



**BBX PROPERTY INVESTMENT FUND LIMITED**

**ABN 17 118 847 108**

**ANNUAL REPORT**  
**2007**

## **CORPORATE DIRECTORY**

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

Registered Office:	Level 5, 20 George Street Hornsby NSW 2077
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Email:	bbxpropertyfund@ebbx.com
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Directors:	Simon Touma (Chairman) Tim Creasy Barry Dawes Michael Touma
Secretary:	Don Fearon
Auditors:	Robert Nielson Partners Level 7, 280 George Street Sydney NSW 2000
Solicitors:	Shad Legal Services 61 Rickard Road Bankstown NSW 2200
Banker:	ANZ Banking Group Ltd
Share Registry:	Registries Limited Level 2, 29 Margaret Street Sydney NSW 2000
Stock Exchange Listing:	BBX Property Investment Fund Limited shares are listed on the National Stock Exchange NSX Code: BPI
Annual General Meeting:	Thursday, 22 November 2007

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## CHAIRMAN'S LETTER

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Dear Investor,

It is with great pleasure that I present to you on behalf of the directors the 2006/2007 Annual Report for BBX Property Investment Fund Limited (the "Property Fund" and the "Company"), an MIC entity set up specifically to allow you to invest in residential & commercial property in the capital cities and growth centres of Australia & New Zealand.

This investment has been a unique opportunity for investors to participate in the acquisition of apartments and units at a cyclical low point in the market. After several years of strong development there still exists in a number of key geographical areas an oversupply of quality accommodation. This situation has arisen because many individual investors lost confidence in the market although many of the fundamentals supporting such investments, for example occupancy rates and yields remained strong. In some cases those fundamentals are getting even stronger.

A number of studies, particularly relating to the metropolitan areas of Sydney, have documented that if the present low levels of new project approvals continue, a shortage of 2 and 3 bedroom family accommodation will become a serious issue within one to two years. It is this situation that has already forced up rentals and hence the net yields in a number of areas on the East Coast and elsewhere.

During the year your company has completed it's initial fundraising and embarked upon it's second. At the date of this report over \$15 million has been raised from investors. We have also completed the purchase of a number of properties, as detailed elsewhere in this report. Our website ([www.bbxpropertyfund.com](http://www.bbxpropertyfund.com)) includes all the details and is regularly updated.

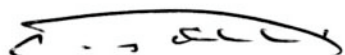
Your directors believe that patient investing in real estate will be rewarded as the market stabilises and values start to reflect the higher yields being achieved. Notwithstanding the fallout in capital markets around the world from the sub-prime mortgage lending debacle in the United States your directors are confident that Australian property will prove to be a sound investment over the medium to long term.

The Property Fund is presently listed on the National Stock Exchange and managed by BBX Funds Management Limited, a 50% owned subsidiary company of BBX Holdings Limited. In the short term we expect to announce plans to take the company on to the ASX as we put the strategies in place to get our shareholder base above 450.

The board and management of both the Property Fund and the Manager have significant experience in the property market, both identifying opportunities and management thereof. This is backed up by legal and financial expertise that should give investors every confidence that their investment will continue to be carefully and professionally managed.

On behalf of my fellow directors I commend this annual report for your consideration and look forward to your continued support.

Yours sincerely,



SIMON TOUMA

Chairman

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## **ABOUT THE BBX PROPERTY FUND**

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BBX Property Investment Fund Limited (the "Property Fund") is listed on the National 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 understand that there is an over-supply of residential properties, particularly apartments, town houses and similar in most eastern States. 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 being 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 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 been offered a significant amount of property to purchase and, following the successful listing on the NSX, has begun the process of identifying the most suitable properties on offer.

Some have already been acquired, others have contracts exchanged, and the Directors are researching other suitable properties for acquisition, especially following another fundraising that was successfully completed just after the end of the financial year.

It is expected that the capital raisings undertaken in 2006 and 2007 will place the company in a strong position to capitalise on 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.

NSW

Settled March 2007

**Total \$920,000**

- \$41,600 per annum total, gross.

Settled March 2007

**Total \$460,000**

**Total \$720,000**

- \$28,000 per annum total, gross.

Settled April 2007

**Total \$1,156,000**

- \$72,000 per annum total, gross.

