, your acceptance of this Offer may require action under these Offer Terms in relation to the separate portions of your Property Fox A Class Shares.

#### **5.7 Nominee holdings**

If your Property Fox A Class Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact the nominee for assistance in accepting this Offer.

#### **5.8 Mailing address**

The mailing address for completed Share Acceptance Forms is as follows:

Newcastle Capital Markets Registries Pty Limited  
PO Box 402  
Hamilton NSW 2303

A reply paid envelope (for use from within Australia only) is enclosed for your convenience.

## **5.9 Property Fox A Class Shareholder's risk**

The method chosen to deliver the Acceptance Form and other documents is at your risk.

## **5.10 Acceptance Form**

The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer in respect of your Property Fox A Class Shares.

## **5.11 Acceptance by deceased estate**

Where the Offer is accepted on behalf of the estate of a deceased Property Fox A Class Shareholder, the executor or administrator of the estate must provide a certified copy of the relevant grant of probate or letters of administration together with the Acceptance Form or written instructions as the case may be.

## **5.12 Acceptance under power of attorney**

Where the Offer is accepted by a person holding a power of attorney for a Property Fox A Class Shareholder, the attorney must provide a certified copy of the power of attorney together with the Acceptance Form or written instructions, as the case may be.

If an Acceptance Form is signed under a power of attorney, the attorney will be taken to have declared that the attorney has no notice of revocation of the power and is empowered to delegate powers under the power of attorney as contemplated by clause 8.1 of this Annexure 1.

## **5.13 When acceptance is complete**

Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at the address set out in clause 5.8 above and the requirements of this clause 5 have been met, provided that:

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

# **6 Payment of consideration**

## **6.1 When Consideration is provided**

Subject to clause 6.2 of this Annexure 1 and the Corporations Act, if the contract resulting from your acceptance of this Offer becomes unconditional, Pritchard Equity will provide the Consideration to which you are entitled on acceptance of this Offer on or before the earlier of:

- (a) one month after the date this Offer is accepted or, if the Offer is subject to a defeating condition when accepted, within one month after the Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

## **6.2 Where additional documents are required**

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, Pritchard Equity will provide the Consideration in accordance with clause 6.1;
- (b) if Pritchard Equity is given the documents after acceptance and before the end of the Offer Period, Pritchard Equity will provide the Consideration:
  - (i) if at the time that Pritchard Equity is given the documents the Offer is subject to a defeating condition, by the earlier of one month after this Offer or the contract resulting from your acceptance of the Offer becomes unconditional and 21 days after the end of the Offer Period; or
  - (ii) if the Offer is unconditional at the time that Pritchard Equity is given the documents, by the earlier of one month after Pritchard Equity is given the documents and 21 days after the end of the Offer Period; and
- (c) if the documents are given after acceptance and after the end of the Offer Period, Pritchard Equity will provide the Consideration:
  - (i) if at the time that Pritchard Equity is given the documents, the contract resulting from your acceptance of the Offer is subject to a defeating condition that relates only to the happening of an event or circumstance referred to in subsection (1) or subsection (2) of section 652C of the Corporations Act, within 21 days after the contract becomes or is declared unconditional; or
  - (ii) if at the time that Pritchard Equity is given the documents the contract resulting from your acceptance of the Offer is unconditional, within 21 days after Pritchard Equity is given the documents.

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

## **6.3 Additional matters regarding Consideration**

No interest will be paid on the Consideration for your Property Fox A Class Shares under this Offer, regardless of any delay in providing such consideration or any extension of this Offer.

## **6.4 Where Pritchard Equity is entitled to any Rights**

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

## **6.5 Provision of consideration - PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities**

The obligation of Pritchard Equity to allot and issue any PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to which you are entitled under this Offer will be satisfied:

- (a) by entering your name on the register of members of Pritchard Equity; and
- (b) if your name is entered onto the Issuer Sponsored Subregister of Pritchard Equity, by despatching or procuring the despatch to you, within five business days after your



name is entered in the register of members of Pritchard Equity, by pre-paid post to your address as shown on the register of members of Property Fox, a statement for a new holding on the Pritchard Equity subregister in accordance with the NSX Listing Rules.

## **6.6 Foreign Property Fox A Class Shareholders - PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities**

If you are a Foreign Property Fox A Class Shareholder, you will not be entitled to receive PEQ A Ordinary Shares, PEQ B Ordinary Shares, and PEQ Preferred Income Securities as part of the consideration for your Property Fox A Class Shares as a result of acceptance of this Offer, and Pritchard Equity will:

- (a) arrange for the issue to a nominee approved by ASIC (Nominee) of the number of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities to which you and all other Foreign Property Fox A Class Shareholders would have been entitled but for this clause 6.6 and the equivalent provision in each other Offer;
- (b) cause the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities so issued to be offered for sale by the Nominee on NSX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (c) cause to be paid to you an amount determined by the formula  $(P \times N) / T$ , where:
  - $P$  is the amount (if any) remaining after deducting the expenses of sale from the proceeds of sale of the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities issued to the Nominee under this clause 6.6 and the equivalent provision in each offer under the Offer;
  - $N$  is the number of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities which would, but for this clause 6.6, otherwise have been issued to you under this Offer; and
  - $T$  is the total number of PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities issued to the Nominee under this clause 6.6 and the equivalent provision in each other offer under the Offer.

