

PROPERTY  **FOX**
No. 1 LIMITED

ACN 101 816 353

2005 ANNUAL REPORT



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MANAGING DIRECTOR'S REVIEW

Hello

Firstly, let me thank you all for being shareholders, especially since the last couple of years have been not terribly good in the property market and therefore not good for us as well.

This is our third annual report and we have just completed our second full year of trading. The property market continued to be difficult during the year and particularly so in New South Wales where the majority of our holdings are situated.

Our property holdings are summarised below:

<u>Address</u>	<u>State</u>	<u>Type of property</u>	<u>Proposed action</u>
38 Vine St. Fairfield	NSW	4 home units in a block of 12	Continue to hold
20 Hardy St. Fairfield	NSW	Block of 6 home units	Continue to hold
26 Toorak Road Hamilton	QLD	Block of 4 home units	Continue to hold
12 Ware St Annerley	QLD	Block of 4 home units	Sold in July 2005
Healy & Ruthven Streets Toowoomba*	QLD	8 contiguous properties comprising houses and flats	Hold pending development
67 Cardigan St. Fairfield	NSW	Block of 8 home units	The Company holds 62.5% of this property and is considering an offer for the purchase of its holding.

***The Company holds 30% of these properties as a tenant in common with Property Fox No 2 Limited (50%) & Freeman Fox Investments Pty Limited (20%)**

The Directors believe that the property market will continue to be difficult in the next couple of years and that the opportunity for further purchases and development will be very limited. As such, the Company intends to hold the current properties, in which case a small operating loss may be experienced until rental levels increase.

The Directors are considering the possibility of listing the entity on the Newcastle Stock Exchange to provide liquidity to shareholders. It is highly likely that the shares would trade at a significant discount to value and indeed a considerable discount to the net tangible asset backing of the company, however this would allow liquidity to those of you who desire it, even at a loss.

The Directors are reviewing alternative courses of action now and we will be providing an update to shareholders in the near future.

In the meantime and in the longer term, the underlying value of the properties should increase and shareholder value will grow.

I look forward to meeting you again at our annual General Meeting.



Peter Spann
Managing Director

DIRECTORS' REPORT

Your directors present their report on the company for the financial period ended 30 June 2005.

Directors

The names of directors in office at any time during or since the end of the year are:

Peter John Spann	Chairman and the founder of the Freeman Fox group of companies, aged 39, joined the board 26 August 2002 at date of incorporation of the company.
Peter John Conway	Secretary, and master stockbroker, aged 56, joined the board 26 August 2002 at date of incorporation of the company.
Brian Oliver Boardman	Licensed real estate agent, aged 61, joined the board 26 August 2002 at date of incorporation of the company in a non-executive capacity. Brian resigned on 12 November 2004.
Jo-Anne Maree Oliveri	Licensed real estate agent, aged 44, joined the Board on 12 November 2004.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of the company during the financial year ended 30 June 2005 was the acquisition, development and re-sale, either directly or through wholly owned subsidiaries, of parcels of developed residential real estate in accordance with the Real Estate Acquisition Mandate and Real Estate Resale Mandate of the Company.

Operating result

The consolidated loss of the economic entity after providing for income tax amounted to \$647,188 (2004: Profit of \$445,149).

Dividends paid or recommended

The Board has not made a recommendation to issue any final dividend payment for the year ended 30 June 2005.

Review of operations

The company was active in its pursuit of its principal activities during the period. The company, in a joint venture with Property Fox No 2 Limited and Freeman Fox Investments Pty Ltd purchased several residential properties in Toowoomba QLD. The company has a 30% ownership interest in these properties. The company also acquired 2% of the issued capital of Fox Riverside Pty Ltd. Fox Riverside has a development agreement with Freeman Fox Investments Pty Ltd, in which Fox Riverside has a 97.5% interest. The joint venture purchased three Brisbane waterfront properties during the period with a view to redevelopment of the sites into luxury homes in the short term.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the economic entity during the year other than as described elsewhere in this director's report.

Significant after balance date events

At the date of this report, the Directors are not aware of any events that would have a significant impact on the operations of the company.

