



**BBX PROPERTY INVESTMENT FUND LIMITED**

**ABN 17 118 847 108**

**ANNUAL REPORT**

**2005-06**

## CORPORATE DIRECTORY

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BBX PROPERTY INVESTMENT FUND LIMITED  
ACN 118 847 108

Registered Office:	Level 5, 20 George Street Hornsby NSW 2077
Telephone:	+61 (2) 9476 6655
Fax:	+61 (2) 9476 6402
Email:	<a href="mailto:Bbxpropertyfund@ebbx.com">Bbxpropertyfund@ebbx.com</a>
Web address:	<a href="http://www.ebbx.com">www.ebbx.com</a>
Directors:	Simon Touma (Chairman) Tim Creasy Barry Dawes Michael Touma
Secretary:	Christopher Millard
Auditors:	Hall Chadwick Level 29 31 Market Street Sydney NSW 2000
Banker:	ANZ Banking Group Ltd Blacktown Commercial Banking Centre Shop 11, 67 Main Street Blacktown NSW 2148
Share Registry:	Registeries Limited Level 2, 29 Margaret Street Sydney NSW 2000
Stock Exchange Listing:	BBX Property Investment Fund Limited shares are listed on the Newcastle Stock Exchange. NSX Code: BPI
Annual General Meeting:	Thursday, 23 November 2006 at 11.30 am at Simbiosi, 11 Talavera Road, North Ryde.

## CHAIRMAN'S MESSAGE

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27 September 2006

Dear Shareholders

It is with great pleasure that I can advise you on behalf of the directors of BBX Property Investment Fund Limited ("BBX Property Fund" and the "Company"), that the Company's initial capital raising closed successfully having raised in excess of \$4 million and the ordinary shares are now listed on the Newcastle Stock Exchange (NSX).

This Company, hailed by *The Australian* newspaper in its business section as "pioneering" in its use of both cash and barter currency for property investment is indeed a world first and has successfully passed its first hurdle.

The BBX Property Fund is a unique opportunity for investors to participate in the acquisition of apartments and units at a cyclical low point in the market. On the east coast of Australia, there is currently an oversupply of quality stock. This situation has developed because most investors have turned their backs on the market, although many of the fundamentals such as occupancy rates and yields remain strong.

A number of studies, particularly relating to the metropolitan areas of Sydney, have documented that if the present depressed levels of new project approvals persist there will be a shortage of 2 and 3 bedroom accommodation within two years, forcing up rentals and hence the yields in this investment sector.

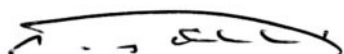
BBX are in good company listing this fund now as it has been documented in the press that a number of big investment institutions have launched funds to invest in residential real estate or announced plans to do so.

Prior to the close of our fundraising, the Board of Directors had already identified a number of property opportunities where the vendors are prepared to sell multiple units within various quality developments and accept 30% of the consideration as an investment in the BBX Property Fund. We are in the lucky position of having had these opportunities brought to us by vendors who are getting increasingly frustrated by a lack of sales.

We now have to carefully assess the best of these projects. All transactions will be supported by licensed valuations and will meet the rigorous investment criteria set out in the prospectus.

We look forward to keeping you informed of our progress and being able to facilitate further investment from BBX members and the general public. This unique investment option is designed to facilitate wealth creation and retirement saving strategies.

Yours sincerely,



SIMON TOUMA  
CHAIRMAN

## ABOUT THE BBX PROPERTY FUND

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BBX Property Investment Fund Limited ("BBX Property Fund") forms part of the BBX group of companies, which is headed by BBX Holdings Limited (ACN 089 221 634), an ASX listed company (ASX:BBX).

The BBX Property Fund will list on the Newcastle Stock Exchange (NSX) and has been established with a number of objectives in mind:

- To take advantage of the current over-supply that exists in respect to certain sectors of the residential apartments market in both Australia and New Zealand;
- To offer tax effective investment opportunities for investors and superannuation funds;
- To provide investment opportunities for the general public, as well as new and existing members of the BBX Exchange.

Those who study the property market will know that, at the present time, there is an over-supply of residential properties, particularly apartments, town houses and similar in most areas. Demand remains low and buyers aren't being attracted to the market even though yields are generally strong.

In many cases developers are burdened by significant holding costs (interest payments) and pressure is likely to be brought to bear by their banks and other financiers to finalise the loan facilities provided for their building projects.

Through its trade exchange operation BBX will enter into agreements with a number of developers to acquire all or some of their properties by using BBX trade dollar currency used by the Exchange to fund part of the purchase price.

