



Property Fox No 1 Limited

Annual Report 2007

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

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MANAGING DIRECTOR'S REVIEW

Hello

Firstly, let me thank you all for being shareholders. This has been a busy year for the Company, which included listing on the National Stock Exchange of Australia Limited ("NSX") in February 2007.

The board of Property Fox Number 1 Limited has also been significantly strengthened through the addition of Mr. Howard Woolcott and Ms. Jodie Morris as Directors. Mr. Woolcott brings a wealth of experience being the founder and past director of listed public company Tribeca Learning Limited, which specialises in education services for the financial planning industry. Ms Morris has experience in all facets of property including Residential and Commercial Sales and Property Management, specialising in prestige Real Estate.

In addition, Property Fox Number 1 has also appointed Mr. Andrew Whitten of Whittens Lawyers and Consultants as company secretary. Mr. Whitten has experience with public companies and sits on the board of a number of NSX listed companies. Mr. Whitten also has experience in fundraising and investment banking activities and is a member of the Institute of Chartered Secretaries.

The operational focus has been on the sale of three of our blocks of home units. We settled the sale of our 5 home units in the building at 67 Cardigan Street in the Sydney suburb of Guildford and the sale of our property at 26 Toorak Road in the Brisbane suburb of Hamilton. Both these sales completed in June of this year.

We also exchanged contracts on the sale of our block of 6 home units at 20 Hardy Street in the Sydney suburb of Fairfield and settlement took place in August, so accounting for this sale will be included in next year's financial report.

In summary, the Company now has the following property assets:

38 Vine Street Fairfield NSW – 4 home units in a block of 12.

We have placed these units on the market for sale. These properties are in the same area as the other units we have sold in Sydney.

Healy & Ruthven Streets Toowoomba

The Company owns a 30% share in 8 contiguous properties comprising houses and flats in the central area of Toowoomba. The recent land valuations we received from The Dept. of Natural Resources showed an increase in the unimproved capital value of these properties by 15%. We will continue to hold these properties with the intent of redevelopment at a later date.

Fox Riverside Pty Ltd

The Company owns 2% of the issued capital of Fox Riverside Pty Limited, which is undertaking development of two new homes located on the Brisbane River.

As a result of selling properties in June and August the Company is also holding approximately \$1.65m in cash.

As announced to you previously, the company is now embarking upon two simultaneous objectives to restore shareholder value.

The first is an on market share buyback which, as announced on 30th August 2007, will allow the Company to buy back its own shares up to a certain value to maintain a high capital value for the company's securities. The second major strategic decision was for the company to begin examining various opportunities with a view to acquiring a commercial property in a high growth area, preferably South Eastern Queensland. It is hoped we will obtain an asset with good rental yield and good potential for capital growth. We will also continue to pursue other opportunities as they arise.

These initiatives should restore shareholder value in Property Fox Number 1 Limited.

Yours sincerely,



Peter Spann
Managing Director

DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2007.

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 joined the board 26 August 2002 at date of incorporation of the company.
Howard Woolcott	Executive director appointed 30 November 2006
Jodie Morris	Executive director appointed 30 November 2006
Peter John Conway	Non Executive director resigned 30 November 2006
Jo-Anne Oliveri	Non Executive director resigned 30 November 2006

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 activities of the company during the financial year ended 30 June 2007 are set out in the Managing Director's Review contained in this report.

Operating result

The consolidated loss of the entity after providing for income tax amounted to \$197,310 (2006: Loss of \$849,140).

Dividends paid or recommended

The Board has not made a recommendation to issue any final dividend payment for the year ended 30 June 2007.

Review of operations

Details of the Company's activities are set out in the Managing Director's Review contained in this report.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year other than listing the Company on the NSX and as described elsewhere in this Directors' 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 and Company Secretary****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 is also a director of Fox Invest limited, a company listed on the Australian Securities Exchange and Property Fox No 2 Limited listed on the NSX as well as being a director of many other unlisted companies.

Howard Woolcott - Executive Director

Howard has an economics degree from The University of Sydney with majors in revenue law and accounting and he is also a CPA.

He is a founder and past director of listed public company Tribeca Learning Limited, an RTO specialising in education services for the financial planning industry. He is also a director of Property Fox No 2 Limited, listed on the NSX Limited and a director of a number of other private companies.

Jodie Morris - Executive Director

Jodie Morris began her property career as a Cadet Valuer while studying Property Economics at the Queensland University of Technology. She has worked in all facets of property including Residential and Commercial Sales and Property Management, specialising in prestige Real Estate.

Jodie joined the Freeman Fox group in 2004 to implement and develop the Property Management Division and is now the Manager of Freeman Fox Property Pty Ltd. Jodie is a registered Real Estate Sale's person. She is also a director of Property Fox No 2 Limited, listed on the NSX.

