PROPERTY FOX

NO. 1 LIMITED

ACN 101 816 353

Property Fox No 1 Limited

Annual Report 2008

MANAGING DIRECTOR'S REVIEW

Hello

Firstly, let me thank you all for being shareholders.

It has been a challenging year for most investors but I believe the Company has improved its position this year. Cash holdings have increased, operating costs have been slashed, valuations for our major holdings have increased and we have made progress toward the strata title of our other holdings.

While the company has posted a loss for the year the vast majority of this has been non-cash. The cash position of the company improved by $147,988 over the last financial year and was $1,427,875 at 30th June, 2008. The Directors believe that the valuations of our properties are conservative and look forward to good results above written down valuation upon sale.

The operational focus of the Company this year has been on the objectives I set out in last year's Managing Director's Review.

The first was the on market share buyback which was designed to manage capital and provide liquidity for shareholders. During the course of the year the Company bought back 486,999 shares. The volume weighted average price of the buy-back was 46 cents per share representing a 19.3% discount to the NTA of the company, expressed as a value per share, as at 30th June 2008.
Shares bought back increase the net tangible asset backing of the remaining shares of the Company, concentrate profits or tax benefits from losses to the remaining shareholders, increase the relative voting rights of remaining shareholders and provides liquidity.

The second, and more important objective, was for the Company to continue with its mandate to acquire, develop and sell property. At the last AGM we stated a preference for a sound commercial property with good rental yield and potential for capital growth. The world has changed substantially in the past twelve months with the US credit crisis revealing itself meaning finance for commercial scale projects is substantially harder to get and more expensive. Interest rates have risen. Property prices, both commercial and residential have fluctuated greatly. Even strong markets such as Perth and Brisbane have stumbled.

Against this background we were very cautious in our approach and found it difficult to find a suitable investment to suit our criteria and that would quickly increase the value of shareholder funds, whilst at the same time providing capital stability and good yield, notwithstanding that we reviewed more than thirty properties available for sale.

I doubt if any alternative strategy as proposed at the AGM last year would have fared any better with the ASX down over 20% in the last six months or so. The Company's overall position has improved in the same time. In the absence of finding a suitable property investment, the Board has been reviewing with its advisers the best strategy for the future of the Company.

The Board was preparing to put a number of strategies to Shareholders at an Extraordinary General Meeting when we received an unsolicited off-market bid for the Company from Pritchard Equity Limited.

These ongoing actions are having a serious detrimental effect on the value of the Company. Mr. Pritchard's actions at the last AGM cost the Company thousands of dollars in legal and registry fees and the current legal fees to provide the response required by the Corporations Act are high. These are NOT optional costs. The Directors are legally bound to respond to the Bidder's Statement and these costs are directly caused by Pritchard Equity's unsolicited and inadequate bid.

A few months ago, in order to seek some resolution, the Directors through its representative, approached Mr. Pritchard a number of times to discuss the future of the company to benefit all shareholders. It was our intention to canvass his response to our proposals for the future of the company and work with him to build a plan for the successful running of the Company. This was a genuine effort to restore shareholder unity, value and plan a bright future for the Company. He rejected those approaches and responded with the takeover bid immediately prior to our announcement of the Extraordinary General Meeting where you would have had a say in the future of the Company.

At the date of this review the Board has recommended Shareholders take no action on the offer from Pritchard Equity Limited until they have received all the information on the bid from both Pritchard Equity Limited and the Target's Response from Property Fox No 1 Limited.

Turning now to the portfolio, in summary, the Company had the following assets at 30 June 2008:

Cash
$1.428 million, the major portion being in an interest bearing account with the National Australia Bank.

38 Vine Street Fairfield NSW – 4 home units in a block of 12.
The body corporate is in the process of converting these units to strata title. Although we had a number of offers to purchase these units at close to last year's book value, the purchasers were unable to obtain finance. Recent increases in interest rates have affected values in the Fairfield area severely, which was reflected in the valuation of the properties obtained in June. As a result we believe it prudent to mark down the aggregate value of these units by a further $186,000. This values each unit at about $155,000 but comparative units in the area which are strata titled are valued about 20% higher, so we will be working with the body corporate to complete the title conversion as quickly as possible.

Healy & Ruthven Streets Toowoomba
The Company owns a 30% share in 8 contiguous properties comprising houses and flats in the central area of Toowoomba. These properties are strategically positioned on the main thoroughfare through the city in a good location approximately 5kms from the city centre. They have future upside and have the potential for multiple rezoning possibilities. While these possibilities are unlikely to be realised for a couple of years there is considerable potential upside in holding these properties for that time.

We obtained two valuations of the properties in June. After taking the average of the two valuations the properties have shown an increase of $326,130. The Company's 30% share of this increase is $97,839. As the Company values its properties at the lower of cost or market value, this increase has not been taken up in the accounts but is still, in the opinion of the Directors, a real increase in value of the asset.

