Property Fox No 2 Limited

2009 Annual Report

Contents

Managing Director's Review

Dear Shareholders,

It is a pleasure to write to you as your Managing Director of Property Fox No. 2 Limited. It will not have escaped any shareholder that the past year was one of considerable turmoil in financial markets. The real estate market did not escape this turmoil either. However, the assets of the Company have stood up well to the downturn.

One notable exception was a disappointing result for us in the sale of the last Brisbane riverfront property we held in joint venture with Kaiaprop Brisbane River Pty Ltd and Property Fox No 1 Limited. Although we obtained plans to develop the last site with two luxury homes, all the partners felt that it was safer to sell the property with the development approval rather than expend a few million dollars more in building the homes when the market at the top end had deteriorated so badly. We recorded a loss this year of $145,956 in the joint venture, although it had contributed profits for the Company in previous years. As part of the process in winding up the joint venture we received a payment of $1,090,950 in December 2008 and we expect a further small sum to be paid when the final joint venture accounts are completed.

The net loss for the Company for the year ended 30 June 2009 after providing for income tax amounted to $463,113 (2008:$31,123 loss). Apart from the loss in the joint venture we spent $173,450 on legal and other professional fees, the majority of which were incurred in relation to the Company's takeover bid for Property Fox No 1 Limited "PF No 1". Your directors believe this cost is an investment for the future and the Company will be in a much stronger position as a result of gaining a substantial holding in PF No 1 or its complete takeover.

In April Jodie Stainton resigned as a director of the Company and I wish to thank her for the significant effort she contributed during her tenure on the Board. In the same month we welcomed to the Board Peter Conway and Ben Doyle. Peter and Ben have already made an impact and provided the ability for the Company to make its takeover bid for PF No 1. As Howard Woolcott and I are also directors of PF No 1 we could not participate in the independent assessment that was called for in making the bid.

In August 2009 the Company contracted to purchase the 20% of the Toowoomba properties, which are owned by Freeman Fox Investments Pty Ltd. This purchase is subject to shareholder approval as it is a related party asset and you have been asked to vote on this transaction at the Annual General Meeting. If shareholders agree to the purchase and if the Company is successful in its takeover bid for PF No 1, this will be an important step forward for the Company as it will have absolute control of the Toowoomba properties when decisions are made on future plans for the site.

We continue to receive strong support from our bankers, the National Australia Bank Limited, who extended the loan on the Toowoomba properties for a period of a further three years.

The directors expect to see an improved position for the Company during the next year, particularly if we are successful in obtaining complete control of PF No 1. Combining the assets of both companies will double our size and significantly reduce the costs of managing the aggregated businesses.

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 2009.

Directors

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

- Peter John Spann
- Howard Woolcott
- Jodie Stainton (Resigned 24 April 2009)
- Peter Conway (Appointed 24 April 2009)
- Benjamin Doyle (Appointed 24 April 2009)

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 year 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 year ended 30 June 2009 after providing for income tax amounted to $463,113 (2008:$31,123 loss). Two items significantly impacted on the result for the year contributing 69% of the loss.

The first was the loss in winding up the Fox Riverside Pty Ltd joint venture of $145,956.

The second item was legal and other professional fees of $173,450, the majority of which were incurred in relation to the Company's takeover bid for Property Fox No 1 Limited "PF No 1". Your directors believe this cost is an investment for the future and the Company will be in a much stronger position as a result of gaining a substantial holding in PF No 1.

Dividends Paid or Recommended

A dividend was not declared or paid during the year ended 30 June 2009.

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 2009 are $1,669,149 (2008: $2,035,512).

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 Company had succeeded in acquiring 40.61% of the shares in PF No 1. The offer was updated 11th August 2009. The full details are available in the announcement made to the National Stock Exchange of Australia on this date.

The directors are not aware of any other events that would have significant impact on the operations of the Company.