Andrew Whitten – Company Secretary

Andrew Whitten is an admitted solicitor with a specialty in Corporate Finance and Securities Law. Andrew is currently the company secretary of a number of publicly listed companies. He is a responsible officer of a Nominated Adviser, and has been involved in a number of corporate and investment transactions including IPO's on ASX and NSX, corporate reconstructions and reverse mergers. Mr Whitten's firm is currently Nominated Adviser to 8 companies, 6 of which are currently listed on NSX and 2 more which will be listed shortly. Mr Whitten holds the following professional qualifications Bachelor of Arts (Economics UNSW), Master of Laws and Legal Practice (Corporate Finance and Securities Law-UTS). Mr Whitten also holds a Graduate Diploma in Advanced Corporate Governance from the Institute of Chartered Secretaries.

DIRECTORS' REPORT (Continued)**REMUNERATION REPORT****Remuneration Policy**

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.

Performance-based remuneration

The company does not grant any performance based remuneration.

Key Management Personnel Remuneration

Directors	Primary- Short term						Total
	Salary and Fees	Superannuation Contributions	Non-Cash Benefits	Post Employment	Equity	Other	
	\$	\$	\$	\$	\$	\$	\$
<i>2007</i>							
Peter J Spann	-	-	-	-	-	-	-
Peter J Conway	3,575	-	-	-	-	-	3,575
Jodie Morris	7,000	-	-	-	-	-	7,000
Howard Woolcott	7,700	-	-	-	-	-	7,700
Jo-Anne Oliveri	4,000	-	-	-	-	-	4,000
	<u>22,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,275</u>
<i>2006</i>							
Peter J Spann	-	-	-	-	-	-	-
Peter J Conway	14,300	-	-	-	-	-	14,300
Jo-Anne Oliveri	13,000	-	-	-	-	-	13,000
	<u>27,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,300</u>

Company Secretary

Andrew Whitten of Whittens Lawyers and Consultants is retained as the Company Secretary and Nominated Advisor which is a requirement of the NSX. Whittens Lawyers and Consultants have been paid a total fee of \$15,000 plus GST in respect of these services.

Share-based compensation

No Share –based compensation payments have been granted to directors or specified executive during the year or in the previous financial year.

Specified executives

The Company has no specified executives or key management personnel who are not directors of the Company.

AND CONTROLLED ENTITIES**DIRECTORS' REPORT (Continued)****Meetings of directors**

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

Directors	Directors meetings	
	eligible to attend	attended
Peter John Spann	8	8
Peter John Conway	0	0
Howard Woolcott	8	8
Jodie Morris	8	8
Jo-Anne Oliveri	0	0

The Company has an audit and risk committee which, at the date of this report, has met once.

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.

Options

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

Indemnification of officers and auditors

During the year the company provided an indemnity to directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The content of the insurance policy prohibits disclosure of the nature of the liability and the amount of the premium.

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.

Non-audit Services

During the financial year tax compliance services were paid to the entity's auditor PKF totalling \$12,590.00. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

DIRECTORS' REPORT (Continued)

Auditor's independence declaration

The Auditors Independence Declaration for the year ended 30 June 2007 has been received and can be found on page 10 of the financial report.

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

A handwritten signature in black ink, appearing to read 'Peter John Spann', with a stylized flourish at the end.

Peter John Spann

Director

Dated this 12 day of September 2007

CORPORATE GOVERNANCE STATEMENT

In August 2002 the Australian Stock Exchange established a Corporate Governance Council (CGC) and in March 2003 the CGC put forward a number of best practice recommendations. The Company has adopted these recommendations, which have also been sanctioned by the NSX. Where the Company has not met the guidelines an explanation has been detailed.

The Directors of Property Fox No. 1 Limited strongly support the establishment and ongoing development of good corporate governance for the Company. The Company operates in accordance with the principles of good corporate governance as set out by the CGC and has adopted a series of corporate governance policies which seek to apply the principles to the extent relevant to the Company.

Below is a description of the Company's corporate governance practices which comply with the recommendations of the CGC unless otherwise stated.

Recommendation 1 – Lay solid foundations for management and oversight**Role of the Board of Directors**

The role of the Board is to build long term sustainable value for its shareholders, while respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company, including formulating its strategic direction, setting remuneration and monitoring the business objectives, and performance of Directors and Senior Executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

The Board has adopted a Charter which formalises its practices, and can be viewed on the website of Property Fox No. 1 Limited.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees – further details are set out below.

Recommendation 2 – Structure the Board to add value**Board Composition**

The membership of the Board, its activities and composition are subject to periodic review. Directors are initially appointed by the Board and may be subject to re-election by shareholders at the next general meeting.

The Board is presently comprised of three members, all being executive directors. The NSX recommendation is for the majority of directors to be independent. This is not the case for Property Fox No. 1 Limited as each of the directors performs a role in the operation of the company and it is not deemed financially beneficial to shareholders to employ other directors in a non-executive capacity.