Fox Riverside Pty Ltd
The Company owns 2% of the issued capital of Fox Riverside Pty Limited and is entitled to 5.95% of the profit and capital distribution. Fox Riverside Pty Ltd is engaged in a joint venture which owns two blocks of Brisbane riverfront land with a development approval to construct two prestige homes. The joint venture is in the process of selling the land with the development approvals.

While the financial performance of the company was a loss of $358,558, most of these items were non-cash costs. The company has reduced our management costs considerably from last year's figure.

I draw your attention to three items in the Income Statement on page 14, which total $396,682 as follows:

1. Impairment of Inventory:

   More than half of the loss was incurred through the write down in the value of the Vine Street units. The write down was $186,000. The Company has received an offer to purchase one of the units for $180,000, which is $25,000 more than the valuation we received on that particular unit. However, the offer was conditional upon the unit being converted to strata title. So although the carrying value of the units has been reduced considerably, we may well receive higher prices for them when they are eventually sold and the conversion to strata title is completed.

   As I stated earlier in my report, because of the way we account for our property holdings, we have to recognise lower values through the profit and loss account when they occur but cannot recognise increases such as the improved value of our holding in Toowoomba.

2. Impairment of Available for sale assets:

   This item for $71,000 is represented by a write down in the value of our holdings in Property Fox No 2 Limited and Fox Riverside Pty Limited. We have written the carrying value down to a figure that represents the net tangible asset backing of the shares.

3. Professional fees

   The costs of operating a listed public company are considerable. We cannot avoid audit, legal and secretarial fees. This year our professional fees increased by $62,000 with additional fees being incurred in accounting and audit fees ($15,000); legal fees ($24,000) and company secretarial fees ($17,000). Also, the share registry fees increased by $16,000.

   A major portion of the professional fees and registry increases were attributable to the additional work involved in last year's Annual General Meeting. Unfortunately the ongoing unsolicited corporate actions by Mr Pritchard and his associates are only likely to continue increasing these unnecessary and very frustrating costs.

I look forward to writing to you shortly with a further update on our response to the bid from Pritchard Equity Limited.

The potential for the Company is good, however with the ongoing corporate actions against the Company the Directors have formulated alternative plans that they look forward to sharing with you and seeking your support for at the AGM.

We look forward to your continued support.

Yours sincerely,

Peter Spann
Managing Director
12th September 2008

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2008.

Directors

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

Peter John Spann	Chairman and Managing Director
Howard Woolcott	Executive director
Jodie Stainton	Executive director

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 Consolidated Entity during the financial year ended 30 June 2008 are set out in the Managing Director's Review contained in this report.

Operating result

The loss of the Consolidated Entity after income tax amounted to $358,558 (2007: Loss of $197,310).

Dividends paid or recommended

The Board has not made a recommendation to pay any dividends for the year ended 30 June 2008.

Review of operations

Details of the Consolidated Entity'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 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 Consolidated Entity other than the unsolicited off-market bid for the Company referred to in Note 21 of the Financial Statements.

Likely future developments and expected results

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is disclosed in Note 1 of this Financial Report.

DIRECTORS' REPORT (Continued)

Information on Directors and Company Secretary

Peter John Spann – Chairman and Managing Director

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

Jodie Stainton - Executive Director

Jodie Stainton 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 is General Manager - Property Management for Bees Nees Inner City Realty, which is a boutique real estate agency specialising in Brisbane inner city properties. Jodie is a registered Real Estate Sales 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 7 companies, 5 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 - audited

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

	Primary- Short term						
Directors	Salary and Fees $	Superannuation Contributions $	Non-Cash Benefits $	Post Employment $	Equity $	Other $	Total $
2008							
Directors							
Peter J Spann	-	-	-	-	-	-	-
Jodie Morris	12,000	-	-	-	-	-	12,000
Howard Woolcott	13,200	-	-	-	-	-	13,200
Other Key management Personnel							
Andrew Whitten							
(Company Secretary) *	-	-	-	-	-	-	-
	25,200	-	-	-	-	-	25,200
2007							
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
Other Key management Personnel							
Andrew Whitten							
(Company Secretary) *		-	-	-	-	-	-
	22,275	-	-	-	-	-	22,275

DIRECTORS' REPORT (Continued)

Remuneration report – audited (continued)

* 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 $32,250 (2007: $7,500) plus GST in respect to 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 other than Andrew Whitten who is the Company Secretary.

Meetings of directors

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

	Directors' meetings	
Directors	**eligible to attend**	**attended**
Peter John Spann	9	9
Howard Woolcott	9	9
Jodie Stainton	9	9

The Company has an audit and risk committee which met twice during the year.

Interest of directors

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

Name of director	Nature of interest
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

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.

DIRECTORS' REPORT (Continued)

Non-audit Services

During the financial year tax compliance services were paid to the entity's auditor PKF totalling $20,097. 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.