Payment of the amount referred to in this clause 6.6 will be made by cheque in Australian dollars or, if this is unlawful, the currency of the jurisdiction of your residence (as shown in the register of members of Property Fox or on the Acceptance Form). Cheques will be sent (at your risk) to your address as shown on the Property Fox register of members by pre-paid airmail.

## **6.7 Clearances for offshore residents and others**

If, at the time of acceptance of this Offer, any authority or clearance of the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations 1959 or otherwise), or of the Australian Taxation Office, is required for you to receive any consideration under this Offer or if you are resident in or a resident of a place to which, or you are a person to whom, any other law of Australia would make it unlawful for Pritchard Equity to provide the consideration payable for your Property Fox A Class Shares, acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained.

## 7 Conditions of the Offer

### 7.1 Conditions

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

- (a) **(Minimum ownership)** that at the end of the Offer Period, Pritchard Equity and its Associates have relevant interests in at least 66.0% (by number) of Property Fox A Class Shares on issue at that time.
- (b) **(No Property Fox material adverse effect)** that no specified event occurs that will or is reasonably likely to have a material adverse effect on the business, assets, liabilities, operations, financial position, financial performance, financial condition, profits and losses or prospects of the Property Fox Group (namely Property Fox and its subsidiaries), whether as a result of the making of the Offer or the acquisition of Property Fox A Class Shares pursuant to the Offer or otherwise. For these purposes, a “specified event” is:
  - (i) an event or occurrence that occurs during the period commencing on the Announcement Date and ending at the end of the Offer Period;
  - (ii) an event or occurrence that occurs prior to the Announcement Date but is only announced or publicly disclosed during or after the Announcement Date; or
  - (iii) an event or occurrence that will or is likely to occur following the end of the Offer Period and which has not been publicly announced prior to the Announcement Date,

and includes, without limitation, an event that results in the value of net tangible assets of the Property Fox Group falling below \$2,750,000 for at least five consecutive Business Days.

- (c) **(Conduct of Property Fox's business)** except for any proposed transaction or matter the material terms of which have been publicly announced by Property Fox to NSX before the Announcement Date, that none of the following events occur nor is an intention to do any of the following announced during the period commencing on the Announcement Date and ending at the end of the Offer Period,:
  - (i) a member of the Property Fox Group through its action or omission acquires, offers to acquire, agrees to acquire or comes under an obligation to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$100,000;
  - (ii) a member of the Property Fox Group through its action or omission disposes of, offers to dispose of, agrees to dispose of or comes under an obligation to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, in aggregate, greater than \$100,000;
  - (iii) a member of the Property Fox Group gives or agrees to give a financial benefit to a related party of Property Fox within the meaning of Chapter 2E of the Corporations Act;
  - (iv) a member of the Property Fox Group lends or agrees to lend to another party, other than in the ordinary course of business;
  - (v) a member of the Property Fox Group:

- (A) enters into, offers to enter into or announces that it proposes to enter into; or
  - (B) varies or terminates or announces that it proposes to vary or terminate, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by one or more members of the Property Fox Group which is, in aggregate, more than \$100,000;
- (vi) a member of the Property Fox Group incurs or commits to, or grants to another person a right the exercise of which would involve the Property Fox Group incurring or committing to, any capital expenditure or liability in respect of one or more related items which exceeds amounts budgeted for and approved by the Property Fox Board as at the Announcement Date by more than \$100,000; or
- (vii) a member of the Property Fox Group enters into or agrees to enter into any contract of service or management contract, or varies or agrees to vary any existing contract of service or management contract with any director or officer of the Property Fox Group, or pays or agrees to pay any retirement benefit or allowance to any director or officer of the Property Fox Group, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, officer or other employee of the Property Fox Group (except as required by law or provided under any agreement or arrangement already in effect and publicly disclosed as at the Announcement Date).
- (d) **(Distributions)** that during the period commencing on the Announcement Date and ending at the end of the Offer Period, Property Fox does not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).
- (e) **(Market fall)** that between the Announcement Date and the end of the Offer Period, the S&P/ASX 300 index does not fall below 4,250 at any time.
- (f) **(Prescribed occurrences)** that none of the following events occurs before the end of the Offer Period:
  - (i) Property Fox converts all or any of its shares into a larger or smaller number of shares;
  - (ii) a member of the Property Fox Group resolves to reduce its share capital in any way;
  - (iii) a member of the Property Fox Group:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(l) of the Corporations Act;
  - (iv) a member of the Property Fox Group issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option other than an issue of Property Fox shares pursuant to the exercise of an option granted and disclosed by Property Fox on NSX prior to the Announcement Date;
  - (v) a member of the Property Fox Group issues, or agrees to issue, convertible notes;

- (vi) a member of the Property Fox Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) a member of the Property Fox Group charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) a member of the Property Fox Group resolves to be wound up;
- (ix) a liquidator or provisional liquidator is appointed to a member of the Property Fox Group;
- (x) a court makes an order for the winding up of a member of the Property Fox Group;
- (xi) an administrator of a member of the Property Fox Group is appointed under section 436A, section 436B or section 436C of the Corporations Act;
- (xii) a member of the Property Fox Group executes a deed of company arrangement;
- (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Property Fox Group;
- (xiv) anything analogous to the matters referred to in paragraphs (ii) to (xiii) occurs in any jurisdiction outside Australia in relation to a member of the Property Fox Group.

