

# Supplementary Target's Statement

Made by

## Property Fox No.1 Limited

(ACN 101 816 353)

### 1. Introduction

#### 1.1 About this document

This document is a Supplementary Target's Statement dated 3<sup>rd</sup> October 2008, made by Property Fox No.1 Limited ACN 101 816 353 (PF1) under section 644 of the Corporations Act (Cth) Corporations .

This Supplementary Target's Statement supplements and is to be read together with the PF1 Target Statement dated 15<sup>th</sup> September 2008 (the **Target's Statement**).

#### 1.2 Front Cover

The date is changed from 1<sup>5th</sup> September 2008 to 3<sup>rd</sup> October 2008.

#### 1.3 Important notices

A copy of this Supplementary Target's Statement was lodged with ASIC on 3<sup>rd</sup> October 2008. Neither ASIC nor any of its officers takes any responsibility for the contents of this Supplementary Target's Statement.

This supplementary Target's Statement will prevail to the extent of any inconsistency with the Target's Statement.

- The date being the 15<sup>th</sup> of September 2008 is to be supplemented with the date 3<sup>rd</sup> October 2008.
- After the words "Bidder's Statement dated 1st September 2008", "*It replaces the original Target's Statement lodged with ASIC on 15<sup>th</sup> September 2008 and contains amendments made as a result of matters raised by ASIC.*" is inserted.

#### 1.3 Defined terms

Words defined in the Target's Statement have the same meaning in this Supplementary Target's Statement, unless the contrary intention appears.

#### 1.4 Disclaimer regarding forward looking statements

The following sentence is inserted before the last line of the paragraph:

"Pursuant to s643 (1) (c) of the Corporations Act, the Directors of PF1 will disclose any new circumstance arising from the date of lodgement of this Target's Statement."

## 1.6 Key Dates

The Target's Statement is amended to reflect the following dates:

The Date of This *Replacement* Target's Statement      3<sup>rd</sup> October 2008

Closing Date of Pritchard Equity's Offer      23<sup>rd</sup> October 2008

## 1.7 Table of Contents

The Table of Contents is updated to reflect the changes in page numbers.

## 2.0 Chairman's Letter

- The Chairman's Letter is deleted and the following Letter is inserted:

"Dear Fellow Shareholder,

# REJECT PRITCHARD EQUITY'S INADEQUATE AND OPPORTUNISTIC ALL-SCRIP OFFER

You recently received from Pritchard Equity an unsolicited Offer to acquire your PF1 Shares.

You will remember that at the AGM last year 75.5% of shareholders who voted rejected Mr. Pritchard's efforts to be appointed as a director and take control of the management of the Company. You should reject this inadequate offer as well.

Your Directors unanimously recommend that you **REJECT** Pritchard Equity's Offer. To do so you simply need not respond – no action is required.

There are ten key reasons why you should **REJECT** Pritchard Equity's inadequate Offer:

1. The **Independent Expert** has determined the bid is NOT fair nor reasonable;
2. **No cash** is offered – only shares in a highly illiquid company – the Directors of PF1 have a plan to return to you up to 50 cents per share in cash for 45% of your shares plus you would continue to gain from possible capital growth of the current investments;
3. Pritchard Equity's Shares rarely, if ever, trade. The price in Pritchard Equity's bid is based on just one trade of only 1,000 shares – the last trade date was 27 April 2007 – over 16 months ago. Since that time 966,999 PF1 shares have traded for a total value of \$393,449.44;
4. There is **no premium** offered based on the volume weighted average price calculation of the shares and Pritchard Equity uses a **flawed and biased** valuation model that overvalues their own shares and undervalues PF1's shares. The Directors of PF1 believe that Pritchard Equity's bid is only valued at 30-34 cents per share<sup>2</sup>;
5. The indicative price being offered is a total of 30-34 cents per share<sup>3</sup>. The Net Tangible Asset backing "NTA" of PF1 expressed as a price per share is audited at 57 cents per share<sup>4</sup>. The estimated price of 34 cents per share represents a 40% discount to the NTA;