BBX can also provide interest-free overdrafts to qualifying members for working capital and for investment in property, which is a unique feature to the trade exchange.

The fund will invest in a diverse and fully managed portfolio of residential property and it can, if structured properly, be an investment for superannuation funds.

The BBX Property Fund has a significant amount of available property on offer and, following the successful listing on the NSX, will begin the process of identifying the most suitable properties on offer.

This will be undertaken through a team of independent experts, who will provide assistance in the areas of property selection, valuation, leasing, inspection and maintenance, prior to any formal offers being made.

It is expected that the capital raising will place the company in a strong position to capitalise on these existing and emerging opportunities in the Australian and New Zealand property markets. Of particular interest will be property located in high demand regions, including holiday destinations.

As the market moves inevitably from a cyclical low point, it is expected that improving yields, already firming in the Sydney market, will lead to stabilising and then rising capital values, with consequent benefit to shareholders.

In the meantime, properties acquired by the BBX Property Fund will be placed under management and will generate income from both short and long-term letting.

## **DIRECTORS REPORT**

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Your directors present their report on the company for the financial period ended 30 June 2006.

### **Directors**

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

Simon Touma	(Appointed on 17 March 2006)
Tim Creasy	(Appointed on 17 March 2006)
Barry Dawes	(Appointed on 17 March 2006)
Michael Touma	(Appointed on 17 March 2006)

Each of the above directors were in office for the entire reporting period and remain in office at the date of this Annual Report.

### **Company Secretary**

The following person held the position of company secretary at the end of the financial period:

Christopher Millard – Dip Law (BAB). Christopher was appointed Company Secretary on [insert] March 2006. Christopher has been a qualified legal practitioner since 1994, specialising in commercial law and commercial litigation. He is also Legal Counsel for the BBX Group of Companies.

### **Principal Activities**

The principal activity of the Company during the period was the establishment and management of the BBX Property Investment Fund.

### **Operating Results**

The consolidated profit of the Company economic entity after providing for income tax and eliminating minority equity interests amounted to \$12,314.

### **Dividends Paid or Recommended**

No dividends were paid or declared during the financial period and no recommendation is made for payment of any dividends.

### **Review of Operations**

The financial statements show a net profit for the Company for the period ended 30 June 2006 after income tax, of \$12,314.

### **Financial Position**

The net assets of the Company as at 30 June 2006, are \$12,315.

### **Significant Changes in State of Affairs**

The Company was registered on 17 March 2006.

The Company became an unlisted public company on 26 May 2006.

## DIRECTORS REPORT

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### Adoption of Australian Equivalents to IFRS

This annual financial report has been prepared under Australian equivalents to IFRS.

### After Balance Date Events

The following significant changes in the state of the affairs of the Company occurred since 30 June 2006:

On 17 August 2006, the Company was admitted to the Official list of the Newcastle Stock Exchange (NSX) following the successful offering and placement of 1,035,382 ordinary shares and 3,080,744 "B" class shares.

### Future Developments

The Company is currently investigating the opportunities currently available to invest the funds raised in the IPO and will make further announcements once those decisions have been made.

### Environmental Regulation

The operations of the Company are not subject to any particular or significant regulation under any law of the Commonwealth of Australia or any of its states or territories or any law of any country in which the economic entity operates.

The Company is not aware of any breaches of any environmental regulations.

### Information on Directors

Directors in office at the date of this report are:

<b>Simon Touma</b>	-	Chairman and Non-Executive Director	
Qualifications	-	Licensed Real Estate Agent	
Experience	-	Appointed Director and Chairman on 17 March 2006. The principal of Peter A. Simon Real Estate Pty Ltd, having been with that Company for 30 years.	
Other Directorships	-	Current Directorships	Nil
	-	Former Directorships of Listed Entities in last 3 years:	Nil
Interest in Shares	-	Nil	

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**DIRECTORS REPORT**

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<b>Michael Touma</b>	-	Non-Executive Director
Qualifications	-	Certified Trade Broker
Experience	-	Appointed a Director on 17 March 2006. Founder and Managing Director of the BBX Group of Companies since 1993.
Other Directorships	-	Current Directorships of Listed Entities:  - Director, BBX Holdings Limited  Former Directorships of Listed Entities in last 3 years: Nil
Interest in shares	-	