## **7.2 Nature of conditions**

Each of the conditions set out in each paragraph and subparagraph of clause 7.1 of this Annexure 1:

- (a) is a separate and distinct condition
- (b) does not limit the meaning and effect of any other condition;
- (c) is a condition subsequent; and
- (d) until the expiration of the Offer Period (or in the case of a defeating condition that relates to a circumstance or event referred to in subsection (1) or subsection (2) of section 652C of the Corporations Act, until three business days after the end of the Offer Period) will be for the benefit of Pritchard Equity alone and may be relied upon only by Pritchard Equity.

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

The breach or non-fulfilment of any of the conditions subsequent set out in clause 7.1 of this Annexure 1 does not, until the end of the Offer Period, prevent a contract to acquire your Property Fox A Class Shares arising from your acceptance of this Offer, but if at the end of the Offer Period (or, in the case of a defeating condition that relates to a circumstance or event referred to in subsection (1) or subsection (2) of section 652C of the Corporations Act, at the end of three business days after the end of the Offer Period), in respect of any condition in clause 7.1 of this Annexure 1:

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

all contracts resulting from acceptance of this Offer and all acceptances that have not resulted in binding contracts are automatically voided. In such a case, Pritchard Equity reserves the right to either destroy or despatch at your risk your Acceptance Form and any other documents

forwarded by you, to your address as shown on the Property Fox register of members, where such address is inside Australia, by pre-paid ordinary post, or, where such address is outside Australia, by pre-paid airmail. Pritchard Equity will also notify ASTC of the lapse of the Offer in accordance with rule 14.19 of the ASTC Settlement Rules.

#### **7.4 Pritchard Equity may decide Offer is free from all or any of the conditions**

Pritchard Equity may at any time at its sole discretion, but in compliance with sections 650F and 630 of the Corporations Act, declare the Offer free from all or any of the conditions set out in each paragraph and subparagraph of clause 7.1 of this Annexure 1 which are capable of being waived by notice in writing to Property Fox:

- (a) in the case of a defeating condition that relates to the happening of a circumstance or event referred to in subsection (1) or subsection (2) of section 652C of the Corporations Act - not later than three business days after the end of the Offer Period; and
- (b) in any other case - not later than seven days before the end of the Offer Period.

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

The date for giving a notice on the status of the conditions as required by section 630(1) of the Corporations Act is 25 September 2008, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

#### **7.6 Section 625(3) of the Corporations Act**

This Offer and any contract that results from your acceptance of this Offer are subject to the condition set out in section 625(3) of the Corporations Act. If that condition is not fulfilled, any contract that results from your acceptance of this Offer will be automatically void.

### **8 Effect of acceptance**

#### **8.1 Effect of acceptance**

By accepting this Offer in accordance with clause 5 of this Annexure 1 (where the Offer is caused to be accepted in accordance with the ASTC Settlement Rules or otherwise), you will, or will be deemed to have:

- (a) irrevocably authorised Pritchard Equity to alter the Acceptance Form on your behalf by:
  - (i) inserting correct details of your Property Fox A Class Shares;
  - (ii) filling in any blanks remaining on the Acceptance Form; and
  - (iii) rectifying any errors in, or omissions from, the Acceptance Form,as may be necessary to make the Acceptance Form an effectual acceptance of this Offer and to enable registration of the transfer of your Property Fox A Class Shares to Pritchard Equity;
- (b) accepted this Offer (and any variation of it) and agreed to its terms and conditions, in respect of all of your Property Fox A Class Shares (together with all Rights attaching to them) despite any difference between the number of your Property Fox A Class Shares and the number of shares shown in the Acceptance Form;
- (c) agreed to transfer all of your Property Fox A Class Shares to Pritchard Equity subject to the Offer being declared free from the conditions set out in clause 7.1 of this Annexure 1 (or those conditions being fulfilled);
- (d) represented and warranted to Pritchard Equity:

