



**Property Fox No 2 Limited**

2007 Annual Report

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## Managing Director's Review

Dear Shareholders,

It is a pleasure to write to you as your Managing Director of Property Fox No. 2 Limited. This year has been a significant one for the Company as we have listed on the National Stock Exchange of Australia Limited ("NSX").

The Board of Property Fox Number 2 Limited has also been significantly strengthened through the addition of Mr. Howard Woolcott and Ms. Jodie Morris. Mr. Woolcott brings a wealth of experience being a founder and past director of listed public company Tribeca Learning Limited, which specialises in education services for the financial planning industry. Ms Morris has experience in all facets of property including residential and commercial sales and property management, specialising in prestige real estate.

Furthermore, the Board is benefiting through the addition of Mr. Andrew Whitten as company secretary. Andrew is an experienced lawyer and chartered secretary and has provided services to many public companies and sits on the board of a number of NSX listed companies. Mr. Whitten also has experience in fundraising and investment banking activities.

Property Fox No 2 Limited's real estate assets are sound and comprise:

- A 5% holding in a joint venture which owns acreage on the Brisbane River;
- A substantial holding in a joint venture developing two homes fronting the Brisbane River;
- A 50% interest in a number of residential properties in Toowoomba QLD.

The Company continued to work on development of its assets with its joint venture partners. It was deemed appropriate by the joint venture partners to sell two of the development sites it held in the residential Brisbane Riverfront project and at the date of this report both sales had been completed. As announced previously in the directors' report, the company is focused on the acquisition and development, either directly or through a subsidiary, of real estate in accordance with the real estate mandate of the company. This simultaneously aims at achieving high shareholder wealth for Property Fox Number 2.

Thank you for your ongoing support throughout the year.

Sincerely,



Peter Spann  
Managing Director

## Directors' report

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

### Directors

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

- Peter John Spann (Appointed 20 Feb 2004)
- Peter John Conway (Appointed 20 Feb 2004, ceased 30 Nov 2006)
- Jo-Anne Oliveri (Appointed 20 Feb 2004, ceased 30 Nov 2006)
- Howard Woolcott (Appointed 30 Nov 2006)
- Jodie Morris (Appointed 30 Nov 2006)

Directors have been in office since the incorporation of the company to the date of this report unless otherwise stated.

### Principal Activities

The principal activities of the company during the period were the acquisition and development of, either directly or through a subsidiary, parcels of residential real estate in accordance with the real estate mandate of the company.

### Operating Results

The net loss for the company for the period ended 30 June 2007 after providing for income tax amounted to (\$248,889) (2006:\$236,625 loss). The operating results for the period are consistent with the company's business plan.

### Dividends Paid or Recommended

A dividend was not declared or paid during the period ended 30 June 2007.

### Review of Operations

A review of the Company's activities is detailed in the Managing Director's Review attached to this report.

### Financial Position

The net assets of the company as at 30 June 2007 are \$1,903,570 (2006:\$2,174,418).

### 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.

### After Balance Date Events

At the date of this report, the directors are not aware of any other events that would have significant impact on the operations of the Company. As previously noted in this report the joint venture partners decided to sell two of the residential sites it held on the Brisbane River. One of the sales settled in July 2007.

## Directors' report continued

### Future Developments, Prospects and Business Strategies

Disclosure of information regarding the 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.

### Information on Directors and Company Secretary

#### **Peter John Spann - Executive Director, Managing Director, Company Secretary**

Peter is the founder of the Freeman Fox group of companies and is a well-known public speaker and presenter of investment seminars. Peter has had a wealth of experience in business development over the past fifteen years, and has served on the boards and or advised a number of private and public companies

Prior to establishing the Freeman Fox group of companies, Peter had extensive roles in developing businesses to success.

His consultancy company SMAARTco has provided business plans for finance, business development and succession planning to in excess of 200 firms in 3 years, and his pharmacy consulting business is recognized by industry leaders as reshaping the future of retail pharmacy. Peter has published a number of books including 'Wealth Magic', a national bestseller, 'Business Power' and 'Marketing Genius'.

#### **Howard Woolcott - Executive Director**

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

His is a founder and past director of listed public company Tribeca Learning Limited, an RTO specialising in education services for the financial planning industry.

Howard has been working with the Freeman Fox Group of companies for the past two years and is the Group's Chief Operating Officer.

#### **Jodie Morris - Executive Director**

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

Jodie joined the Freeman Fox group in 2004 to implement and develop the Property Management Division and is now the Manager of Freeman Fox Property Pty Ltd. Jodie is a registered Real Estate Salesperson.

#### **Andrew Whitten - Secretary**

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

## Directors' report continued

### Directors' Emoluments

Pursuant to Australian Securities and Investments Commission Order 98/2395 dated 24 December 1998 information required to be included in the Directors' report may be transferred to the financial report. Accordingly the information required to be disclosed in relation to Directors Emoluments has been transferred to Note 6 in the financial statements.