Auditor's independence declaration

The Auditor's Independence Declaration for the year ended 30 June 2008 has been received and can be found on page 13 of the financial report.

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

Peter John Spann
Director

Dated this 12th day of September 2008

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 follows 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 of the Administration Manager 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.

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 Stainton – (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 and 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.

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 2008, 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.

PKF

PKF

Wayne Wessels
Partner

Brisbane, 12th September 2008

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INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 Consolidated Entity $	30 June 2008 Parent Entity $	30 June 2007 Consolidated Entity $	30 June 2007 Parent Entity $
Continuing operations					
Revenue					
– sale of properties	2	1,200,000	1,200,000	2,053,125	2,053,125
Cost of sales					
– sale of properties		(1,170,000)	(1,170,000)	(1,930,162)	(1,930,162)
Gross profit		30,000	30,000	122,963	122,963
Interest revenue		92,782	92,782	6,423	6,423
Rental income	2	89,925	89,925	229,707	229,707
Property management fees		(5,135)	(5,135)	(17,242)	(17,242)
Company management fees		(12,000)	(12,000)	(104,068)	(104,068)
Impairment of inventory		(186,000)	(186,000)	-	-
Impairment of available for sale assets		(71,000)	(71,000)	-	-
Directors fees		(25,200)	(25,200)	(22,275)	(22,275)
Professional fees		(139,682)	(139,682)	(77,366)	(77,366)
Rates and taxes		(1,883)	(1,883)	(55,164)	(55,164)
Insurance		(7,807)	(7,807)	(13,457)	(13,457)
Repairs & maintenance		(2,117)	(2,117)	(17,479)	(17,479)
Borrowing costs		(39,989)	(39,989)	(138,262)	(138,262)
Body corporate fees		(11,877)	(11,877)	(41,497)	(41,497)
Other expenses		(68,575)	(68,575)	(69,593)	(69,953)
Loss before income tax expense/(benefit)	3	(358,558)	(358,558)	(197,310)	(197,310)
Income tax expense/(benefit)	4	-	-	-	-
Loss after related income tax expense/(benefit)		(358,558)	(358,558)	(197,310)	(197,310)
Loss attributable to outside equity interest		-	-	-	-
Loss attributable to members of the parent entity		(358,558)	(358,558)	(197,310)	(197,310)
Basic loss per share (cents per share)	17	(6)		(3)	

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

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	30 June 2008 Consolidated Entity $	30 June 2008 Parent Entity $	30 June 2007 Consolidated Entity $	30 June 2007 Parent Entity $
CURRENT ASSETS					
Cash and cash equivalents		1,427,875	1,427,875	1,279,887	1,279,887
Trade and other receivables	6	51,864	51,864	102,217	102,217
Inventories	7	1,293,111	1,293,111	2,649,111	2,649,111
Financial assets	8	283,939	283,939	-	-
TOTAL CURRENT ASSETS		3,056,789	3,056,789	4,031,215	4,031,215
NON-CURRENT ASSETS					
Financial assets	8	-	-	353,499	358,055
TOTAL NON-CURRENT ASSETS		-	-	353,499	358,055
TOTAL ASSETS		3,056,789	3,056,789	4,384,714	4,389,270
CURRENT LIABILITIES					
Trade and other payables	10	38,615	38,615	63,919	68,899
Borrowings	11	446,250	446,250	1,166,250	1,166,250
TOTAL CURRENT LIABILITIES		484,865	484,865	1,230,169	1,235,149
TOTAL LIABILITIES		484,865	484,865	1,230,169	1,235,149
NET ASSETS		2,571,924	2,571,924	3,154,545	3,154,121
EQUITY					
Issued capital	13	4,506,711	4,506,711	4,730,350	4,730,350
Accumulated losses		(1,934,787)	(1,934,787)	(1,576,229)	(1,576,229)
Parent equity interest		2,571,924	2,571,924	3,154,121	3,154,121
Minority equity interest	14	-	-	424	-
TOTAL EQUITY		2,571,924	2,571,924	3,154,545	3,154,121

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Issued Capital	Accumulated Losses	Minority Interest	Total
	$	$	$	$
Consolidated Entity				
Balance at 1 July 2006	4,730,350	(1,378,919)	424	3,351,855
Loss for the period	-	(197,310)	-	(197,310)
Total recognised income and expense for the period	-	(197,310)	-	(197,310)
Balance at 30 June 2007	4,730,350	(1,576,229)	424	3,154,545
Loss for the period	-	(358,558)	-	(358,558)
Total recognised income and expense for the period	-	(358,558)	-	(358,558)
Share buy-back	(223,639)	-	-	(223,639)
Elimination on deregistration of controlled entities	-	-	(424)	(424)
Balance at 30 June 2008	4,506,711	(1,934, 787)	-	2,571,924

