

## FORM: Half yearly/preliminary final report

Name of issuer

PROPERTY FOX NO 1 LIMITED

ACN or ARBN

101 816 353

Half yearly  
(tick)

Preliminary  
final (tick)



Half year/financial year ended  
(‘Current period’)

30 June 2009

### For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

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				\$A,000
Revenue (item 1.1)	down	89%	to	153
Loss for the period (item 1.9)	up	42%	to	(507)
Loss for the period attributable to members of the parent (item 1.11)	up	42%	to	(507)
Dividends		Current period	Previous corresponding period	
Franking rate applicable:				
Final dividend (preliminary final report only)(item 10.13-10.14)		N/A	N/A	
Amount per security				
Franked amount per security				
Interim dividend (Half yearly report only) (item 10.11 – 10.12)		N/A	N/A	
Amount per security				
Franked amount per security				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

**NTA Backing**

*(see note 7)*

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.46	\$0.57

**Non-cash financing and investing activities**

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.*

21.1	N/A
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**Explanation and commentary**

The operating loss for the Company for the year was \$506,989. Had the Company not had the legal and other professional expenses of the ongoing hostile takeover action, the loss would have been reduced by \$316,250 to \$190,739.

In February of this year the Company held an Extraordinary General Meeting at which shareholders voted overwhelmingly in favour of the Board's resolution to return capital to shareholders through an equal access buy-back scheme for 40% of shares on issue at 55 cents per share. The vote resulted in 78% of shareholders who voted, voting in favour of the resolution and payments to those shareholders who submitted tender forms were paid in August 2009. The total payment to shareholders amounted to \$667,260.

In May 2009 the Company received a takeover offer for all its A Class shares from Property Fox No 2 Limited "PF2". The offer was for 9 shares in PF2 for every 10 shares in Property Fox No 1 Limited "PF1". The independent director on the PF1 board, Mrs. Jodie Stainton, recommended that shareholders accept the offer. PF2 has subsequently increased its bid by 2 cents for each A Class share in PF1.

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	30 June 2009 \$	30 June 2008 \$
Revenue			
– sale of properties	2	-	1,200,000
Cost of sales			
– sale of properties		-	(1,170,000)
Gross profit		-	30,000
Interest revenue	2	61,807	92,782
Rental income	2	91,030	89,925
Other income		28	-
Reversal of Impairment loss on inventory	3	50,000	-
Property management fees		(5,821)	(5,135)
Company management fees		(12,000)	(12,000)
Impairment of inventory		-	(186,000)
Impairment of available for sale assets		(9,000)	(71,000)
Directors' fees		(25,200)	(25,200)
Professional fees		(510,592)	(139,682)
Rates and taxes		(5,553)	(1,883)
Insurance		(10,772)	(7,807)
Repairs & maintenance		(5,153)	(2,117)
Borrowing costs		(37,105)	(39,989)
Body corporate fees		(14,259)	(11,877)
Other expenses		(74,399)	(68,575)
Loss before income tax expense/(benefit)	3	(506,989)	(358,558)
Income tax expense/(benefit)	4	-	-
Loss after related income tax expense/(benefit)		(506,989)	(358,558)
Basic loss per share (cents per share)	15	(8)	(5)

