



Property Fox No 1 Limited

**Financial Statements and Review Report
For the period ended 31 December 2006**

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**PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Your directors present their report on the economic entity for the half-year ended 31 December 2006.

Directors

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

- Peter John Spann
- Howard Woolcott *APPOINTED 30/11/2006*
- Jodie Morris *APPOINTED 30/11/2006*
- Peter John Conway *RESIGNED 30/11/2006*
- Jo-Anne Oliveri *RESIGNED 30/11/2006*

Review of Operations

The company was active in pursuit of its principal activities during the period. The net loss for the company for the half year ended 31 December 2006 before income tax amounted to \$169,550 compared to \$355,495 for the same period in the previous year.

Auditors Independence Declaration

The review auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2 for the half-year ended 31 December 2006.

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



Peter John Spann
Director

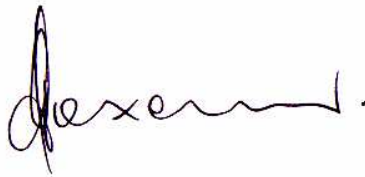
Dated this 6th day of March 2007

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

To: The Directors of Property Fox No.1 Limited

As lead engagement auditor for the review of Property Fox No.1 Limited for the half year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



Grant Saxon
Partner
PKF Chartered Accountants

Sydney, 6 March 2007

PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

| | Consolidated Entity | |
|----------------------------------------------------------|----------------------------|--------------------|
| | 31 Dec 2006 | 31 Dec 2005 |
| | \$ | \$ |
| Continuing operations | | |
| Sales revenue | | |
| - Sale of properties | - | 560,938 |
| Cost of sales | | |
| - Sale of properties | - | (545,042) |
| Gross Profit | - | 15,896 |
| Rental revenue | 117,820 | 131,021 |
| Management fees- related party | (61,285) | (60,198) |
| Inventory write down | - | (222,066) |
| Directors fees | (6,475) | (12,600) |
| Professional fees | (38,170) | (40,179) |
| Rates and taxes | (79,820) | (41,287) |
| Repairs and maintenance | (9,190) | (9,744) |
| Advertising expenses | (2,200) | (18,412) |
| Interest Expense | (78,420) | (65,884) |
| Other expenses | (11,810) | (32,042) |
| Loss before income tax | (169,550) | (355,495) |
| Income tax benefit | - | (1,092) |
| Loss from ordinary activities after income tax | (169,550) | (354,403) |
| Loss attributable to members of the parent entity | (169,550) | (354,403) |
| | | |
| Basic earnings per share (cents per share) | (3.59) | (7.5) |
| | | |
| Diluted earnings per share (cents per share) | (3.59) | (7.5) |

The above consolidated Income Statement is to be read in conjunction with the attached notes.

PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

| | Consolidated Entity | |
|----------------------------------|----------------------------|---------------------|
| | 31 Dec 2006 | 30 June 2006 |
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 139,016 | 197,376 |
| Trade and other receivables | 12,598 | 151,113 |
| Inventory | 4,534,105 | 4,534,105 |
| TOTAL CURRENT ASSETS | 4,685,719 | 4,882,594 |
| NON-CURRENT ASSETS | | |
| Other financial assets | 353,499 | 353,499 |
| TOTAL NON-CURRENT ASSETS | 353,499 | 353,499 |
| TOTAL ASSETS | 5,039,218 | 5,236,093 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 24,413 | 51,738 |
| Other financial liabilities | 1,832,500 | 1,832,500 |
| TOTAL CURRENT LIABILITIES | 1,856,913 | 1,884,238 |
| TOTAL LIABILITIES | 1,856,913 | 1,884,238 |
| NET ASSETS | 3,182,305 | 3,351,855 |
| EQUITY | | |
| Contributed equity | 4,730,350 | 4,730,350 |
| Accumulated losses | (1,548,469) | (1,378,919) |
| Parent equity interest | 3,181,881 | 3,351,431 |
| Minority interest | 424 | 424 |
| TOTAL EQUITY | 3,182,305 | 3,351,855 |

The above Consolidated Balance Sheet is to be read in conjunction with the attached notes

PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

| Consolidated Entity | Issued Capital \$ | Retained profits \$ | Minority Interest \$ | Total \$ |
|---------------------------------------------------|----------------------------------|------------------------------------|-------------------------------------|---------------------|
| Balance at 1 July 2005 | 4,730,350 | (529,780) | 424 | 4,200,994 |
| Loss attributable to members of Parent entity. | - | (354,403) | - | (354,403) |
| Balance at 31 December 2005 | 4,730,350 | (884,183) | 424 | 3,846,591 |
| Balance at 1 July 2006 | 4,730,350 | (1,378,919) | 424 | 3,351,855 |
| Loss attributable to members of Parent entity. | - | (169,550) | - | (169,550) |
| Balance at 31 December 2006 | 4,730,350 | (1,548,469) | 424 | 3,182,305 |

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes.

PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

| | Consolidated Entity | |
|------------------------------------------------------------|----------------------------|-------------------------|
| | 31 December 2006 | 31 December 2005 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Cash received from customers | 123,862 | 678,710 |
| Payments to suppliers | (236,275) | (333,357) |
| Interest paid | (78,420) | (65,884) |
| Interest received | 3,844 | 11,687 |
| Net Income tax paid | - | (4,051) |
| | <u>-</u> | <u>(4,051)</u> |
| Net cash provided by/(used in) operating activities | <u>(186,989)</u> | <u>287,105</u> |
| Cash flows from investing activities | | |
| Payment for investments | - | (98,600) |
| Loans from Director related parties | 128,629 | 167 |
| | <u>128,629</u> | <u>167</u> |
| Net cash provided by investing activities | <u>128,629</u> | <u>(98,433)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 69,994 |
| | <u>-</u> | <u>69,994</u> |
| Net cash provided by financing activities | <u>-</u> | <u>69,994</u> |
| Net increase / (decrease) in cash held | (58,360) | 258,666 |
| Cash at the beginning of the financial period | 197,376 | 94,716 |
| | <u>197,376</u> | <u>94,716</u> |
| Cash at the end of the financial period | <u>139,016</u> | <u>353,382</u> |

The above consolidated statement of cash flows is to be read in conjunction with the attached notes.

**PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Note 1: Basis of Preparation

Corporate Information

The financial report of Property Fox No 1 Limited for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 6th March 2006. Property Fox No 1 is a company incorporated in Australia and limited by shares.

Summary of Significant Accounting Policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the full financial report.

The half –year financial report should be read in conjunction with the annual financial report of Property Fox No 1 Limited as at 30 June 2006.

a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards, including AASB 134 Interim Financial Reporting and other mandatory reporting requirements. The half-year financial report has been prepared on a historical cost basis

b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Property Fox No 1 Limited and its subsidiaries as at 31 December 2006.

PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

| | Consolidated Entity 31 December 2006 \$ | 31 December 2005 \$ |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------|
| Note 2: Revenue and Expenses | | |
| a) Specific Items | | |
| Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity: | | |
| (i) Revenue | | |
| Property Sale Revenue | - | 560,938 |
| Interest income | 3,844 | 13,249 |
| Other | 113,976 | 117,772 |
| | 117,820 | 691,959 |
| (ii) Expenses | | |
| Cost of property sales | - | (545,042) |
| Inventory written off | - | (222,066) |
| Management fees | (52,033) | - |

Note 3: Dividends

There were no dividends proposed or paid by the company during the half-year or in the preceding half-year.

Note 4: Segment Information

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

The company operates in one geographical segment being Australia.

Note 5: Events Subsequent to Reporting Date

On 28th February 2007 the company listed on the National Stock Exchange.

There were no events subsequent to reporting date on which to bring into account in the 31 December 2006 financial report.

Note 6: Contingent Liabilities

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 31 December 2006 under the joint loan agreement was \$1,190,000 and a liability of \$452,500 being the company's interest in the joint loan has been recorded and is included in Bank Loans.

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 was independently valued in August 2006 on a Residential Property Basis as having a value of \$2,315,000.

**PROPERTY FOX NO.1 LIMITED
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AND CONTROLLED ENTITIES**

The Directors are not aware of any other contingent liabilities as at 31 December 2006.

DIRECTORS' DECLARATION

The directors of the company declare that the financial statements and notes set out on pages 1 to 8.

1. (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations regulations: and
(b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors



Peter John Spann
Director

Dated this 6 th day of March 2007.

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Property Fox No.1 Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Property Fox No.1 Limited, which comprises the Consolidated balance sheet as at 31 December 2006, and the Consolidated income statement, Consolidated statement of changes in equity and Consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Property Fox No.1 Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Property Fox No.1 Limited's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Property Fox No.1 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Property Fox No.1 Limited (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

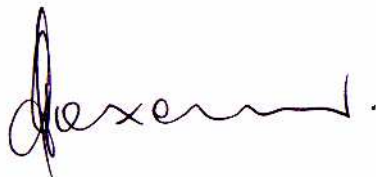
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Property Fox No.1 Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Property Fox No.1 Limited's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



Grant F. Saxon
Partner

Sydney, 6 March 2007