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<b>Barry Dawes</b>	-	Non-Executive Director
Qualifications	-	B. Sc. (Syd), FAusIMM (CP), MSDIA
Experience	-	Appointed Director on 17 March 2006. Barry is the Managing Director of Martin Place Securities Pty Limited
Other Directorships	-	Current Directorships of Listed Entities:  - Director, Proactive Energy Developments Limited  - Director, Superior Coal Limited  Former Directorships of Listed Entities in last 3 years:  -  -
Interest in Shares	-	

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<b>Tim Creasy</b>	-	Non-Executive Director
Qualifications	-	Chartered Accountant
Experience	-	Appointed Director on 17 March 2006. Practised as an Accountant for 24 years, including as a partner of Tregloans, Chartered Accountants, for 15 years. Tim is a Director and the Chief Financial Officer of BBX Holdings Limited.
Other Directorships	-	Current Directorships of Listed Entities  - Director, BBX Holdings Limited  Former Directorships of Listed Entities in last 3 years: Nil

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**DIRECTORS REPORT****Directors Meetings**

Director	Date Appointed	Date Retired/ Resigned	Full Board Meetings	
			A	B
Tim Creasy	17.03.06	-	4	4
Barry Dawes	17.03.06	-	4	4
Michael Touma	17.03.06	-	4	4
Simon Touma	17.03.06	-	4	4

A = Number of Meetings attended by Director

B = Number of Meetings held during the time when the Director held office or was a member of the Committee during the year.

**REMUNERATION REPORT****Remuneration Policy**

The Company does not currently employ any person. The Company has appointed BBX Funds Management Pty Limited to manage the Fund. Accordingly, it is not anticipated that the Company will employ any person in the foreseeable future.

**Details of remuneration for year ended 30 June 2006**

No remuneration has been paid to the directors during the financial period ended 30 June 2006. It is anticipated that directors will be paid fees from 1 January 2007.

**Options issued as part of remuneration for the year ended 30 June 2006**

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

**Employment contracts of directors and senior executives****Directors, Officers and Auditors Indemnifications**

The Company has not, during or since the financial period, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.



## DIRECTORS REPORT

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### Corporate Governance

The Company's Board of Directors are responsible for the direction of the Company and supervising the management services provided by BBX Funds Management Pty Limited.

The Board is currently reviewing all corporate governance principles and will in the upcoming months:

1. Adopt a Board Charter that clearly defines the Board's duties, responsibilities and functions and ensures that:
  - (a) the Company is run in an efficient and ethical manner;
  - (b) principles of good corporate governance are adopted and implemented;
  - (c) integrity in financial reporting is safeguarded;
  - (d) the rights and interests of shareholders are respected.
2. Establish an Audit Committee.
3. Establish written policies and procedures to ensure compliance with the disclosure requirements of the NSX Listing Rules.
4. Establish written policies on risk management and oversight.

### Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with the leave of the Court under section 237 of the Corporations Act 2001.

### Non-audit Services

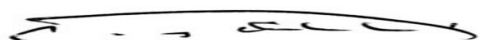
The Company's external auditors, Hall Chadwick, did not provide non-audit services to the Company during the reporting period.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2006 has been received and can be found on page 10 of this Annual Report.

### Directors' Resolution

This Directors' Report has been made in accordance with a resolution of directors.



Simon Touma

Chairman

Hornsby

29 September 2006



Michael Touma

Director

**BBX PROPERTY INVESTMENT FUND LIMITED**  
**ABN 17 118 847 108**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF BBX PROPERTY INVESTMENT FUND LIMITED**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney NSW 2000



**DREW TOWNSEND**

Partner

Date: 29 September 2006

**Sydney**  
Level 29  
St Martins Tower  
31 Market Street  
Sydney 2000  
New South Wales  
  
GPO Box 3555  
SYDNEY NSW 2001  
or  
DX 1451 Sydney  
  
Telephone: (02) 9263 2600  
Facsimile: (02) 9263 2800  
Email: hcsydneyinfo@hall  
chadwick.com.au

**Penrith**  
Telephone: (02) 4721 8144  
Facsimile: (02) 4721 8155

**Partners**  
Robert Elliott  
Geoffrey McDonald  
Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy

**Associates**  
Steven Gladman  
Mitchell Ball  
Blair Pleash

National Association  
Hall Chadwick

**Other Independent firms in:**  
Melbourne  
Brisbane  
Adelaide  
Gold Coast  
Perth



**INCOME STATEMENT FOR PERIOD ENDED 30 JUNE 2006**

	<b>Note</b>	<b>2006</b>
		<b>\$</b>
Revenue from ordinary activities		-
Other income		-
Changes in inventories of finished goods		-
Profit /(Loss) before income tax		-
Income tax expense relating to ordinary activities	2	12,314
Profit attributable to members of the company		12,314