Likely future developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

DIRECTORS' REPORT (Continued)

Information on Directors

Peter John Spann – Executive Director, Managing Director, Company Secretary

Peter is the founder of the Freeman Fox group of companies and is a well known public speaker and presenter of investment seminars. Peter has had a wealth of experience in real estate investments over the past ten years, having purchased and sold, either directly or through related entities, many investment properties.

Peter has been featured in numerous magazine, television and newspaper articles, including a cover story in the March 2001 edition of 'Australian Property Investor' magazine.

Prior to establishing the Freeman Fox group of companies, Peter had a career in marketing, and worked as a marketing consultant for Fullife Pty Limited, Smaartco Pty Limited, and Results Corporation Pty Limited.

Peter John Conway - Non Executive Independent Director

Peter commenced his career in 1967 as a share clerk and today is a current Affiliate of the Australian Stock Exchange.

Peter has been head of retail stockbroking for Salomon Smith Barney, a Founding Member Director of E*Trade Australia, Board Member and Chief Operating Officer of ANZ Securities, Board Member of Ord Minnett Group Limited, and Operations Manager of Were Stockbroking. Peter is a master stockbroker of the Securities and Derivatives Industry Association. Peter has also been a lecturer of the Securities Institute of Australia, and other related forums.

Brian Oliver Boardman- Non Executive Independent (resigned 12 November 2004)

Brian is a licensed real estate agent, business agent, and stock and station agent. Brian is the principal of his own real estate agency firm Boardman and Company. Brian was manager, land acquisitions for Stewart Upton Pty Limited from 1970 to 1974. From 1975 to 1979, Brian was manager of the Investment Division of Raine and Horne head office in Sydney. Brian has developed many real estate projects over the past twenty years. More recently, Brian acquired and operated the project marketing business Ledgerwood Real Estate, of which Brian has just recently sold his interest in.

Jo-Anne Oliveri - Non Executive Independent (Joined 12 November 2004)

Jo-Anne commenced her career in the real estate industry in 1995 and is a fully accredited licensed real estate agent. She has gained the reputation as Brisbane's executive leasing specialist, consistently achieving high returns on prestigious property. In 2002 she was elected to the REIQ Property Management Chapter in 2002 and served on the committee for two years. She was also on the Property Chapter Committee for the Leading Agents of Australia and has been a guest presenter at their annual conferences. She has also been a guest presenter at several industry forums including Australasian Best Practice Property Management Conference Sydney and Far North Queensland Property Management Expo 2003.

She has been recognised by her industry peers on several occasions and in 2003 was presented with the REIQ Property Manager of The Year Award for Excellence

DIRECTORS' REPORT (Continued)

Directors Emoluments

The emoluments of each Director are as follows:

Parent Entity - Directors	Director's Fees	
	2005	2004
Peter John Spann	-	-
Peter John Conway	15,300	13,200
Brian Oliver Boardman	4,400	13,200
Jo-Anne Oliveri	<u>8,000</u>	<u>-</u>
Total	27,700	26,400

Meetings of directors

During the financial year, meetings of directors were held. Attendances were:

Directors	Directors meetings	
	eligible to attend	attended
Peter John Spann	3	3
Peter John Conway	3	3
Brian Oliver Boardman	2	2
Jo-Anne Oliveri	1	1

Auditor's independence declaration

The Auditors Independence Declaration for the year ended 30 June 2005 has been received and can be found on page 28 of the financial report.

Indemnification of officers and auditors

The company has not, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

During the financial year, the company sought insurance cover in respect of insuring the directors of the company (as named above), and all executive officers of the company and of any related body corporate, against a liability incurred as such director, secretary or executive officer, to the extent permitted by the Corporations Act 2001. At the date of this report, the Directors are still seeking such insurance.

Interest of directors

At the date of this report, directors held directly or indirectly, the following interests in the company:

<u>Name of director</u>	<u>Nature of interest</u>
Peter John Spann	Fox Portfolio Pty Limited, in which he is a director and indirect shareholder, holds 1,250,000 ordinary shares in Property Fox No 1 Limited.

DIRECTORS' REPORT (Continued)

Options

No options in the share capital of this Company have been granted at the date of this report.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:



.....
Peter John Spann
Director

Dated this 24th day of October 2005



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& Business Advisers

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LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Property Fox No 1 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2005, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'PKF' or similar, with a horizontal line underneath.

PKF
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Grant Saxon', written in a cursive style.