6. You should question the sustainability of Pritchard Equity's current share price relative to PF1's – if you tried to sell shares in Pritchard Equity it is doubtful the quoted price could or would be achieved;
7. Pritchard Equity is offering you shares in a business with substantially increased risks. Pritchard Equity's investments are not diversified, include investments in related party companies and are exposed to illiquid companies and the share market<sup>5</sup>.
8. You lose a large amount of your voting rights by accepting the offer<sup>6</sup>. If the offer was accepted in full Mr. Steven Pritchard would have voting power of 57.19%<sup>7</sup> - he could outvote ALL other shareholders including all PF1 shareholders together<sup>8</sup>. You would have limited say or control in the merged entity.
9. Acceptance of Pritchard Equity's Offer will expose you to **significant risk and uncertainty** – ASIC required Pritchard Equity to insert a section relating to substantial material risks at the beginning of its Bidder's Statement – in the view of the directors of PF1, those risks are high
10. The Director's of PF1 have a plan that could **return to you up to 50 cents per share** in cash for 45% of your shares. It would do so immediately upon acceptance of the plan by Shareholders. This cash would be in your hands and you could invest it any way you liked. In addition you would still share in any potential capital growth from existing investments.

With its current cash position, PF1's Balance Sheet is extremely strong. Pritchard Equity's bid is an opportunistic attempt to acquire PF1's assets cheaply. You should **REJECT** it.

To **REJECT** the offer simply do nothing. No action is required to reject the offer.

## A future plan for PF1 that benefits ALL shareholders

**Your Directors believe that PF1 is in good financial and operational shape and is positioned to take advantage of the recovery of property markets.**

75.5% of shareholders who voted at last year's AGM, voted to reject Mr. Pritchard's prior attempt to be appointed as a director of the company. A few months ago, in order to seek some resolution, the Directors through its representative, approached Mr. Pritchard a number of times to discuss the future of the company to benefit all shareholders. This was a genuine effort to restore shareholder unity, value and plan a bright future for the company. He rejected those approaches. Because of these ongoing unsolicited and disruptive corporate actions the Directors have formed a view that the best way forward is to return to you the accumulated cash in the company.

**This is significant. It would mean that you would receive CASH in your hands of an amount substantially more than the value of Pritchard Equity's offer The directors plan to return 50 cents per share now for 45% of your shares and then approximately 50 cents per share, for the remaining shares on issue after the assets of the company have been sold in an orderly manner. This would be a total return equivalent to approximately 50 cents per share.**

The cash position of the company improved by \$147,988 over the last financial year and was \$1,427,875 at 30th June, 2008. This cash belongs to you, the Shareholders.

The Directors' plan would be to return ALL surplus cash to you by way of a buy-back. This is tax effective and **fair to all shareholders.**

At the conclusion of the buy-back the Directors would seek to sell the remaining assets of PF1 in an orderly manner so as to not further disadvantage shareholders by accepting reduced prices. It is anticipated that the majority of this could be done swiftly. Shareholders should be aware that the speed of implementation of the plan is subject to PF1's ability to sell its real estate, exit any joint venture agreements and obtain the requisite shareholder approvals (including any costs associated with the proposed winding up).

The values of the properties held by PF1, are in the opinion of Directors, conservative so it is possible that these sales could be achieved by selling assets at a premium to the current marked down values of the properties. If the properties were to be sold at a higher price than anticipated, some or all of the prior tax losses of the company could be taken up.

Once those sales are complete a future distribution of cash would be made to shareholders either by way of dividend or other distribution.

The Directors would then seek to sell PF1 or, if not possible, in a reasonable timeframe wind the Company up. You will remember it was originally envisioned that the Company would be wound up towards the end of this year and so we would be returning to the original plan.

While this would "lock in" capital losses it would allow you to take the cash returned to you and invest it and benefit from it in any way you wish.

This plan would need to be approved at an Extraordinary General Meeting or Annual General Meeting. The Directors will be seeking your support to implement the plan.

The Directors believe the plan put forward at the last AGM could have worked to restore shareholder value over time but with the ongoing threats from Pritchard and associated entities the only intelligent plan is to return cash to shareholders so **you benefit immediately**.

It is important to note that none of the Directors or the Manager (my company Fox Portfolio Pty Ltd), benefits in any way from this. We do not receive any cash, or any capital, or any potential profit.