Recommendation 3 – Promote ethical and responsible decision making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to all Directors, management and employees of the Company as well as the Company's key service providers such as the Administration Manager. This Code addresses expectations for conduct in the following areas:

- ☐ security trading;
- ☐ communications;
- ☐ conflicts of interest;
- ☐ responsibility to suppliers and customers;
- ☐ laws and regulations;
- ☐ employment; and
- ☐ adherence to policies and procedures.

Share Trading Policy

Directors, management and key service providers must ensure that any trading in shares in the Company is undertaken within the framework set out in the Company's Share Trading Policy.

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation 4 – Safeguard integrity in financial reporting

Audit, Risk and Compliance Committee

The Board has established an Audit, Risk and Compliance Committee, which provides assistance to the Board in fulfilling its corporate governance responsibilities in relation to the Company's financial reporting, internal controls structure, risk management systems and external audit functions.

The Board has adopted a formal Charter for the Committee to assist in carrying out its duties.

The members of the Audit, Risk and Compliance Committee are: Mr. Howard Woolcott – (Executive Director); Ms. Jodie Morris – (Executive Director).

Financial Reporting

The Board relies on management to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by management who report to the Board via the Managing Director, or at Board and Audit, Risk and Compliance Committee meetings.

Recommendation 5 – Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by providing full and timely information to all shareholders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the NSX Listing Rules.

The Company has policies to ensure that it meets its continuous disclosure obligations.

Recommendation 6 – Respect the rights of shareholders

The Board fully supports shareholder participation at general meetings and works to ensure that communications with shareholders are effective and clear.

Information is communicated to shareholders via the Annual Report, disclosures and announcements made to the NSX, Notices and Explanatory Memorandum for the AGM, the AGM itself, occasional letters from the Chairman or the Managing Director, and the Property Fox No. 1 Limited website at www.propertyfoxno1.com.au.

Recommendation 7 – Recognise and manage risk

Risk Management

The Board and management regularly review procedures in respect of compliance with, and the maintenance of, statutory, legal, ethical and environmental obligations.

Compliance

The Company has access to the Administration Manager's Compliance Manager, who is responsible for reporting to the Board on compliance issues, and recommending ways in which the Company may improve its systems and compliance monitoring.

Recommendation 8 – Encourage enhanced performance

Performance Review

The Board undertakes an annual review of the performance of management and Directors.

Education

All Directors and Senior Executives are encouraged to attend professional education courses relevant to their roles.

Directors are given access to continuing professional education courses and development programs as requested and in consultation with the Chairman.

Independent Professional Advice and Access to Information

Each Director has the right to access all relevant information in respect of the Company and to make appropriate enquiries of senior management. Subject to prior consultation with the Chairman, Directors may seek independent professional advice from a suitably qualified advisor.

Recommendation 9 – Remunerate fairly and responsibly

The Executive Directors receive fees agreed on an annual basis by the Board and are remunerated from a maximum amount set by shareholders.

Remuneration Committee

As the company is managed by its three executive directors and has not employed staff, it has not formed a remuneration committee. The Company has no employed staff as its routine administration is carried out under a service agreement with Fox Portfolio Pty Limited.

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation 10 – Recognise the legitimate interests of stakeholders

The Board acknowledges the rights of stakeholders and has adopted a Code of Conduct (refer Principle 3) in line with the recommendations of this Recommendation 10.

All Property Fox No. 1 Limited Directors, officers, employees and contractors are encouraged to report any instance of unlawful, unethical or unfair or dishonest conduct involving a Property Fox No. 1 Limited officer, employee or contractor:

Property Fox No. 1 Limited will protect employees who make such disclosures from reprisal or detrimental action following the disclosure.



Chartered Accountants
& Business Advisers

**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 2007, 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 read 'Grant Saxon', with a stylized flourish at the end.

Grant Saxon
Partner

Sydney, 12 September 2007

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms

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INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		30 June 2007		30 June 2006	
	Note	Consolidated Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
Continuing operations					
Revenue					
– sale of properties	2	2,053,125	2,053,125	560,939	560,939
Cost of sales					
– sale of properties		(1,930,162)	(1,930,162)	(545,043)	(545,043)
Gross profit		122,963	122,963	15,896	15,896
Interest revenue		6,423	6,423	19,783	19,783
Rental income	2	229,707	229,707	224,139	224,139
Management fees		(121,310)	(121,310)	(123,074)	(123,074)
Write down of Inventory		-	-	(572,065)	(572,065)
Directors fees		(22,275)	(22,275)	(27,200)	(27,200)
Professional fees		(77,366)	(77,366)	(101,412)	(101,412)
Interest expense		(105,964)	(105,964)	(166,673)	(166,673)
Rates and taxes		(55,164)	(55,164)	(73,628)	(73,628)
Other expenses		(174,323)	(174,323)	(67,390)	(67,390)
Loss before income tax expense/(benefit)		(197,310)	(197,310)	(871,624)	(871,624)
Income tax expense/(benefit)	4	-	-	(22,484)	(22,484)
Loss after related income tax benefit		(197,310)	(197,310)	(849,140)	(849,140)
(Profit)/ Loss attributable to outside equity interest		-	-	-	-
Loss attributable to members of the parent entity		(197,310)	(197,310)	(849,140)	(849,140)
Basic earnings per share (cents per share)	18	(3)		(14)	
Diluted earnings per share (cents per share)	18	(3)		(14)	