	Issued Capital	Accumulated Losses	Minority Interest	Total
	$	$	$	$
Parent Entity				
Balance at 1 July 2006	4,730,350	(1,378,919)	-	3,351,855
Loss for the period	-	(197,310)	-	(197,310)
Total recognised income and expense for the period	-	(197,310)	-	(197,310)
Balance at 30 June 2007	4,730,350	(1,576,229)	-	3,154,121
Loss for the period	-	(358,558)	-	(358,558)
Total recognised income and expense for the period	-	(358,558)	-	(358,558)
Share buy-back	(223,639)	-	-	(223,639)
Balance at 30 June 2008	4,506,711	(1,934, 787)	-	2,571,924

The above Statements of Changes in Equity should be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 Consolidated Entity $	30 June 2008 Parent Entity $	30 June 2007 Consolidated Entity $	30 June 2007 Parent Entity $
Cash flows from operating activities					
Cash received from customers		1,289,925	1,289,925	2,248,905	2,248,905
Payments to suppliers		(284,343)	(284,343)	(483,427)	(483,427)
Interest paid		(39,989)	(39,989)	(105,964)	(105,964)
Net cash provided by/(used in) operating activities	20	965,593	965,593	1,659,514	1,659,514
Cash flows from investing activities					
Interest received		92,782	92,782	6,423	6,423
Loans from/(to) Director related parties		33,252	33,252	82,824	82,824
Net cash provided by / (used in) investing activities		126,034	126,034	89,247	89,247
Cash flows from financing activities					
(Repayment of) / Proceeds from borrowings		(720,000)	(720,000)	(666,250)	(666,250)
Share buy-back		(223,639)	(223,639)	-	-
Net cash provided by / (used in) financing activities		(943,639)	(943,639)	(666,250)	(666,250)
Net increase in cash and cash equivalents		147,988	147,988	1,082,511	1,082,511
Cash and cash equivalents at the beginning of the financial period		1,279,887	1,279,887	197,376	197,376
Cash and cash equivalents at the end of the financial period	20	1,427,875	1,427,875	1,279,887	1,279,887

The above Statements of Cashflows should be read in conjunction with the attached notes

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASS) (including Australian interpretations), adopted by the Australian Accounting Standards Board (AASB) 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 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.

Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Going concern

Both the Consolidated entity and Parent entity ("the Group") incurred a loss of $358,558 (2007: 197,310) for the year ended 30 June 2008, and as at the reporting date have accumulated losses of $1,934,787 (2007: $1,576,229). The Directors are considering several alternative strategies in the best interests of shareholders, one alternative being to change the mandate of the Group and in an orderly manner liquidate the assets with a view to considering winding up the Company. If this latter strategy is approved by Shareholders then the Group will not continue as a going concern but would make a distribution to shareholders.

These conditions indicate a material uncertainty regarding the Group's ability to continue as a going concern.

The Directors have prepared the financial report on a going concern basis for the following reasons:

1. The current mandate of the Group is to acquire properties for resale, and the Group has adequate resources to meet its ongoing debt obligations as and when they fall due;
2. Should the Directors pursue the alternative mandate of a winding up of the operations of the Group, this would require the approval of the Shareholders in an Extra Ordinary General meeting; and
3. Following the lodgement of the bid for the Company on 5th August 2008, there is a possibility that any resolution contemplating winding up the Company may not be permitted to occur, in which case the Group will continue to trade as a going concern.

The Directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Shareholders of the Group decide that they do not wish the Group to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Shareholders of the Group decide that they do not wish the Group to continue as a going concern.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 12 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 recognised 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 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 when the significant risks and rewards of ownership and effective control has been transferred to the buyer.
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.
4) Rental income from properties held for resale are recognised on a straight line basis over the lease term

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company's intention to hold 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 carried at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity, unless the asset is determined to be impaired, at which the cumulative gain or loss is recognised in the Income Statement.

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.

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 are 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 are valued at the lower of cost 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.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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 9.

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.

i) 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.

j) 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.

k) Comparative figures

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

l) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008 but have not been applied in preparing this financial report:

- AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the underlying net assets. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the impact on the Group's financial report.

- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the company of the group as the standard is only concerned with disclosures.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standards does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect on the Group's disclosures.

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.

- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders. The group has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

m) 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 directors assess 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 directors 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. Refer to note 8.