### Directors' Benefits

Directors' benefits are set out in Note 6 to the financial statements. No director since the end of the previous financial period has received or become entitled to receive a benefit (other than emoluments shown in the financial report or notes thereto) by reason of a contract made by the company or a related company with the director or with a firm which he is a member or with a company in which he has substantial financial interest.

### Meetings of Directors

During the period, 7 meetings of directors were held. Attendances by each director during the period were:

	Eligible to attend	Attended
Peter John Spann	7	7
Peter John Conway	0	0
Jo-Anne Oliveri	0	0
Howard Woolcott	7	7
Jodie Morris	7	7

The directors have formed an audit and risk committee. This committee has met once since inception.

### Indemnifying Officers or Auditor

During the period 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.

### Options

The company's managing director was issued share options during the financial year ended 30 June 2005 and these are discussed further in note 6 to the financial accounts. No other share options were issued during the period.

### Proceedings on Behalf of 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.

### Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## Directors' report continued

### Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

Taxation Services	\$1,465
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### Auditors' Independence Declaration

A copy of the independence declaration provided by the company's auditors in relation to the audit of the 30 June 2007 financial report is presented on page 24 and forms part of this Directors' Report.

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



**Peter John Spann - Director**

**Dated this 12<sup>th</sup> Day of September 2007**

## Income statement

### For the year ended 30 June 2007

	<b>Note</b>	<b>2007 \$</b>	<b>2006 \$</b>
Revenue from ordinary activities	2	71,313	75,033
Management fees	21 (ii)	(87,114)	(67,926)
Audit fees	7	(29,267)	(23,533)
Directors fees	6 (b)	(25,678)	(48,878)
Finance costs		(47,044)	(61,054)
NSX listing costs		(29,563)	(1,100)
Other expenses from ordinary activities		(68,656)	(34,160)
Share of net loss of associates accounted for using the equity method	11	(32,880)	(66,584)
Profit / (loss) from ordinary activities before income tax expense		(248,889)	(228,202)
Income tax (expense) / benefit relating to ordinary activities	5	-	(8,423)
Net profit / (loss) from ordinary activities after related income tax benefit		(248,889)	(236,625)
<b>Overall Operations:</b>			
Basic earnings per share (cents per share)	18	(8.5)	(7.8)
Diluted earnings per share (cents per share)		(7.7)	(7.1)



## Balance sheet

### As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Current assets</b>			
Cash and cash equivalents	8	81,914	283,481
Trade and other receivables	9	682	160,769
Other current assets	10	26,279	32,162
<b>Total current assets</b>		<u>108,875</u>	<u>476,412</u>
<b>Non current assets</b>			
Investments accounted for using the equity method	11	1,390,823	1,331,064
Property	14	1,335,233	1,322,939
<b>Total non current assets</b>		<u>2,726,056</u>	<u>2,654,003</u>
<b>Total assets</b>		<u>2,834,931</u>	<u>3,130,415</u>
<b>Current liabilities</b>			
Trade and other payables	15	97,273	121,909
Short term borrowings	16	834,088	834,088
<b>Total current liabilities</b>		<u>931,361</u>	<u>955,997</u>
<b>Total liabilities</b>		<u>931,361</u>	<u>955,997</u>
<b>Net assets</b>		<u>1,903,570</u>	<u>2,174,418</u>
<b>Equity</b>			
Contributed equity	17	2,642,220	2,664,382
Reserves		17,490	17,287
Retained profits/(accumulated losses)		(756,140)	(507,251)
<b>Total equity</b>		<u>1,903,570</u>	<u>2,174,418</u>

## Cash flow statement

### For the period ended 30 June 2007

	<b>Note</b>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Cash flow from operating activities</b>			
Payments for real property related investments		(95,639)	(300,000)
Investment income		71,313	75,033
Payments to suppliers, directors and director related entities		(203,708)	(168,952)
Payments for borrowing costs		(48,248)	(59,449)
Tax paid		-	(5,327)
Net cash provided by / (used in) operating activities	19	(276,282)	(458,695)
<b>Cash flow from financing activities</b>			
Proceeds from the issue of shares		10,000	812,999
Advances from borrowings		-	196,593
Payment of costs relating to share issue		(32,162)	(54,430)
(Payments to) / received from related entities		96,877	(236,777)
Net cash provided by financing activities		74,715	718,385
Net increase in cash held		(201,567)	259,690
 Cash at the beginning of the financial period		283,481	23,791
Cash at the end of the financial period	8	81,914	283,481