The above consolidated Income Statements should be read in conjunction with the attached notes

BALANCE SHEETS
AS AT 30 JUNE 2007

		30 June 2007		30 June 2006	
	Note	Consolidated Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
CURRENT ASSETS					
Cash and cash equivalents		1,279,887	1,279,887	197,376	197,376
Trade and other receivables	7	102,217	102,217	151,113	151,113
Inventories	8	2,649,111	2,649,111	4,534,105	4,534,105
TOTAL CURRENT ASSETS		4,031,215	4,031,215	4,882,594	4,882,594
NON-CURRENT ASSETS					
Financial Assets	9	353,499	358,055	353,499	358,055
TOTAL NON-CURRENT ASSETS		353,499	358,055	353,499	358,055
TOTAL ASSETS		4,384,714	4,389,270	5,236,093	5,240,649
CURRENT LIABILITIES					
Trade and other payables	11	63,919	68,899	51,738	56,718
Borrowings	12	1,166,250	1,166,250	1,832,500	1,832,500
TOTAL CURRENT LIABILITIES		1,230,169	1,235,149	1,884,238	1,889,218
TOTAL LIABILITIES		1,230,169	1,235,149	1,884,238	1,889,218
NET ASSETS		3,154,545	3,154,121	3,351,855	3,351,431
EQUITY					
Issued capital	14	4,730,350	4,730,350	4,730,350	4,730,350
Accumulated losses		(1,576,229)	(1,576,229)	(1,378,919)	(1,378,919)
Parent equity interest		3,154,121	3,154,121	3,351,431	3,351,431
Minority equity interest	15	424	-	424	-
TOTAL EQUITY		3,154,545	3,154,121	3,351,855	3,351,431

The above Balance Sheets should be read in conjunction with the attached notes

**STATEMENT OF CHANGES IN OWNERS EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Issued Capital	Accumulated Losses	Minority Interest	Total
	\$	\$	\$	\$
Consolidated Entity				
Balance at 1 July 2005	4,730,350	(529,779)	424	4,200,995
Loss attributable to members of Parent entity.	-	(849,140)	-	(849,140)
Net loss attributable to minority shareholder	-	-	-	-
Balance at 30 June 2006	4,730,350	(1,378,919)	424	3,351,855
Loss attributable to members of Parent entity.	-	(197,310)	-	(197,310)
Balance at 30 June 2007	4,730,350	(1,576,229)	424	3,154,545
	Issued Capital	Accumulated Losses	Minority Interest	Total
	\$	\$	\$	\$
Parent Entity				
Balance at 1 July 2005	4,730,350	(529,779)	-	4,200,571
Loss attributable to members of Parent entity.	-	(849,140)	-	(849,140)
Balance at 30 June 2006	4,730,350	(1,378,919)	-	3,351,431
Loss attributable to members of Parent entity.	-	(197,310)	-	(197,310)
Balance at 30 June 2007	4,730,350	(1,576,229)	-	3,154,121

The above statement of changes in equity should be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

		30 June 2007		30 June 2006	
	Note	Consolidated Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
Cash flows from operating activities					
Cash received from customers		2,248,905	2,248,905	772,066	751,791
Payments to suppliers		(483,427)	(483,427)	(402,114)	(386,982)
Interest paid		(105,964)	(105,964)	(166,673)	(166,673)
Interest received		6,423	6,423	19,783	19,783
Income tax refunded		-	-	17,341	22,484
Net cash provided by/(used in) operating activities	20	<u>1,665,937</u>	<u>1,665,937</u>	<u>240,403</u>	<u>240,403</u>
Cash flows from investing activities					
Payment for investments		-	-	(202,099)	(202,099)
Loans from/(to) Director related parties		82,824	82,824	(5,638)	(5,638)
Net cash provided by / (used in) investing activities		<u>82,824</u>	<u>82,824</u>	<u>(207,737)</u>	<u>(207,737)</u>
Cash flows from financing activities					
(Repayment of) / Proceeds from borrowings		(666,250)	(666,250)	69,994	69,994
Net cash provided by / (used in) financing activities		<u>(666,250)</u>	<u>(666,250)</u>	<u>69,994</u>	<u>69,994</u>
Net increase / (decrease) in cash held		1,082,511	1,082,511	102,660	102,660
Cash at the beginning of the financial period		197,376	197,376	94,716	97,716
Cash at the end of the financial period	20	<u>1,279,887</u>	<u>1,279,887</u>	<u>197,376</u>	<u>197,376</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Property Fox No. 1 Limited and controlled entities, and Property Fox No. 1 Limited as an individual parent entity. Property Fox No.1 Limited is a public company incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the parent entity in the preparation of the financial report. The accounting policies have been consistently applied.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial liabilities for which the fair value basis of accounting has been applied.