- (i) that you are not a Foreign Property Fox A Class Shareholder, unless otherwise indicated on the Acceptance Form; and
- (ii) 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 Pritchard Equity:
  - (A) you have paid to Property Fox all amounts which are due for payment in respect of your Property Fox A Class Shares;
  - (B) all of your Property Fox A Class Shares are fully paid and Pritchard Equity will acquire good title to them and full beneficial ownership of them free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind; and
  - (C) you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership of your Property Fox A Class Shares (together with all Rights attaching to them) to Pritchard Equity;
- (e) acknowledged and agreed that if you are a Foreign Property Fox A Class Shareholder, or if Pritchard Equity believes that you are a Foreign Property Fox A Class Shareholder, Pritchard Equity will arrange for any PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in clause 6.6 of this Annexure 1; and
- (f) with effect from the later of the acceptance of this Offer and the date that any contract resulting from acceptance of this Offer becomes, or is declared, free from its conditions, appointed Pritchard Equity and each of its directors, secretaries and other officers from time to time severally as your agent and true and lawful attorney, with power to do all things which you could lawfully do concerning your Property Fox A Class Shares or in exercise of any right or power derived from the holding of your Property Fox A Class Shares, including, without limitation, the right or power:
  - (i) to attend and vote in respect of your Property Fox A Class Shares at any meeting of Property Fox;
  - (ii) to appoint a proxy or proxies to attend and vote on your behalf in respect of your Property Fox A Class Shares at any meeting of Property Fox;
  - (iii) to requisition or join with other holders of Property Fox A Class Shares in requisitioning or convening a meeting of Property Fox;
  - (iv) to demand a poll for any vote to be taken at any meeting of Property Fox;
  - (v) to propose or second any resolution to be considered at any meeting of Property Fox;
  - (vi) to receive from Property Fox or any other party, and retain, any share certificates which were held by Property Fox, or any other party;
  - (vii) to sign all documents (including an instrument appointing one of Pritchard Equity's directors as a proxy in respect of any or all of your Property Fox A Class Shares and any application to Property Fox for a replacement certificate in respect of any share certificate which has been lost or destroyed) and resolutions relating to your Property Fox A Class Shares, and generally to exercise all powers and rights which you may have as a Property Fox A Class Shareholder and perform such actions as may be appropriate in order to vest

good title in your Property Fox A Class Shares (together with all Rights attaching to them) in Pritchard Equity; and

(viii) to do all things incidental and ancillary to the foregoing,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Pritchard Equity as the intended registered holder and beneficial holder of your Property Fox A Class Shares. This appointment is irrevocable and terminates upon registration of a transfer to Pritchard Equity of your Property Fox A Class Shares. Pritchard Equity will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might be incurred or undertaken as a result of the exercise by an attorney of any powers under this subclause;

- (g) agreed to fully indemnify Pritchard Equity in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of your Property Fox A Class Shares to Pritchard Equity being registered by Property Fox without production of your Holder Identification Number or Securityholder Reference Number;
- (h) irrevocably authorised Pritchard Equity (and any nominee or nominees of Pritchard Equity) to notify Property Fox on your behalf that your place of address for the purpose of serving notices upon you in respect of your Property Fox A Class Shares is the address as specified in the notification, and that all such notices are to be marked care of Pritchard Equity and to have directed Property Fox to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of those Property Fox A Class Shares to Pritchard Equity at that address;
- (i) irrevocably authorised and directed Property Fox to pay Pritchard Equity, or to account to Pritchard Equity for, all Rights in respect of your Property Fox A Class Shares, subject, however, to any such payments being received by Pritchard Equity being accounted for by Pritchard Equity to you if this Offer is withdrawn or any contract resulting from your acceptance of this Offer is rescinded or rendered void;
- (j) irrevocably authorised Pritchard Equity (and any nominee or nominees of Pritchard Equity) to cause a message to be transmitted in accordance with ASTC Settlement Rule 14.17.1 (and at a time permitted by ASTC Settlement Rule 14.17.1(b)) so as to transfer your Property Fox A Class Shares to Pritchard Equity's Takeover Transferee Holding (as defined in the ASTC Settlement Rules), regardless of whether Pritchard Equity has at that time paid or provided the consideration due to you under this Offer;
- (k) authorised Pritchard Equity to issue to you and agreed to accept the PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities you have become entitled to receive under this Offer and to register your name in the Pritchard Equity register of members in respect of those PEQ A Ordinary Shares, PEQ B Ordinary Shares and PEQ Preferred Income Securities, and agreed that you will be bound by the constitution of Pritchard Equity; and
- (l) agreed, subject to the conditions in clause 7.1 of this Annexure 1 being satisfied or waived, to execute all documents, transfers and assurances as may be necessary or desirable to convey your Property Fox A Class Shares and Rights to Pritchard Equity.

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

## **8.2 Continuing representations and warranties**

The representations, warranties, undertakings and authorities referred to in clause 5.4 of this Annexure 1 and this clause 8 will (unless otherwise stated) remain in force after you receive the consideration for your Property Fox A Class Shares and after Pritchard Equity becomes registered as holder of them.

## **9 Acceptances by transferees and nominees**

### **9.1 Who may accept the Offer**

During the Offer Period:

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

### **9.2 Holding Property Fox A Class Shares**

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

### **9.3 Holding Property Fox A Class Shares on trust or as a nominee**

A person is taken to hold Property Fox A Class Shares on trust for, as nominee for, or on account of, another person if:

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

### **9.4 Effective acceptance**

An acceptance of an offer pursuant to clause 9.1 (b) of this Annexure 1 is ineffective unless:

- (a) the person who holds on account of another person gives Pritchard Equity a notice stating that the Property Fox A Class Shares consist of a separate parcel; and
- (b) the acceptance specifies the number of Property Fox A Class Shares in the parcel.