Grant Saxon
Partner

Sydney, 25 October 2005

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

		30 June 2005		30 June 2004	
	Note	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
Sales revenue					
– sale of properties		-	-	7,811,708	-
– facilitation of transfer of properties		-	-	573,000	390,000
Cost of sales					
– sale of properties		-	-	(7,242,255)	-
– facilitation of transfer of properties		-	-	(217,012)	(139,753)
Gross profit		-	-	925,441	250,247
Interest revenue		22,178	22,178	67,725	67,725
Dividend received		-	51,954	-	529,667
Rental income		151,121	132,215	6,021	6,021
Management fees		(110,982)	(110,982)	(110,000)	(110,000)
Inventory write-down		(418,198)	(29,182)	-	-
Directors fees		(27,700)	(27,700)	(26,400)	(26,400)
Commission		(34,180)	(34,180)	-	-
Professional fees		(75,352)	(75,352)	(95,947)	(95,947)
Guarantee fees		(65,823)	(65,823)		
Interest expense		(81,193)	(81,193)	(2,035)	(2,035)
Rates and taxes		(54,212)	(54,212)	(14,846)	(14,846)
Other expenses from ordinary activities		(38,283)	(38,283)	(42,723)	(42,723)
(Loss)/profit from ordinary activities before income tax expense / (benefit)	2	(732,624)	(310,560)	707,236	561,709
Income tax expense relating to ordinary activities	3	53,355	53,355	212,172	168,514
Net (loss)/profit from ordinary activities after related income tax benefit		(785,979)	(361,915)	495,064	393,195
Net profit attributable to outside equity interest		138,791	-	(49,916)	-
Net (loss)/profit from ordinary activities after related income tax benefit and outside equity interest		(647,188)	(361,915)	445,149	393,195
Total changes in equity other than those resulting from transactions with owners as owners		(647,188)	(361,915)	445,149	393,195
Basic earnings per share (cents per share)	23	(10)		7	
Diluted earnings per share (cents per share)	23	(10)		7	

The above statement of financial performance is to be read in conjunction with the attached notes

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

		30 June 2005		30 June 2004	
	Note	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
CURRENT ASSETS					
Cash assets		94,716	94,716	1,333,824	1,333,824
Receivables	6	132,464	3,574,767	172,650	3,384,719
Inventory	7	6,085,942	2,404,147	3,873,895	-
Current tax asset	8	-	38,515	-	38,515
TOTAL CURRENT ASSETS		<u>6,313,122</u>	<u>6,112,145</u>	<u>5,380,369</u>	<u>4,757,058</u>
NON-CURRENT ASSETS					
Deferred tax assets	11	-	-	53,355	53,355
Other financial assets	9	151,400	157,956	-	6,556
TOTAL NON-CURRENT ASSETS		<u>151,400</u>	<u>157,956</u>	<u>53,355</u>	<u>59,911</u>
TOTAL ASSETS		<u>6,464,522</u>	<u>6,270,101</u>	<u>5,433,724</u>	<u>4,816,969</u>
CURRENT LIABILITIES					
Payables	12	634,670	75,706	530,483	21,165
Current tax liability	13	5,143	-	5,143	-
Interest-bearing liabilities	14	1,762,506	1,762,506	-	-
TOTAL CURRENT LIABILITIES		<u>2,402,319</u>	<u>1,838,212</u>	<u>535,626</u>	<u>21,165</u>
TOTAL LIABILITIES		<u>2,402,319</u>	<u>1,838,212</u>	<u>535,626</u>	<u>21,165</u>
NET ASSETS		<u>4,062,203</u>	<u>4,431,889</u>	<u>4,898,098</u>	<u>4,795,804</u>
EQUITY					
Contributed equity	16	4,730,350	4,730,350	4,730,350	4,730,350
Retained profits / (accumulated losses)	17	(529,780)	(298,461)	117,408	65,454
Parent equity interest		<u>4,200,570</u>	<u>4,431,889</u>	<u>4,847,758</u>	<u>4,795,804</u>
Outside equity interest	18	(138,367)	-	50,340	-
TOTAL EQUITY		<u>4,062,203</u>	<u>4,431,889</u>	<u>4,898,098</u>	<u>4,795,804</u>

The above statement of financial performance is to be read in conjunction with the attached notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