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 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. He holds degrees in Marketing and Psychology (B.Bus, and B.A. Behavioural Sciences), a Diploma of Financial Planning and is an Accredited Options Dealer with the ASX.

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 and is a Certified Practising Accountant. He is Chairman of the Company's Audit and Risk Committee.

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 the Australian Securities Exchange 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 joined the Freeman Fox group in 2004 to implement and develop the Property Management Division and is now the 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 Salesperson. She is not on the board of any other listed entities.

Peter Conway – Non Executive Director

Peter has been involved in the stockbroking industry for approximately 40 years working in the operational, managerial and administration areas of stockbroking. Peter has served as a Director of Etrade Australia, ANZ Securities Limited, Ord Minnett Group Limited as well as holding the positions as Operations Manager of Were Stockbroking and Head of Retail Stockbroking at Salomon Smith Barney. Peter is a Member of the Australian Securities Exchange and a Member of the Securities and Derivatives Association of Australia at the Level of Master Stockbroker.

Peter is a member of the Company's Audit and Risk Committee. He is not on the board of any other listed entities.

Directors' report continued

Benjamin Doyle – Non Executive Director

Mr Doyle is a director of the Fiducia Property Group, www.fiducia.com.au and a licensed real estate agent in NSW. In the past three years he has developed and sold over $50 million dollars worth of real estate.

He has significant experience in the acquisition, renovation, design and marketing of property. In 2008 his company gained a finalist award from the Real Estate Institute of NSW for Project Marketing. Ben is also the Managing Director of THINK Property Management which is a Boutique property management company with a focus on investors and development management of rentals. He is not on the board of any other listed entities.

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 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.

Shareholdings held by Directors

Directors	Balance 30/6/08 *	Received as Remuneration	Options Exercised	Net Change Other (a)	Balance 30.6.09
Peter Spann*	110,000	-	-	-	110,000
Howard Woolcott	-	-	-	-	-
Peter Conway	-	-	-	-	-
Benjamin Doyle	-	-	-	-	-
Total	110,000	-	-	-	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.

Options held by Directors

Peter Spann held 300,000 options which expired on 31 December 2008 unexercised.

Directors	Balance as at 30.6.08	Options Exercised	Net Change Other	Balance 30.6.09	Total Vested 30.6.09	Total Exercisable 30.6.09	Total Unexercisable 30.6.09
Peter Spann	300,000	-	(300,000)	Nil	-	Nil	Nil
Total	300,000	-	(300,000)	Nil	-	Nil	Nil

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Property Fox No. 2 Limited.

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' report continued

Principles of remuneration

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. It is presently set at $12,000 per annum for each director.

Directors' remuneration

Mr. Spann, the Managing Director, does not receive a director's fee. Messrs Woolcott, Conway and Doyle receive monthly director fees as disclosed below pursuant to letters of appointment issued by the Company. Formal contracts are not issued. The remuneration is a fixed fee and is not based on the performance of the Company.

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.

Directors' (Key Management Personnel) remuneration

2009 Total Compensation	Directors' Fees $	Superannuation	Options $	Total $
Peter John Spann	-	-	-	-
Howard Woolcott	12,200	-	-	12,200
Jodie Stainton	10,000	-	-	10,000
Peter Conway	2,453	-	-	2,453
Benjamin Doyle	2,453	-	-	2,453
	27,106	-	-	27,106

2008 Total Compensation	Directors' Fees $		Options $	Total $
Peter John Spann	-	-	-	-
Howard Woolcott	13,200	-	-	13,200
Jodie Stainton	12,000	-	-	12,000
	25,200	-	-	25,200

Other than related party transactions detailed in note 19 of the financial statements the directors are not entitled and do not receive superannuation contributions, cash bonus, non cash benefits or any other benefits besides those noted above.

Options granted as remuneration

Options may be issued to directors as part of their remuneration. The options are not issued based on performance criteria but are issued to increase goal congruence between directors and shareholders.