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

**BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	<b>Note</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,146,208	1,427,875
Trade and other receivables	6	62,733	51,864
Inventories	7	1,343,111	1,293,111
Financial assets	8	66,689	283,939
<b>TOTAL CURRENT ASSETS</b>		<b>2,618,741</b>	<b>3,056,789</b>
<b>TOTAL ASSETS</b>		<b>2,618,741</b>	<b>3,056,789</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	107,556	38,615
Borrowings	11	-	446,250
<b>TOTAL CURRENT LIABILITIES</b>		<b>107,556</b>	<b>484,865</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	11	446,250	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>446,250</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>553,806</b>	<b>484,865</b>
<b>NET ASSETS</b>		<b>2,064,935</b>	<b>2,571,924</b>
<b>EQUITY</b>			
Issued capital	12	4,506,711	4,506,711
Accumulated losses		(2,441,776)	(1,934,787)
<b>TOTAL EQUITY</b>		<b>2,064,935</b>	<b>2,571,924</b>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	<b>ISSUED CAPITAL</b>	<b>ACCUMULATED LOSSES</b>	<b>MINORITY INTEREST</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COMPANY</b>				
<b>BALANCE AT 1 JULY 2007</b>	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)
<b>BALANCE AT 30 JUNE 2008</b>	4,506,711	(1,934,787)	-	2,571,924
Loss for the period	-	(506,989)	-	(506,989)
Total recognised income and expense for the period	-	(506,989)		(506,989)
<b>BALANCE AT 30 JUNE 2009</b>	4,506,711	(2,441,776)	-	2,064,935

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

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2009

	Note	30 June 2009 \$	30 June 2008 \$
<b>Cash flows from operating activities</b>			
Cash received from customers		91,059	1,289,925
Payments to suppliers		(605,085)	(284,343)
Interest paid		(37,105)	(39,989)
Interest received		61,807	92,782
Net cash (used in)/provided by operating activities	18	(489,324)	1,058,375
<b>Cash flows from investing activities</b>			
Proceeds from realisation of investment in Fox Riverside Pty Limited		208,250	-
Loans (to)/from Director related parties		(593)	33,252
Net cash provided by investing activities		207,657	33,252
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(720,000)
Share buy-back		-	(223,639)
Net cash used in financing activities		-	(943,639)
Net (decrease)/increase in cash and cash equivalents		(281,667)	147,988
Cash and cash equivalents at the beginning of the financial period		1,427,875	1,279,887
Cash and cash equivalents at the end of the financial period	18	1,146,208	1,427,875

The above Statement of Cash flows should be read in conjunction with the attached notes

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Preliminary financial statements of Property Fox No.1 Limited for the year ended 30 June 2009 do not include all the notes of the type that would normally be included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Company as the full financial report.

**Basis of Preparation**

The preliminary financial statements has been prepared in accordance with Australian Accounting Standards (AASB's ) (including Australian interpretations), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

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.

The financial report is presented in Australian dollars.

**Going concern**

The financial report has been prepared on the 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.

The Company incurred a loss of \$506,989 (2008 \$358,558) and had net cash outflows from operating activities of \$489,324 for the year ended 30 June 2009. Included in expenses are non-recurring legal, professional and independent expert fees in the sum of \$316,250 relating to the ongoing actions of Pritchard Equity Ltd. The Directors have assessed the future cash flows requirements of the Company and are confident that the Company has adequate cash resources to meet its ongoing working capital needs for at least a period of twelve months from the date of signature of the directors' report.

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

**a) 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 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 Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***b) Revenue recognition***

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

- 1) Revenue from re-sale of real estate is recognised 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.

***c) Financial Instruments***

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sells the asset.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit and loss' in which case transaction cost are expensed to the income statement immediately. 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.



**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Financial Instruments (continued)**

**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 time 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**

Revenue, 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.

**g) Impairment of Assets**

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***h) Interest in Joint Venture***

The Company's share of the assets, liabilities, revenues and expenses of joint venture operations is included in the respective items of the Company's financial statements. Details of the Company's interests are shown in Note 9.

The Company's interests in joint venture entities are brought to account using the equity method of accounting.

***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 2009 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 Company's 30 June 2010 financial statements. The Company has not yet determined the impact on the 2010 results.
- 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 as the standard is only concerned with disclosures.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standards do 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 Company's 30 June 2010 financial statements, and is expected to have an impact in the way the Company's presentation of financial statements only.
- 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 Company has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***m) Significant accounting estimates and judgement***

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 Company.

The directors assess impairment at each reporting date by evaluating conditions specific to the Company 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 in 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.