		30 June 2005		30 June 2004	
	Note	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
Cash flows from operating activities					
Cash received from customers		179,386	120,109	8,344,902	394,939
Payments to suppliers		(2,982,506)	(2,785,320)	(11,355,166)	(402,055)
Interest paid		(81,193)	(81,193)	(2,035)	(2,035)
Interest received		22,178	22,178	67,725	67,725
Dividends received		-	51,954	-	529,667
Income tax paid		-	-	(161,460)	(161,460)
Net cash provided by/(used in) operating activities	25(b)	(2,862,135)	(2,672,272)	(3,106,034)	426,781
Cash flows from investing activities					
Payment for investments		(151,400)	(151,400)	-	-
Loans from/(to) Director related parties		11,921	11,921	(135,000)	-
Net borrowings received from outside equity interests		-	-	509,742	-
Net borrowings provided to subsidiaries		-	(189,863)	-	(3,158,073)
Net cash provided by / (used in) investing activities		(139,479)	(329,342)	374,742	(3,158,073)
Cash flows from financing activities					
Dividend paid		-	-	(366,667)	(366,667)
Proceeds from borrowings		1,762,506	1,762,506	-	-
Net cash provided by / (used in) financing activities		1,762,506	1,762,506	(366,667)	(366,667)
Net increase / (decrease) in cash held		(1,239,108)	(1,239,108)	(3,097,959)	(3,097,959)
Cash at the beginning of the financial period		1,333,824	1,333,824	4,431,783	4,431,783
Cash at the end of the financial period	25(a)	94,716	94,716	1,333,824	1,333,824

The above statement of cashflows is to be read in conjunction with the attached notes

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report, which has been drawn up in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act, 2001. The financial report covers the economic entity of Property Fox No.1 Limited and controlled entities. Property Fox No.1 is a public company incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values, except where stated, or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following is a summary of material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of Consolidation

The consolidated financial report combines the financial reports of Property Fox No.1 Limited and all of its controlled entities. A controlled entity is any entity controlled by Property Fox No.1 Limited. Control exists where Property Fox No.1 Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Property Fox No.1 Limited to achieve the objectives of Property Fox No.1 Limited. A list of controlled entities is contained in Note 15 to the financial report.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- 1) Revenue from re-sale of real estate is recognised on exchange of funds with purchaser.
- 2) Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- 3) Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

c) Put and Call Options

Acquisitions may, at the discretion of Directors, be effected by way of put and call options entered into with sellers. Where such put and call options are entered into, the company brings to account an asset and liability relating to the acquisition when the control of the asset vests in the company upon completion of the contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Income Tax

Income tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and taxable income. The tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expenses in the periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as "future income tax benefits" or "provision for deferred income tax", as the case may be, at current tax rates.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The Directors are of the opinion that current year tax losses will be able to be utilised against taxable incomes of future years, and that sufficient future profits will be generated in order for the losses to be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

e) Recoverable amounts

The carrying amounts of non-current assets do not exceed the net amounts that are expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the assets. The expected net cash flows included in determining the recoverable amounts have been discounted to their present values.

f) Payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

g) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus cost incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

h) Goods and services tax

The company derives its revenue from an input taxed activity being trading in residential real estate and any goods and services tax (GST) incurred by the company is not recoverable from the Australian Tax Office. Accordingly, where GST is incurred, it is recognised as part of the costs of acquisition of the asset or as an expense item.

i) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) *Inventories - Real Estate Held for Resale*

Real Estate acquired for resale is recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. Real estate held for development and re-sale is valued at the lower of costs and net realisable value. Cost includes the cost of acquisition, development, foreign currency movements, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development are expensed. Profits are brought to account on settlement.

k) *Interest in Joint Venture*

The economic entity's share of the assets, liabilities, revenues and expenses of joint venture operations is included in the respective items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 10.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

l) *Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006.*

Australian equivalents to International Financial Reporting Standards (AIFRS) will be adopted in the financial report for the year ending 30 June 2006 and the comparative information presented in that report for the year ending 30 June 2005. In preparation for the transition, opening balances as at 1 July 2004 for the comparative year ending 30 June 2005 will be converted to AIFRS in accordance with the new accounting standard AASB1 "First Time Adoption of Australian International Financial Reporting Pronouncements".

