



**Property Fox No 1 Limited**

**Annual Report 2009**

	<b>Page</b>
Managing Director's Review	1
Directors' Report	2
Corporate Governance Statement	7
Auditor's Independence Declaration	12
Income Statement	13
Balance Sheet	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to and Forming Part of the Financial Statements	17
Shareholder Information	35
Directors' Declaration	37
Independent Auditor's Report	38

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## **Managing Director's Review**

Hello

Firstly, let me thank you all for being shareholders.

This was again a very challenging year for the Company. As I stated in last year's review, the ongoing actions of Pritchard Equity Ltd had a serious detrimental effect on the value of the Company and those actions continued into the 2009 financial year. Our legal fees and other professional fees in responding to those actions were considerable and represented almost half of the expenses we incurred this year.

Fortunately Pritchard Equity Ltd sold its shares prior to the end of the financial year and 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. I feel confident that shareholders can look forward to a more stable future if both companies are ultimately combined.

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.

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.

Our properties were valued in June 2009 by independent registered valuers.

The Fairfield properties have been valued in total at \$670,000 and this has resulted in a net increase of \$50,000 over last year's carrying values. Additionally, in June 2009 Fairfield Council approved a development application for the conversion of these units to strata title. Prior to completion of the title conversion, building work in relation to fire safety has to be completed. Upon the successful completion of this work and the issue of the strata plan, these units should have a further significant increase in value.

The Toowoomba properties have been valued at \$2,850,000. The company's 30% share of these properties is therefore \$855,000 against a carrying value in the accounts of \$699,111.

So, the reality is additional equity in our property holdings of \$182,000 above the values in the accounts.

In December 2008 we 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. We expect a further small sum to be paid from this joint venture when the final accounts are completed.

Your directors believe the potential for shareholders will be greatly improved as a result of the takeover by Property Fox No 2 Limited, provided it results in a 100% acquisition of all A Class shares.

Yours sincerely,



Peter Spann  
Managing Director  
30<sup>th</sup> September 2009

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## **DIRECTORS' REPORT**

Your directors present their report on the Company for the year ended 30 June 2009.

### **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 Company during the financial year ended 30 June 2009 are set out in the Managing Director's Review contained in this report.

### **Operating result**

The loss of the Company after income tax amounted to \$506,989 (2008: Loss of \$358,558).

### **Dividends paid or recommended**

The Board has not made a recommendation to pay any dividends for the year ended 30 June 2009.

### **Review of operations**

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

### **Significant changes in state of affairs**

There were no significant changes in the state of affairs of the Company 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 Company other than the payment made to Shareholders in respect of the Share buy-back.

### **Likely future developments and expected results**

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

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## **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. He is a Certified Practising Accountant.

He was a founder and past director of listed public company, Tribeca Learning Limited, an industry leader in accredited financial services education, professional development and compliance solutions for the financial planning industry. Tribeca was subsequently bought by Kaplan Professional.

Howard is the Managing Director of Woolcott Corporate Development Pty Ltd, which provides management and strategic advice to businesses. He is also a director of Fox Invest Limited, listed on ASX and Property Fox No 2 Limited, listed on the NSX.

#### **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 Sale's person.

#### **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 a number of listed NSX companies. 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 and is an affiliate of that Institute. Mr Whitten is also a Public Notary.

## **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						
2009	Salary and Fees \$	Superannuation Contribution \$	Non-Cash Benefits \$	Post Employment \$	Equity \$	Other \$	Total \$
Directors							
Peter J Spann	-	-	-	-	-	-	-
Jodie Stainton	12,000	-	-	-	-	-	12,000
Howard Woolcott	13,200	-	-	-	-	-	13,200
Other Key management Personnel							
Andrew Whitten (Company Secretary) *	-	-	-	-	-	-	-
	25,200	-	-	-	-	-	25,200
2008							
Directors							
Peter J Spann	-	-	-	-	-	-	-
Jodie Stainton	12,000	-	-	-	-	-	12,000
Howard Woolcott	13,200	-	-	-	-	-	13,200
Other Key management Personnel							
Andrew Whitten (Company Secretary) *	-	-	-	-	-	-	-
	25,200	-	-	-	-	-	25,200

\* 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 \$30,000 plus GST (2008: \$32,250) in respect of these services.