**BALANCE SHEET AS AT 30 JUNE 2006**

	<b>Note</b>	<b>2006 \$</b>
<b>ASSETS</b>		
Other current assets	6	219,192
<b>TOTAL CURRENT ASSETS</b>		<u>219,192</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables		1
Deferred tax assets	7	12,314
Intangible assets		-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>12,315</u>
<b>TOTAL ASSETS</b>		<u><u>231,507</u></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	8	55,075
<b>TOTAL CURRENT LIABILITIES</b>		<u>55,075</u>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	8	164,117
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>164,117</u>
<b>TOTAL LIABILITIES</b>		<u>219,192</u>
<b>NET ASSETS</b>		<u><u>12,315</u></u>
<b>EQUITY</b>		
Issued capital	9	1
Accumulated losses		12,314
<b>TOTAL EQUITY</b>		<u><u>12,315</u></u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2006**

The Company	Note	Share Capital	Retained	Total
		Ordinary	Profits	
		\$	\$	\$
<b>At the date of incorporation</b>		-	-	-
Shares issued during the period.	1	-	-	1
Profit attributable to members of the company.	-		12,314	12,314
<b>Balance at 30.6.2006</b>		1	12,314	12,315

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENT FOR PERIOD ENDED 30 JUNE 2006**

	Note	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers		-
Payments to suppliers and employees		-
Interest received		-
Sundry income received		-
Borrowing costs		-
Income tax paid		-
Net cash provided by operating activities	12a	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment and intangibles		-
Purchase of property, plant and equipment		-
Purchase of investments		-
Purchase of intangibles		-
Net cash provided by investing activities		-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares		-
Proceeds from borrowings		-
Repayment of borrowings		-
Net cash provided by financing activities		-
Net increase/(decrease) in cash held		-
Cash at 1 July 2005		-
Cash at 30 June 2006		-

The accompanying notes form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

BBX Property Investment Fund Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of BBX Property Investment Fund Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in its 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.

#### **Basis of Preparation**

##### *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

BBX Property Investment Fund has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

The accounting policies set out below have been consistently applied to the period presented.

##### *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 non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **(a) Income Tax**

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax 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.

#### **(b) Financial Instruments**

##### **Recognition**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### **(c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(d) Accounting Period**

The results for the period ended 30 June 2006 cover the period from 17 March 2006 (being the date of incorporation) to 30 June 2006



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

	<b>Note</b>	<b>2006 \$</b>
Note 2: Income Tax Expense		
a. The components of tax expense comprise:		
Current tax		
Deferred tax	2	(12,314)
Over provision in respect of prior years		-
		<hr/> (12,314) <hr/>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)		-
Add:		
Tax effect of:		
— Non-allowable items		-
		<hr/> -
Less:		
Tax effect of:		
— Prepaid equity raising expenditure		(12,314)
Income tax attributable to entity		<hr/> (12,314) <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

**NOTE 3: KEY MANAGEMENT PERSONNEL COMPENSATION**

- a. **Names and positions held of the company key management personnel in office at any time during the financial period are:**

**Key Management Person Position**

Simon Touma	Non-Executive Director
Michael Touma	Non-Executive Director
Barry Dawes	Non-Executive Director
Tim Creasy	Non-Executive Director

- b. **Compensation Practices**

The Company does not currently employ any person. The Company has appointed BBX Funds Management Pty Limited to manage the Fund. Accordingly, it is not anticipated that the Company will employ any person in the foreseeable future.

No remuneration has been paid to the directors during the financial year ended 30 June 2006.

The Company currently has no bonus reward or incentive payment schemes.

No options have been issued to directors.

**NOTE 4: AUDITORS' REMUNERATION**

Auditors' remuneration for the period had been provided for in the parent entity, BBX Holdings Limited's account.