Exchanged August 2007

**Total \$1,440,000**

- \$52,500 per annum total, gross.

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the governance of the company. The Board discharges its corporate governance obligations generally in accordance with the recommendations of the Australian National Audit Office published in *principles and Better Practices – Corporate Governance in Commonwealth Authorities and Companies*.

Clause 6.9 of the NSX Listing Rules requires “a statement of the main corporate governance practices that the issuer had in place during the relevant period”. The Board is mindful of the ASX’s *Principles of Good Corporate Government and Best Practice Recommendations*. Under those principles, where a company has not followed all of the recommendations, it must identify those that have not been followed and the reasons for so doing. NSX expects that the Board will consider what policies and procedures must be adopted to ensure:

- adoption of transparent corporate structures and operations, and
- application of risk management, control structures and Board accountability to shareholders.

Although NSX does not require slavish adherence to these principles, for the benefit of comparisons and for ease of reporting the Board is pleased to provide the information below.

The following table refers to each of the Principles recommended by the Australian Stock Exchange Governance Council. Where the Company complies with the principle during the reporting period “Yes” appears in the compliance column. Where the Company does not comply “No” appears in the compliance column and the reason for non-compliance is set out in the notes below. It should be noted that the Company does not directly employ any staff and its operations are outsourced. Most administrative functions are performed under contract by BBX Funds Management Limited which must comply with the policies and procedures approved by the Board.

Corporate Governance Principle	Recommendation	ASX Principle	Compliance	Note
Lay solid foundations for management and oversight	1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	
Structure the Board to Add Value	2.1	A majority of the Board should be independent directors.	No	(1)
	2.2	The Chairperson should be an independent director.	Yes	
	2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same person.	Yes	
	2.4	The Board should establish a Nomination Committee.	No	(2)
Promote ethical and responsible decision making	3.1	Establish a code of conduct to guide the directors, the chief executive officer, the chief financial officer any other key executives to:		
		3.1.1 the practices necessary to maintain confidence in the company’s integrity;	Yes	
		3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
	3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	No	(5)
Safeguard integrity in financial reporting	4.1	Require the chief executive officer and chief financial officer to state in writing to the board 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 and are in accordance with the relevant accounting standards.	Yes	
	4.2	The Board should establish an audit committee.	No	(3)
	4.3	Structure the audit committee so that it consists of:		
		only non executive directors	Yes	
		a majority of independent directors;	No	(3)

		an independent chairperson, who is not chairperson of the board; at least three members.	No Yes	(3)
	4.4	The audit committee should have a formal charter.	No	(5)
Make timely and balanced disclosure	5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	No	(4)
Respect the rights of shareholders	6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	
	6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	
Recognise and manage risk	7.1	The Board or appropriate board committee should establish policies on risk oversight and management.	Yes	
	7.2	The chief executive officer and the chief financial officer (or equivalent) should state to the board in writing that		
	7.2.1	the statement give in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	Yes	
	7.2.2	the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	
Encourage enhanced performance	8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	No	(5)
Remunerate fairly and responsibly	9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits to those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	(2)
	9.2	The Board should establish a remuneration committee.	No	
	9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	
	9.4	Ensure that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	
Recognise the legitimate interests of stakeholders	10.1	Establish a formal Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	

- (1) Two Directors are also Directors of BBX Management Limited ACN 059 341 758 and another is a Director of BBX Funds Management Limited ACN 075 730 719. The Board is comprised of four directors. The Board so decided having regard to the nature and size of the company, its business and stage of development. The diverse background and experience of each of the Directors is such that they are capable of acting in an independent manner and in the best interests of shareholders.
- (2) The Board decided, given that there are four directors on the Board, it is impractical to establish this committee. The Board as a whole is responsible for ensuring implementation of the company's policies in this area.
- (3) The Board carefully considered the functions of the Audit Committee during the year in relation to the company's operations and decided, because of the composition of the Board and the wide experience of the individual directors, it is preferable for the Board as a whole to form the Audit Committee.
- (4) Not applicable.
- (5) This is yet to be considered by the Board.



## DIRECTORS REPORT

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

### Directors

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

Simon Touma

Tim Creasy

Barry Dawes

Michael Touma

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

### Company Secretary

The Company Secretary at the end of the financial year is Donald Fearon LLB(Macq) LLM(Syd) MEL(Syd). Mr Fearon was appointed Company Secretary in April 2007. He has practised as a legal practitioner since 1983, mainly in commercial law. He is also Corporate Counsel for the BBX Group of Companies.