## Statement of changes in equity

### For the year ended 30 June 2007

Note	Share Capital		Retained Profits /(Accumulated Losses)	Options Reserve (a)	Total
	A class	Ordinary			
	\$	\$	\$	\$	\$
<b>Balance at 01 July 2005</b>	1,905,713	100	(270,625)	3,509	1,638,701
Shares issued during the year	812,999	-	-	-	812,999
Equity raising costs	(54,430)	-	-	-	(54,430)
Share based payments for directors	-	-	-	13,778	13,778
Profit attributable to members of parent entity	-	-	(236,625)	-	(236,625)
<b>Sub total</b>	<b>2,664,282</b>	<b>100</b>	<b>(507,251)</b>	<b>17,287</b>	<b>2,174,418</b>
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 30 June 2006</b>	<b>2,664,282</b>	<b>100</b>	<b>(507,251)</b>	<b>17,287</b>	<b>2,174,418</b>
Shares issued during the year	10,000	-	-	-	10,000
Equity raising costs relating to the prior year raising	(32,162)	-	-	-	(32,162)
Share based payments for directors	-	-	-	203	203
Conversion to A class shares	100	(100)	-	-	-
Profit attributable to members of parent entity	-	-	(248,889)	-	(248,889)
<b>Sub total</b>	<b>2,642,220</b>	<b>-</b>	<b>(756,140)</b>	<b>17,490</b>	<b>1,903,570</b>
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 30 June 2007</b>	<b>2,642,220</b>	<b>-</b>	<b>(756,140)</b>	<b>17,490</b>	<b>1,903,570</b>

#### (a) Options Reserve

The options reserve records items recognised as expenses on valuation of the director's share options.

# Notes to the financial statements

## For the period ended 30 June 2007

### 1 Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Property Fox No 2 Limited is a NSX listed public company incorporated and domiciled in Australia.

The financial report of Property Fox No 2 Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

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, unless otherwise stated.

The financial statements have been authorised for issue by the Directors on 12<sup>th</sup> September 2007.

#### **Basis of preparation**

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

#### **Reporting basis and conventions**

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

#### **Accounting policies**

##### **a. Revenue recognition**

The activity of the company is that of an investment company, returns being in the short term from rental and interest income and capital growth in the medium to long term. Rental income is recognised on an accruals basis in accordance with generally accepted accounting principles. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Realised gains and losses arising from the disposal of assets are recognised in the income statement.

##### **b. Property**

Property is initially carried at cost and subsequently at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers.

##### **c. Cash**

For the purposes of the cash flow statement, cash includes cash on hand and at call with banks or financial institutions, net of bank overdrafts; and investments in money market instruments with less than 30 days to maturity.

##### **d. Payables**

Payables represent the principal amounts outstanding at balance date, plus where applicable, any accrued interest.

## 1 Statement of significant accounting policies continued

### e. Income tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### f. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, GST is recognised as part of the costs of acquisition of the asset or as part of an expense item. Receivables and payables in the statement of financial position are shown inclusive of GST.

### g. Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts.

### h. Investments in associates

Investments in associates are recognised in the financial statements by applying the equity method of accounting.

### i. Interests in joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 12.

### j. Critical accounting estimates and judgments

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

### k. New accounting standards and Australian Accounting Interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company to adopt in future accounting periods. The significant ones are as follows:

- AASB 7 Financial instruments: Disclosure and AASB 2005-10 Amendments to Australian Accounting Standards (effective from 1 July 2007) arising from the release of AASB 7. AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risk, including sensitivity analysis to market risk. Application of the standards will not affect any amounts recognised in the financial statements but will impact the type of information disclosed in relation to the company and consolidated entity's financial instruments. This amendment will be applied from 1 July 2007.

## 2 Profit / (loss) from ordinary activities

	2007 \$	2006 \$
Operating revenue:		
Rental income	63,007	65,453
Interest received from cash held in bank accounts	8,306	9,580
Total revenues from ordinary activities	<u>71,313</u>	<u>75,033</u>

## 3 Dividends

No dividends have been declared or paid for this financial period.

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

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## 4 Segment information

The company operates an investment company acquiring and developing either directly or indirectly, parcels of residential real estate in accordance with the company's real estate mandate.

The company currently operates in one geographical segment being Queensland.

## 5 Income Tax Expense

		2007 \$	2006 \$
a. The components of tax expense comprise:			
Current tax		-	-
Deferred tax	13	-	(3,150)
Under provision in prior year (withholding tax)		-	(5,273)
		<u>-</u>	<u>(8,423)</u>

The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%		(74,667)	(68,461)
Add:			
Share of loss of associate		9,864	19,975
Refinance costs		-	2,486
Fines and penalties		20	20
Listing expenses		8,869	-
Directors option expense		61	4,133
Less:			
Deductible capital raising costs		(21,270)	(46,162)
Borrowing costs		(533)	-
Future income tax benefit on tax loss not brought to account		77,656	88,008
Income tax expense/(refund) attributable to profit from ordinary activities before income tax		<u>-</u>	<u>-</u>
The applicable weighted average effective tax rates are as follows:		-	-

## 6 Key management personnel compensation

AASB 124 Related Party Disclosures defines key management personnel as “persons having authority and responsibility for the planning, directing and controlling activities of the entity”. The only persons that have this authority are the Directors of Property Fox No 2 Limited.