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**Notes to the Financial Statements for the year ended 30 June 2009**

		<b>30 June 2009</b>	<b>30 June 2008</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 2: REVENUE</b>	<b>Note</b>		
Property resale revenue		-	1,200,000
Interest received from cash held in bank accounts		61,807	92,782
Rental income		91,030	89,925
		<u>152,837</u>	<u>1,382,707</u>

**NOTE 3: LOSS FOR THE YEAR**

Loss before income tax includes the following specific expenses:

Cost of sales	-	1,170,000
Finance costs	37,105	39,989
Reversal of impairment losses on inventory	(50,000)	-
Impairment of inventory	-	186,000
Impairment of available for sale assets	9,000	71,000
Management fee paid to related party	12,000	12,000
Accounting & audit fees	78,937	63,886
Legal & settlement expenses	345,695	41,791
Valuation fees	4,730	1,755
Company secretarial fees	33,000	32,250
Independent expert report fees	48,230	-

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**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 4: INCOME TAX**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
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% (2008: 30 %)	(152,096)	(107,567)
Non deductible expenses	120,878	23,703
	(31,218)	(83,864)
Income tax benefits not brought to account	31,218	83,864
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		
Unrecognised tax losses	1,349,895	1,230,000
Potential tax benefit @ 30 %	404,969	369,000
Unrecognised temporary differences	166,560	372,393
Potential tax benefit @ 30 %	49,968	111,718

**NOTE 5: AUDITOR'S REMUNERATION**

Remuneration of the auditors of the Company:

- audit and review of the financial report	30,250	43,789
- taxation services	-	20,097
	30,250	63,886

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 6: TRADE AND OTHER RECEIVABLES**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	40,754	36,558
Non-trade receivables from:		
- Director related entities	21,979	15,306
	<u>62,733</u>	<u>51,864</u>

All receivables are non-interest bearing and payable in less than 1 year. There are no amounts which are past due but not impaired (2008: \$Nil.).

**NOTE 7: INVENTORIES**

Properties – at cost	699,111	699,111
Properties – at net realisable value	644,000	594,000
	<u>1,343,111</u>	<u>1,293,111</u>

**Notes to the Financial Statements for the year ended 30 June 2009**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<u>\$</u>	<u>\$</u>
<b>NOTE 8: OTHER FINANCIAL ASSETS</b>		
Available for sale financial assets		
Listed investments – at fair value		
- Shares in a related party	(a) <u>54,169</u>	<u>59,169</u>
Unlisted investments at cost		
- Shares held under company title assets	<u>1,440</u>	<u>1,440</u>
Unlisted investments- at fair value		
-Shares in a related party	(b) <u>11,080</u>	<u>223,330</u>
Total available for sale financial assets		
Current	<u>66,689</u>	<u>283,939</u>

- 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 investment 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 12%. (2008: 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. In December 2008 the Company received a payment of \$208,250 from Fox Riverside Pty Ltd when the last property in the joint venture it was involved with was sold. The carrying value of the investment at 30 June 2009 is the expected final distribution from Fox Riverside Pty Ltd.

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**Notes to the Financial Statements for the year ended 30 June 2009**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 9: JOINT VENTURES</b>		

Property Fox No 1 Pty Ltd has a 30% interest in the Property Fox No 1 Ltd, Property Fox No 2 Ltd 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:

**Current Assets**

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

**NOTE 10: TRADE AND OTHER PAYABLES**

**Unsecured**

Trade accounts payable	14,084	9,276
Other payables and accruals	87,392	29,339
Non trade accounts payable:		
- Director related entity	6,080	-
	107,556	38,615

**NOTE 11: BORROWINGS**

**CURRENT**

Commercial bill facilities – Secured	-	446,250
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**NON CURRENT**

Commercial bill facilities - Secured	446,250	-
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The commercial bill facility expires on 28 February 2012. 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 2009 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.