### **9.5 Notice of acceptance**

A notice under clause 9.4(a) of this Annexure 1 must be made:

- (a) if it relates to Property Fox A Class Shares entered on a CHESS subregister – in an electronic form approved by the ASTC Settlement Rules;
- (b) otherwise – in writing.

### **9.6 Person may accept for two or more parcels**

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.



## **10 Other matters**

### **10.1 Notices and other communications**

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

- (a) is delivered to your address as recorded on the register of members of Property Fox; or
- (b) is sent by pre-paid ordinary mail or, in the case of an address outside Australia, by pre-paid airmail, to you at that address.

### **10.2 Return of documents**

If:

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

Pritchard Equity reserves the right to either destroy or despatch at your risk your Acceptance Form and any other documents forwarded by you, to your address as shown on the Property Fox register of members, where such address is inside Australia, by pre-paid ordinary post, or, where such address is outside Australia, by pre-paid airmail

### **10.3 Costs and expenses**

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable in respect of a transfer of Property Fox A Class Shares in respect of which Offers are accepted, will be paid by Pritchard Equity. If you hold your Property Fox A Class Shares through a bank, broker or nominee which charges transaction or service fees in connection with your acceptance of the Offer, you will be responsible for payment of those fees.

### **10.4 Withdrawal**

Pritchard Equity may withdraw offers which have not been accepted at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

### **10.5 Variation**

Pritchard Equity may vary this Offer in accordance with the Corporations Act.

### **10.6 Governing Law**

This Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in New South Wales.

## Annexure 2

### PRITCHARD EQUITY ANNOUNCEMENTS (since the date of its most recent annual report)

Date	Description of Announcement
19/11/2007	Removal of Trading Halt - Annual Report 2007 received
09/01/2008	Application for Quotation of Additional Securities
30/01/2008	Notice of Ceasing to be a Substantial Shareholder
01/02/2008	Notice of initial Substantial Shareholder
14/02/2008	Notice of ceasing to be substantial holder
14/03/2008	Half Year Financial Report for the Half-Year Ended 31st December 2007
15/04/2008	Notice of General Meeting
09/05/2008	Bonus Share Issue
19/05/2008	Results of General Meeting held on 16 May 2008
27/05/2008	Application for Quotation of Additional Securities
27/05/2008	Application for Quotation of Additional Securities
28/05/2008	Application for Quotation of Additional Securities - PEQPA
28/05/2008	Application for Quotation of Additional Securities - PEQPA
03/06/2008	General meetings to approve amendments to constitution
27/06/2008	Change of Interests
29/06/2008	Change of Director's Interests
29/06/2008	Change of Director's Interests
09/07/2008	Results of General Meeting
09/07/2008	Results of Class meeting of A Ordinary shareholders
09/07/2008	Results of Class meeting of B Ordinary shareholders
09/07/2008	Results of Class meeting of preferred income equity securities shareholders
09/07/2008	Results of Class meeting of preferred income equity securities shareholders
09/07/2008	Results of Class meeting of preferred income equity securities shareholders
09/07/2008	Results of General Meeting
09/07/2008	Results of Class meeting of A ordinary shareholders
09/07/2008	Results of Class meeting of B ordinary shareholders
09/07/2008	Results of Class meeting of Preferred Income equity securities shareholders

## Annexure 3

### PROPERTY FOX ANNOUNCEMENTS (since the date of its most recent annual report)

Date	Description of Announcement
20/09/2007	Correction to Annual Report
20/09/2007	Trading Halt - Market Sensitive Announcement
18/10/2007	On Market Buy Back - Property Fox Conducts Buy-Back
18/10/2007	Trading Halt due to Price Sensitive Announcement.
26/10/2007	ASIC FORM 484
30/10/2007	Notice of Meeting
30/10/2007	Letter to Shareholders from P Spann
30/10/2007	Letter to Shareholders from H Woolcott
30/10/2007	Letter to Shareholders from J Morris
30/10/2007	Resumes of Nominated Directors
09/11/2007	Notice of Substantial Shareholder
23/11/2007	Fox Portfolio Reduces Management Fees
23/11/2007	On Market Buy-Back
25/11/2007	Peter Spann writes to Shareholders
27/11/2007	Correction to Letter to Shareholders
29/11/2007	Chairman's Address at the 2007 AGM
04/12/2007	Results of AGM
04/12/2007	On Market Buy Back
04/12/2007	Letter to shareholders
05/12/2007	Market Disclosure
05/12/2007	Trading Halt - Price Sensitive Announcement
18/12/2007	On Market Buy Back - Notification of Buy-Back
20/12/2007	On Market Buy Back - Notification of Buy-Back
20/12/2007	Trading Halt - Market Sensitive Announcement
10/01/2008	ASIC form 484
01/02/2008	Receives Appeal in respect to Development Approval
04/02/2008	Notice of Initial Substantial Shareholder
05/02/2008	Notice of Intention to Conduct Buy-Back
22/02/2008	On Market Buy Back
10/03/2008	On Market buy-Back
11/03/2008	Trading Halt - Price Sensitive Announcement
14/03/2008	Half Yearly Accounts
19/03/2008	Shareholder Update
01/04/2008	Settles Appeal
01/04/2008	Trading Halt - Price sensitive announcement
22/04/2008	On market buy back
30/04/2008	On Market Buy Back
02/05/2008	ASIC form 484
03/07/2008	Price Sensitive Announcement Pending
03/07/2008	Board Decides to sell Property