### Directors

The following persons were directors of Property Fox No 2 Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Peter Spann

Peter Conway (ceased 30 November 2006)

Jo-Anne Oliveri (ceased 30 November 2006)

Howard Woolcott (appointed 30 November 2006)

Jodie Morris (appointed 30 November 2006)

There are no other key management personnel within Property Fox No 2 Limited.

### a. Key management compensation

	Directors' Fees	Non-Cash Benefits	Total
<b>2007</b>			
Total Compensation	25,475	203	25,678
<b>2006</b>			
Total Compensation	35,100	13,778	48,878

### b. Directors' remuneration (including superannuation, where applicable)

<b>2007 Total Compensation</b>	Directors' Fees \$	Options \$	Total \$
Peter John Spann	-	203	203
Peter John Conway	5,775	-	5,775
Jo-Anne Oliveri	5,000	-	5,000
Howard Woolcott	7,700	-	7,700
Jodie Morris	7,000	-	7,000
	25,475	203	25,678
<b>2006 Total Compensation</b>	Directors' Fees \$	Options \$	Total \$
Peter John Spann	-	13,778	13,778
Peter John Conway	23,100	-	23,100
Jo-Anne Oliveri	12,000	-	12,000
	35,100	13,778	48,878

Other than related party transactions detailed in note 21 the directors are not entitled and do not receive superannuation contributions, cash bonus, non cash benefits or any other benefits besides those noted above.

## 6 Key management personnel compensation continued

### c. Options granted as remuneration

The following share-based payment arrangements existed at 30 June 2007:

On 11 March 2005, the following share options were granted to the directors as part of their remuneration:

Options	Exercise price \$	First Exercise Date
100,000	1.05	01/01/2006
100,000	1.10	01/01/2007
100,000	1.15	01/01/2008

The options are exercisable on or before 31 December 2008. At reporting date, these options have vested. The price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$1.10
Weighted average life of the option	2.5 years
Underlying share price	\$0.655
Expected share price volatility	35%
Risk free interest rate	5.8%

### d. Options held by Directors

Directors	Balance as at 30.6.06	Options Exercised	Net Change Other	Balance 30.6.07	Total Vested 30.6.07	Total Exercisable 30.6.07	Total Unexercisable 30.6.07
Peter Spann	300,000	-	-	300,000	-	300,000	300,000
Peter Conway	-	-	-	-	-	-	-
Jo-Anne Oliveri	-	-	-	-	-	-	-
Total	300,000	-	-	300,000	-	300,000	300,000

### e. Shareholdings held by Directors

Directors	Balance 30/6/06 *	Received as Remuneration	Options Exercised	Net Change Other (a)	Balance 30.6.07
Peter Spann	10,100	-	-	99,900	110,000
Peter Conway	-	-	-	-	-
Jo-Anne Oliveri	-	-	-	-	-
Total	10,100	-	-	99,900	110,000

\* Peter Spann indirectly holds 100,000 A class shares through Fox Portfolio Pty Ltd and 10,000 A class shares indirectly through Freeman Fox Investments Pty Ltd.

(a) to facilitate listing on the NSX the 100 ordinary shares were converted into 100,000 A class shares. This was approved by shareholders at the last annual general meeting.

### f. Remuneration practices

The board policy is to remunerate non-executive directors at market rates for time, commitment, experience and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.



	Note	2007 \$	2006 \$
<b>7 Auditor's Remuneration</b>			
Remuneration of the auditor for :			
- Audit or reviewing the financial reports		29,267	21,267
- Preparation of taxation return		1,465	2,266
		<u>30,732</u>	<u>23,533</u>
<b>8 Cash &amp; Cash Equivalents</b>			
Cash at bank		67,868	266,558
Term deposits	8a	14,046	16,923
		<u>81,914</u>	<u>283,481</u>
a. The term deposits represents the company's interest in a term deposit held by the National Australia Bank as security against commercial bills referred to in note 16.			
<b>9 Trade &amp; Other Receivables</b>			
Receivable Fox Riverside Pty Ltd		-	142,638
Receivable Fox Riverside Pty Ltd & Freeman Fox Investments Pty Ltd		-	2,259
Receivable from Fox Riverside No 2 Unit Trust joint venture		-	6,964
Receivable from Property Fox No 1		682	4,543
Receivable from Freeman Fox Investments		-	3,029
Other debtors		-	1,336
		<u>682</u>	<u>160,769</u>
a. The receivables, excluding other debtors are from director related entities. The amounts are payable at call and no interest is charged on the balances.			
<b>10 Other Current Assets</b>			
Prepayments		15,894	32,162
Accrued rental revenue		10,385	-
		<u>26,279</u>	<u>32,162</u>