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**Notes to the Financial Statements for the year ended 30 June 2009**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 12: ISSUED CAPITAL</b>		
Fully paid Class A shares	4,506,611	4,506,611
Fully paid ordinary shares	100	100
	4,506,711	4,506,711

**Movement in share capital**

	<b>Number</b>	<b>\$</b>
(a) Class A shares		
Balance at the beginning of the financial year	4,513,001	4,506,611
Balance at the end of the financial year	4,513,001	4,506,611

Class A shares have the right to collectively receive 75% of all dividends declared by the Company and to collectively receive 100% of any share capital re-paid upon winding up of the Company. Class A shares have the right to vote at all meetings of members of the Company with each share entitling its holder to one vote.

	<b>Number</b>	<b>\$</b>
(b) Ordinary shares		
Balance at the beginning of the financial year	1,250,000	100
Balance at the end of the financial year	1,250,000	100

- i) There was no change in the number of ordinary shares issued, or the paid up amount, from the same period last year. 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.
- ii) On 10 August 2009 the Company made a payment to shareholders who submitted a tender form pursuant to the equal access buy-back scheme passed by resolution at an Extraordinary General Meeting earlier in the year. The total of these payments amounted to \$667,260 and the subsequent cancellation of 1,213,200 A Class shares.

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 13: 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 2009 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 a valuation of the joint venture property in June 2009, which shows a valuation of \$2,850,000.

The Directors are not aware of any other contingent liabilities as at 30 June 2009.

**NOTE 14: 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 Stainton	Director – Executive
Howard Woolcott	Director – Executive

*Specified Executives*

Andrew Whitten – Company Secretary

**(b) Key Management Personnel Compensation**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	25,200	25,200
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	<u>25,200</u>	<u>25,200</u>

Details of remuneration of key management personnel and is presented in the directors' report on page 7.

**Notes to the Financial Statements for the year ended 30 June 2009**

**(c) Shareholdings**

Number of shares held by Directors (indirectly and directly)

	Balance 1/7/08	Consolidation of Shares	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/09
Peter J Spann *	1,250,000	-	-	-	-	1,250,000

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

**NOTE 14: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(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 Ltd 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 fees paid during the year ended 30 June 2009 was \$12,000 (2008:\$12,000)
- ii) Legal fees paid to Whittens Lawyers and Consultants a firm in which Andrew Whitten is a Senior Associate \$242,896 (2008 \$40,448).
- 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 \$21,979 (2008: \$15,306).

	2009	2008
<b>NOTE 15: EARNINGS PER SHARE</b>		
Basic loss per share (cents per share)	(9)	(5)
Net loss used in calculating basic loss per share	(506,989)	(358,558)
Weighted average number of shares outstanding during the year used in calculation of basic loss per share	5,763,001	6,043,800

The Company does not have any dilutive potential ordinary shares.

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**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company'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 Company 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 Company's available for sale financial assets so that the market risk exposure is minimised. Liquidity risk is monitored through general business budgets and forecasts.

The Company holds the following financial instruments:

	<b>June 2009 \$</b>	<b>June 2008 \$</b>
Financial Assets		
Cash and cash equivalents	1,146,208	1,427,875
Trade and other receivables	62,733	51,864
Available for sale financial assets	66,689	283,939
<b>Total Financial Assets</b>	<u>1,275,630</u>	<u>1,763,678</u>
Financial Liabilities		
Trade and other payables	107,556	38,615
Borrowings	446,250	446,250
<b>Total Financial Liabilities</b>	<u>553,806</u>	<u>484,865</u>
<b>Net exposure</b>	<u>721,824</u>	<u>1,278,813</u>

**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.

**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.

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**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Sensitivity Analysis**

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

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the Company's post tax profit/loss and equity would have been affected as follows:

	<b>Net Loss for Company and Higher / (Lower) 30 June</b>		<b>Equity for Company and Higher / (Lower) 30 June</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents				
+ 1% (100 basis points)	11,661	14,416	11,661	14,416
- 1% (100 basis points)	(11,661)	(14,416)	(11,661)	(14,416)
 Borrowings				
+ 1% (100 basis points)	(4,462)	(4,462)	(4,462)	(4,462)
- 1% (100 basis points)	4,462	4,462	4,462	4,462

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**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 Company'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 Company 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 Company's exposure to bad debts is not significant.