No share-based payment arrangements existed at 30 June 2009 - see note on previous page under *Options held by directors.*

Meetings of Directors

During the year, 6 meetings of directors were held. Attendances by each director during the year were:

	Eligible to attend	Attended
Peter John Spann	5	5
Howard Woolcott	6	6
Jodie Stainton	3	3
Peter Conway	3	3
Benjamin Doyle	3	3

Directors' report continued

Meetings of Audit & Risk Committee

The directors have formed an audit and risk committee. The committee met twice during the year.

	Eligible to attend	Attended
Howard Woolcott	2	2
Jodie Stainton	2	2

Indemnifying Officers and auditors

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. The company did not provide an indemnity to the auditors.

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 of Australia.

Non-audit Services

The board of directors, in accordance with advice from the audit and risk 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.

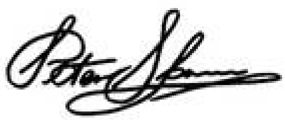
The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

Nil

Auditors' Independence Declaration

A copy of the independence declaration provided by the Company auditors in accordance with s307c of the Corporations Act 2001 in relation to the audit of the 30 June 2009 financial report is presented on page 11 and forms part of this Directors' Report.

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



Peter John Spann - Director

Dated this 21st day of 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 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 available 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 and Howard Woolcott who is an Executive director.

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
- 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.

Corporate Governance Statement continued

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 2 executive directors and 2 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 consolidated entity'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, only two of the directors are non-executive independent directors and therefore they do not form a majority of the board. 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 for him 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 in carrying out their duties and responsibilities as follows.

All directors 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
- 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 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 and officers must:

- Comply with the law
- Act in the best interests of the Company

Corporate Governance Statement continued

- 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 officers trading in its securities is set by the board of directors. The policy restricts directors and officers 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 officers, 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 and Risk 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 Committee are: Mr. Howard Woolcott BEc (Syd.) CPA – (Executive Director) and Mr. Peter Conway – (Non-executive Director).

The Audit and Risk Committee met twice during the year.

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

Recommendation 4.2 – The Audit and Risk Committee consists only of one executive director and one non-executive independent director 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.

Corporate Governance Statement continued

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 their shareholders and have made available all forms of contact; phone, email, facsimile and post details on their website at www.propertyfoxno2.com.au should any shareholder have a query.

The Company's Half and Full Year Reports are a significant mean 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's system 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.

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 2 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 director's and executive's remuneration, including principles used to determine remuneration, is set out in the director's 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.

Grant Thornton

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PROPERTY FOX NO 2 LIMITED

Grant Thornton Queensland Partnership
ABN 13 131 589 059

Ground Floor
102 Adelaide Street
Brisbane
Queensland 4000
GPO Box 1008
Brisbane
Queensland 4001

T + 61 7 3222 0200
F + 61 7 3222 0444
E info.qld@grantthornton.com.au
W www.grantthornton.com.au

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Property Fox No 2 Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

1 no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

2 no contraventions of any applicable code of professional conduct in relation to the audit

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

GRANT THORNTON

Matthew Bell
Partner

Brisbane

Dated 21 September 2009

Income statement
For the year ended 30 June 2009

	Note	2009 $	2008 $
Revenue from ordinary activities	2	89,116	67,691
Management fees	19(i)	(12,000)	(12,000)
Audit fees	6	(36,547)	(54,869)
Directors fees		(27,106)	(25,200)
Finance costs		(48,402)	(55,918)
Legal & consultants fees		(173,450)	(108)
Property costs		(19,693)	(35,840)
Other expenses from ordinary activities		(89,075)	(73,579)
Share of net loss of associates accounted for using the equity method	9(a)	(145,956)	158,700
Profit / (loss) from ordinary activities before income tax expense		(463,113)	(31,123)
Income tax (expense) / benefit relating to ordinary activities	5	-	-
Net profit / (loss) from ordinary activities after related income tax benefit		(463,113)	(31,123)
Overall Operations:			
Basic loss per share (cents per share)	16	(15.3)	(1.0)
Diluted loss per share (cents per share)		(15.3)	(1.0)