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## **DIRECTORS' REPORT (Continued)**

### **Remuneration report – audited (continued)**

#### *Share-based compensation*

No share-based compensation payments have been granted to directors and the 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:

<b>Directors</b>	<b>Directors' meetings</b>	
	<b>eligible to attend</b>	<b>attended</b>
Peter John Spann	7	7
Howard Woolcott	7	7
Jodie Stainton	7	7

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:

<b><u>Name of director</u></b>	<b><u>Nature of interest</u></b>
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.

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**DIRECTORS' REPORT (Continued)**

**Non-audit Services**

Nil

**Auditor's independence declaration**

The Auditor's Independence Declaration for the year ended 30 June 2009 has been received and can be found on page 12 of the financial report.

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

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

**Peter John Spann**  
Director

Dated this 30<sup>th</sup> September 2009



## **CORPORATE GOVERNANCE STATEMENT**

The Company's corporate governance framework has been formulated in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in 2007 (ASX Recommendations). The Company's framework largely complies with these recommendations. Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

Day-to-day management of the affairs of the Company and its controlled entities are delegated by the Board to the Managing Director and the Executive Directors. The Directors are responsible to shareholders for the performance of the Company and their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. The main processes that the directors of the Company use in doing so are set out in this statement.

### **Principle 1: Lay solid foundations for management and oversight**

The Directors must act in the best interest of the Company and in general are responsible for, and have the authority to determine, all matters relating to the policies, management and operations of the Company

Specific responsibilities of the Board include;

- Protecting the reputation of the Company
- Appointment and removal of the Chief Executive Officer and any senior executives
- Ensuring appropriate resources are availed to senior management
- Providing strategic direction for the Company's corporate strategy

Day to day management of the Company and implementation of Board policies and strategies has been formally delegated to the Executive Directors. It is responsibility of the Board to oversee the activities of management in carrying out delegated tasks.

The Company's executive management comprises the Chief Executive Officer (Peter Spann) who is also the Managing Director, Howard Woolcott and Jodie Stainton who are Executive directors.

Howard Woolcott has assumed the role normally performed by a company's Chief Financial Officer and the Company Secretary is Andrew Whitten.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The board ensures that executive reward satisfies the following criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management

The remuneration structure for directors, secretaries and any senior managers is based on the following factors:

- experience of the individual concerned
- the overall performance of the market in which the Company operates

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## **CORPORATE GOVERNANCE STATEMENT (Continued)**

- the overall performance of the Company

Performance of senior executives is constantly reviewed by the Board as part of the ordinary course of meetings of the Directors.

There have been no departures from Principle 1 during the year ending 30 June 2009.

### **Principle 2: Structure the board to add value**

- The skills, experience and expertise relevant to the position of director and period of office held by each director is disclosed within the Directors' Report of the Company's Annual Report.
- Presently the board consists of 3 executive directors and no non-executive directors.
- With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertaking in order to fulfill their duties and responsibilities as directors.
- The Company does not presently have a nomination committee. Due to the size and nature of the activities of the Company, the nomination of new directors is conducted by the board by way of ongoing review and discussion in relation to experience deficiencies that may exist within the existing board structure.
- The performance of the board is reviewed as part of the ordinary course of meetings of the directors.

There have been the following departures from Principle 2 during the year ending 30 June 2009:

Recommendation 2.1 - As at the date of this report, none of the Directors are considered independent as they are all executive directors engaged in the management of the Company. This departure arises from the small size and nature of operations of the Company.

Recommendation 2.2 and 2.3 – The Chairman is not an independent director and is also the Chief Executive Officer. The reason for this is that due to the small size and nature of the activities of the Company, it is necessary that each director has to assume more than one role.