**This option only benefits A Class shareholders**

Any alternative, including a change of mandate or management takes control out of your hands, is long term at best and has associated risks and costs.

The Directors plan puts cash back into your hands, allows you to control your future investing, does so with little or no cost to you and solidifies and makes certain the future of the cash and the company.

**This Target's Statement sets out the full reasons supporting your Directors' unanimous recommendation to **REJECT** Pritchard Equity's Offer**

I encourage you to read carefully all information contained in this Target's Statement and where appropriate seek independent advice or call our Shareholder Information Line on 07 3031 9950.

Yours Sincerely



Peter Spann

Chairman

- 1 Based on the current market data available as at the date of this Target's Statement from the NSX website.
- 2 Based on the Independent Expert's Valuation.
- 3 Based on the Independent Expert's Report.
- 4 Based on the audited Net Tangible Asset backing of the company in the financial accounts for the period ending 30th June 2008 not including the ordinary shares on issue.
- 5 Based on Section 1 of the Bidder's Statement of Pritchard Equity dated 1st September 2008.
- 6 Based on Annexure 4 of the Bidder's Statement of Pritchard Equity dated 1st September 2008 and the Constitution of Property Fox No.1 Limited.
- 7 Based on Page 25 of the Bidder's Statement dated 1st September 2008
- 8 Based on 100% acceptance level."

### **3.0 Reasons why you should reject Pritchard Equity's Offer**

- The words "Correctly valued are deleted" The 4<sup>th</sup> Point down is amended to delete "33" and insert "30-34" and delete 28% on the second line of that point.
- The 5<sup>th</sup> Point down is amended to delete "42" and insert "40" on the first line.
- Footnote 9 is deleted and replaced with the following footnote, "Based on the Independent Expert Report"
- Footnote 10 is deleted and replaced with the words, "Based on the Independent Expert Report's assessment of value at \$0.34 cents per share.
- The last two sentences are deleted and replaced with the following sentences, "The Net Tangible Asset backing "NTA" of PF1 expressed as a price per share is audited at 57 cents per share. At 34 cents per share this represents a 40% discount to NTA"

### **3.1 The Independent Expert has determined that the offer is Not fair and Not reasonable**

- The First Line under the heading the words "Lawler Partners" are deleted and replaced with the words "VMC Global Pty Ltd".
- The entire 3<sup>rd</sup> paragraph is deleted including points (a)-(e).

### **3.2 Under the chart labelled "PEQA (Pritchard Equity Limited A Ordinary Shares)"**

- In the chart labelled "PEQA (Prichard Equity Limited A Ordinary Shares)", under the column "Issuer Description" the word "Equity" between "Prichard" and "Equity" has been excluded from all rows.
- The first bullet point down the date the "15<sup>th</sup>" has been replaced with the date "30<sup>th</sup>".
- The second bullet point under the chart "PEQA (Prichard Equity Limited A Ordinary Shares)" has the figure "18.7%" replaced with "15.45"

- The second bullet point under the chart “PEQA (Prichard Equity Limited A Ordinary Shares)” also has the inclusion of the sentence *“This is calculated using the ratio of the value traded to total volume traded since the listing of the above securities. It is a measure of the average price the above stock traded at since listing.” As the second last sentence. ”*. The following sentence has also been inserted at the end of this bullet point, *“Please note that the Independent Expert has determined that this method is inappropriate due to the lack of liquidity.”* at the end of the paragraph.

### **3.3 Under the chart labelled “PEQB (Pritchard Equity Limited B Ordinary Shares)”**

- In the chart labelled “PEQB (Prichard Equity Limited A Ordinary Shares)”, under the column “Issuer Description” the word “Equity” between “Prichard” and “Equity” has been excluded from all rows.
- The first bullet point down the date the “15<sup>th</sup>” has been replaced with the date “30<sup>th</sup>”.
- The second bullet point under the sub heading “PEQB (Prichard Equity Limited B Ordinary Shares)” has the percentage “15.4%” removed and replaced with “12.72%”.
- In addition, the second bullet point has the inclusion of the sentence *“This is calculated using the the ratio of the value traded to total volume traded since the listing of the above securities. It is a measure of the average price the above stock traded at since listing”* after the words “above shares.” The following sentence has also been inserted at the end of this bullet point, *“Please note that the Independent Expert has determined that this method is inappropriate due to the lack of liquidity.”* at the end of the paragraph.

