



A.C.N. 101 816 353

Property Fox No 1 Limited

**Financial Statements and Review Report
For the half-year ended 31 December 2008**

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

DIRECTORS' REPORT

Your directors present their report on Property Fox No.1 Limited for the half-year ended 31 December 2008.

Directors

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

- Peter John Spann
- Howard Woolcott
- Jodie Stainton

Review of Operations

The consolidated entity was active in pursuit of its principal activities during the period. The net loss for the consolidated entity for the half year ended 31 December 2008 before income tax amounted to \$304,357 compared to \$113,209 for the same period in the previous year. An amount of \$224,047 of the loss was accounted for by legal and professional fees incurred in response to the hostile bids (see note 2(iii) of the half-year financial report)

Auditors Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2 of the half-year financial report for the half-year ended 31 December 2008.

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

A handwritten signature in black ink, appearing to read 'H. Woolcott', is written over a light blue rectangular background.

Howard Woolcott
Director

Dated this 13th day of March 2009



Chartered Accountants
& Business Advisers

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

To the Directors of Property Fox No.1 Limited

As lead auditor for the review of Property Fox No.1 Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Property Fox No.1 Limited and the entities it controlled during the half year.

PKF

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Wayne Wessels
Partner

Brisbane
13th March 2009

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PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
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CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

		Consolidated Entity	
	Note	31 Dec 2008	31 Dec 2007
		\$	\$
Continuing operations			
Sales revenue			
- Sale of properties	2	-	1,200,000
Cost of sales			
- Sale of properties	2	-	(1,196,400)
Gross margin from sale of properties		-	3,600
Other revenue	2	85,393	91,489
Management fees- related party		(6,000)	(12,000)
Directors' fees		(12,600)	(12,600)
Company secretarial fees		(16,500)	(15,750)
Share registry fees		(18,567)	(16,290)
Professional fees	2	(263,527)	(67,773)
Impairment of inventory		-	(20,000)
NSX listing fees		(3,162)	-
Rates and taxes		(6,727)	(24,529)
Repairs and maintenance		(2,762)	(1,306)
Interest expense		(22,193)	(18,561)
Other expenses		(37,712)	(19,489)
Loss before income tax		(304,357)	(113,209)
Income tax benefit		-	-
Loss from after income tax		(304,357)	(113,209)
Loss attributable to members of the parent entity		(304,357)	(113,209)
Basic loss per share (cents per share)		(5.28)	(2.27)
Diluted loss per share (cents per share)		(5.28)	(2.27)

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

**PROPERTY FOX NO.1 LIMITED
A.C.N. 101 816 353
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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

		Consolidated Entity	
	Note	31 Dec 2008	30 Jun 2008
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,405,230	1,427,875
Trade and other receivables		51,482	51,864
Inventories		1,293,111	1,293,111
Other financial assets	3	75,689	283,939
TOTAL CURRENT ASSETS		2,825,512	3,056,789
TOTAL ASSETS		2,825,512	3,056,789
CURRENT LIABILITIES			
Trade and other payables		111,695	38,615
Other financial liabilities		446,250	446,250
TOTAL CURRENT LIABILITIES		557,945	484,865
TOTAL LIABILITIES		557,945	484,865
NET ASSETS		2,267,567	2,571,924
EQUITY			
Contributed equity		4,506,711	4,506,711
Accumulated losses		(2,239,144)	(1,934,787)
TOTAL EQUITY		2,267,567	2,571,924

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

PROPERTY FOX NO.1 LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Consolidated Entity	Contributed Equity \$	Accumulated Losses \$	Minority Interest \$	Total \$
As at 1 July 2007	4,730,350	(1,576,229)	424	3,154,545
Loss for the period	-	(113,209)	-	(113,209)
Total recognised income and expense for the period	4,730,350	(1,689,438)	424	3,041,336
Share buy back	(99,039)	-	-	(99,039)
As at 31 December 2007	4,631,311	(1,689,438)	424	2,942,297
 As at 1 July 2008	 4,506,711	 (1,934,787)	 -	 2,571,924
Loss for the period	-	(304,357)	-	(304,357)
Total recognised income and expense for the period	4,506,711	(2,239,144)	-	2,267,567
As at 31 December 2008	4,506,711	(2,239,144)	-	2,267,567

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

**PROPERTY FOX NO.1 LIMITED
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Consolidated Entity

	31 December 2008	31 December 2007
	\$	\$
Cash flows from operating activities		
Cash received from customers	40,301	1,263,502
Payments to suppliers	(305,776)	(184,494)
Interest paid	(22,193)	(16,881)
Interest received	41,467	42,604
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	(246,201)	1,104,731
	<hr/>	<hr/>
Cash flows from investing activities		
Capital returned on investment in Fox Riverside Pty Ltd	208,250	-
Loans from Director related parties	15,306	48,557
	<hr/>	<hr/>
Net cash provided by investing activities	223,556	48,557
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of borrowings	-	(720,000)
Share buy back	-	(99,039)
	<hr/>	<hr/>
Net cash used in financing activities	-	(819,039)
	<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents	(22,645)	334,249
Cash and cash equivalents at the beginning of the financial period	1,427,875	1,279,887
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	1,405,230	1,614,136
	<hr/> <hr/>	<hr/> <hr/>

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 1:

Corporate Information

The financial report of Property Fox No 1 Limited for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 13th of March 2009. Property Fox No 1 Limited is a company incorporated in Australia and limited by shares.