**Price risk**

The Company's exposure to commodity and equity securities price risk is minimal.

**Liquidity Risk**

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

**Maturities of financial liabilities**

The tables below analyses the Company'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 2009**

	<b>&lt; 6 months \$</b>	<b>6 – 12 months \$</b>	<b>&gt; 12 months \$</b>	<b>Total \$</b>
<b>Financial liabilities</b>				
Trade and other payables	107,556	-	-	107,556
Borrowings	-	-	481,950	481,950
<b>Net maturity</b>	<b>107,556</b>		<b>481,950</b>	<b>589,506</b>

**Year ended 30 June 2008**

	<b>&lt; 6 months \$</b>	<b>6 – 12 months \$</b>	<b>&gt; 12 months \$</b>	<b>Total \$</b>
<b>Financial liabilities</b>				
Trade and other payables	38,615	-	-	38,615
Borrowings	-	481,950	-	481,950
<b>Net maturity</b>	<b>38,615</b>	<b>481,950</b>	<b>-</b>	<b>520,565</b>

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**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 17: CAPITAL MANAGEMENT STRATEGY**

Management controls the capital of the Company 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 12 (c)).

**NOTE 18: CASH FLOW INFORMATION**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<i>(a) Reconciliation of cash</i>		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments with terms of less than 90 days, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash held in bank accounts	<u>1,146,208</u>	<u>1,427,875</u>
<i>(b) Reconciliation of net cash used in operating activities to net profit after income tax</i>		
Operating loss after income tax	(506,989)	(358,558)
Add / (less) non-cash items		
Impairment of inventory/	-	186,000
Reversal of Impairment loss on inventory	(50,000)	
Impairment of available for sale assets	-	71,000
Impairment of investments	9,000	-
Changes in net assets and liabilities:		
(Increase)/decrease in receivables and prepayments	(4,196)	17,101
(Increase)/decrease in inventory	-	1,170,000
Increase/(decrease) in payables	<u>62,861</u>	<u>(27,168)</u>
Net cash provided by/(used in) operating activities	<u>(489,324)</u>	<u>1,058,375</u>

**Notes to the Financial Statements for the year ended 30 June 2009**

**NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE**

On 10 August 2009 the Company made a payment to shareholders who submitted a tender form pursuant to the equal access buy-back scheme passed by resolution at an Extraordinary General Meeting earlier in the year. The total of these payments amounted to \$667,260 and the subsequent cancellation of 1,213,200 A Class shares.

There were no other events subsequent to the reporting date.

**NOTE 20: ECONOMIC DEPENDENCY**

The Company is not economically dependent upon any third parties.

**NOTE 21: SEGMENT INFORMATION**

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

The Company operates in one geographical segment being Australia.

**NOTE 22: 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) 3031 9920

**Principal Place of Business**

Level 21, Freeman Fox House  
333 Ann Street  
Brisbane QLD 4000  
Tel: (07) 3031 9920



**Annual meeting**

*(Preliminary final statement only)*

The annual meeting will be held on a date and at a venue to be advised.

Place

Date

Time

Approximate date the annual report will be available

30 September 2009

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

- |  |   |
|--|---|
| <input type="checkbox"/> The financial statements have been audited.   | <input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input checked="" type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.                                 |

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/does not have\* (*delete one*) a formally constituted audit committee.



Sign here: .....  
(Director)

Date: .14 Sept 2009.....

Print name: Howard Woolcott.....