### **3.4 Under the heading “PEQPA (Pritchard Equity Limited Preferred Income Securities)”**

- The 4<sup>th</sup> Bullet point down, in the penultimate line is amended to insert the words, *“adopted the Independent Expert’s Value of between \$62.93-\$70.49 per share, not the \$100 claimed by Pritchard Equity Limited to be...”* after the word “have”.
- At the end of the 4<sup>th</sup> Bullet point the following has been inserted, *“For more information on how the Independent Expert Report has calculated these values please refer to the Independent Expert’s Report at Section 8 of this Target’s Statement.”*

### **3.5 Under the heading PF1 Liquidity**

- The first bullet point down the date the “15<sup>th</sup>” has been replaced with the date “30<sup>th</sup>”
- The seventh bullet point down is amended at the first line to replace the word “Directors” with the words, “Independent Expert” on the first line of the bullet point and to delete “33” and insert , “30-34” on the second line of this bullet point.

**3.6 Under the heading, “There is NO premium being offered-a flawed and biased valuation model has been used.**

**This section is deleted and replaced with the following section:**

**“4. There is NO premium being offered – a flawed and biased valuation model has been used**

Pritchard Equity values its own shares in a highly favourable manner using only the last traded price. Only 1,000 PEQA shares have traded at the \$1.10 price claimed and this transaction took place on the 24<sup>th</sup> April 2007 – over 16 months ago. The buyer and seller transactions were both handled by Pritchard and Partners in this trade.

The previous trade was at \$1 per share and the previous 8 trades were at 85 cents per share. All trades were processed by either Pritchard and Partners or Camerons (an associated company to Pritchard Equity).

The method used to value PF1 shares by Pritchard Equity is VWAP or “Volume Weighted Average Price”.

If you apply that same methodology to value Pritchard Equity PEQA shares, the consideration would drop substantially from \$1.10 to 93 cents. This is a decrease in valuation of PEQA shares of almost 16%.

Only 1,000 PEQB shares have traded at the \$1.10 price claimed. The buyer and seller transactions were both handled by Pritchard and Partners in this trade.

The previous trade was at a \$1.00 per share. The buyer and seller transactions were both handled by Camerons in this trade.

The previous trade was at 85 cents per share. The buyer transaction in this trade was processed by Pritchard and Partners and the seller transaction in this trade was processed by Camerons.

The previous trading occurred in 2006.

If you apply the VWAP methodology to value Pritchard Equity's PEQB shares the consideration would drop substantially from \$1.10 to 96 cents. This is a decrease in valuation of PEQB shares of almost 13%. In relation to the PEQA and PEQB shares, the Independent Expert has determined that VWAP method of valuation is inappropriate due to lack of liquidity.

There has been no trading of the PEQ Preferred Income Securities. Pritchard Equities valuation of these shares is 10 times earnings regardless of the fact they are highly illiquid and speculative. As previously stated it is unlikely the PEQ Preferred Income Securities would attract significant interest from investors due to the substantial risk premium that needs to be attached to them. This investment is high risk, has limited voting rights and the income “coupon” or return can be adjusted at any time by the Directors (Steven Pritchard is a major shareholder who can outvote other shareholders).

The Independent Expert believes that the stated valuation of the PEQ Preferred Income Securities at \$100 each is unlikely to be sustained in a free and fair market with reasonable volume. For these reasons in calculating the implied price of the Pritchard Equity Offer, your Directors have adopted the value of the Independent Expert to the value of the Pritchard Equity Limited Preferred Income Securities and believe these securities are worth at best approximately \$62.93 to \$70.49 per share. This view was reached by the Independent Expert.

Valued, by the Independent Expert, the Directors of PF1 believe the implied price of the consideration being offered is 30 to 34 cents per share. Rather than being a premium (as claimed by Pritchard Equity) this is a discount. In consideration of the fact that Pritchard Equity Limited has used the VWAP methodology to value the PF1 Shares, at pages 5 and 6 of the Bidder's Statement, the Directors of Property Fox No.1 Limited believe it is appropriate to advise shareholders of what the Independent Expert assessment value is for the PEQ A and PEQ B shares. This can be found in the Independent Expert's Report. Because the PEQ Preferred Income Securities have NEVER traded it is not possible to calculate a VWAP methodology for these securities. For this reason, your Directors have formed a view that fair value for the PEQ Preferred Income Securities is \$62.93 to \$70.49 per share based on the Independent Expert's Report.