Notes to the Financial Statements for the year ended 30 June 2008

	30 June 2008		30 June 2007	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$	**$**	**$**	**$**
NOTE 2: REVENUE				
Property resale revenue	1,200,000	1,200,000	2,053,125	2,053,125
Interest received from cash held in bank accounts	92,782	92,782	6,423	6,423
Rental income	89,925	89,925	229,707	229,707
	1,382,707	1,382,707	2,289,255	2,289,255

NOTE 3: LOSS FOR THE YEAR

Loss before income tax includes the following specific expenses:				
Cost of sales	1,170,000	1,170,000	1,930,162	1,930,162
Finance cost	39,989	39,989	138,262	138,262
Impairment of inventory	186,000	186,000	-	-
Impairment of available for sale assets	71,000	71,000	-	-
Management fee to related party	12,000	12,000	104,068	104,068
	1,478,989	1,478,989	2,172,492	2,172,492

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 4: INCOME TAX

	30 June 2008 Consolidated Entity	30 June 2008 Parent Entity	30 June 2007 Consolidated Entity	30 June 2007 Parent Entity
	$	$	$	$
The components of income tax expense comprises				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
	-	-	-	-
The prima facie income tax expense/(benefit) on loss before income tax is reconciled to the income tax expense/(benefit) as follows :				
Prima facie tax benefit on loss before income tax at 30% (2007: 30 %)	(107,567)	(107,567)	(59,193)	(59,193)
Non deductible expenses	23,703	23,703	11,856	11,856
	(83,864)	(83,864)	(47,337)	(47,337)
Income tax benefits not brought to account	83,864	83,864	47,337	47,337
Income tax expense/(benefit) attributable to operating loss	-	-	-	-
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				
Unused tax losses	1,230,000	1,230,000	954,721	954,721
Potential tax benefit @ 30 %	369,000	369,000	286,416	286,416
Unrecognised temporary differences for which no deferred tax asset has been recognised	111,718	111,718	119,437	119,437

NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditors of the Company:				
- audit and review of the financial report	43,789	43,789	36,200	36,200
- taxation services	20,097	20,097	12,590	12,590
	63,886	63,886	48,790	48,790

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 6: TRADE AND OTHER RECEIVABLES

	30 June 2008		30 June 2007	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$	**$**	**$**	**$**
Other receivables	36,558	36,558	34,457	34,457
Other receivables from:				
- Director related entities	15,306	15,306	48,556	48,556
- Other related parties	-	-	19,204	19,204
	51,864	51,864	102,217	102,217

All receivables are non-interest bearing and payable in less than 1 year. There are no amounts which are past due but not impaired (2007: $Nil.).

NOTE 7: INVENTORIES

Properties – at cost	699,111	699,111	699,111	699,111
Properties – at net realisable value	594,000	594,000	1,950,000	1,950,000
	1,293,111	1,293,111	2,649,111	2,649,111

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 8: OTHER FINANCIAL ASSETS

		30 June 2008 Consolidated Entity $	30 June 2008 Parent Entity $	30 June 2007 Consolidated Entity $	30 June 2007 Parent Entity $
Available for sale financial assets					
Listed investments – at fair value					
- Shares in a related party	(a)	59,169	59,169	103,499	103,499
Unlisted investments at cost					
- Shares in controlled entities	12	-	-	-	4,556
- Shares held under company title assets		1,440	1,440	-	-
Unlisted investments- at fair value					
-Shares in a related party	(b)	223,330	223,330	250,000	250,000
Total available for sale financial assets					
Current		283,939	283,939	-	-
Non-current		-	-	353,499	358,055

a) Represents investment in “A” class shares of Property Fox No. 2 Limited, a company in which Mr Peter Spann, Mr. Howard Woolcott and Ms. Jodie Stainton are directors. The shares have no fixed maturity date or coupon rate. As the shares of Property Fox No.2 Limited have not been actively traded, the fair value of the security has been estimated by calculating the net present value of cash flows from the subsequent disposal of the shares. The pre tax discount rate used in calculating the net present value of the cash flows was 10%.

b) Represents 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 cash flows from expected future dividends and subsequent disposal of shares. The pre-tax discount rate used in calculating the net present value of the cash flows was 10% (2007: 8%).

Impairment losses recognised

The underlying assets of both investee companies consist of real estate properties. Due to general downturn in market conditions, the Directors have assessed the future cash flows to be generated from disposal of these investments to be lower than their carrying value and therefore consider the assets have been impaired. An impairment loss of $44,330 (2007: $Nil) has been recognised in the income statement in respect of the shares held in Property Fox No.2 Ltd and an impairment loss of $26,670 (2007:$ Nil) has been recognised in respect of the investment in Fox Riverside Pty Ltd.

Notes to the Financial Statements for the year ended 30 June 2008

	30 June 2008		30 June 2007	
	Consolidated Entity $	**Parent Entity** $	**Consolidated Entity** $	**Parent Entity** $

NOTE 9: JOINT VENTURES

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

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

The share of assets employed in the Joint Venture is

	Consolidated Entity 2008 $	Parent Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2007 $
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

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated Entity 2008 $	Parent Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2007 $
Unsecured				
Trade accounts payable	9,276	9,276	16,581	16,581
Other payables and accruals	29,339	29,339	33,292	38,272
Non trade accounts payable:				
- Director related entity	-	-	14,046	14,046
	38,615	38,615	63,919	68,899

NOTE 11: BORROWINGS

	Consolidated Entity 2008 $	Parent Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2007 $
CURRENT				
Commercial bill facilities- Secured	446,250	446,250	1,166,250	1,166,250
	446,250	446,250	1,166,250	1,166,250

.
The commercial bill facility expires on 28 February 2009. This facility is a rolling facility 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 the joint venture properties held as inventories of the Company. The carrying value of this property as at 30 June 2008 is disclosed in note 7.