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 power to control 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 16 to the financial report. All controlled entities have a June Financial year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the Tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized for the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can 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 consolidated entity will derive

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c) 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.

d) Financial Instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the firm's intention to these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are measured at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost comprising original debt less principal payments and amortisation.

Put and Call Options

Acquisitions may, at the discretion of Directors, be affected 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

f) Inventories - Properties Held for Resale

Properties 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. Properties 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. Properties acquired under Company title are reflected as Inventory

g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

i) Interest in Joint Venture

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

The consolidated 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.

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with-in short term borrowings in current liabilities on the balance sheet.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

l) Comparative figures

When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian

Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(ii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report.

(iii) AASB 8 Operating Segments

AASB 8 requires the adoption of a management approach to the reporting on operating segments utilising measures the chief operating decision maker and key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. AASB 8 will apply for annual reporting periods beginning on or after 1 January 2009. Application of AASB 8 will not result in changes to the amounts recognised in the financial report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments

AASB 2007-4 makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments. AASB 2007-4 are applicable to annual reporting periods beginning on after 1 July 2007.

The company does not intend to change any of its current accounting policies on adoption of AASB 2007-4; accordingly, there will be no direct impact on the amounts in the financial report. However, the new standard may have an impact on the disclosures in the financial report for June 2008.

(n) Significant judgement and key assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The director's assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The director's follow the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available for sale financial asset is impaired. The determination requires significant judgement and an evaluation of various factors such as extent to which the fair value of the investments is less than its cost and the financial position of the investee companies.

	30 June 2007		30 June 2006	
	Consolidat ed Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
NOTE 2: REVENUE				
Property resale revenue	2,053,125	2,053,125	560,938	560,938
Interest received from cash held in bank accounts	6,423	6,423	19,783	19,783
Other income	229,707	229,707	224,139	188,228
Total revenues	<u>2,289,255</u>	<u>2,289,255</u>	<u>804,860</u>	<u>768,949</u>

NOTE 3: LOSS FOR THE YEAR

Loss before income tax includes the following specific expenses:

Cost of sales	1,930,162	1,930,162	545,042	545,042
Finance cost	105,964	105,964	166,673	162,507
Inventory write down	-	-	572,065	572,065
Management fee to related party	110,000	110,000	110,000	110,000
	<u>2,146,126</u>	<u>2,146,126</u>	<u>1,393,780</u>	<u>1,279,614</u>

NOTE 4: INCOME TAX

	30 June 2007		30 June 2006	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
The components of income tax expense comprises				
Deferred tax asset written off	-	-	-	-
Over provision in prior years	-	-	(22,484)	(22,484)
	-	-	(22,484)	(22,484)
The prima facie tax on loss before income tax is reconciled to the income tax as follows :				
Prima facie tax payable on loss before income tax at 30% (2006: 30 %)	(59,193)	(59,193)	(261,487)	(261,487)
Permanent differences	11,856	11,856	3,732	3,732
	(47,337)	(47,337)	(257,755)	(257,755)
Income tax benefits not brought to account	47,337	47,337	257,755	257,755
Over provision of income tax in prior year	-	-	(22,484)	(22,484)
Income tax expense attributable to operating loss	-	-	(22,484)	(22,484)
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur				
Temporary differences	119,437	119,437	278,419	278,419
Tax losses (operating)	244,961	244,961	213,914	213,914
	364,398	364,398	492,333	492,333

NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditors of the company:

- auditor of the company for audit and review	36,200	36,200	32,000	32,000
- auditor of the company for other services	12,590	12,590	36,722	36,722
	48,790	48,790	68,722	68,722

NOTE 6: REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

(a) Key Management Persons

Names and positions held of key management personnel in office at anytime during the financial year are:

Directors

Peter John Spann	Managing Director – Executive	
Peter John Conway	Director – Non-Executive	Resigned 30 November 2006
Jo-Anne Oliveri	Director – Non-Executive	Resigned 30 November 2006
Jodie Morris	Director – Executive	
Howard Woolcott	Director – Executive	

Specified Executives

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

(b) Key Management Personnel Compensation

	30 June 2007		30 June 2006	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
Short-term employee benefits	22,275	22,275	27,300	27,300
Post-employment benefits	-	-	-	-
Long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>22,275</u>	<u>22,275</u>	<u>27,300</u>	<u>27,300</u>

The Company has taken advantage of the relief provided by Class Order CO 06/50 and information required to be disclosed by AASB 124 paragraphs Aus 25.4 to Aus 25.7.2 in respect of the remuneration of key management personnel and is presented in the directors' report on page 4.