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	7	793,287	97,983
Other current assets	8	95,469	8,602
Total current assets		888,756	106,585
Non current assets			
Investments accounted for using the equity method	9	62,616	1,299,522
Property	12	1,609,233	1,498,391
Total non current assets		1,671,849	2,797,913
Total assets		2,560,605	2,904,498
Current liabilities			
Trade and other payables	13	57,368	34,898
Short term borrowings	14	-	834,088
Total current liabilities		57,368	868,986
Non current liabilities			
Long term borrowings	14	834,088	-
Total non current liabilities		834,088	-
Total liabilities		891,456	868,986
Net assets		1,669,149	2,035,512
Equity			
Contributed equity	15	2,659,710	2,642,220
Reserves		259,815	180,555
Retained profits/(accumulated losses)		(1,250,376)	(787,263)
Total equity		1,669,149	2,035,512

Cash flow statement

For the year ended 30 June 2009

	Note	2009 $	2008 $
Cash flow from operating activities			
Payments / receipts for/from real property related investments		1,090,950	250,000
Investment income		89,116	67,691
Payments to suppliers, directors and director related entities		(359,426)	(230,399)
Payments for financing costs		(48,402)	(55,918)
Tax paid		-	-
Net cash provided by / (used in) operating activities	17	772,238	31,374
Cash flow from financing activities			
(Payments to) / received from related entities		(76,934)	(15,305)
Net cash provided by financing activities		(76,934)	(15,305)
Net increase in cash and cash equivalents held		695,304	16,069
Cash and cash equivalents at the beginning of the financial year		97,983	81,914
Cash and cash equivalents at the end of the financial year	7	793,287	97,983

Statement of changes in equity

For the year ended 30 June 2009

	Share Capital A class	Retained Profits /(Accumulated Losses)	Options Reserve (a)	Asset Revaluation Reserve (b)	Total
	$	$	$	$	$
Balance at 01 July 2007	2,642,220	(756,140)	17,490	-	1,903,570
Increase in revaluation reserve	-	-		163,065	163,065
Profit attributable to members of parent entity	-	(31,123)		-	(31,123)
Sub total	2,642,220	(787,263)	17,490	163,065	2,035,512
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2008	2,642,220	(787,263)	17,490	163,065	2,035,512
Increase in revaluation reserve	-	-	-	96,750	96,750
Directors' options reserve transferred to share capital on expiration of options	17,490	-	(17,490)	-	-
Profit attributable to members of parent entity	-	(463,113)	-	-	(463,113)
Sub total	2,659,710	(1,250,376)	-	259,815	1,669,149
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	2,659,710	(1,250,376)	-	259,815	1,669,149

(a) Options Reserve

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

(b) Asset Revaluation Reserve

The properties which the Company owns in Toowoomba were revalued in December 2008 and June 2009. There was an increase in value in December 2008 from the previous valuation but a slight decrease in June 2009 from the December 2008 valuation. Overall the current value reflects an increase of $96,750 in the Company's 50% share of the property since June 2008.

Notes to the financial statements

For the year ended 30 June 2009

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 21st September 2009.

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 whenever the directors determine that a material movement may have occurred, 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 balance sheet 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 company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the balance sheet and income statement. Details of the company's interests are shown in Note 10.

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. Capital Management Strategy

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

1 Statement of significant accounting policies continued

l. New accounting standards and Australian Accounting Interpretations New accounting standards and Australian Accounting Interpretations

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. The following changes to accounting requirements are included:

  — acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  — contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  — a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  — there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Company's policy);
  — dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  — impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  — where there is, in substance, no change to company interests, parent entities inserted above existing companies shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

  As the entity has not been a party to a business combination this standard is not expected to have any impact on the entity's financial report.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the company's Board for the purposes of decision making. AASB 8 is a disclosure standard therefore has no impact on the entity's reported position and performance. The new standard will however result in changes to operating segments disclosures within the financial report.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the company until such time should the property investments be developed.

- AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

1 Statement of significant accounting policies continued

New accounting standards and Australian Accounting Interpretations continued

- AASB 2008-2: Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.
- AASB 2008-8: Amendments to Australian Accounting Standards — Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the company.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute. No changes are expected to materially affect the Company.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management has determined that there will be no effect on the company until such time should the property investments be developed.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the company.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the company's financial statements.

2 Profit / (loss) from ordinary activities

	2009 $	2008 $
Operating revenue:		
Rental income	67,100	64,036
Interest received from cash held in bank accounts	22,016	3,655
Total revenues from ordinary activities	89,116	67,691

	Note	2009 $	2008 $

3 Dividends

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

	2009 $	2008 $
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.	-	-

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

	Note	2009 $	2008 $
a. The components of tax expense comprise:			
Current tax		-	-
Deferred tax	11	-	-
		-	-
The prima facie tax on profit/ (loss) from ordinary activities before tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30%		(138,934)	(9,337)
Add:			
Share of loss / (profit) of associate		43,786	(47,610)
Legal and consultants fees		53,855	-
Other		-	2,003
Less:			
Deductible capital raising costs		(21,670)	(21,670)
Borrowing costs		(695)	(695)
Future income tax benefit on tax loss not brought to account		63,658	77,309
Income tax expense/(refund) attributable to profit from ordinary activities before income tax		-	-
b. The components of tax expense comprise:			
Current tax			
Deferred tax	11	-	-
		-	-
The applicable weighted average effective tax rates are as follows:		-%	-%

	Note	2009 $	2008 $
6 Auditor's Remuneration			
Remuneration of the auditor for :			
- Audit or reviewing the financial reports		36,547	54,869
- Preparation of taxation return		-	1,158
		36,547	56,027
7 Cash & Cash Equivalents			
Cash at bank		13,749	26,528
Short term deposits		779,538	71,455
		793,287	97,983
8 Other Current Assets			
Prepayments		12,740	9,286
Unsecured interest bearing loan to Fox Riverside No 2 Unit Trust		76,934	-
Receivable from Property Fox No 1 Ltd (director related entity)	8(a)	3,477	-
Receivable from Freeman Fox Investments Ltd (director related entity)	8(a)	2,318	-
Accrued rental revenue		-	(684)
		95,469	8,602

a. These receivables arose as a result of Property Fox No 2 Ltd paying expense on behalf of the joint venture partners in the ordinary course of business of the joint venture.

9 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 09	49*	62,616

*The Company owns 49% of the issued capital but the shares are partly paid resulting in the Company being entitled to 31.17% of the net asset value.

		2009 $	2008 $
a.	**Movements during the year in equity accounted investment in Associated Companies**		
	Balance at beginning of year	1,299,522	1,390,822
Add:	New investments / (capital returns) during the year	(1,090,950)	(250,000)
	Share of associated Company's profit / (loss) from ordinary activities after income tax	(145,956)	158,700
	Balance at end of year	62,616	1,299,522
b.	**Accumulated losses attributable to associate:**		
	Share of associate’s (loss)/ profit from ordinary activities before income tax expense	(145,956)	158,700
	Share of associate’s income tax expense	-	-
	Share of associate’s loss from ordinary activities after income tax expense	(145,956)	158,700
	Share of accumulated losses at beginning of the year	(11,108)	(169,808)
	Share of accumulated losses at end of the year	(157,064)	(11,108)
c.	**Summarised presentation of aggregate assets, liabilities and performance of associate:**		
	Current assets	200,885	4,169,143
	Non-current assets	-	-
	Total assets	200,885	4,169,143
	Current liabilities	-	-
	Non-current liabilities	-	-
	Total liabilities	-	-
	Net assets	200,885	4,169,143
	Net (loss)/profit from ordinary activities after income tax of associate	(464,844)	509,144

	Note	2009 $	2008 $

10 Joint Venture

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.