The directors are of the opinion that the following are the key material differences in the entity's accounting policies on conversion to AIFRS and the financial effect of these differences where known. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by the standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the consolidated entity's AIFRS committee.

i) *Income tax*

Under AASB112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

On transition, the financial effect of this impact is assessed as nil.

ii) *Impairment of Assets*

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136 'Impairment of Assets', the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The company has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2004 and 30 June 2005. On transition the financial impact of this change in accounting policy will be nil.

iii) Joint Ventures

Under AASB 131 "Interest in Joint Ventures", the Property Fox No 1 Limited, Property Fox No 2 Limited and Freeman Fox Investments Pty Limited ("The Joint Venture") meets the definition of a "jointly controlled operation" whereas under the current Australian Accounting Standard AASB 1006, "Interest in Joint Ventures", the joint venture would be classified as a "joint venture operation"

This change in classification has no impact on the accounting treatment of the Joint Venture whereby each venturer recognizes its share of the assets controlled and the liabilities incurred in its financial statements.

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
NOTE 2: PROFIT FROM ORDINARY ACTIVITIES				
<i>Operating revenue:</i>				
Property resale revenue	-	-	7,811,708	-
Property resale revenue – Facilitation of transfer of properties	-	-	573,000	390,000
Interest received from cash held in bank accounts	22,178	22,178	67,725	67,725
Other income	151,121	132,215	6,021	6,021
Total revenues from ordinary activities	<u>173,299</u>	<u>154,393</u>	<u>8,458,454</u>	<u>463,746</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
NOTE 3: INCOME TAX BENEFIT				
The amount provided in respect of income tax differs from the amount prima facie payable on net profit/(loss). The difference is reconciled as follows:				
Prima facie tax payable on operating profit before income tax at 30%	(219,787)	(93,168)	212,172	168,514
Permanent differences	-	-	-	-
	(219,787)	(93,168)	-	-
Income tax benefits not brought to account	219,787	93,168	-	-
Future Income tax benefits written off	53,355	53,355	-	-
	53,355	53,335	-	-
Income tax expense/(benefit) attributable to operating profit/(loss)	53,355	53,355	212,172	168,514

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- Assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- Conditions for deductibility imposed by the law are complied with; and
- No changes in tax legislation adversely affect the realisation of the benefit from the deductions.

NOTE 4: AUDITORS' REMUNERATION

Remuneration of the auditors of the company:

- auditor of the company for audit	21,500	14,000	17,500	17,500
- auditor of the company for other services	25,880	4,000	7,180	7,180
	47,380	18,000	24,680	24,680

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

- (a) Names and positions of Directors and specified executives in office at any time during the financial year are:

Directors

Peter John Spann	Managing Director – Executive	
Peter John Conway	Director – Non-Executive	
Brian Oliver Boardman	Director – Non-Executive	Resigned 12 November 2004
Jo-Anne Oliveri	Director – Non-Executive	Appointed 12 November 2004

Specified Executives

Other than Directors, there were no executive officers employed by the company during the period.

- (b) Directors Remuneration

Directors	Salary and Fees \$	Primary Superannuation Contributions \$	Non-Cash Benefits \$	Post Employment \$	Equity \$	Other \$	Total \$
<i>2005</i>							
Peter J Spann	-	-	-	-	-	-	-
Peter J Conway	15,300	-	-	-	-	-	15,300
Brian O Boardman	4,400	-	-	-	-	-	4,400
Jo-Anne Oliveri	8,000	-	-	-	-	-	8,000
	27,700	-	-	-	-	-	27,700
<i>2004</i>							
Peter J Spann	-	-	-	-	-	-	-
Peter J Conway	13,200	-	-	-	-	-	13,200
Brian O Boardman	13,200	-	-	-	-	-	13,200
	26,400	-	-	-	-	-	26,400

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES (Continued)

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contract for service between the company and specified directors are on a continuing basis the terms of which are not expected to change in the immediate future.

(c) Number of shares held by Directors (indirectly and directly)

	Balance 1/7/04	Consolidation of Shares	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/05
Peter J Spann *	1,250,000	-	-	-	-	1,250,000
Peter J Conway	-	-	-	-	-	-
Brian O Boardman	-	-	-	-	-	-

* Peter J Spann indirectly holds 1,250,000 ordinary shares through Fox Portfolio Pty Limited.