(c) Shareholdings

Number of shares held by Directors (indirectly and directly)

	Balance 1/7/06	Consolidation of Shares	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/07
Peter J Spann *	1,250,000	-	-	-	-	1,250,000

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

NOTE 7: TRADE AND OTHER RECEIVABLES

	30 June 2007		30 June 2006	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
Receivables	34,457	34,457	19,732	19,732
Non-trade receivables from:				
- Director related entities	48,556	48,556	114,735	114,735
- Other related parties	19,204	19,204	16,646	16,646
	<u>102,217</u>	<u>102,217</u>	<u>151,113</u>	<u>151,113</u>

NOTE 8: INVENTORY

Properties – at cost	699,111	699,111	1,859,105	1,859,105
Properties – at net realisable value	<u>1,950,000</u>	<u>1,950,000</u>	<u>2,675,000</u>	<u>2,675,000</u>
	<u>2,649,111</u>	<u>2,649,111</u>	<u>4,534,105</u>	<u>4,534,105</u>

		30 June 2007		30 June 2006	
		Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
Note		\$	\$	\$	\$
NOTE 9: OTHER FINANCIAL ASSETS					
NON-CURRENT					
Available for sale financial assets					
Listed investments – at fair value					
- Shares in a related party	(a)	103,499	103,499	103,499	103,499
Unlisted investments at cost					
- Shares in controlled entities	13	-	4,556	-	4,556
Unlisted investments- at fair value					
-Shares in a related party	(b)	250,000	250,000	250,000	250,000
Total available for sale financial assets		353,499	358,055	353,499	358,055
<p>(a) Represent investment in “A” class shares of Property Fox No. 2 Limited, a company in which Mr Peter Spann is a director. The shares have no fixed maturity date or coupon rate. The fair value of the listed security has been determined by reference to the published price quotation in an active market</p> <p>(b) Represent investment in “A” class shares of Fox Riverside Pty Limited, a company in which Mr Peter Spann is a director. The shares have no fixed maturity date or coupon rate. The directors have estimated the fair value of these shares by calculating the net present value of cashflows from expected future dividends and subsequent disposal of shares. The estimated fair value is not materially different from the cost of the investment.</p>					

NOTE 10: JOINT VENTURES

Interest in Joint Venture Operations (refer Accounting policy note 1(i))

Property Fox No 1 Pty Ltd has a 30% interest in Property Fox No 1, Property Fox No 2 and Freeman Fox Investments Ltd Joint Venture, whose principal activity is the acquisition, development and re-sale of properties.

The share of assets employed in the Joint Venture is

Current Assets

Inventory – at cost	699,111	699,111	699,111	699,111
Total Current Assets	699,111	699,111	699,111	699,111
Total Assets	699,111	699,111	699,111	699,111

	30 June 2007		30 June 2006	
	Consolidat ed Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
NOTE 11: TRADE AND OTHER PAYABLES				
Unsecured				
Trade accounts payable	16,581	16,581	17,251	17,251
Other creditors and accruals	33,292	38,272	34,487	39,467
Non trade accounts payable:				
- Director related entity	14,046	14,046	-	-
	<u>63,919</u>	<u>68,899</u>	<u>51,738</u>	<u>56,718</u>

NOTE 12: BORROWINGS

CURRENT

Commercial bill facilities- Secured	<u>1,166,250</u>	<u>1,166,250</u>	<u>1,832,500</u>	<u>1,832,500</u>
	<u>1,166,250</u>	<u>1,166,250</u>	<u>1,832,500</u>	<u>1,832,500</u>

The commercial bill facility expires on 28 February 2008 (\$720,000) and 30 June 2008 (\$446,250). These facilities are rolling facilities with a maturity period of one month. The rate of interest payable on the bills varies depending on the maturity dates.

The facilities are secured by registered first mortgages over certain properties held as inventories of the parent entity. Also refer to Note 16.

NOTE 13: CONTROLLED ENTITIES

	Country of Incorporation	Percentage of Shares Held	
		2007	2006
67 Cardigan Street Pty Limited	Australia	62.5	62.5
14 Park Road Pty Limited	Australia	51	51
20 Hardy Street Pty Limited	Australia	100	100
38 Vine Street Pty Limited	Australia	33.3	33.3
15 Todd Street Pty Limited	Australia	100	100

The above entities do not trade, other than to act as holding entities for company titled properties

	30 June 2007		30 June 2006	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
NOTE 14: ISSUED CAPITAL				
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>
Movement in share capital				
(a) Class A shares				
Balance at the beginning of the financial year	<u>4,730,250</u>	<u>4,730,250</u>	<u>4,730,250</u>	<u>4,730,250</u>
Balance at the end of the financial year	<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 year	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Balance at the end of the financial year	<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.				