(a) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 12: CONTROLLED ENTITIES

	Country of Incorporation	Percentage of Shares Held	
		2008	2007
67 Cardigan Street Pty Limited	Australia	0	62.5
14 Park Road Pty Limited	Australia	0	51
20 Hardy Street Pty Limited	Australia	0	100
38 Vine Street Pty Limited	Australia	0	33.3
15 Todd Street Pty Limited	Australia	0	100

The above entities do not trade, other than to act as holding entities for company titled properties. All the above entities except for 38 Vine Street Pty Limited have been deregistered during the year. The investment in 38 Vine Street Pty Limited is disclosed in Note 8.

Notes to the Financial Statements for the year ended 30 June 2008

	30 June 2008		30 June 2007	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$	**$**	**$**	**$**
NOTE 13: ISSUED CAPITAL				
Fully paid Class A shares	4,506,611	4,506,611	4,730,250	4,730,250
Fully paid ordinary shares	100	100	100	100
	4,506,711	4,506,711	4,730,350	4,730,350
Movement in share capital				
	Nos	**$**	**Nos**	**$**
(a) Class A shares				
Balance at the beginning of the financial year	5,000,000	4,730,250	5,000,000	4,730,250
Share buy-back	486,999	223,639	-	-
Balance at the end of the financial year	4,513,001	4,506,611	5,000,000	4,730,250

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.

	Nos	**$**	**Nos**	**$**
(b) Ordinary shares				
Balance at the beginning of the financial year	1,250,000	100	1,250,000	100
Balance at the end of the financial year	1,250,000	100	1,250,000	100

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.

(c) Share buy-back
On the 3 September 2007 and 5 February 2008 the Company lodged with ASIC Notices of Intention to carry out a share buy-back. At 30 June 2008 the Company had bought back 486,999 Class A shares.

Notes to the Financial Statements for the year ended 30 June 2008

	30 June 2008		30 June 2007	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$	$	$	$
NOTE 14: MINORITY EQUITY INTERESTS IN CONTROLLED ENTITIES				
Share Capital	-	-	424	-
	-	-	424	-

NOTE 15: CONTINGENT LIABILITIES

As disclosed in Note 9, 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 2008 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 11.

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. The Directors obtained two valuations of the joint venture property in June 2008, which resulted in an average valuation of $2,656,500.

The Directors are not aware of any other contingent liabilities as at 30 June 2008.

NOTE 16: KEY MANAGEMENT PERSONNEL DISCLOSURES

(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
Jodie Morris	Director – Executive
Howard Woolcott	Director – Executive

Specified Executives

Andrew Whitten – Company Secretary

(b) Key Management Personnel Compensation

	30 June 2008		30 June 2007	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$	$	$	$
Short-term employee benefits	25,200	25,200	22,275	22,275
Post-employment benefits	-	-	-	-
Long-term benefits	-	-	-	-
Share-based payments				-
	25,200	25,200	22,275	22,275

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 16: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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 7.

(**c) Shareholdings**

Number of shares held by Directors (indirectly and directly)

	Balance 1/7/07	Consolidation of Shares	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/08
Peter J Spann *	1,250,000	-	-	-	-	1,250,000

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

(d) Other transactions with Key Management Personnel

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

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. Fox Portfolio Pty Ltd agreed to reduce this fee to $12,000 for the years ended June 2008 and June 2009. The total amount of administration fee paid during the year ended 30 June 2008 was $12,000 (2007:$104,068)

II. Legal fees paid to Whittens Lawyers and Consultants a firm in which Andrew Whitten is a Senior Associate $40,448 (2007 $16,645).

III. Amount owing by Property Fox No 2 Limited a company in which Mr Peter Spann, Mr. Howard Woolcott and Ms. Jodie Stainton are directors $15,306 (2007: $48,556).

NOTE 17: EARNINGS PER SHARE

	Consolidated Entity 2008 $	Consolidated Entity 2007 $
Basic loss per share (cents per share)	(6)	(3)
Net loss used in calculating basic loss per share	(358,558)	(197,310)
Weighted average number of shares outstanding during the year used in calculation of basic loss per share	6,043,800	6,250,000

The Consolidated entity does not have any dilutive potential ordinary shares.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 18: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise receivables, payables, bank loans, cash and short-term deposits and available for sale investments. These activities expose the entity to a variety of financial risks: market risk (including, interest rate risk and price risk), credit risk and liquidity risk.