Recommendation 2.4 – Due to the size of the Company, the Board has not yet established a nomination committee.

### **Principle 3: Promote ethical and responsible decision making**

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide management and employees in carrying out their duties and responsibilities as follows.

All directors, executives, employees and consultants of the Company have the following duties:

- To act honestly, fairly and without prejudice in all commercial dealings and to conduct business with professional courtesy and integrity
- To use the powers of their office for a proper purpose and in the best interest of the Company
- To comply with letter and spirit of the law and with the principles of this Code

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## **CORPORATE GOVERNANCE STATEMENT (Continued)**

- Not to knowingly make any misleading statements to any person or to be a party to any improper practice in relation to dealings with or by the Company
- To ensure that the Company's resources and property are used properly and
- Not to disclose information or documents relating to the Company or its business, other than as required by law, not to make any unauthorised public comment on the Company's affairs and not to misuse any information about the Company or its associates.

The board endeavours to ensure that the directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that directors, officers and employees must:

- Comply with the law
- Act in the best interests of the Company
- Be responsible and accountable for their actions, and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

The Company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

The Company has set the following windows for trading in the Company's securities by the directors and employees, being between one and twenty one days following:

- The release to the National Stock Exchange of the Company's preliminary full year financial statements
- The release to the National Stock Exchange of the Company's half year financial statements
- The date on which the Company holds its annual general meeting

There have been no departures from Principle 3 during the year ending 30 June 2009.

### **Principle 4: Safeguard integrity in financial reporting**

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 BEc (Syd.) CPA – (Executive Director); Ms. Jodie Stainton – (Executive Director).

The Audit Committee met twice during the year.

There has been one departure from Principle 4 during the year ending 30 June 2009:

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

Recommendation 4.2 – The Audit Committee consists only of executive directors as it does not have any non-executive directors and therefore it does not have a majority of independent directors. Also, it has only two members but it is chaired by a director who is not chair of the board.

The reason for this departure is due to the small size of the Company.

### **Principle 5: Make timely and balanced disclosure**

There have been the following departures from Principle 5 during the year ending 30 June 2009:

Recommendations 5.1 – Due to the size and nature of the Company, the Board does not have written policies on disclosure. However the Company has the following principles in place:

- The Company will not endorse reports on its operations prepared by third parties.
- The Company will not respond to speculation and rumour except as required by the NSX.
- The CEO and Company Secretary have been appointed as the persons responsible for communications with the NSX.
- The Board is responsible for ensuring the compliance with the continuous disclosure requirements in the NSX listing rules and overseeing and co-ordinating information disclosure to the NSX.
- All material will be lodged as soon as practicable with the NSX.
- No undisclosed price sensitive information will be disclosed in any analyst meeting.

### **Principle 6: Respect the rights of shareholders**

The Board and the Company Secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meeting. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed. Due to the size of the Company, all communications are prepared and administered in-house.

The Company actively encourages communications with its shareholders and has made available all forms of contact; phone, email, facsimile and post details on their website at [www.propertyfoxno1.com.au](http://www.propertyfoxno1.com.au) should any shareholder have a query.

The Company's Half and Full Year Reports are a significant means of communicating to shareholders the Company's activities, operations and performance over the past financial year. In accordance with the Company's disclosure principles, these are publicly available on the NSX website.

There have been no departures from Principle 6 during the year ending 30 June 2009.

### **Principle 7: Recognise and manage risk**

The Board is responsible for oversight of the Company's management systems of internal controls. The Board constantly monitors the operation and financial aspects of Company activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Company.