Basis of Preparation

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

The half-year financial report has been prepared on a historical cost basis.

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

The half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Property Fox No.1 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Going Concern

The consolidated entity ("Group") has incurred a loss of \$304,357 (2007: 113,209) for the period ended 31 December 2008, and as at the reporting date has accumulated losses of \$2,239,144 (2008: \$1,934,787). As discussed in the 30 June 2008 Annual Financial Report, the Directors are considering several alternative strategies in the best interests of shareholders, one alternative being to change the mandate of the Company 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 Company will not continue as a going concern but would make a distribution to shareholders.

These conditions indicate a material uncertainty regarding the consolidated entity'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 several bids for the Company on 5th August 2008 and 15 December 2008, there is a possibility that any resolution contemplating winding up the Company may not be permitted to occur, in which case the Company 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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008
(CONT'D)**

Note 1: Going Concern (continued)

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.

a) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

PROPERTY FOX NO.1 LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008
(CONT'D)

Consolidated Entity

Note 2: Revenue and Expenses

Specific Items

Profit before income tax expense includes the following revenue and expenses whose disclosure is relevant in explaining the performance of the group:

(i) Revenue

	31 December 2008 \$	31 December 2007 \$
Property sale revenue	-	1,200,000
Interest income	41,467	42,604
Other	43,926	48,885
	<u>85,393</u>	<u>1,291,489</u>

(ii) Expenses

Cost of property sales	<u>-</u>	<u>1,196,400</u>
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(iii) Expenses included in Professional Fees

Legal fees	175,817	37,145
Independent Expert Reports	48,230	-
	<u>224,047</u>	<u>37,145</u>

The legal fees and Independent Expert Report fees were incurred in connection with mandatory responses to hostile takeover activity and advice to shareholders in connection with the share buy-back approved at the Extraordinary General Meeting held on 5 February 2009.

Note 3: Other Financial assets

	31 December 2008 \$	30 June 2008 \$
Listed investments at fair value	59,169	59,169
Unlisted investments at cost	1,440	1,440
Unlisted investments at fair value	15,080	223,330
	<u>75,689</u>	<u>283,939</u>

The decrease in the unlisted investments at fair value was due to capital returned by Fox Riverside Pty Ltd during the period.

Note 4: Dividends

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

Note 5: Segment Information

The company operates in the property industry acquiring, developing and selling parcels of developed residential real estate. The company operates in one geographical segment being Australia.

**PROPERTY FOX NO.1 LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008
(CONT'D)**

Note 6: Equity Share Buy Back

	31 December 2008	31 December 2008	31 December 2007	31 December 2007
	Shares	\$	Shares	\$
Shares cancelled under share buy back plan	-	-	178,999	99,039

Note 7: Events Subsequent to Reporting Date

On 5th February 2009 shareholders approved a buy-back of 40% of each shareholders holding at 55 cents per share.

Note 8: Contingent Liabilities

The company has a 30 percent interest in a joint venture with Property Fox No.2 Limited and Freeman Fox Investments Pty Limited.

As part of this joint venture, the company has entered into an agreement with Property Fox No.2 Limited to assist in the funding of the acquisition of the joint venture property situated in Toowoomba, Queensland. The total amount payable at 31 December 2008 under the joint loan agreement was \$1,190,000 and a liability of \$446,250 being the company's interest in the joint loan has been recorded and is included in other financial liabilities.

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 31 December 2008. The property was valued by an independent valuer in December 2008 at \$2,905,000.

The Directors are not aware of any other contingent liabilities as at 31 December 2008.

**PROPERTY FOX NO.1 LIMITED
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DIRECTORS' DECLARATION

The directors of Property Fox No.1 Limited declare that they are of the opinion that:

- a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including that they:
 - (i) comply with accounting standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity.
- b) at the date of this declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Howard Woolcott
Director

Dated this 13th day of March 2009
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Property Fox No.1 Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Property Fox No.1 Limited ("the company"), which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Property Fox No.1 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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INDEPENDENT AUDITOR'S REVIEW REPORT (Continued)*Independence*

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity ("Group") incurred a net loss of \$304,357 (2007: 113,209) during the half year ended 31 December 2008 and as at the reporting date had accumulated losses of \$2,239,144 (2008: \$1,934,787). The Directors are 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 Group does not continue as a going concern.

PKF**PKF**

Wayne Wessels
Partner

Brisbane
13 March 2009