



**Property Fox No 2 Limited** ACN 108 076 295

Interim Financial Report

Half year ended 31 December 2009

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## Directors' report

Your directors present their report on the Company for the half year ended 31 December 2009.

### Directors

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

- Peter John Spann
- Howard Woolcott
- Peter Conway
- Benjamin Doyle

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

### Principal Activities

The principal activities of the Company during the period was the investment, either directly or through a subsidiary, parcels of residential real estate in accordance with the real estate mandate of the Company. The Company finalised the wind up its joint venture with Fox Riverside Pty Limited in December 2009 in which it had a 31.17% interest. Refer to the 30 June 2009 financial statements for further details.

### Review of Operations

The Company was active in its pursuit of its principal activities during the period.

The net loss for the Company for the half year ended 31 December 2009 before income tax amounted to \$234,512 (half year ended 2008: Loss \$162,237). The operating results for the half year are consistent with the Company's business plan. Pursuant to approval by the shareholders at the AGM in November 2009, the Company purchased 20% of the Toowoomba properties owned by Freeman Fox Investments Pty Ltd. The Company now owns a 70% share of these properties and Property Fox No 1 Limited owns 30%.

As announced at the AGM, Ben Doyle was appointed managing director of the Company from 1<sup>st</sup> January 2010. Also as discussed at the AGM the Company is proposing to develop the Toowoomba properties and has engaged architects and town planners to advise on the best use of the site.

On 30<sup>th</sup> November 2009 the Company achieved control of Property Fox No 1 Limited. On 16<sup>th</sup> December 2009 the Company issued 2,123,820 "A" Class shares and paid \$47,146 to acquire 71.69% of the "A" Class shares of Property Fox No 1 Limited pursuant to the takeover bid launched earlier in the year. At the date of this report the Company has increased its "A" Class holding to over 80%.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2 for the half year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.



Benjamin Doyle  
Managing Director  
Dated 16 March 2010.



## **AUDITOR'S INDEPENDENCE DECLARATION**

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

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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Property Fox No. 2 Limited Pty Limited for the half-year ended 31 December 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 review; and
- 2 No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

*GRANT THORNTON*

Matthew Bell  
Director - Audit & Assurance Services

Brisbane

Dated 16 March 2010

## Statement of Comprehensive Income

### For the half year ended 31 December 2009

	Note	31 Dec 2009 \$	31 Dec 2008 \$
Revenue from ordinary activities	2	58,800	39,755
Share of net (loss)/profit of associates		(51,369)	(57,614)
Management fees		(7,450)	(6,000)
Professional fees		(65,794)	(25,496)
Directors fees		(21,900)	(12,200)
Company secretarial fees		(19,250)	(14,250)
Share registry fees		(7,576)	(18,356)
Finance costs		(30,495)	(31,298)
NSX listing costs		(4,913)	(3,034)
Property costs		(26,053)	(24,562)
Fair value adjustment on consolidation		(17,937)	-
Other expenses from ordinary activities		(40,575)	(9,182)
Net profit/(loss) before income tax expense		(234,512)	(162,237)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the period		(234,512)	(162,237)
Other comprehensive income – Toowoomba properties revaluation		-	124,250
Total comprehensive income /(loss) for the period		(234,512)	(37,987)
Loss attributable to:			
Members of the parent entity		(229,408)	(37,987)
Non-controlling interest		(5,104)	-
		(234,512)	(37,987)
<b>Overall Operations:</b>			
Basic & diluted earnings per share (cents per share)		(4.59)	(5.37)

The accompanying notes form part of these financial statements

## Balance sheet

### As at 31 December 2009

	31 Dec 2009	30 June 2009
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	344,732	793,287
Other current assets	161,315	95,469
<b>Total current assets</b>	<u>506,047</u>	<u>888,756</u>
<b>Non current assets</b>		
Investments accounted for using the equity method	-	62,616
Property	3,698,054	1,609,233
<b>Total non current assets</b>	<u>3,698,054</u>	<u>1,671,849</u>
<b>Total assets</b>	<u>4,204,101</u>	<u>2,560,605</u>
<b>Current liabilities</b>		
Trade and other payables	64,567	57,368
<b>Total current liabilities</b>	<u>64,567</u>	<u>57,368</u>
<b>Non Current liabilities</b>		
Long term borrowings	1,280,338	834,088
<b>Total non current liabilities</b>	<u>1,280,338</u>	<u>834,088</u>
<b>Total liabilities</b>	<u>1,344,905</u>	<u>891,456</u>
<b>Net assets</b>	<u>2,859,196</u>	<u>1,669,149</u>
<b>Equity</b>		
Contributed equity	3,630,008	2,659,710
Reserves	259,817	259,815
Retained profits/(accumulated losses)	<u>(1,479,784)</u>	<u>(1,250,376)</u>
Parent entity interest	2,410,041	1,669,149
Non-controlling interest	449,155	-
<b>Total equity</b>	<u>2,859,196</u>	<u>1,669,149</u>