	Note	2009 $	2008 $
The Company's share of assets employed in the joint venture is:			
Non-Current Assets			
- real property at valuation	12	1,425,000	1,328,250
Total share of assets employed		1,425,000	1,328,250

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.

	Note	2009 $	2008 $
The Company's share of assets employed in the joint venture is:			
Non-Current Assets			
- real property at valuation	12	184,233	170,141
Total share of assets employed		184,233	170,141

	Note	2009 $	2008 $
11 Tax			
a. Assets			
NON CURRENT			
Deferred tax asset comprises :			
Other		-	-
Carried forward tax loss		-	-
		-	-
b. Liabilities			
CURRENT			
Income Tax		-	-
NON CURRENT			
Deferred tax liability		-	-
c. Reconciliations			
i. Gross movements			
The overall movement in the deferred tax asset account is as follows:			
Opening balance		-	-
(charge)/credit to income statement		-	-
Closing balance		-	-
ii. Deferred tax assets			
The movement in the deferred tax asset for each temporary difference during the year is as follows:			
Other		-	-
Opening balance		-	-
(Charge)/Credit to income statement		-	-
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		-	28,983
Tax losses (operating)		278,956	279,591
		278,956	308,574

	Note	2009 $	2008 $
12 Property			
- Real property held in a joint venture operation at valuation		1,609,233	1,498,391
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 year			
Balance at the beginning of year		1,498,391	1,335,233
Revaluation of Toowoomba properties		96,750	163,066
Net movement in Anstead property		14,092	92
Carrying amount at the end of year		1,609,233	1,498,391

Each of the properties in which the Company has an ownership interest was valued by independent valuers in June and July 2009.

13 Trade & Other Payables

	Note	2009 $	2008 $
Trade creditors	13(a)	47,705	34,884
Other creditors		9,663	14
		57,368	34,898

a. Trade creditors include:

- $21,979 payable to Property Fox No 1 Ltd (related entity) in relation to joint venture operations
- $2,997 payable to Whitens Lawyers and Consultants (related entity) in relation to services provided to the company

14 Long Term Borrowings

	Note	2009 $	2008 $
Secured Liability			
- Commercial bill facility	14a.	743,750	743,750
- Commercial bill facility	14b.	90,338	90,338
		834,088	834,088

Both facilities were shown as short term borrowings in 2008 and were extended in 2009.

The facility for $743,750 expires in February 2012 and the facility for $90,338 expires in February 2011. 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 18.

	Note	2009 $	2008 $
The carrying amount of non current assets pledged as security:			
- First registered mortgage - Toowoomba properties	14a.	1,425,000	1,328,250
- First registered mortgage - Anstead properties	14b.	184,233	170,141
Total assets pledged as security		1,609,233	1,498,391

14a. The first registered mortgage provided to National Australia Bank is in respect of the Toowoomba properties only.

14b. The first registered mortgage provided to National Australia Bank is in respect of the Anstead properties only.

	Note	2009 $	2008 $
15 Contributed Equity			
3,017,999 (2008 3,017,999) fully paid A class shares		2,935,589	2,918,099
Capital raising costs		(275,879)	(275,879)
		2,659,710	2,642,220
a. Movement of shares			
At beginning of the reporting year		3,017,999	3,017,999
Shares issued during the year		-	-
		3,017,999	3,017,999

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

"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 had 300,000 options on issue to the Company's managing director but they expired unexercised on 31 December 2008. The amount expensed to the reserve has been transferred to share capital.

c. Capital raising costs

The capital raising cost includes costs associated with issuing the prospectus and a dealer fee.