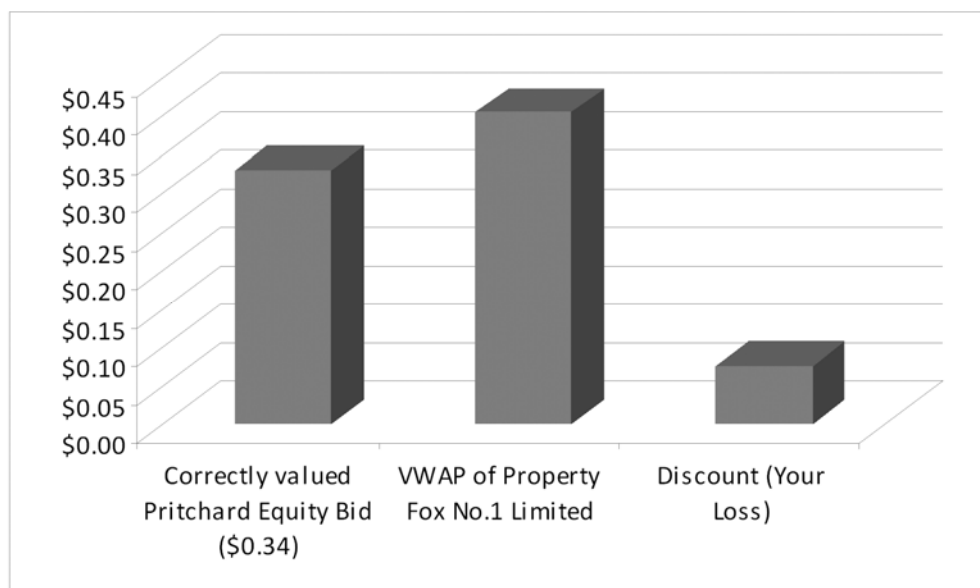
**This represents a substantial discount to the VWAP of PF1.**

Pritchard Equity, in its valuation of PF1, ignore the buy-back of shares which has taken place at 40c, 42c, 50c and 56c. Any shareholder could have accepted those prices for their shares and taken the proceeds in cash. The takeover bid by Pritchard Equity has as a condition that the company does not enter into a further buy-back.

**The VWAP of PF1 is 40.51 cents per share. This puts Pritchard Equity's bid based on the Independent Expert's Report of 30 to 34 cents per share at a discount to the VWAP PF1 share price.**

**DIRECTORS OPINION ON VALUE OF PRITCHARD EQUITY SHARES COMPARED TO PROPERTY FOX 1 SHARES**





*This chart illustrates the offer discount when the Pritchard Equity shares are correctly valued and PF1 shares are correctly valued using the same VWAP methodology with respect to the PEQ A Shares and PEQ B Shares and applying a 30% discount to the PEQ Preferred Income Securities. The discount in the chart above illustrates the amount you would lose by accepting the offer based on a 33 cents per share implied offer price.*

*\*NB: The Independent Expert has determined that the VWAP methodology is not appropriate and the above information is included for informational purposes only.\**

**3.7 The Section labelled, “The Assets of the Company are worth 42% more than being offered is amended as follows:**

- The heading is amended to delete “42” and insert “40”.
- The third paragraph is amended to delete the third and fourth sentences of that paragraph.
- The fourth paragraph is amended to delete the word, “valuation” and insert the word, “values” and delete the words “written valuation” and replaces it with the words, “carried values”.
- The fifth paragraph is amended to delete the words, “After conducting these valuations” at the beginning of the paragraph.
- The fifth paragraph is amended to delete the word, “valuation” and insert the word, “values” on the second line of the second line.