	30 June 2007		30 June 2006	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	\$	\$	\$	\$
NOTE 15: MINORITY EQUITY INTERESTS IN CONTROLLED ENTITIES				
Share Capital	424	-	424	-
	<u>424</u>	<u>-</u>	<u>424</u>	<u>-</u>

NOTE 16: CONTINGENT LIABILITIES

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 2007 under the joint loan agreement was \$ 1,190,000 and a liability of \$ 446,250 being the company's share of the joint loan has been recorded and is included in Borrowings – Secured in Note 12.

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 \$2,330,368 at 30 June 2007.

The Directors are not aware of any other contingent liabilities as at 30 June 2007.

	30 June 2007		30 June 2006	
	Consolidated Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
NOTE 17: RELATED PARTY TRANSACTION:				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
<i>Transactions with key management personnel</i>				
Fox Portfolio Pty Limited, a company controlled by Mr Peter 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.	110,000	110,000	110,000	110,000
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 prior year. The loan was repaid in full on 28 September 2006 and bore 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.	-	-	114,735	114,735
Interest charged on above loan during the year was	1,270	1,270	7,516	7,516
Amount owing by Property Fox No 2 Limited a company in which Mr Peter Spann is a director	34,510	34,510	13,610	13,610

	Consolidated Entity	
	2007	2006
	\$	\$
NOTE 18: EARNINGS PER SHARE		
Basic earnings per share (cents per share)	<u>(3)</u>	<u>(14)</u>
Diluted earnings per share (cents per share)	<u>(3)</u>	<u>(14)</u>
Net loss used in calculating basic and diluted EPS	<u>(197,311)</u>	<u>(849,140)</u>
Weighted average number of shares outstanding during the year used in calculation of basic and diluted EPS	<u>6,250,000</u>	<u>6,250,000</u>

NOTE 19: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The consolidated entity's financial instruments consist mainly of deposits with banks, long term investments, accounts receivable and payables and commercial bills. The main risk that the Consolidated entity is exposed through its financial instruments are interest rate risk, credit risk and liquidity risk. The entity does not have any foreign current risk or price risk.

Interest rate risk

The Board does not actively manager interest rate risk as its overall effect on the entity financial position is not material.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount net of any provision for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. 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.

Liquidity risk

The Directors manage liquidity risk by monitoring forecast cashflows.

NOTE 19: FINANCIAL INSTRUMENTS (continued)

(b) Financial Instruments

Interest Rate Risk

The consolidated 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 (\$)
2007					
Financial Assets:					
Cash	4.4	1,279,887	-	-	1,279,887
Receivables (< 1 year)		-	48,556	53,661	102,217
		<u>1,279,887</u>	<u>48,556</u>	<u>53,661</u>	<u>1,382,104</u>
Financial Liabilities					
Trade and sundry Payables		-	-	68,899	68,899
Bank Bill Facility (< 1 year)	6.65	-	1,166,250	-	1,166,250
		<u>-</u>	<u>1,166,250</u>	<u>68,899</u>	<u>1,235,149</u>
2006					
Financial Assets:					
Cash	2.80	197,376	-	-	197,316
Receivables (< 1 year)	6.5	-	114,735	36,378	151,113
		<u>197,376</u>	<u>114,735</u>	<u>36,378</u>	<u>348,429</u>
Financial Liabilities					
Trade and sundry Payables	-	-	-	51,738	51,738
Bank Bill Facility (< 1 year)	5.89-6.23	-	1,832,500	-	1,832,500
		<u>-</u>	<u>1,832,500</u>	<u>51,738</u>	<u>1,884,238</u>

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. .

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

	30 June 2007		30 June 2006	
	Consolidated Entity \$	Parent Entity \$	Consolidated Entity \$	Parent Entity \$
NOTE 20: CASH FLOW INFORMATION				
<i>(a) Reconciliation of cash</i>				
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:				
Cash held in bank accounts	<u>1,279,887</u>	<u>1,279,887</u>	<u>197,376</u>	<u>197,376</u>
<i>(b) Reconciliation of net cash used in operating activities to net profit after income tax</i>				
Operating loss after income tax	(197,310)	(197,310)	(849,140)	(849,140)
Add / (less) non-cash items				
Write down of inventory	-	-	572,065	572,065
Changes in net assets and liabilities:				
(Increase)/decrease in receivables and prepayments	(33,929)	(33,929)	(13,011)	(17,383)
(Increase)/decrease in Inventory	1,884,994	1,884,994	545,042	545,042
(Increase)/decrease in deferred tax assets	-	-	-	-
Increase in current tax asset			-	38,515
Increase in current tax liability			(5,143)	-
Increase/(decrease) in payables	<u>12,181</u>	<u>12,181</u>	<u>(9,410)</u>	<u>(48,696)</u>
Net cash provided by/(used in) operating activities	<u>1,665,937</u>	<u>1,665,937</u>	<u>240,403</u>	<u>240,403</u>

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to reporting date on which to bring into account in the 30 June 2007 financial report.