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Company obtains statements from its Chief Executive Officer and Chief Financial Officer that:

- the Company's financial reports present a true and fair view in all material respects, of the Company's financial condition and operational results are in accordance with the relevant accounting standards. Furthermore, the board of directors does, in its role, state to shareholders in the Company's accounts that they are true and fair, in all material respects
- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements policies adopted by the board
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

There have been no departures from Principle 7 during the year ending 30 June 2009. The Board believes the Company's risk management and internal compliance and control procedures are operating efficiently and effectively in all material aspects appropriate for a Company of Property Fox No 1 Limited's size and nature. The Board will continue to monitor this aspect of the Company closely, and will cause to be developed a comprehensive Risk Management Process and Policy document, additional to the material outlined above.

### **Principle 8: Remunerate fairly and responsible**

The Company does not have any scheme for retirement benefits, other than statutory superannuation, for any directors.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report".

There have been the following departures from Principle 8 during the year ending 30 June 2009:

Recommendations 8.1– Due to the size and nature of the Company, the Board has not yet established a remuneration committee. As a result, the functions ordinarily undertaken by a remuneration committee are undertaken by the Board.



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 2009, 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

**Wayne Wessels**  
Partner

Dated at Brisbane this 30<sup>th</sup> day of September 2009

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**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		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>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**

	<b>Note</b>	<b>30 June 2009 \$</b>	<b>30 June 2008 \$</b>
<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

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

**CORPORATE FINANCIAL INFORMATION**

The financial report of Property Fox No 1 Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors dated 30th September 2009.

Property Fox No.1 Limited is a company limited by shares incorporated in Australia whose shares are publically traded on the National Stock exchange.

**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 (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.

**Statement of Compliance**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

**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 hostile takeover bid by Pritchard Equity Ltd. The Directors have assessed the future cash flow 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.

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

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

**a) *Income Tax (continued)***

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.

**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.

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**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.

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**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 presents its 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 judgements***

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.

**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>		
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	-



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

**NOTE 4: INCOME TAX**

	30 June 2009	30 June 2008
	\$	\$
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	106,409	23,703
	(45,687)	(83,864)
Income tax benefits not brought to account	45,687	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	1,398,125	1,230,000
Potential tax benefit @ 30 %	419,438	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 and Mr. Howard Woolcott 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.

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

	<b>30 June 2009</b>	<b>30 June 2008</b>
	\$	\$

**NOTE 9: JOINT VENTURES**

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.

**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	4,513,001	4,513,001
Fully paid ordinary shares	<u>1,250,000</u>	<u>1,250,000</u>
	<u><u>5,763,001</u></u>	<u><u>5,763,001</u></u>

**Movement in share capital**

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

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

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

- 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 4.

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

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

**(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

**(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 and Mr. Howard Woolcott are directors \$21,979 (2008: \$15,306).

	<b>2009</b> <b>\$</b>	<b>2008</b> <b>\$</b>
<b>NOTE 15: EARNINGS PER SHARE</b>		
Basic loss per share (cents per share)	(8)	(6)
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.

**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>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
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>	<b>1,275,630</b>	<b>1,763,678</b>
<b>Financial Liabilities</b>		
Trade and other payables	107,556	38,615
Borrowings	446,250	446,250
<b>Total Financial Liabilities</b>	<b>553,806</b>	<b>484,865</b>
<b>Net exposure</b>	<b>721,824</b>	<b>1,278,813</b>

**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 Company's exposure to market interest rates relates primarily to the Company's term deposits held and its commercial bill facilities.



**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)	11,462	14,279	11,661	14,416
- 1% (100 basis points)	(11,462)	(14,279)	(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 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.

<b>Year ended 30 June 2009</b>	<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>

<b>Year ended 30 June 2008</b>	<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>

**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.

**NOTE 18: CASH FLOW INFORMATION**

	<b>30 June 2009</b> \$	<b>30 June 2008</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

## SHAREHOLDER INFORMATION

### Share Capital

Property Fox No. 1 Limited had on issue 3,299,801 fully paid Class A shares held by 152 holders as at 31 August 2009. All Class A shares of the Company carry one vote per share.

Property Fox No. 1 Limited had 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 2009. All Ordinary shares of the Company carry one vote per share.