## 11 Investment in Associate

Interests are held in the following associated companies:

Name	Principal Activities	Balance Date	Ownership Interest %	Carrying Amount of Investment \$	
Fox Riverside Pty Ltd	Property Development	30 June 07	49	1,390,823	

a. Movements during the period in equity accounted investment in Associated Companies		2007 \$	2006 \$
Balance at beginning of period		1,331,064	1,097,648
Add: New investments during the period		92,638	300,000
Share of associated company's profit (loss) from ordinary activities after income tax		(32,879)	(66,584)
Balance at end of period		1,390,823	1,331,064

b. Accumulated losses attributable to associate:			
Share of associate's loss from ordinary activities before income tax expense		(32,880)	(66,584)
Share of associate's income tax expense		-	-
Share of associate's loss from ordinary activities after income tax expense		(32,880)	(66,584)
Share of accumulated losses at beginning of the period		(136,928)	(70,344)
Share of accumulated losses at end of the period		(169,808)	(136,928)

c. Summarised presentation of aggregate assets, liabilities and performance of associate:			
Current assets		3,443	225,005
Non-current assets		4,949,259	4,323,737
Total assets		4,952,702	4,548,742
Current liabilities		-	145,390
Non-current liabilities		-	-
Total liabilities		-	145,390
Net assets		4,952,702	4,403,352
Net loss from ordinary activities after income tax of associate		(67,101)	(115,137)

	Note	2007 \$	2006 \$
<b>12 Joint Venture</b>			
a. Interest in Joint Venture Operations			
Property Fox No 2 Limited has a 50% interest in the output of a property development project in Toowoomba, a joint venture operation whose principal activity is property development.			
The company's share of assets employed in the joint venture is:			
Non-Current Assets			
- real property at cost	14	1,165,184	1,165,184
Total share of assets employed		<u>1,165,184</u>	<u>1,165,184</u>
b. Interest in Joint Venture Operations			
Property Fox No 2 Limited has a 5% interest in the output of a property development project in Anstead, a joint venture operation whose principal activity is property development.			
The company's share of assets employed in the joint venture is:			
Non-Current Assets			
- real property at cost	14	170,049	157,755
Total share of assets employed		<u>170,049</u>	<u>157,755</u>
<b>13 Tax</b>			
a. Assets			
NON CURRENT			
Deferred tax asset comprises :			
Other		-	-
Carried forward tax loss		-	-
		<u>-</u>	<u>-</u>
b. Liabilities			
CURRENT			
Income Tax		-	-
c. Reconciliations			
i. Gross movements			
The overall movement in the deferred tax asset account is as follows:			
Opening balance		-	3,150
(charge)/credit to income statement		-	(3,150)
Closing balance		<u>-</u>	<u>-</u>

**13 Tax continued**

## ii. Deferred tax assets

The movement in the deferred tax asset for each temporary difference during the year is as follows:

	2007 \$	2006 \$
Other	-	-
Opening balance	-	3,150
(Charge)/Credit to income statement	-	(3,150)
Closing balance	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1e occur

Temporary differences	51,349	63,750
Tax losses (operating)	202,282	159,417
	253,631	159,417

**14 Property**

- Real property held in a joint venture operation at cost

1,335,233	1,322,939
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Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period

Balance at the beginning of period	1,322,939	1,165,184
Additions	12,294	157,755
Disposals	-	-
Depreciation expense	-	-
Carrying amount at the end of period	1,335,233	1,322,939

**15 Trade & Other Payables**

Trade creditors		42,441	12,818
Other creditors		14	14
Payable to Freeman Fox Investments Pty Ltd	15(a)	-	10,678
Payable to Property Fox No 1 Limited	15(a)	48,557	16,646
Payable to Fox Riverside No 2 Unit Trust	15(a)	6,261	81,753
		97,273	121,909

a. The payables to the director related entities which are payable on call and no interest is charged on the balances.

## 16 Short Term Borrowings

	Note	2007 \$	2006 \$
Secured Liability			
- Commercial bill facility	16a.	743,750	743,750
- Commercial bill facility	16b.	90,338	90,338
		<u>834,088</u>	<u>834,088</u>

This facility for \$743,750 expires in February 2011 and the facility for \$90,338 expires in February 2008. The bills mature at periods between one and six months, at the company's discretion. The rate of interest payable on the bills varies depending on the maturity dates refer note 20.

The carrying amount of non current assets pledged as security:

- First registered mortgage - Toowoomba properties	16a.	1,165,184	1,165,184
- First registered mortgage - Anstead properties	16b.	170,049	157,755
Total assets pledged as security		<u>1,335,233</u>	<u>1,322,939</u>

16a. The first registered mortgage provided to National Australia Bank is in respect of the Toowoomba properties only.

16b. The first registered mortgage provided to National Australia Bank is in respect of the Anstead properties only.