NOTE 22: ECONOMIC DEPENDENCY

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

NOTE 23: SEGMENT INFORMATION

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

The consolidated entity operates in one geographical segment being Australia.

NOTE 24: 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

SHAREHOLDER INFORMATION

Share Capital

Property Fox No. 1 Limited has on issue 5,000,000 fully paid ordinary shares held by 180 holders as at 31 August 2007. All ordinary shares of the company carry one vote per share.

Twenty Largest Shareholders

Rank	Investor Name	Total Shares	% of Issued Capital
1	Quest Invest Pty Ltd	160,000	10.96%
2	Turner Elsada Finances Pty Ltd	140,000	9.59%
3	C & AC Pty Ltd	120,000	8.22%
4	M & J Krawitz Pty Ltd	100,000	6.85%
5	Damien Negus	100,000	6.85%
6	Peter Schaap & Pauline Schaap	100,000	6.85%
7	David William Searle & Rosemarie Anne Serale	100,000	6.85%
8	Melcrag Pty Ltd	80,000	5.48%
9	Robert Erdos & Veronica Erdos	60,000	4.11%
10	Pilkadaris Holdings Pty Ltd	60,000	4.11%
11	Rengaw Investments Pty Ltd	60,000	4.11%
12	Stephen Wheeler	60,000	4.11%
13	Graeme Bell & Pamela Bell	40,000	2.74%
14	Budworth Pty Ltd	40,000	2.74%
15	Cheryl Conway	40,000	2.74%
16	Eltone Pty Ltd	40,000	2.74%
17	Fetterun Pty Ltd	40,000	2.74%
18	Carol Fiskstrand & Sindre Fiskstrand	40,000	2.74%
19	Fyfe & Dunn Holdings Pty Ltd	40,000	2.74%
20	Jadhill Pty Ltd	40,000	2.74%
	Total	1,460,000	29.2%

Distribution of Equity Securities

Analysis of number of shareholders by size of holding

Range	No. of holders	Shares	% of Issued Capital
1 – 19,999	0	0	0%
20,000 – 39,999	143	2,860,000	57.2%
40,000 – 99,999	30	1,320,000	26.4%
100,000 and over	7	820,000	16.4%
Total	180	5,000,000	100%

DIRECTOR'S DECLARATION

The directors of Property Fox No1 Limited declare that:

- (a) in the directors' opinion the financial statements and notes of the Company and the consolidated entity have been prepared in accordance with the Corporations Act 2001, including that they:
 - (i) comply with Australian Accounting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position of the Company and of the consolidated entity as at 30 June 2007 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
- (b) the directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001; and
- (c) in the directors' 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.

Signed in accordance with a resolution of the directors.



Peter John Spann
Director

Dated this 12th day of September 2007.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PROPERTY FOX NO. 1 LIMITED

Report on the Financial Report and AASB 124 remuneration disclosures contained in the directors' report.

We have audited the accompanying financial report of Property fox No. 1 Limited, which comprises the balance sheets as at 30 June 2007, the income statements, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Property Fox No.1 Limited and of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about remuneration of directors and executives ('remuneration disclosures') required by accounting standard AASB 124 *Related Party Disclosures* under the heading "Remuneration report" on page 4 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the directors' report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

The directors' of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PROPERTY FOX NO. 1 LIMITED (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and in the remuneration disclosures contained in the director's report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion the financial report of Property Fox No.1 Limited is in accordance with the *Corporations Act 2001*, including:

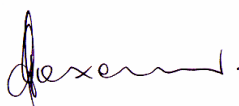
- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained on page 4 of the directors' report comply with Accounting Standard AASB 124



PKF



Grant Saxon
Partner

Sydney, 12 September 2007.

CORPORATE DIRECTORY

Directors	P Spann H Woolcott J Morris
Company Secretary	A Whitten
Notice of annual general meeting	The annual general meeting of Property Fox No 1 Limited will be held at Level 11 Waterfront Place 1 Eagle Street Brisbane QLD 4000 time 9.00am date 23 November 2007 A formal notice of meeting is enclosed
Principal registered office in Australia	Level 11, Waterfront Place 1 Eagle Street Brisbane QLD 4000 (07) 3031 9920
Share registry	Link Market Services Level 12, 680 George, Sydney NSW 2000
Auditor	PKF Chartered Accountants and Business Advisors Level 10, 1 Margaret Street Sydney NSW 2000
Solicitors	Whittens Lawyers and Consultants Suite 9, Level 5, 137-139 Bathurst Street Sydney NSW 2000
Bankers	National Australia Bank Limited 180 Queen Street Brisbane QLD 4000
Website address	www.propertyfoxno1.com.au