The accompanying notes form part of these financial statements

## Statement of changes in equity

### For the half year ended 31 December 2009

	Share Capital	Accumulated Losses	Asset Revaluation Reserve	Options Reserve	Non- Controlling Interest	Total
	\$	\$	\$	\$		\$
<b>Balance at 1 July 2008</b>	2,642,220	(787,262)	163,065	17,490	-	2,035,513
Comprehensive income/(loss)	-	(162,237)	124,250	-	-	(37,987)
Sub total	2,642,220	(949,499)	287,315	17,490	-	1,997,526
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 31 December 2008</b>	<b>2,642,220</b>	<b>(949,499)</b>	<b>287,315</b>	<b>17,490</b>	<b>-</b>	<b>1,997,526</b>
<b>Balance at 1 July 2009</b>	2,659,710	(1,250,376)	259,817	-	-	1,669,151
Comprehensive income/(loss)	-	(229,408)	-	-	(5,104)	(234,512)
Share Issue	1,024,468	-	-	-	-	1,024,468
Consolidation of Property Fox No 1	(54,169)	-	-	-	454,259	400,090
Sub total	3,630,009	(1,479,784)	259,817	-	449,155	2,859,196
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>3,630,009</b>	<b>(1,479,784)</b>	<b>259,817</b>	<b>-</b>	<b>449,155</b>	<b>2,859,196</b>

The accompanying notes form part of these financial statements

## Cash flow statement

### For the half year ended 31 December 2009

	31 December 2009	31 December 2008
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Investment income	58,800	44,025
Payments to suppliers, directors and director related entities	(201,028)	(100,851)
Payments for financing costs	(30,495)	(31,298)
Payments / receipts for/from real property related investments	(588,675)	-
<b>Net cash provided by (used in) operating activities</b>	<b>(761,398)</b>	<b>(88,124)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distribution from associate	59,572	1,090,950
Payment for subsidiary, net of cash acquired	253,271	-
<b>Net cash provided by (used in) investing activities</b>	<b>312,843</b>	<b>1,090,950</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (provided)/received to related entities	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>-</b>
Net increase in cash held	(448,555)	1,002,826
Cash at beginning of period	793,287	97,983
<b>Cash at end of period</b>	<b>344,732</b>	<b>1,090,809</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

## For the half year ended 31 December 2009

### Note 1: Basis of Preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Property Fox No 2 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards:

### Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of “other comprehensive income”. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

### Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

### Reporting Basis and Conventions

The half-year 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.

31 December 2009	31 December 2008
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\$	\$
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**Note 2: Profit from ordinary activities**

Operating revenue:

Rental income

42,416

35,486

Interest received

16,384

4,269

58,800

39,755

**Note 3: Business Combination**

The parent entity acquired in stages, 51% (including 51% of the voting rights) of Property Fox No 1 Limited on 30 November 2009. Prior to control being achieved the investment was equity accounted. Details of the acquisition are as follows:

**Consideration Paid**

Cash

46,316

Equity (2,084,220 ordinary shares issued at 49.95 cents)

1,041,068

Total purchase consideration

1,087,384

The fair value of ordinary shares issued to the vendors was determined by valuation techniques as set out in the independent expert report on the takeover.

**Net Assets Acquired**

Fair values of assets and liabilities acquired at acquisition date:

Cash

299,587

Trade and other receivables

62,733

Property

1,586,028

Financial assets

65,100

Payables

(25,555)

Financial liabilities

(446,250)

Less non-controlling interest

(454,259)

1,087,384

Goodwill on consolidation

-

Loss and revenues resulting from the acquisition of Property Fox No 1 Limited amounting to \$17,213 and \$7,657 respectively is included in the consolidated statement of comprehensive income for the half-year ended 31 December 2009. Had Property Fox No 1 Limited been consolidated from 1 July 2009, the Group would have recognised revenue of \$55,323 and loss of \$103,277 for the half-year ended 31 December 2009

**Note 4: Investment in associate**

	31 December 2009	30 June 2009
	\$	\$
Opening carrying value	62,616	1,299,522
Equity accounting adjustment – share of profit/(loss) of associate	(3,044)	(145,956)
Distribution received	(59,572)	(1,090,950)
Closing carrying value	-	62,616

**Note 5: 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 group currently operates in South East Queensland and Sydney.

**Note 6: Events Subsequent to Reporting Date**

The Company increased its holding in Property Fox No 1 Limited to more than 80% of the "A" class shares.

Property Fox No 1 Limited (subsidiary controlled as at 30 November 2009) now has less than the number of Shareholders necessary to remain listed on the National Stock Exchange the Company and will be delisted with effect from 9 April 2010.

## Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 - 9
  - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b) give a true and fair view of the economic entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. 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 'H. Woolcott', with a large, stylized flourish at the end.

Howard Woolcott

Director

Dated this 16th March 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF PROPERTY FOX NO. 2 LIMITED**

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We have reviewed the accompanying half-year financial report of Property Fox No 2 Limited, which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entity it controlled at the half-year's end or from time to time during the half-year.

**Directors' responsibility for the half-year financial report**

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

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Property Fox No. 2 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

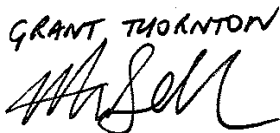
**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Property Fox No. 2 Limited is not in accordance with the Corporations Act 2001, including:

- 1 giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- 2 complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants



GRANT THORNTON

Matthew Bell

Director - Audit & Assurance Services

Brisbane

Dated 16 March 2010