## Annexure 4

### RIGHTS AND LIABILITIES ATTACHING TO PEQ A ORDINARY SHARES, PEQ B ORDINARY SHARES AND PEQ PREFERRED INCOME SECURITIES

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#### Part 1 – PEQ A Ordinary Shares and PEQ B Ordinary Shares

The following is a summary of the principal rights and liabilities attaching to PEQ A Ordinary Shares and PEQ B Ordinary Shares as set out in the Pritchard Equity Constitution and under the Corporations Act:

- (a) **Issue of Shares** – The power to issue PEQ A Ordinary Shares, PEQ B Ordinary Shares and other securities in the capital of Pritchard Equity lies with the board of Pritchard Equity, subject to the restrictions contained in the Constitution, the Listing Rules and the Corporations Act.
- (b) **Voting** – The PEQ A Ordinary Shares do not confer on the holders of those shares any right to vote at general meetings of the Company. The PEQ B Ordinary Shares confer on the holders of those shares the right to vote at general meetings of the Company. Subject to the Constitution and the NSX Listing Rules, on a show of hands every holder of PEQ B Ordinary Shares present in person or by proxy or attorney or representative will have 1 vote and on a poll every holder of PEQ B Ordinary Shares present in person or by proxy, attorney or representative will have 1 vote for each PEQ B Ordinary Share held by that shareholder.
- (c) **Meetings and Notice** – Each holder of PEQ A Ordinary Shares or PEQ B Ordinary Shares is entitled to receive notices of, and to attend, general meetings of Pritchard Equity and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the Listing Rules. A Pritchard Equity director may call a meeting of shareholders and shareholders may also requisition or convene general meetings in accordance with the procedures for shareholder-initiated meetings set out in the Corporations Act. Holders of PEQ A Ordinary Shares and PEQ B Ordinary Shares must be given at least 28 days written notice of any general meeting unless otherwise permitted by the Corporations Act.
- (d) **Dividends** – Dividends are payable upon the determination of the directors of Pritchard Equity. Pritchard Equity will not pay interest on dividends. The PEQ A Ordinary Shares and PEQ B Ordinary Shares rank equally in respect of dividends.
- (e) **Transfer of Shares** – A holder of PEQ A Ordinary Shares or PEQ B Ordinary Shares may transfer these shares by a market transfer in accordance with the electronic share registration and transfer system conducted in accordance with the ASTC Settlement Rules and approved by the Pritchard Equity directors, or by an instrument in writing in the usual or common form or in any other form prescribed or approved by the Pritchard Equity directors. Where permitted or required by the Listing Rules, the Pritchard Equity directors may refuse to register any transfer of PEQ A Ordinary Shares or PEQ B Ordinary Shares.
- (f) **Rights on Winding Up** – If in a winding up there remain any assets available for distribution to shareholders, then subject to the rights of the holders of shares issued upon special terms and conditions (at the date of this Bidder's Statement, the PEQ Preferred Income Securities), the Constitution, the Corporations Act and the NSX Listing Rules, those assets will be distributed amongst the shareholders in returning capital paid up on their shares and distributing any surplus in proportion to the amount paid up (not credited) on the shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Pritchard Equity shareholders, divide among the contributories in specie or in

kind any part of the Company's assets and may vest any part of the assets of the Company in trustees upon such trust for the benefit of the contributories or any of them as the liquidator thinks fit. The liquidator may set such values as it considers fair and reasonable on any property to be divided and may determine how the division is to be carried out. The PEQ A Ordinary Shares and PEQ B Ordinary Shares rank equally on a winding up of Pritchard Equity.

- (g) **Variation of Rights** – Subject to the Corporations Act and the Listing Rules, all or any of the rights and privileges attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may be varied or cancelled by a special resolution passed at a meeting of the holders of shares in that class or with the written consent of the holders of at least 75% of issued shares in that class.
- (h) **Unmarketable Parcels** – If a holder of PEQ A Ordinary Shares or PEQ B Ordinary Shares holds a number of PEQ A Ordinary Shares or PEQ B Ordinary Shares that is less than a marketable parcel (as defined in the NSX Listing Rules), Pritchard Equity may sell or dispose of such shares unless otherwise instructed by the holder of the PEQ A Ordinary Shares or PEQ B Ordinary Shares. The net proceeds from the sale will be paid to the holder of the PEQ A Ordinary Shares or PEQ B Ordinary Shares.