### Twenty Largest Shareholders

Rank	Investor Name	Total Shares	% of Class A	% of all
			Issued Capital	Issued Capital
1	Fox Invest Limited	379,800	11.51%	8.35%
2	Peter Schaap & Pauline Schaap	100,000	3.03%	2.20%
3	Quest Invest Pty Ltd	80,000	2.42%	1.76%
4	C & AC Pty Ltd	72,000	2.18%	1.58%
5	Damien Negus	60,000	1.82%	1.32%
6	D. W. and R. A. Searle	60,000	1.82%	1.32%
7	Melcrag Pty Ltd	48,000	1.45%	1.05%
8	Eltone Pty Ltd	40,000	1.21%	.88%
9	Fetterun Pty Ltd	40,000	1.21%	.88%
10	Carol Fiskerstrand & Sindre Fiskerstrand	40,000	1.21%	.88%
11	Jadhill Pty Ltd	40,000	1.21%	.88%
12	Stephen Matthew Minas	40,000	1.21%	.88%
13	Paul Schaap	40,000	1.21%	.88%
14	Paul Sumner	40,000	1.21%	.88%
15	Pilkadaris Holdings Pty Ltd	36,000	1.09%	.79%
16	Stephen Wheeler	36,000	1.09%	.79%
17	Graeme Bell & Pamela Bell	24,000	.73%	.53%
18	Budword Pty Ltd	24,000	.73%	.53%
19	Cheryl Conway	24,000	.73%	.53%
20	Bruce Joscelyne & Robyn Joscelyne	24,000	.73%	.53%
<b>Total</b>		<b>1, 247,800</b>	<b>37.81%</b>	<b>27.43%</b>

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**Distribution of Equity Securities**

Analysis of number of shareholders by size of holding

<b>Range</b>	<b>No. of holders</b>	<b>Shares</b>	<b>% of Class A Issued Capital</b>
1 – 1,000	1	1	0%
1,001 – 5,000	0	0	0%
5,001 – 10,000	4	24,000	0.73%
10,001 – 100,000	146	2,896,000	87.76%
100,001 and over	1	379,800	11.51%
<b>Total</b>	<b>152</b>	<b>3,299,801</b>	<b>100.00%</b>

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## DIRECTORS' DECLARATION

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

- (a) in the directors' opinion the financial statements and notes on pages 13 to 34, and the remuneration disclosures that are contained in the Remuneration report in the Directors' Report, set out on pages 4 to 5, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its 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 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated at Brisbane 30<sup>th</sup> day of September 2009



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 2009, 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, other explanatory notes and the directors' declaration

#### *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*.

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**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 2009 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.

**Report on the Remuneration Report**

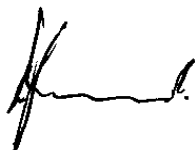
We have audited the Remuneration Report included on pages 4 to 5 of the Directors' Report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility 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 2009, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF



**Wayne Wessels**  
Partner

Dated at Brisbane this 30<sup>th</sup> day of September 2009

**CORPORATE DIRECTORY**

<b>Directors</b>	Peter Spann Howard Woolcott Jodie Stainton
<b>Company Secretary</b>	Andrew Whitten
<b>Principal registered office in Australia</b>	Level 21, Freeman Fox House 333, Ann Street Brisbane QLD 4000 (07) 3031 9920
<b>Share registry</b>	Link Market Services Level 12, 680 George, Sydney NSW 2000
<b>Auditor</b>	PKF Chartered Accountants and Business Advisers Level 6, AMP Place 10 Eagle Street Brisbane QLD 4000
<b>Solicitors</b>	Whittens Lawyers and Consultants Suite 9, Level 5, 137-139 Bathurst Street Sydney NSW 2000
<b>Bankers</b>	National Australia Bank Limited 180 Queen Street Brisbane QLD 4000
<b>Website address</b>	<a href="http://www.propertyfoxno1.com.au">www.propertyfoxno1.com.au</a>

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