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
NOTE 6: RECEIVABLES				
Debtors	5,131	757	44,745	-
Non-trade receivables from wholly owned subsidiaries	-	3,446,677	-	3,256,814
Non-trade receivables from:				
- Director related entities	114,902	114,902	126,823	126,823
- Other related parties	10,841	10,841	-	-
Other receivables	1,590	1,590	1,082	1,082
	<u>132,464</u>	<u>3,574,767</u>	<u>172,650</u>	<u>3,384,719</u>

NOTE 7: INVENTORY

Properties – at cost	4,381,170	1,859,105	3,873,895	-
Properties – at net realisable value	1,704,772	545,042	-	-
	<u>6,085,942</u>	<u>2,404,147</u>	<u>3,873,895</u>	<u>-</u>

NOTE 8: CURRENT TAX ASSETS

Overpayment of income tax	-	38,515	-	38,515
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Note	30 June 2005 Economic Entity \$	30 June 2004 Parent Entity \$	Economic Entity \$	Parent Entity \$
a	151,400	151,400	-	-
15	-	6,556	-	6,556
	<u>151,400</u>	<u>157,956</u>	<u>-</u>	<u>6,556</u>

- timing differences	37,770	37,770	-	-
- tax losses	124,339	97,368	-	-
	<u>162,109</u>	<u>135,138</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
NOTE 12: PAYABLES				
<i>Unsecured</i>				
Trade accounts payable	48,954	48,954	5,165	5,165
Other creditors and accruals	21,806	21,806	16,000	16,000
Amounts payable to outside equity interests	558,964	-	509,318	-
Non trade accounts payable:				
- Director related entity	4,946	4,946	-	-
Total payables	<u>634,670</u>	<u>75,706</u>	<u>530,483</u>	<u>21,165</u>

NOTE 13: CURRENT TAX LIABILITIES

Provision for income tax	<u>5,143</u>	<u>-</u>	<u>5,143</u>	<u>-</u>
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NOTE 14: INTEREST BEARING LIABILITIES

CURRENT

Bank Loans- Secured	<u>1,762,506</u>	<u>1,762,506</u>	<u>-</u>	<u>-</u>
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The bank loans are secured by registered first mortgages over certain freehold property of the parent entity and the subsidiaries. Also refer to Note 21.

NOTE 15: CONTROLLED ENTITIES

	Country of Incorporation	Percentage of Shares Held
67 Cardigan Street Guildford Pty Limited	Australia	62.5
14 Park Road Pty Limited	Australia	51
20 Hardy Street Fairfield Pty Limited	Australia	100
38 Vine Street Fairfield Pty Limited	Australia	100
1 Morrison Road Pty Limited	Australia	100
13 Edward Street Pty Limited	Australia	100
15 Todd Street Pty Limited	Australia	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	30 June 2005		30 June 2004	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
NOTE 16: CONTRIBUTED EQUITY				
5,000,000 fully paid class A shares	4,730,250	4,730,250	4,730,250	4,730,250
1,250,000 fully paid ordinary shares	100	100	100	100
	<u>4,730,350</u>	<u>4,730,350</u>	<u>4,730,350</u>	<u>4,730,350</u>
Balance at the beginning of the financial period				
(a) Class A shares				
Balance at the beginning of the financial period	4,730,250	4,730,250	4,730,250	4,730,250
Balance at the end of the financial period	<u>4,730,250</u>	<u>4,730,250</u>	<u>4,730,250</u>	<u>4,730,250</u>
Class A shares have the right to collectively receive 75% of all dividends declared by the company and to collectively receive 100% of any share capital re-paid upon winding up of the company. Class A shares have the right to vote at all meetings of members of the company with each share entitling its holder to one vote				
(b) Ordinary shares				
Balance at the beginning of the financial period	100	100	100	100
Balance at the end of the financial period	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Ordinary shares have the right to collectively receive 25% of all dividends declared by the company. Ordinary shares have no entitlement to participate in a distribution of capital upon a winding up of the company or to otherwise receive payments by way of return of capital. Ordinary shares have the right to vote at all meetings of members of the company with each share entitling its holder to one vote.				
NOTE 17: RETAINED PROFITS / (ACCUMULATED LOSSES)				
Retained Profits/(Accumulated Losses)				
Balance at beginning of financial period	117,408	65,454	38,926	38,926
Dividend paid	-	-	(366,667)	(366,667)
Net loss attributable to members	(647,188)	(363,915)	445,149	393,195
Balance at end of financial year	<u>(529,780)</u>	<u>(298,461)</u>	<u>117,408</u>	<u>65,454</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
NOTE 18: OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES				
Share Capital	424	-	424	-
Retained Losses	(138,791)	-	49,916	-
	<u>(138,367)</u>	<u>-</u>	<u>50,340</u>	<u>-</u>