**NOTE 5: EARNINGS PER SHARE**

There is no meaningful EPS calculation given the fact that there is only 1 unit of ordinary share as at 30 June 2006

**NOTE 6: OTHER ASSETS**

**CURRENT**

Public listing cost	205,225
GST receivables	13,967
	<hr/> 219,192 <hr/>

**NOTE 7: DEFERRED TAX ASSETS**

Deferred tax assets comprise:

Prepaid equity raising expenditure	<hr/> 12,314 <hr/>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

**NOTE 8: TRADE AND OTHER PAYABLES**

	<b>2006</b>
	<b>\$</b>
<b>CURRENT</b>	
Sundry payables and accrued expenses	55,075
<b>NON-CURRENT</b>	
Barter System (trade exchange deficit)	123,839
Director related company	40,278
	<u>164,117</u>

**NOTE 9: ISSUED CAPITAL**

1 fully paid ordinary shares	1	-
	<u>1</u>	
	<b>2006</b>	
	<b>No.</b>	
<b>Ordinary shares</b>		
At the beginning of reporting period	-	
Shares issued on 9 May 2006 at \$1-00	1	
At reporting date	<u>1</u>	

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**NOTE 10: SEGMENT REPORTING**

The Company operates in one business segment, being the establishment and management of the BBX Property Investment Fund.

**NOTE 11: CONTINGENT LIABILITY**

There were no contingent liabilities at balance date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006**

**NOTE 12: CASH FLOW INFORMATION**

	<b>2006 \$</b>
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>	
Profit after income tax	-
Future income tax benefit applicable	(12,314)
Changes in assets and liabilities	
Decrease/(increase) in prepayments and other	(219,192)
(Decrease)/increase in trade creditors and accruals	<u>219,192</u>
Cashflow from operations	<u><u>-</u></u>

**NOTE 13: EVENTS AFTER THE BALANCE SHEET DATE**

The following significant matters have arisen since the end of the half-year:

On 17 August 2006, the Company was admitted to the Official list of the Newcastle Stock Exchange (NSX) following the successful offering and placement of 1,035,382 ordinary shares and 3,080,744 "B" class shares.

**NOTE 14: RELATED PARTY TRANSACTIONS**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

Transactions with related parties:

- (i) Current account balances with related parties

**Payables**

BBX Management Ltd (Aust)	<u><u>40,278</u></u>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE**

**NOTE 15: FINANCIAL INSTRUMENTS**

**a. Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	<b>Fixed Interest Rate Maturing</b>					<b>Total</b>
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	1 to 5 years	Non Interest Bearing	
	2006	2006	2006	2006	2006	2006
	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash and cash equivalents		-	-	-	-	-
Receivables		-	-	-	-	-
Short-term investment		-	-	-	-	-
<b>Total Financial Assets</b>		-	-	-	-	-
<b>Financial Liabilities:</b>						
Trade and sundry payables		-	-	-	219,192	219,192
<b>Total Financial Liabilities</b>		-	-	-	219,192	219,192

**b. Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement in the statement of financial position and notes to the financial statement.

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE**

**NOTE 15: FINANCIAL INSTRUMENTS**

**c. Net Fair Value**

Where applicable the net fair value of term debtors and fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The net fair values of unlisted investments where there is no organised financial market has been based on an assessment of the underlying net assets or discounted cash flows of that investment.

Where applicable the net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For Forward exchange contracts the net fair value is the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities.

The net fair value for interest rate swaps would be the present value of the future net interest cash flows.

For other assets and other liabilities the assessed net fair value approximates their carry value.

**NOTE 16: COMPANY DETAILS**

The registered office of the company is:

Level 5, 20 George Street, Hornsby NSW 2077

The principal places of business are:

Level 5, 20 George Street, Hornsby NSW 2077

## **DIRECTORS' DECLARATION**

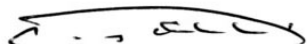
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 24, are in accordance with the *Corporations Act 2001* and:
  - 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 2006 and of the performance for the period ended on that date of the company.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial period comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial period give a true and fair view;
3. In the director's 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.

On behalf of the Board.

## **DIRECTORS' DECLARATION**



Simon Touma

Chairman



Michael Touma

Director

Hornsby

29 September 2006

**BBX PROPERTY INVESTMENT FUND LIMITED**  
**ABN 17 118 847 108**  
**INDEPENDENT AUDIT REPORT TO**  
**THE MEMBERS OF BBX PROPERTY INVESTMENT FUND LIMITED**

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for BBX Property Investment Fund Limited, for the period ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit Approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 11 of the financial report has not changed as at the date of providing our audit opinion.