16 Earnings/(loss) per Share

	2009	2008
Earnings used in the calculation of earning per share and dilutive earnings per share is the net profit after tax.	(463,113)	(31,123)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	3,017,999	3,017,999
Weighted average number of options outstanding	-	300,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	3,017,999	3,317,999

17 Cash Flow Information

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

	2009	2008
Profit/(loss) from ordinary activities after income tax	(463,113)	(31,123)
Non cash contribution from Anstead joint venture	(14,092)	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	-	682
(Increase)/decrease in investments	1,236,906	91,300
(Increase)/decrease in other assets	(9,933)	17,677
Increase/(decrease) in payables	22,470	(47,162)
Cash flows from operations	772,238	31,374

18 Financial Instruments

The Company is exposed to a variety of financial risks including market risk (price risk and interest rate risk), credit risk and liquidity risk. The Board of the Company monitors these risk factors as part of regular reviews of financial performance and the portfolio.

Financial Risk Management Policies

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC monitors the Company's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The ARC met twice during the year and minutes of the ARC are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

a. Credit risk

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date as summarised below:

	2009	2008
Classes of financial assets – carrying amounts		
Cash and cash equivalents	793,287	97,983
Other current assets (unsecured loan)	76,934	-
	870,221	97,983

The Company has no significant concentration of credit risk with any single counter party or group of counter parties.

Credit risk related to balances with banks and other financial institutions is managed by the ARC in accordance with approved Board policy. Surplus funds are only invested with Australian major financial institutions.

b. 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 and ensures that valuations are undertaken on a regular basis. The Company ensures that none of its property investments are highly geared and in general avoids borrowing more than 65% of any property's market value.

c. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of capped and floating rate debt. At 30 June 2009 the bill facility of $1,190,000 relating to the Toowoomba properties was on a floating rate basis and the bill facility of $1,806,750 relating to the Anstead joint venture property was on a capped interest rate of 6%.

18 Financial Instruments (continued)

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:

30 June 2008	Weighted Average Interest Rate	Floating Interest Rate $	Non Interest Bearing $	Total $
Financial assets				
Cash at bank	0.00%		26,528	26,528
Term Deposit	7.10%	71,455		71,455
		71,455	26,528	97,983
Financial liabilities				
Commercial bill facility - Toowoomba	8.14%	743,750	-	743,750
Commercial bill facility – Anstead	6.00%	90,338	-	90,338
		834,088	-	834,088

30 June 2009				
Financial assets				
Cash at bank	0.00%		13,749	13,749
Term Deposit	3.70%	779,538	-	779,538
Unsecured loan to Fox Riverside No 2 Unit Trust	10.00%	76,934	-	76,934
		856,472	13,749	870,221
Financial liabilities				
Commercial bill facility - Toowoomba	7.31 %	743,750	-	743,750
Commercial bill facility – Anstead	6.73%	90,338	-	90,338
		834,088	-	834,088

d. Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The Company's policy is to ensure that the majority of its borrowings for real estate investment should mature beyond 12 months at all times.

The bill facility used to purchase the Toowoomba properties expires in February 2012 and the bill facility used to purchase the Anstead property, in which the Company has a joint venture partnership, expires in February 2011.

18 Financial Instruments (continued)

The Company has no debt which has been borrowed on a short term (less than 12 months) basis.

e. 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

f. Sensitivity Analysis

The following tables illustrate sensitivities to the Company's exposures to changes in interest rates and property prices. The tables indicate the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

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:

	Net Loss for Company and Higher / (Lower) 30 June		Equity for Company and Higher / (Lower) 30 June	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents				
+ 1% (100 basis points)	5,719	531	5,719	531
- 1% (100 basis points)	(5,719)	(531)	(5,719)	(531)
Borrowings				
+ 1% (100 basis points)	(8,341)	(8,341)	(8,341)	(8,341)
- 1% (100 basis points)	8,341	8,341	8,341	8,341

At 30 June 2009, if property prices 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:

