



Property Fox No 2 Limited ACN 108 076 295

Interim Financial Report

Half year ended 31 December 2010

Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Directors' Declaration	10
Independent Auditors Review Report	11

Directors' Report

Your directors present their report on the Company for the half year ended 31 December 2010.

Directors

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

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

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, in parcels of residential real estate in accordance with the real estate mandate of the Company.

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 2010 before income tax amounted to \$31,090 (half year ended 2009: Loss \$234,512). The operating results for the half year are consistent with the Company's business plan.

On 24th December 2010 the Company lodged a Rights Issue Prospectus with the Australian Securities and Investment Commission on a 5 for 1 basis to raise up to \$7,475,775 at 25 cents per share. The issue is underwritten to an amount of \$320,000 by Fox Portfolio Pty Limited, an entity associated with Mr. Peter Spann, a director of the Company, and is therefore a related party.

During December 2010 the Company sold the four home units it owned at 38 Vine Street Fairfield for a gross amount of \$896,000.

During the period the Company continued to work on plans for the development of its properties in Toowoomba and is working towards securing a development approval by the end of the 2011 calendar year.

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 2010.

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



Benjamin Doyle
Managing Director
Dated 24th February 2011



Grant Thornton

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PROPERTY FOX NO. 2 LIMITED & ITS CONTROLLED ENTITY

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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@au.gt.com
W www.grantthornton.com.au

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 and its controlled entity for the half-year ended 31 December 2010, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M S Bell
Director, Audit & Assurance

Brisbane, Dated 24 February 2011

Statement of Comprehensive Income

For the half year ended 31 December 2010

	Note	31 Dec 2010 \$	31 Dec 2009 \$
Revenue from ordinary activities	2	331,023	58,800
Share of net (loss)/profit of associates		-	(51,369)
Management fees		(72,519)	(7,450)
Professional fees		(61,575)	(65,794)
Directors fees		(33,000)	(21,900)
Company secretarial fees		(16,500)	(19,250)
Share registry fees		(6,273)	(7,576)
Finance costs		(68,965)	(30,495)
NSX listing costs		(6,957)	(4,913)
Property costs		(40,694)	(26,053)
Fair value adjustment on consolidation		-	(17,937)
Other expenses from ordinary activities		(55,630)	(40,575)
Net profit/(loss) before income tax expense		(31,090)	(234,512)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the period		(31,090)	(234,512)
Total comprehensive income /(loss) for the period		(31,090)	(234,512)
Loss attributable to:			
Members of the parent entity		(31,090)	(229,408)
Non-controlling interest		-	(5,104)
		(31,090)	(234,512)
Overall Operations:			
Basic & diluted earnings per share (cents per share)		(0.005)	(4.590)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 31 December 2010

	Note	31 Dec 2010 \$	30 Jun 2010 \$
Current assets			
Cash and cash equivalents		538,983	50,797
Other current assets		11,082	20,391
Total current assets		<u>550,065</u>	<u>71,188</u>
Non current assets			
Investments accounted for using the equity method	4	-	-
Inventory	1(a)	2,984,929	-
Property		190,536	3,794,467
Total non current assets		<u>3,175,465</u>	<u>3,794,467</u>
Total assets		<u>3,725,530</u>	<u>3,865,655</u>
Current liabilities			
Trade and other payables		19,725	81,231
Short term borrowings		90,338	90,338
Total current liabilities		<u>110,063</u>	<u>171,569</u>
Non Current liabilities			
Long term borrowings		1,190,000	1,190,000
Total non current liabilities		<u>1,190,000</u>	<u>1,190,000</u>
Total liabilities		<u>1,300,063</u>	<u>1,361,569</u>
Net assets		<u>2,425,467</u>	<u>2,504,086</u>
Equity			
Contributed equity		4,021,179	4,068,708
Reserves		-	259,815
Retained profits/(accumulated losses)		(1,595,712)	(1,824,437)
Total equity		<u>2,425,467</u>	<u>2,504,086</u>

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the half year ended 31 December 2010