Although the Consolidated Entity does not have documented policies and procedures, the Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure. This includes being aware of market forecasts for interest rate and monitoring the fair value of the Consolidated Entity's available for sale financial assets so that the credit exposure is minimised. Liquidity risk is monitored through general business budgets and forecasts.

The Consolidated entity and the parent entity hold the following financial instruments:

	Consolidated Entity		**Parent Entity**	
	June 2008 $	**June 2007 $**	**June 2008 $**	**June 2007 $**
Financial Assets				
Cash and cash equivalents	1,427,875	1,279,887	1,427,785	1,279,887
Trade and other receivables	51,864	102,217	51,864	102,217
Available for sale financial assets	283,939	353,499	283,939	353,499
Total Financial Assets	1,763,678	1,735,603	1,763,678	1,735,603
Financial Liabilities				
Trade and other payables	38,615	63,919	38,615	68,899
Borrowings	446,250	1,166,250	446,250	1,166,250
Total Financial Liabilities	484,865	1,230,169	484,865	1,235,149
Net exposure	1,278,813	505,434	1,278,813	500,454

.**Fair values**

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

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Notes to the Financial Statements for the year ended 30 June 2008

NOTE 18: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses

Interest rate risk

The entity's exposure to market interest rates relates primarily to the entity's term deposits held and its commercial bill facilities

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the consolidated entity and parent entity post tax profit/loss and equity would have been affected as follows:

Consolidated Entity and Parent Entity	Net Loss Higher / (Lower) 30 June		Equity Higher / (Lower) 30 June	
	2008 $	2007 $	2008 $	2007 $
Cash and cash equivalents				
+ 1% (100 basis points)	(14,416)	(12,798)	(14,416)	(12,798)
- 1% (100 basis points)	14,416	12,798	14,416	12,798
Borrowings				
+ 1% (100 basis points)	4,462	11,662	(4,462)	(11,662)
- 1% (100 basis points)	(4,462)	(11,662)	4,462	11,662

The movements in loss are due to higher/lower interest costs from variable debt and cash balances. The sensitivity is lower as compared to 2007 due to early repayment of borrowings

Credit risk

Credit risk arises from the financial assets of the entity, which comprises cash and cash equivalents, trade and other receivables and available-for-sale financial assets.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets.

The Consolidated Entity's has invested in available for sale financial assets with related parties. These are either unlisted securities or listed securities which are not traded in an active market. These are reviewed regularly by the Consolidated Entity to minimise its credit exposure. Exposure at balance date is addressed in the applicable note.

In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

Price risk

The Consolidated Entity's exposure to commodity and equity securities price risk is dealt with in Note 8.

Liquidity Risk

The Consolidated Entity manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Notes to the Financial Statements for the year ended 30 June 2008

NOTE 18: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturities of financial liabilities

The tables below analyses the Consolidated Entity's and the Parent Entity's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 30 June 2008	< 6 months	6 – 12 months	Total
	$	$	$
Consolidated			
Financial liabilities			
Trade and other payables	38,615	-	38,615
Borrowings	-	481,950	481,950
	38,615	**481,950**	**520,565**
Parent			
Financial liabilities			
Trade and other payables	38,615	-	38,615
Borrowings	-	481,950	481,950
	38,615	**481,950**	**520,565**

Year ended 30 June 2007	< 6 months	6 – 12 months	Total
	$	$	$
Consolidated			
Financial liabilities			
Trade and other payables	63,919	-	63,919
Borrowings	-	1,252,250	1,252,250
	63,919	**1,252,250**	**1,316,569**
Parent			
Financial liabilities			
Trade and other payables	68,899	-	68,899
Borrowings	-	1,252,250	1,252,250
	68,899	**1,252,250**	**1,316,569**

NOTE 19: CAPITAL MANAGEMENT STRATEGY

Management controls the capital of the Consolidated Entity by maintaining a debt to equity ratio that is reflective of the loan to valuation ratio of its properties held for sale. In accordance with the policies of the Board the loan to valuation ratio should not exceed 60%.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year, with the exception of the share buy-back (see Note 13 (c).

Notes to the Financial Statements for the year ended 30 June 2008

	30 June 2008		30 June 2007	
	Consolidated Entity $	Parent Entity $	Consolidated Entity $	Parent Entity $
NOTE 20: 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:				
Cash held in bank accounts	1,427,875	1,427,875	1,279,887	1,279,887
(b) Reconciliation of net cash used in operating activities to net profit after income tax				
Operating loss after income tax	(358,558)	(358,558)	(197,310)	(197,310)
Add / (less)non-cash items				
Impairment of inventory	186,000	186,000	-	-
Impairment of available for sale assets	71,000	71,000	-	-
Interest received	(92,782)	(92,782)	(6,423)	(6,423)
Changes in net assets and liabilities:				
(Increase)/decrease in receivables and prepayments	17,101	17,101	(33,928)	(33,928)
(Increase)/decrease in inventory	1,170,000	1,170,000	1,884,994	1,884,994
Increase/(decrease) in payables	(27,168)	(27,168)	12,181	12,181
Net cash provided by/(used in) operating activities	965,593	965,593	1,659,514	1,659,514

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

On 5 August 2008 the Company received an off-market takeover bid by Pritchard Equity Limited for all of the issued A class shares in Property Fox No 1 Limited. At the date of this report the directors are advising shareholders to reject the offer until full details of the offer by Pritchard Equity Limited and the target response statement from Property Fox No 1 Limited have been received by them.