NOTE 19: DIVIDEND IMPUTATION

Balance of franking account at the end of the financial period.

	-	-	-	-

NOTE 20: EXPENDITURE COMMITMENTS

(a) Capital Expenditure commitments

There were no capital expenditure commitments as at 30 June 2005.

(b) Finance lease and hire purchase commitments

There were no finance lease or hire purchase commitments as at 30 June 2005.

(c) Operating lease commitments

There were no operating lease commitments as at 30 June 2005.

NOTE 21: CONTINGENT LIABILITIES

(a) As disclosed in Note 10, the company has a 30 percent interest in a joint venture with Property Fox No 2 Limited and Freeman Fox Investments Pty Limited.

As part of this joint venture, the company has entered into an agreement with Property Fox No 2 Limited to assist in the funding of the acquisition of the joint venture property situated in Toowoomba, Queensland. The total amount payable at 30 June 2005 under the joint loan agreement was \$1,020,006 and a liability of \$382,506 being the company's interest in the joint loan has been recorded and is included in Bank Loans – Secured in Note 14.

Under the terms of the loan facility, should Property Fox No 2 Limited be unable to meet its obligations under the loan facility agreement, the company will be liable for the full amount of the loan outstanding. The loan is secured by a first mortgage against the joint venture property which has a total carrying value of \$ 2,322,017 at 30 June 2005.

(b) Property Fox No 1 Limited has a contractual obligation to pay Fox Riverside Pty Limited \$ 98,600 should Fox Riverside Pty Limited make a call on the full amount of unpaid capital.

The Directors are not aware of any other contingent liabilities as at 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 22: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Fox Portfolio Pty Limited, a company controlled by Mr P Spann, provides Property Fox No.1 with management and administration support for an annual fee of 2 percent of the paid up capital of the company, plus goods and services tax.

	30 June 2005		30 June 2004	
	Economic Entity \$	Parent Entity \$	Economic Entity \$	Parent Entity \$
	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>

A 2.5 % commission on the purchase price of the Toowoomba properties was paid by Property Fox No 1 Limited to Freeman Fox Investments Pty Limited, a company controlled by Mr P.Spann. This commission was payment for acting as agent on the purchase of the properties.

<u>16,500</u>	<u>16,500</u>	<u>-</u>	<u>-</u>
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Freeman Fox Investments Pty Limited, a company controlled by Mr Peter Spann acted as guarantor of bank borrowings that Property Fox No 1 Limited is a party to. In return for acting as guarantor, Freeman Fox Investments Pty Limited received a loan guarantee fee from Property Fox No 1 Limited.

<u>65,823</u>	<u>65,823</u>	<u>-</u>	<u>-</u>
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Property Fox No.1 Limited provided an unsecured interest bearing loan of \$135,000 to Freeman Fox Property Pty Limited, a company controlled by Mr Peter Spann, during the year. The loan is repayable on 28 September 2006 and bears interest at the aggregate of the Base Rate on the first drawdown date plus a margin of 1.5% per annum, not exceeding 6.5% per annum. This loan remains outstanding at 30 June 2005.

<u>114,902</u>	<u>114,902</u>	<u>135,000</u>	<u>135,000</u>
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Interest charged on above loan during the year was

<u>6,348</u>	<u>6,348</u>	<u>-</u>	<u>-</u>
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Amount owing to Freeman Fox Investments Pty Ltd a company controlled by Mr Peter Spann during the year.