## **Part 2 – PEQ Preferred Income Securities**

The following is a summary of the principal rights and liabilities attaching to PEQ Preferred Income Securities as set out in the Pritchard Equity Constitution and under the Corporations Act:

- (a) **Issue of PEQ Preferred Income Securities** – The power to issue PEQ Preferred Income Securities and other securities in the capital of Pritchard Equity lies with the board of Pritchard Equity, subject to the restrictions contained in the Constitution, the NSX Listing Rules and the Corporations Act. The Company may issue further convertible redeemable preference shares ranking equally with or behind PEQ Preferred Income Securities as to both payment of dividends and repayment of capital on a winding up.
- (b) **Voting** – All PEQ Preferred Income Securities issued by the Company confer on the holders of those shares the right to vote at general meetings in each of the following circumstances and in no others:
  - during a period during which a dividend (or part of a dividend) for the shares is in arrears;
  - on a proposal to reduce the Company's share capital;
  - on a resolution to approve the terms of a buy-back agreement;
  - on a proposal that affects rights attached to the shares;
  - on a proposal to wind up the Company;
  - on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
  - during the winding up of the Company.
- (c) **Meetings and Notice** – The same rights as holders of ordinary shares to receive notices, reports and accounts and to attend general meetings of the Company.
- (d) **Dividends** – The right to receive a cumulative preferential dividend of \$10 per annum (inclusive of any franking credits that would accrue to an Australian resident shareholder in respect of that dividend) accruing at the rate of \$5 for each 6 month period (or part of such

period) ending on 30 June and 31 December of each year during which the securities are on issue. The Directors will fix and announce the record date for determining entitlements to receive accrued dividend entitlements following the end of the relevant period.

- (e) **Transfer of Shares** – The same rights as holders of PEQ A Ordinary Shares and PEQ B Ordinary Shares (refer above).
- (f) **Rights on Winding Up** – The right in a winding up of the Company or on a reduction of capital to receive \$100 for each PEQPA Share ahead of any payment to the holders of ordinary shares, but no other right to participate in surplus assets.
- (g) **Variation of Rights** – The same rights as holders of PEQ A Ordinary Shares and PEQ B Ordinary Shares (refer above).
- (h) **Unmarketable Parcels** – The same rights as holders of PEQ A Ordinary Shares and PEQ B Ordinary Shares (refer above).
- (i) **Conversion into PEQ A Ordinary Shares** – Holders of PEQ Preferred Income Securities have the right to convert their holding of securities into PEQ A Ordinary Shares on 30 November 2013 or on 30 November of any subsequent year by giving written notice to the Company on or before 15 November of the year in which the conversion is to take place. The Company may convert PEQ Preferred Income Securities into PEQ A Ordinary Shares at any time by giving 60 days written notice to holders of PEQ Preferred Income Securities of the date on which the conversion is to take place. Where PEQ Preferred Income Securities are converted into PEQ A Ordinary Shares at the instance of either the holder of the securities or the Company, a holding of  $m$  PEQ Preferred Income Securities will be converted into a corresponding holding of  $n = m \times 100 \times e / (a - i)$  PEQ A Ordinary Shares, where  $e$  is the total number of issued ordinary shares shown in the last audited accounts,  $a$  is the consolidated net assets of the group shown in the last audited accounts, expressed in dollars, and  $i$  is the book value of any minority equity interest shown in the last audited accounts, also expressed in dollars.

**For example**, taking the 31 December 2007 balance sheet figures for Pritchard Equity would result in 100 PEQ Preferred Income Securities being converted into 7,136 PEQ A Ordinary Shares. In this example:

$m = 100$  PEQ Preference Income Securities

$e = 1,369,486$  total number of issued ordinary shares

$a = \$2,069,819$  consolidated net assets

$i = \$150,817$  minority interests

Therefore:  $n = 100 \times 100 \times 1,369,486 / (2,069,819 - 150,817)$

$n = 7,136$

- (j) **Redemption of PEQ Preferred Income Securities** – Subject to the Corporations Act and the NSX Listing Rules, the Company may redeem PEQ Preferred Income Securities at \$100 per security on 31 December 2013 or on 31 December of any subsequent year by giving three months written notice to holders of PEQ Preferred Income Securities of its intention to redeem the PEQ Preferred Income Securities.