There were no other events subsequent to reporting date to bring into account in the 30 June 2008 financial report.

Notes to the Financial Statements for the year ended 30 June 2008

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 21, Freeman Fox House
333 Ann Street
Brisbane QLD 4000
Tel: (07) 30319920

Principal Place of Business
Level 21, Freeman Fox House
333 Ann Street
Brisbane QLD 4000
Tel: (07) 30319920

SHAREHOLDER INFORMATION

Share Capital

Property Fox No. 1 Limited has on issue 4,513,001 fully paid Class A shares held by 167 holders as at 30 June 2008. All Class A shares of the Company carry one vote per share.

Property Fox No. 1 Limited has on issue 1,250,000 fully paid Ordinary shares held by 1 holder, Mr. Peter Spann a director of the Company, as at 31 August 2008. All Ordinary shares of the Company carry one vote per share.

Twenty Largest Shareholders

Rank	Investor Name	Total Shares	% of Class A Issued Capital	% of all Issued Capital
1	Henley Underwriting & Investment Company Pty Ltd	251,000	5.56%	4.36%
2	C & AC Pty Ltd	120,000	2.66%	2.08%
3	Damien Negus	100,000	2.22%	1.74%
4	David William Searle & Rosemarie Anne Searle	100,000	2.22%	1.74%
5	Peter Schaap & Pauline Schaap	100,000	2.22%	1.74%
6	Melcrag Pty Ltd	80,000	1.77%	1.39%
7	Quest Invest Pty Ltd	80,000	1.77%	1.39%
8	Pilkadaris Holdings Pty Ltd	60,000	1.33%	1.04%
9	Stephen Wheeler	60,000	1.33%	1.04%
10	Bradley Paul Stringfellow	40,000	0.89%	0.69%
11	Brian Geoffrey Smith	40,000	0.89%	0.69%
12	Bruce Joscelyne & Robyn Joscelyne	40,000	0.89%	0.69%
13	Budword Pty Ltd	40,000	0.89%	0.69%
14	Carmel Maree Pate	40,000	0.89%	0.69%
15	Carol Fiskerstrand & Sindre Fiskerstrand	40,000	0.89%	0.69%
16	Chalice Walton Roughan	40,000	0.89%	0.69%
17	Cheryl Conway	40,000	0.89%	0.69%
18	Eltone Pty Ltd	40,000	0.89%	0.69%
19	Evan Plakias	40,000	0.89%	0.69%
20	Fetterun Pty Ltd	40,000	0.89%	0.69%
	Total	**1,391,000**	**30.82%**	**24.14%**

Distribution of Equity Securities

Analysis of number of shareholders by size of holding

Range	No. of holders	Shares	% of Class A Issued Capital
1 – 1,000	1	1	0%
1,001 – 5,000	1	2,000	0.04%
5,001 – 10,000	2	20,000	0.44%
10,001 – 100,000	163	4,120,000	91.29%
100,001 and over	2	371,000	8.22%
Total	**169**	**4,513,001**	**100%**

DIRECTORS' DECLARATION

The directors of Property Fox No.1 Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 14 to 36, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 5 to 9, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated at Brisbane 12th day of September 2008

Peter John Spann
Director

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Property Fox No.1 Limited

Report on the Financial Report

We have audited the accompanying financial report of Property Fox No.1 Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement 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 Property Fox No.1 Limited (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial 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 control 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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.

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*.

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Opinion

In our opinion:

(a) the financial report of Property Fox No.1 Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

  (iii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that both the consolidated entity and the parent entity incurred a net loss of $ 358,558 (2007:$197,310) during the year ended 30 June 2008 and as at the reporting date have accumulated losses of $1,934,787 (2007:$1,576,229).The Directors are also considering alternative strategies including a possible winding up of the Group. These conditions along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

No adjustments have been made in the financial report relating to the recoverability and classification of recorded assets amounts and description of liabilities that might be necessary if the entity does not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 7 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Property Fox No.1 Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF

Wayne Wessels
Partner

Brisbane,12 September 2008

CORPORATE DIRECTORY

Directors	P Spann H Woolcott J Stainton
Company Secretary	A Whitten
Principal registered office in Australia	Level 21, Freeman Fox House 333, Ann 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 Advisers Level 6, AMP Place 10 Eagle Street Brisbane QLD 4000
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