<u>4,946</u>	<u>4,946</u>	<u>-</u>	<u>-</u>
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Economic Entity	
	2005 \$	2004 \$
NOTE 23: EARNINGS PER SHARE		
Basic earnings per share (cents per share)	(10)	7
Diluted earnings per share (cents per share)	(10)	7
Net (loss) / profit used in calculating basic and diluted EPS	(647,188)	445,149
Weighted average number of shares outstanding during the year used in calculation of basic and diluted EPS	6,250,000	6,250,000

NOTE 24: FINANCIAL INSTRUMENTS

(a) *Interest Rate Risk*

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate (%)	Floating Interest Rate (\$)	Fixed Interest Rate (\$)	Non- Interest Bearing (\$)	Total (\$)
2005					
Financial Assets:					
Cash	3.6	94,716	-	-	94,716
Receivables (< 1 year)	6.5	-	114,902	17,562	132,464
		94,716	114,902	17,562	227,180
Financial Liabilities					
Trade and sundry creditors	-	-	-	634,670	634,670
Bank Bill Facility (< 1 year)	6.2	-	1,762,506	-	1,762,506
		-	1,762,506	634,670	2,397,176
2004					
Financial Assets:					
Cash	3.0	-	1,333,824	-	1,333,824
Receivables	-	-	-	172,650	172,650
			1,333,824	172,650	1,506,474
Financial Liabilities					
Trade and sundry creditors	-	-	-	530,483	530,483
			-	530,483	530,483

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 24: FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk

Due to the nature of real estate transactions on property settlement, the Directors are of the opinion that credit risk associated with the sale of real estate will be minimal, and that no provision for doubtful debts will be warranted.

(c) Receivable in foreign currency

The Company has had no transactions in any foreign currency.

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments with terms of less than 90 days, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	30 June 2005 Economic Entity \$	30 June 2005 Parent Entity \$	30 June 2004 Economic Entity \$	30 June 2004 Parent Entity \$
Cash held in bank accounts	94,716	94,716	1,333,824	1,333,824

(b) Reconciliation of net cash used in operating activities to net profit after income tax

Operating (loss) / profit after income tax	(785,979)	(363,915)	495,064	393,195
Changes in net assets and liabilities:				
(Increase)/decrease in receivables and prepayments	28,265	(12,106)	341,377	138,545
Increase in Inventory	(2,212,047)	(2,404,147)	(3,873,895)	-
(Increase)/decrease in deferred tax assets	53,355	53,355	45,569	45,569
Increase in current tax asset	-	-	-	(38,515)
Increase in current tax liability	-	-	5,143	-
Increase/(decrease) in payables	54,271	54,541	(119,292)	(112,013)
Net cash provided by/(used in) operating activities	(2,862,135)	(2,672,272)	(3,106,034)	426,781

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to reporting date on which to bring into account in the 30 June 2005 financial report.

NOTE 27: ECONOMIC DEPENDENCY

The economic entity is not economically dependent upon any third parties.

NOTE 28: SEGMENT INFORMATION

The economic entity operates in the property industry acquiring, developing and selling parcels of developed residential real estate.

The economic entity operates in one geographical segment being Australia.

NOTE 29: COMPANY DETAILS

Property Fox No.1 Limited is a public company, incorporated and operating in Australia.

Registered Office

Level 11
Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Tel: (07) 3031 9999

Principal Place of Business

Level 11
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

DIRECTORS' DECLARATION

In the opinion of the directors of Property Fox No.1 Limited:

- (a) the accompanying financial statements and notes are in accordance with the Corporations Act, 2001, comply with the accounting standards and give a true and fair view of the company's financial position as at 30 June 2005 and of their performance for the year ended on that date.
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Peter John Spann
Director

Dated this 24th day of October 2005.

A Member Firm of PKF International



Chartered Accountants
& Business Advisers

NSW Partnership
ABN 83 236 985 726

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Liability is limited by the Accountants
Scheme, approved under the
Professional Standards Act 1994 (NSW)

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Property Fox No.1 Limited and the consolidated entity, for the financial period ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act, 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed independence requirements of applicable Australian professional ethical pronouncements and the Corporations Act, 2001.

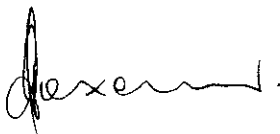
Audit opinion

In our opinion, the financial report of Property Fox No.1 Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2005 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PKF
Chartered Accountants



Grant F. Saxon
Partner

Sydney, Dated this 25 day of October 2005.