	Net Loss for Company and Higher / (Lower) 30 June		Equity for Company and Higher / (Lower) 30 June	
	2009 $	2008 $	2009 $	2008 $
Toowoomba properties (at 50% ownership)				
Adjustments are made through asset revaluation reserve account				
+ 10%	-	-	142,500	132,825
- 10%	-	-	(142,500)	(132,825)
Anstead JV (at 5% ownership)				
Adjustments are made through the Profit & Loss account				
+ 10%	18,423	17,014	18,423	17,014
- 10%	(18,423)	(17,014)	(18,423)	(17,014)

19 Related Party Details

	2009 $	2008 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.		
(i) Management fee		
Property Fox No 2 Limited paid an annual management fee to Fox Portfolio Pty Ltd, 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. Fox Portfolio Pty Ltd agreed to reduce its fee to $12,000 per annum for the years ended June 08 and 09.	12,000	12,000
(ii) Legal fees		
Property Fox No 2 Limited paid the disclosed legal and consulting fees paid to Whittens Lawyers and Consultants a related entity of the Secretary Andrew Whitten.	96,700	-

20 Subsequent Events

At the date of this report the Company had succeeded in acquiring 40.61% of the shares in PF No 1. The offer was updated 11th August 2009. The full details are available in the announcement made to the National Stock Exchange of Australia on this date.

The directors are not aware of any other events that would have significant impact on the operations of the Company.

21 Commitments and Contingencies

The company did not have any commitments or contingent liabilities at year end.

22 Company details

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

Level 21

Freeman Fox House

333 Ann Street

BRISBANE QLD 4000

Phone: 07 3031 9920

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out in pages 12 to 30, 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 2009 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:

Peter John Spann - Director

Dated this 21st day of September 2009

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROPERTY FOX NO 2 LIMITED

Grant Thornton Queensland Partnership
ABN 13 131 589 059

Ground Floor
102 Adelaide Street
Brisbane
Queensland 4000
GPO Box 1008
Brisbane
Queensland 4001

T + 61 7 3222 0200
F + 61 7 3222 0444
E info.qld@grantthornton.com.au
W www.grantthornton.com.au

Report on the Financial Report

We have audited the accompanying financial report of Property Fox No 2 Ltd, 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 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. 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 opinions.

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

Auditor's opinion
In our opinion:

1 the financial report of Property Fox No 2 Limited is in accordance with the Corporations Act 2001, including:

   a giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

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

2 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 in 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 2 Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

GRANT THORNTON

Matthew Bell
Partner

Brisbane

Dated 21 September 2009

Shareholder Information

At 31 August 2009

Share Capital

Property Fox No. 2 Limited has on issue 3,017,999 fully paid ordinary shares held by 186 holders 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 Issued Capital
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%
15	Fox Invest Limited	30,000	0.99%
16	Karberg Nominees Pty Ltd	30,000	0.99%
17	Rosemont (Caulfield) Pty Ltd	30,000	0.99%
18	Peter Schaap + Pauline Schaap	30,000	0.99%
19	Sinvest Pty Ltd	30,000	0.99%
20	Rodney David Wilson + Bronwen Joan Wilson	30,000	0.99%
	Total	**848,499**	**28.11%**

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	3	15,000	0.50%
5,001 – 10,000	103	1,030,000	34.13%
10,001 – 100,000	79	1,869,500	61.94%
100,001 and over	1	103,499	3.43%
Total	**186**	**3,017,999**	**100.00%**

Corporate Directory

Directors	Peter Spann Howard Woolcott Peter Conway Benjamin Doyle
Company Secretary	Andrew Whitten
Principal registered office in Australia	Level 21 Freeman Fox House 333 Ann Street Brisbane QLD 4000 (07) 3031 9920
Share registry	Link Market Services Level 12, 680 George Street, Sydney NSW 2000
Auditor	Grant Thornton Level 4, Grant Thornton House 102 Adelaide Street, Brisbane QLD 4000
Solicitors	Whittens Lawyers and Consultants Suite 9, Level 5, 137-139 Bathurst Street Sydney NSW 2000
Bankers	National Australia Bank Limited 180 Queen Street Brisbane QLD 4000
Website address	www.propertyfoxno2.com.au