**Audit Opinion**

In our opinion, the financial report of BBX Property Investment Fund Limited is in accordance with:

- a. the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the period ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney, NSW 2000



**DREW TOWNSEND**

Partner

Date: 29 September 2006

**Sydney**

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Sydney 2000  
New South Wales

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**Partners**

Robert Elliott  
Geoffrey McDonald  
Drew Townsend  
David Kenney  
Richard Albarra  
Gino Malacco  
Paul Leroy

**Associates**

Steven Gladman  
Mitchell Ball  
Blair Pleash

National Association  
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Gold Coast  
Perth



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**SHAREHOLDER INFORMATION****Unquoted B Class Shares**

Number of Shares Held	Total Holders	Number of Units	%
1 – 1,000	0	0	0.000
1,001 – 5,000	5	16,800	0.545
5,001 – 10,000	58	463,844	15.056
10,001 – 100,000	52	1,709,200	55.480
100,001 and over	4	890,900	28.918
<b>Total</b>	<b>119</b>	<b>3,080,744</b>	<b>100.000</b>

**Twenty Largest Security Holders – B Class Shares**

Name	Number Held	% of Issued Shares
Vincent Chan & Helen Chan	320,000	10.387
R Elliott & Associates Pty Limited	280,000	9.089
Gary Kurzer & Virginia Aghan	160,000	5.194
Cuthbert Superannuation Pty Limited	130,900	4.249
Fast Edge Holdings Pty Limited	100,000	3.246
Moisture Cure Pty Limited	80,000	2.597
Touma Investments Pty Limited	80,000	2.597
Dennis Rutzou & Joan Rutzuo	80,000	2.597
Y's Choice Financial Solutions Pty Limited	80,000	2.597
Keendex Wholesale Pty Limited	80,000	2.597
Kingleck Pty Limited	70,000	2.272
Sharon Davson	64,000	2.077
Peter Grant	60,000	1.948
Chain Holdings Pty Limited	40,000	1.298
Seand Wand & Robyn Wand	40,000	1.298
Sean Wand & Robyn Wand (S & R Wand Super fund)	40,000	1.298
Jan Sokolski	40,000	1.298
Regal Apartments Pty Limited	40,000	1.298
Arcadia Acceptance Co Pty Limited	40,000	1.298
Lime Australia Pty Limited	40,000	1.298
<b>Total</b>	<b>1,864,900</b>	<b>60.534</b>

All 3,080,744 B Class shares in the Company are unquoted

**SHAREHOLDER INFORMATION**

The Shareholder Information set out below was applicable at 25 September 2006.

**Distribution of Equity Securities – Fully Paid Ordinary Shares**

Number of Shares Held	Total Holders	Number of Units	%
1 – 1,000	1	1	0.000
1,001 – 5,000	91	239,656	23.147
5,001 – 10,000	17	139,500	13.473
10,001 – 100,000	11	306,225	29.576
100,001 and over	1	350,000	33.804
<b>Total</b>	<b>121</b>	<b>1,035,382</b>	<b>100.000</b>

**Twenty Largest Security Holders – Full Paid Ordinary Shares**

Name	Number Held	% of Issued Shares
Martin Place Securities Nominees Pty Limited	350,000	33.804
Vincent Chan & Helen Chan	80,000	7.727
Gary Kurzer & Virginia Aghan	40,000	3.863
Cuthbert Superannuation Pty Limited	32,725	3.161
Fast Edge Holdings Pty Limited	25,000	2.415
Moisture Cure Pty Limited	20,000	1.932
Dennis Rutzou & Joan Rutzuo (Super Fund)	20,000	1.932
Y's Choice Financial Solutions Pty Limited	20,000	1.932
Keendex Wholesale Pty Limited	20,000	1.932
Michael Timoney	17,500	1.690
Sharon Davson	16,000	1.545
Peter Grant	15,000	1.449
Chain Holdings Pty Limited	10,000	0.966
Sean Wand & Robyn Wand	10,000	0.966
Jan Zygmunt Sokolski	10,000	0.966
Regal Apartments Pty Limited	10,000	0.966
Arcadia Acceptance Co Pty Limited	10,000	0.966
Lime Australia Pty Limited	10,000	0.966
Sean Wand & Robyn Wand (S & R Wand Super Fund)	10,000	0.966
Graham Lewis & Lyall Lewis	8,000	0.773
Corwell Pty Limited	8,000	0.773
Tanya Bright	8,000	0.773
Donald Dent & Suzanne Dent	8,000	0.773
<b>Total</b>	<b>758,225</b>	<b>73.231</b>

All 1,035,282 Ordinary Shares in the Company are listed on the Newcastle Stock Exchange (NSX).

## SHAREHOLDER INFORMATION

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### Voting Rights

The voting attaching to each class of equity securities are set out below:

#### Ordinary Shares

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote;
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for a share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

#### B Class Shares

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote;
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for a share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.