	Share Capital	Accumulated Losses	Asset Revaluation Reserve	Non- Controlling Interest	Total
	\$	\$	\$		\$
Balance at 1 July 2009	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	-	-	-	-	-
Balance at 31 December 2009	3,630,009	(1,479,784)	259,817	449,155	2,859,196
Balance at 1 July 2010	4,068,708	(1,824,437)	259,815	-	2,504,086
Comprehensive income/(loss)	-	(31,090)	-	-	(31,090)
Costs associated with rights issue	(47,529)	-	-	-	(47,529)
Asset revaluation reserve transferred to retained earnings	-	259,815	(259,815)	-	-
Sub total	4,021,179	(1,595,712)	-	-	2,425,467
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2010	4,021,179	(1,595,712)	-	-	2,425,467

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the half year ended 31 December 2010

	31 Dec 2010	31 Dec 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Investment income	102,183	58,800
Payments to suppliers, directors and director related entities	(327,812)	(201,028)
Payments for financing costs	(68,965)	(30,495)
Payments / receipts for/from real property related investments	830,309	(588,675)
Net cash provided by (used in) operating activities	535,715	(761,398)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from associate	-	59,572
Payment for subsidiary, net of cash acquired	-	253,271
Net cash provided by (used in) investing activities	-	312,843
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital raising costs	(47,529)	-
Net cash provided by (used in) financing activities	(47,529)	-
Net increase/(decrease) in cash held	488,186	(448,555)
Cash at beginning of period	50,797	793,287
Cash at end of period	538,983	344,732

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the half year ended 31 December 2010

Note 1: Basis of Preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2010 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 2010 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 apart from inventories as outlined below in note 1a).

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.

a) Inventories

To reflect the change in intention to develop the properties held at Toowoomba it was determined that they should be treated as inventories and carried at the lower of cost and net realisable value. The revaluation surplus previously recognised has been transferred to retained earnings.

Note 2: Profit from ordinary activities

Operating revenue:

	31 Dec 2010 \$	31 Dec 2009 \$
Rental income	93,817	42,416
Interest received	1,374	16,384
Other income	6,992	-
Profit on sale of properties	228,840	-
	<u>331,023</u>	<u>58,800</u>

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	-	-

On 13th May 2010 the parent entity had acquired 91.01% interest of Property Fox No 1 Limited "A" Class shares and therefore moved to compulsory acquisition for the remaining 8.99%, which was achieved on 29th June 2010. Additionally, on 29th June 2010 the parent entity acquired 1,250,000 Ordinary shares of Property Fox No 1 Limited thereby attaining control of all its issued capital.

	31 Dec 2010	30 June 2010
	\$	\$
Note 4: Investment in associate		
Opening carrying value	-	62,616
Share of associated Group's profit/(loss) from ordinary activities after income tax	-	(58,066)
New investments / (capital returns) during the year	-	(4,550)
Closing carrying value	-	-

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.

Note 6: Related-party transactions

During the half year the following related-party transactions occurred:

- An Administration Fee of \$45,375 including GST was paid to Woolcott Corporate Development Pty Ltd, which is an entity associated with Director, Howard Woolcott.
- A Consulting Fee of \$25,208 including GST was paid to Fiducia Estate Agents Pty Ltd, which is an entity associated with Director Mr. Benjamin Doyle.

Note 7: Events Subsequent to Reporting Date

On 11th January 2011 the company announced an extension to the closing dates of its Rights Issues, which was originally announced to the market on 24th December 2010. This extension is due to the impact of extreme weather which occurred in Queensland during January 2011.

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 2010 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 stylized flourish at the end.

Howard Woolcott
Director

Dated this 24th day of February 2011

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

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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@au.gt.com
W www.grantthornton.com.au

We have reviewed the accompanying half-year financial report of Property Fox No. 2 Limited and its controlled entity ("consolidated entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, 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 entities 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 consolidated entity 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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report 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 consolidated entity's financial position as at 31 December 2010 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 the consolidated entity, 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 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 the Group is not in accordance with the Corporations Act 2001, including:

- 1 Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- 2 Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Director, Audit & Assurance

Brisbane, Dated 24 February 2011