## 17 Contributed Equity

100 fully paid ordinary shares	-	100
3,017,999 (2006 2,907,999) fully paid A class shares	2,918,099	2,907,999
Capital raising costs	(275,879)	(243,717)
	<u>2,642,220</u>	<u>2,664,382</u>
a. Movement of shares		
At beginning of the reporting period	2,907,999	2,095,000
Shares issued during 2006		
- 812,999 fully paid A class shares	-	812,999
Shares issued during the year		
- 10,000 fully paid A class shares	10,000	-
- 100,000 fully paid A class shares converted from 100 ordinary shares	100,000	-
	<u>3,017,999</u>	<u>2,907,999</u>

A class shares participate in 100% of any dividends declared and 100% of the proceeds on winding up in proportion to the number of shares held. At shareholders meetings each A class share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### b. Options

The Company has 300,000 options on issue to the company's managing director. For information relating to the options refer to Note 6.

### c. Capital raising costs

The capital raising cost includes costs associated with issuing the prospectus and a dealer fee. The dealer fee is detailed in Note 21(i).

**18 Earnings per Share**

Earnings used in the calculation of earning per share and dilutive earnings per share is the net profit after tax.

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

Weighted average number of options outstanding

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

2007 \$	2006 \$
(248,889)	(228,202)
2,918,999	2,908,099
300,000	300,000
3,218,999	3,208,099

**19 Cash Flow Information**

Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax

Profit/(loss) from ordinary activities after income tax

Non cash director option expense

non cash movements in related party loan accounts

Changes in assets and liabilities:

(Increase)/decrease in receivables

(Increase)/decrease in investments

(Increase)/decrease in other assets

(Increase)/decrease in future income tax benefit

Increase/(decrease) in tax liabilities

Increase/(decrease) in payables

Cash flows from operations

(248,889)	(236,625)
203	13,778
(96,878)	236,776
165,970	(91,795)
(59,758)	(391,170)
(12,294)	(5,528)
-	3,150
-	(54)
(24,636)	12,773
(276,282)	(458,695)

**20 Financial Instruments****a. Interest Rate Risk**

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	Weighted Average Interest Rate	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>30 June 2006</b>				
Financial assets				
Cash at bank	4.4%	266,558	-	266,558
Term Deposit 1	3.25%	13,610	-	13,610
Term Deposit 2	5.4%	3,313	-	3,313
Related party receivables	- %	-	160,769	160,769
		283,481	160,769	444,250
Financial liabilities				
Commercial bill facility - Toowoomba	5.8 %	743,750	-	743,750
Commercial bill facility – Anstead	6.0%	90,338	-	90,338
Related party payables	- %	-	109,077	109,077
		834,088	109,077	943,165

## 20 Financial Instruments continued

30 June 2007

	Weighted Average Interest Rate	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
Financial assets				
Cash at bank	4.4%	67,868	-	67,868
Term Deposit 1	3.25%	14,046	-	14,046
		<u>81,914</u>	<u>-</u>	<u>81,914</u>
Financial liabilities				
Commercial bill facility - Toowoomba	6.64 %	743,750	-	743,750
Commercial bill facility – Anstead	6.00%	90,338	-	90,338
Related party payables	- %	54,818	-	54,818
		<u>888,906</u>	<u>-</u>	<u>888,906</u>

### b. Credit risk

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 doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

### c. Market risk

Market price risk is the risk that the value of the company's property portfolio will fluctuate as a result of changes in market values. The company aims to manage its risk in line with the investment mandate.

### d. Fair value of property

Property is carried in the financial statements at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers

## 21 Related Party Details

	2007 \$	2006 \$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.		
(i) Dealer Agreement		
A 3% commission on the raising of funds, plus goods and services tax was paid by Property Fox No 2 Limited to Freeman Fox Limited (formerly known as Freeman Fox Securities Limited). Up until 20 February 2006, Freeman Fox Limited was controlled by Mr Peter Conway.	-	26,829
(ii) Management Fee		
Property Fox No 2 Limited paid an annual management fee to Fox Portfolio, a company controlled by Mr Peter Spann during the period. The management fee is an amount equal to: 3% (plus goods and services tax) of the paid up share capital of Property Fox No 2 Limited up to and including \$12,000,000; and 1.5% (plus goods and services tax) of the paid up share capital of Property Fox No 2 Limited above \$12,000,000. The management fee is calculated and paid monthly. This fee covers the provision of administration services to the company.	87,113	67,926

## 22 Subsequent Events

At the date of this report, the directors are not aware of any other events that would have significant impact on the operations of the Company. As previously noted in this report the joint venture partners decided to sell two of the residential sites it held on the Brisbane River. One of the sales settled in July 2007.