**3.8 The Section “Pritchard Equity is a business with increased risks” is amended as follows:**

- Within the subheading “A highly Illiquid, Privately Owned, High Risk, Cyclical Business” the paragraph under the statement by Prichard Equity reads as follows: “Pritchard Equity has

*disclosed in its Annual Report dated 30<sup>th</sup> September 2008 that the consolidated net operating profit of the Cameron Capital Limited Group has fallen by 53%. Pritchard Equity does not disclose, the impact this makes on the valuation of the business, and what impact that will have on the value of Pritchard Equity shares.”*

- In paragraph two under the heading, “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance” the words, “only ten trades since listing on the NSX and” are deleted.
- At the conclusion of paragraph three of the section titled “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance”, the sentence “*Compared to other Listed Investment Companies, listed on the Australian Securities Exchange.*” is included.
- The fourth paragraph under the heading “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance”, has been amended by inserting the sentence “*This opinion is based on the Directors experience in this area and the Directors experience on the possibility of raising debt for a Listed Investment Company especially in the current market environment,*” after the first sentence of the paragraph.
- Paragraph four under “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance” has the sentence “*its positions are likely to lack diversification, lack quality portfolio construction, and be subject to significant market pressure.*” removed.
- Alterations have been made to paragraph five under “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance” with the inclusion of the words “*Due to the fall in worldwide stock markets the Directors of PF1 believe that*” before the words “Listed Investment Companies”.
- Paragraph seven under the heading “A Micro-Sized, Highly Illiquid Company with some Declining Assets and Poor Performance” the words “June” has been deleted and replaced with “August” and “43” has been deleted and replaced with “44.6”
- The diagram referred to as “Unaudited NTA of Illuminator Investment Company (IIC)” has been amended with the insertion of figures for July 2008 and August 2008 and relabelled.
- The Section labelled “Property Fox Number 1 is in a superior position to Pritchard Equity Limited” is amended to delete the section and insert the following section:

	<b>Pritchard as at 30<sup>th</sup> June 2008</b>	<b>PF1 as at 30<sup>th</sup> June 2008</b>
Shareholders	67	169
Steven Pritchard Controls	64.95%	5.15%

Cash Holdings	\$411,643	\$1,427,875
Net Assets	\$2,107,027	\$2,571,924

- PEQB have just 67 shareholders with Stephen Pritchard controlling approximately 65% of those shares;
- Property Fox Number 1 has 169 shareholders with no one shareholder holding over 22% of the vote;
- Pritchard Equity had just \$411,643 in cash as at 30<sup>th</sup> June 2008;
- Property Fox Number 1 had almost 4 times that amount - \$1,427,875 as at 30 June 2008;
- Pritchard Equity had \$2,107,027 of net assets as at 31<sup>st</sup> December 2007;
- PF1 had \$2,571,924 of net assets as at 30 June 2008;
- Pritchard Equity has a highly speculative portfolio of mostly interrelated companies with uncertain prospects;
- Property Fox Number 1 has a portfolio of stable properties and significant cash holdings.

**3.9 The section of the Target's Statement labelled "You stand to lose a large amount of your voting rights – you would have NO effective say in the merged entity" is amended as follows:**

- The Last sentence of the second last paragraph on page 20 is deleted.
- In paragraph five the word "no" has been replaced with the words "a reduced and limited".
- In paragraph nine the first sentence has been altered to read as follows: *"One shareholder effectively controls the majority of shareholder votes and may make many decisions that would affect every other shareholder."*
- The following sentence is included at the bottom of paragraph nine after the words "every other shareholder."

*"In limited circumstances there will be matters which require a 75% approval of shareholders, or alternatively Mr Pritchard, and his related parties, will be restrained from voting due to the Corporations Act or the Listing Rules of the NSX. In these circumstances PF1 shareholders will have the capacity to participate in facets of PF1's operations and decision making."*

**3.10 In the section labelled "Pritchard Equity's bid is highly unlikely to proceed"**

- Paragraph two under the subheading "Pritchard Equity's bid is highly unlikely to proceed" within the heading "Acceptance of Pritchard Equity's Offer will expose you to significant risk and uncertainty" has been altered as follows:
- The date in the second sentence has changed from 26<sup>th</sup> September 2008 to 30<sup>th</sup> September 2008.