## Annexure 5

### TOP 20 HOLDERS OF PEQ A ORDINARY SHARES, PEQ B ORDINARY SHARES AND PEQ PREFERRED INCOME SECURITIES

#### PEQ A Ordinary Shares

Top 20 Shareholder	Number of Shares	% Interest
Pritchards Continuation Proprietary Ltd	168,000	27.07
Pritchard & Company Pty Ltd	63,398	10.22
Cameron Securities Pty Limited	35,000	5.64
Pritchard and Company Pty Ltd	27,171	4.38
Fuggle Nominees Pty Limited	25,000	4.03
Mrs Margaret Jane Pritchard	25,000	4.03
Mr John Weston Seaforth Mackenzie	23,330	3.76
L W Superannuation Pty Ltd <Landwise Group Superannuation A/C a/c>	22,500	3.63
Pritchard and Partners Pty Ltd	21,695	3.50
Wilcorp No 41 Pty Ltd	19,168	3.09
Abelia Grove Pty Limited	17,230	2.78
Dr Gordon Bradley Elkington	15,200	2.45
Longbow Croft Capital Pty Ltd	13,500	2.18
Newcastle Capital Markets Pty Ltd	12,500	2.01
Illuminator Investment Company Limited	10,000	1.61
Banivory Pty Ltd <Super Fund A/c>	8,600	1.39
Mr Steven Shane Pritchard	7,918	1.28
Lateral Investment Corporation Pty Limited	7,840	1.26
Pritchard & Partners Pty Limited	6,000	.97
Pritchard & Partners Pty Limited	5,705	.92
<b>Total</b>	<b>534,755</b>	<b>86.17</b>

#### PEQ B Ordinary Shares

Top 20 Shareholder	Number of Shares	% Interest
Pritchards Continuation Proprietary Ltd	150,000	18.04
Pritchards Continuation Pty Ltd	150,000	18.04
Pritchard & Company Pty Ltd	133,200	16.02
Cameron Securities Pty Limited	35,000	4.21
Pritchard and Company Pty Ltd	26,800	3.22
Mrs Margaret Jane Pritchard	25,000	3.01
Fuggle Nominees Pty Limited	25,000	3.01
Mr John Weston Seaforth Mackenzie	23,330	2.81
L W Superannuation Pty Ltd <Landwise Group Superannuation A/C a/c>	22,500	2.71

<b>Top 20 Shareholder</b>	<b>Number of Shares</b>	<b>% Interest</b>
Wilcorp No 41 Pty Limited	19,168	2.31
Abelia Grove Pty Ltd	17,230	2.07
Pritchard and Partners Pty Ltd	17,000	2.04
Lateral Investment Corporation Pty Limited	16,650	2.00
Mr Steven Shane Pritchard	16,650	2.00
Dr Gordon Bradley Elkington	15,200	1.83
Longbow Croft Capital Pty Ltd	13,500	1.62
Newcastle Captial Markets Pty Ltd	12,500	1.50
Illuminator Investment Company Limited	10,000	1.20
Banivory Pty Ltd <Super Fund A/c>	8,600	1.03
Mr John Richard Gilbert + Mrs Janet Patricia Gilbert <Gilbert Fam Super Fund A/c>	5,000	.60
<b>Total</b>	<b>742,328</b>	<b>89.29</b>

#### PEQ Preferred Income Securities

<b>Top 20 Shareholder</b>	<b>Number of Shares</b>	<b>% Interest</b>
Pritchards Continuation Pty Ltd	468	32.03
Pritchard and Company Pty Ltd	251	17.18
Cameron Securities Pty Limited	70	4.79
Pritchard and Partners Pty Ltd	52	3.56
Fuggle Nominees Pty Limited	50	3.42
Mrs Margaret Jane Pritchard	50	3.42
Mr John Weston Seaforth Mackenzie	47	3.22
L W Superannuation Pty Ltd <Landwise Group Superannuation A/C a/c>	45	3.08
Wilcorp No 41 Pty Limited	38	2.60
Abelia Grove Pty Ltd	34	2.33
Mr Steven Shane Pritchard	32	2.19
Lateral Investment Corporation Pty Limited	31	2.12
Dr Gordon Bradley Elkington	30	2.05
Longbow Croft Capital Pty Ltd	27	1.85
Newcastle Captial Markets Pty Ltd	25	1.71
Illuminator Investment Company Limited	20	1.37
Banivory Pty Ltd <Super Fund A/c>	17	1.16
Mr John Richard Gilbert + Mrs Janet Patricia Gilbert <Gilbert Fam Super Fund A/c>	10	.68
Jarfem Pty Limited	10	.68
Mr John Barry Roberts + Mrs Judith Elizabeth Roberts <John Roberts Super Fund A/c>	10	.68
<b>Total</b>	<b>1,317</b>	<b>90.14</b>



## CORPORATE DIRECTORY

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### Offer Information Line:

- 1800 134 234 (for callers in Australia); or
- 61 2 4920 2877 (callers outside Australia)

### Directors

Steven Pritchard  
Enzo Pirillo  
Gordon Elkington

### Principal and Registered Office

Pritchard Equity Limited  
10 Murray Street  
HAMILTON NSW 2303

### Company Secretary

Enzo Pirillo

### Postal Address

PO Box 413  
HAMILTON NSW 2303

### Website

[www.peq.com.au](http://www.peq.com.au)

### Share Registry

Newcastle Capital Markets Registries Pty Limited  
10 Murray Street  
HAMILTON NSW 2303

### Financial Adviser

Pritchard & Partners Pty Limited  
10 Murray Street  
HAMILTON NSW 2303

### Legal Adviser

Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street  
SYDNEY NSW 2000