## 23 Contingent Liability

Property Fox No 2 Limited has a contractual obligation to pay Fox Riverside Pty Ltd \$4,564,475 should Fox Riverside Pty Ltd make a call on the full amount of the unpaid capital. The directors believe that this contingent liability will not materialise as:-

The Fox Riverside Pty Ltd shareholders agreement lists the terms that must be met for a call of unpaid capital. As Property Fox No 2 holds 49% of the issued capital it can significantly influence the approval of a call for unpaid capital being made. Additionally, Fox Riverside Pty Ltd and its joint venture partner have only one more project to complete before the joint venture is terminated and it is extremely unlikely that any further equity capital will be required to successfully complete the project.

## 24 Company details

The registered office and principal place of business of the company is:

Level 11  
Waterfront Place  
1 Eagle Street  
BRISBANE QLD 4000  
Phone: 07 3031 9999



## Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out in pages 6 to 22, are in accordance with the Corporations Act 2001:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company.
2. The Chief Executive Officer has declared that:
  - a. The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. The financial statements and notes for the financial year comply with the Accounting Standards;
  - c. The financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made 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, cursive script.

Peter John Spann - Director

Dated this 12<sup>th</sup> day of September 2007

## Auditor's Independence Declaration

### TO THE DIRECTORS OF PROPERTY FOX NO. 2 LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as auditor of the Property Fox No. 2 Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditors independence requirements 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.

### GRANT THORNTON QUEENSLAND PARTNERSHIP

*Grant Thornton Queensland Partnership*  
*DJ Carroll*

D J CARROLL  
Partner

Brisbane  
Dated this 12th day of September 2007

## Independent Audit Report

### To the members of Property Fox No. 2 Limited

### ACN 108 076 295

We have audited the accompanying financial report of Property Fox No. 2 Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, notes to the financial statements 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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 circumstance, 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.

## Independent Audit Report continued

### To the members of Property Fox No. 2 Limited

### ACN 108 076 295

#### **Independence**

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

#### **Auditor's opinion**

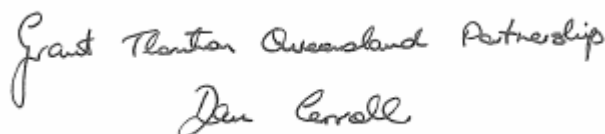
In our opinion:

- (a) The financial report of Property Fox No. 2 Limited is 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 2007 and of its performance for the year ended on that date; and
  - ii. 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.

#### **Inherent Uncertainty Regarding Payment of Uncalled Share Capital in Associate**

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As indicated in Note 23 to the financial statements, Property Fox No 2 Limited has an obligation to pay uncalled share capital in an associate. A call has not yet been made on these shares. Should this call be made and the company has not raised sufficient funds to pay the call through either sourcing alternative funding, or a sell down of company assets, there would be significant uncertainty whether Property Fox No 2 would be able to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

#### **GRANT THORNTON QUEENSLAND PARTNERSHIP**



**D J CARROLL**  
Partner

Brisbane  
Dated this 12<sup>th</sup> day of September 2007

## Shareholder Information

### For the period ended 30 June 2007

#### Share Capital

Property Fox No. 2 Limited has on issue 3,017,999 fully paid ordinary shares held by 187 holders as at 11 September 2007. All ordinary shares of the company carry one vote per share.

#### Twenty Largest Shareholders

Rank Capital	Investor Name	Total Shares	% of Issued
1	Property Fox No. 1 Limited	103,499	3.43%
2	Fox Portfolio Pty Ltd	100,000	3.31%
3	Mr Trevor John O'Shea + Mrs Joanne Elsie O'Shea	50,000	1.66%
4	Mr Ramon Charles William	50,000	1.66%
5	Francis Stuart Albrecht + Ann Violet Albrecht	40,000	1.33%
6	L & J Martin Pty Ltd	40,000	1.33%
7	Judith Anne Martin	40,000	1.33%
8	Peter Richards	40,000	1.33%
9	Strategic Team Leadership Pty Ltd	40,000	1.33%
10	Bekl Investments Pty Ltd	35,000	1.16%
11	Foray Corporation Pty Ltd	35,000	1.16%
12	Totlol Pty Ltd	35,000	1.16%
13	Ann Albrecht	30,000	0.99%
14	Better Fencing Products Pty Ltd	30,000	0.99%

## Shareholder Information continued

Rank Capital	Investor Name	Total Shares	% of Issued
15	Karberg Nominees Pty Ltd	30,000	0.99%
16	Rosemont (Caulfield) Pty Ltd	30,000	0.99%
17	Peter Schaap + Pauline Shaap	30,000	0.99%
18	Sinvest Pty Ltd	30,000	0.99%
19	Rodney David Wilson + Bronwen Joan Wilson	30,000	0.99%
20	Jerd Holdings Pty Ltd	25,000	0.83%
	<b>Total</b>	<b>843,499</b>	<b>27.95%</b>

### Distribution of Equity Securities

Analysis of number of shareholders by size of holding

Range	No. of holders	Shares	% of Issued Capital
1 – 1,000	0	0	0.00%
1,001 – 5,000	1	5,000	0.17%
5,001 – 10,000	107	1,070,000	35.45%
10,001 – 100,000	78	1,839,500	60.95%
100,001 and over	1	103,499	3.43%
<b>Total</b>	<b>187</b>	<b>3,017,999</b>	<b>100.00%</b>

## Corporate Governance Statement

### For the period ended 30 June 2007

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

The Directors of Property Fox No. 2 Limited strongly support the establishment and ongoing development of good corporate governance for the Company. The Company operates in accordance with the principles of good corporate governance as set out by the CGC and has adopted a series of corporate governance policies which seek to apply the principles to the extent relevant to the Company.