- The words “only 2” after the words “offer from” have been deleted.
- The figure before the words “A class shares” has been replaced with the figure “200,000”.
- The last paragraph has the following inserted at the end of the paragraph, “As at 30<sup>th</sup> September 2008, Pritchard Equity had a relevant interest in 483,000 A class shares representing a relevant interest in 8.38% of the issued capital of PF1”
- The first paragraph under the subheading “Inability to acquire 90% renders the offer impotent” within the heading “Acceptance of Pritchard Equity’s Offer will expose you to significant risk and uncertainty” is amended by the insertion of the sentence “The Directors believe this is correct, given that on 30<sup>th</sup> September 2008, Pritchard Equity Limited had received acceptances of its offer from shareholders, representing a total of only 200,000 A class shares in PF1.” Immediately following this the following is inserted, “As at 30<sup>th</sup> September 2008, Pritchard Equity had a relevant interest in 483,000 A class shares representing a relevant interest in 8.38% of the issued capital of PF1” at the end of the paragraph.

### **3.11 In the section labelled “A future plan for PF1 that advantages all shareholders”**

- The words, “This is backed up by the Independent Expert’s Report “ have been deleted in the first paragraph.

### **3.12 In the Section labelled Property Fox’s Loan to Freeman Fox Property WAS in the best interest of shareholders (it saved the PF1 shareholders \$135,000)” the following changes have been made:**

- In paragraph five of the section labelled “Property Fox’s Loan to Freeman Fox Property WAS in the best interest of shareholders (it saved the PF1 shareholders \$135,000)” under the heading “Response to assertions made in the bidder’s statement”, the words “*by the Directors in consultation with PF1’s nominated real estate agents at the time*” were included after the words “was budgeted” in the second sentence.
- The first paragraph under the subheading “Fees have been adjusted to \$12,000pa” within “Response to assertions made in the bidder’s statement” has been amended by:
- The sentence “This statement is based on the Directors’ knowledge and experience, as Mr Woolcott has been a director of a number of listed public companies. Mr. Woolcott and Mr Spann are currently directors of a company listed on the Australian Securities Exchange.” has been included at the end of the paragraph.
- The second paragraph under the subheading “Fees have been adjusted to \$12,000pa” within “Response to assertions made in the bidder’s statement” sees the inclusion of the words “*In the opinion of Directors based on their level of knowledge and expertise,*” before the word “a management” in sentence three.
- Within the subheading “Fees have been adjusted to \$12,000pa” under “Response to assertions made in the bidder’s statement” the following modifications have been made to the bullet points after paragraph six:

- The deletion of the first two bullet points.
- The addition of the words “in the sum of \$17,085, as disclosed in the Preliminary Final Statement of Illuminator Investment Company dated 12<sup>th</sup> September 2008” to the end of bullet point three.
- Removal of bullet point four.
- The inclusion of the sentence “*in the sum of \$1,485, as disclosed in the Preliminary Final Statement of Pritchard Equity Limited dated 12<sup>th</sup> September 2008.*” to the end of bullet point five.
- Bullet point six replaced with the sentence “*Brokerage fees payable to Cameron Stockbrokers Limited in relation to share purchases in the sum of \$7,809, as disclosed in the Preliminary Final Statement of Pritchard Equity Limited dated 12<sup>th</sup> September 2008*”
- Previous bullet point six relabelled as bullet point seven with the inclusion of the words “in the sum of \$37,300 as disclosed in the Preliminary Final Statement of Pritchard Equity Limited dated 12<sup>th</sup> September 2008”
- Previous bullet point seven relabelled as bullet point eight, with the deletion of the words “and sponsoring broker and” supplemented with the words “*in the sum of \$12,633 , as disclosed in the Preliminary Final Statement of Illuminator Investment Company dated 12<sup>th</sup> September 2008*”
- Deletion of the bullet point stating “Nominated Adviser Fees payable to Pritchard & Partners Pty Ltd.
- The ninth paragraph under the subheading “Fees have been adjusted to \$12,000pa” within “Response to assertions made in the bidder’s statement” has been amended as follows:
- The words “this makes” have been replaced with the words “*It is the opinion of the Directors based on their level of knowledge and experience that*”.
- In the first sentence after the words “charged to PF1” the word “*considerably*” has been deleted.
- In the first sentence after the words “market rates and” the word “*considerably*” has been deleted.
- The following sentence has been added to the end of paragraph nine: “*This is view is based on the Directors of PF1’s assessment on the various fees and charges charged by companies related to Steven Pritchard to Illuminator Investment Company Limited and Pritchard Equity Limited.*”

#### **4.0 Section Answers to Frequently asked Questions, under the Heading, “What do Directors of PF1 recommend I do?”**

- **Points 4 & 5 are deleted and replaced with the following (including new footnotes).**

- “The Independent Expert has valued the offer, at best, at only 30 to 34 cents per share<sup>1</sup> - there is **NO premium offered**. Valued by the Independent Expert the offer is a 40% discount to the audited NTA of PF1 as at 30th June 2008<sup>13</sup>;
- The audited Net Tangible Assets of the company are worth **40% more** than the bid based on a 34 cent per share value as the high range of the Independent Expert;”

## 5.0 Section 4.2 Entitled Current Investments of Property Fox No.1 Limited

- Under the section entitled Fox Riverside Pty Ltd, the following is inserted after the word “property” in the last sentence of that paragraph, “*The public auction for the property held on 27<sup>th</sup> September 2008 with the property being passed in on a Vendor’s Bid of \$3million*”.

## 6.0 PF1 historical financial information

- The following new section 5.6 is inserted into the “key risks to the financial performance of the company”:

*“5.6 Risks of Not accepting the Bid if Pritchard Equity Limited acquires 66% and a shareholder does not accept Pritchard’s offer.*

### **a) Subsidiary of Pritchard Equity Limited**

*In the Bidder’s statement, at page 34 the Bidder discloses that if Pritchard Equity Limited acquires 66% but less than 90% of the A Class shares it is Pritchard Equity Limited’s intention to run PF1 as a subsidiary of Pritchard Equity Limited. This is a risk for shareholders because the majority shareholder (PEQ) may influence changes in the operation of PF1 which are not aligned with the objectives of the existing PF1 shareholders.*

### **b) Use of Creep provisions in s611 of the Corporations Act.**

*In the Bidder’s statement at page 34 the Bidder discloses that if it becomes entitled to acquire shares using the 3% creep division it intends to do so. Shareholders should be aware that even if Pritchard Equity Limited does not achieve the 90% compulsory acquisition threshold shareholders may have their shares compulsorily acquired if and when Pritchard Equity Limited acquires 90% of the issued shares of PF1.*

### **c) Board Control**

*In the Bidder’s statement at page 34 & 35 the Bidder discloses that it is Pritchard Equity’s Intention to seek at least two representatives on the Board of PF1. Shareholders should understand that if they do not accept the bid, and Pritchard Equity Limited obtains a 66% holding in PF1, Pritchard Equity Limited may be able to influence the Board and its composition.”*

## 7.0 Section 6.3 Dealings by Directors in PF1 Shares

- This section is amended to delete, “10” and inserting “30”.

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<sup>1</sup> Based on the Independent Expert’s Report.

<sup>13</sup> Based on a Value of 34 cents per share

## **8.0 Important information about Pritchard Equity's Offer**

- In section 7.2, "2" is deleted and replaced with , "23"
- In paragraph one of section 7.8(a) the word "equity" before the word "Pritchard Equity" has been deleted.

## **9.0 Independent Expert's Report**

- The entire Independent Expert's Report at section 8 has been replaced with a new Independent Expert's Report of VMC Global Pty Ltd dated 1<sup>st</sup> October 2008. This is reprinted in full in the updated Target's Statement sent to shareholders together with this Supplementary Target's Statement.

## **10.0 Additional Information**

- In section 10.8, the date of "15<sup>th</sup> September 2008" has been substituted with the date "3<sup>rd</sup> October 2008".

## **11.0 Glossary**

- Within the definition "merged entity" the word "equity" after the words "Pritchard Equity" has been deleted.
- Within the definition "offer period" the date of "2<sup>nd</sup> Day of October 2008" has been amended with the date of "23<sup>rd</sup> Day of October 2008".

## **12.0 Director's authorisation**

This Supplementary Target's Statement was approved by a unanimous resolution of all of the Directors of Property Fox No.1 Limited on 3<sup>rd</sup> October 2008.

Signed for and on behalf of Property Fox No. 1 Limited



Peter Spann  
Chairman