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

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

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

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

The Board has adopted a Charter which formalises its practices, and can be viewed on the website of Property Fox No. 2 Limited.

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

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

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

The Board is presently comprised of three members, all being executive directors. The NSX recommendation is for the majority of directors to be independent. This is not the case for Property Fox No. 2 Limited as each of the directors performs a role in the operation of the company and it is not deemed financially beneficial to shareholders to employ other directors in a non-executive capacity.

## Corporate Governance Statement continued

### **Recommendation 3 – Promote ethical and responsible decision making**

The Board actively promotes ethical and responsible decision making.

#### **Code of Conduct**

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

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

#### **Share Trading Policy**

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

### **Recommendation 4 – Safeguard integrity in financial reporting**

#### **Audit, Risk and Compliance Committee**

The Board has established an Audit, Risk and Compliance Committee, which provides assistance to the Board in fulfilling its corporate governance responsibilities in relation to the Company's financial reporting, internal controls structure, risk management systems and external audit functions. The Board has adopted a formal Charter for the Committee to assist in carrying out its duties. The members of the Audit, Risk and Compliance Committee are: Mr. Howard Woolcott – (Executive Director); Ms. Jodie Morris – (Executive Director).

#### **Financial Reporting**

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

### **Recommendation 5 – Make timely and balanced disclosure**

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

### **Recommendation 6 – Respect the rights of shareholders**

The Board fully supports shareholder participation at general meetings and works to ensure that communications with shareholders are effective and clear. Information is communicated to shareholders via the Annual Report, disclosures and announcements made to the NSX, Notices and Explanatory Memorandum for the AGM, the AGM itself, occasional letters from the Chairman or the Managing Director, and the Property Fox No. 2 Limited website at [www.propertyfoxno2.com.au](http://www.propertyfoxno2.com.au).



## Corporate Governance Statement continued

### **Recommendation 7 – Recognise and manage risk**

#### **Risk Management**

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

#### **Compliance**

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

### **Recommendation 8 – Encourage enhanced performance**

#### **Performance Review**

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

#### **Education**

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

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

#### **Independent Professional Advice and Access to Information**

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

### **Recommendation 9 – Remunerate fairly and responsibly**

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

#### **Remuneration Committee**

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

### **Recommendation 10 – Recognise the legitimate interests of stakeholders**

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

All Property Fox No. 2 Limited Directors, officers, employees and contractors are encouraged to report any instance of unlawful, unethical or unfair or dishonest conduct involving a Property Fox No. 2 Limited officer, employee or contractor:

Property Fox No. 2 Limited will protect employees who make such disclosures from reprisal or detrimental action following the disclosure.

## Corporate Directory

<b>Directors</b>	<p>P Spann</p> <p>H Woolcott</p> <p>J Morris</p>
<b>Company Secretary</b>	A Whitten
<b>Notice of annual general meeting</b>	<p>The annual general meeting of Property Fox No 2 Limited will be held at</p> <p>Level 11, Waterfront Place</p> <p>1 Eagle Street</p> <p>Brisbane QLD 4000</p> <p><b>time</b> 10.00am</p> <p><b>date</b> 23 November 2007</p> <p>A formal notice of meeting is enclosed</p>
<b>Principal registered office in Australia</b>	<p>Level 11, Waterfront Place</p> <p>1 Eagle Street</p> <p>Brisbane QLD 4000</p> <p>(07) 3031 9999</p>
<b>Share registry</b>	<p>Link Market Services</p> <p>Level 12, 680 George Street,</p> <p>Sydney NSW 2000</p>
<b>Auditor</b>	<p>Grant Thornton</p> <p>Level 4, Grant Thornton House</p> <p>102 Adelaide Street,</p> <p>Brisbane QLD 4000</p>
<b>Solicitors</b>	<p>Whittens Lawyers and Consultants</p> <p>Suite 9, Level 5, 137-139 Bathurst Street</p> <p>Sydney NSW 2000</p>
<b>Bankers</b>	<p>National Australia Bank Limited</p> <p>180 Queen Street</p> <p>Brisbane QLD 4000</p>
<b>Website address</b>	<a href="http://www.propertyfoxno2.com.au">www.propertyfoxno2.com.au</a>