### Principal Activities

The principal activity of the Company during the period is management of the BBX Property Investment Fund.

### Operating Results

The consolidated loss of the economic entity after providing for income tax and eliminating minority equity interests is \$273,327. For the last year there was a profit of \$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.

### Financial Position

The net assets of the Company as at 30 June 2007 are \$11,416,797.

Cash Position:	2007	2006
	\$	\$
Net increase in cash held:	738,839	0
Cash at 1 July:	0	0
Cash at 30 June:	738,839	0
Net Movement in trade dollars:	9,078,993	(123,839)
Trade dollar at 1 July:	(123,839)	0
Trade dollar at 30 June:	8,955,154	(123,839)

## DIRECTORS REPORT

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### Significant Changes in State of Affairs

#### After Balance Date Events

Contracts on a number of investment properties, as detailed elsewhere in this report, have been exchanged since 30 June 2007.

The Company issued a Prospectus for further fundraising. This closed on 23 July 2007 having exceeded the minimum subscription sought. Refer Shareholder Information for details of total shares issued following this offer.

### Future Developments

It is expected that the Company will continue to purchase selected properties as and when suitable opportunities arise.

### 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	-	8,000 ordinary; 100,000 class 'B'; Simon & Eileen Touma P/L Super Fund.	

<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	-	6,000 ordinary; 197,000 class 'B'; M & M Touma Super Fund	

**Barry Dawes**

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:	Nil
Interest in Shares	-	7,500 ordinary; Barry Dawes and Dronkay P/L.	
		Related entities – 472,500 ordinary; 200,000 class 'B'	

**Tim Creasy**

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	
		Director, Digislide Holdings Limited	
	-	Former Directorships of Listed Entities in last 3 years:	Nil
Interest in shares	-	6,000 ordinary; 358,000 class 'B', R Elliott & Associates P/L as trustee for T Creasy Super Fund.	

**REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of BBX Property Investment Fund Limited.

**Remuneration Policy**

The Company does not currently employ any person other than the four directors. The Company has appointed BBX Funds Management Pty Limited to manage the Fund. It is not anticipated that the Company will employ any additional person in the current year.

## DIRECTORS REPORT

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The remuneration policy of the Company has been designed to align director objectives with shareholder objectives by providing a fixed remuneration. The Board is of the view that the remuneration policy is appropriate given the Company's present size and position.

### Directors Fees 2007

	Directors' Fees
Simon Touma	\$26,665
Michael Touma	\$34,665
Barry Dawes	\$26,665
Tim Creasy	\$34,665

The directors do not receive any other benefits other than those disclosed above.

### Options issued as part of remuneration for the year ended 30 June 2007

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

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 Meetings

Director	Date Appointed	Board Meetings 01.07.2006 - 30.06.2007	
		A	B
Tim Creasy	17.3.06	9	9
Barry Dawes	17.3.06	9	7
Michael Touma	17.3.06	9	9
Simon Touma	17.3.06	9	8

A - Number of meetings held

B - Number of meetings attended

### **Corporate Governance**

The Company's corporate governance statement appears at pages 7 and 8 of this Annual Report.

### **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.

The company was not a party to any such proceedings during the year.

### **Non-audit Services**

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

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

### **Auditor's Independence Declaration**

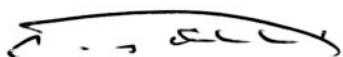
The auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 14 of the directors' report.

### **Rounding of Amounts**

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

### **Directors' Resolution**

This Directors' Report has been made in accordance with a resolution of directors dated 28 September 2007.



Simon Touma - Chairman



Michael Touma - Director

Hornsby

28 September 2007

chartered accountant  
business advisors

**AUDITORS INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF BBX PROPERTY INVESTMENT FUND LIMITED  
AND ITS CONTROLLED ENTITIES**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

1. no contraventions of the auditor independence requirements as set out in 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

**Robert Nielson Partners**



**Robert Nielson**

Date 28 September 2007

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue from ordinary activities	2	28,644	-	16,364	-
Other income	2	29,057	-	29,001	-
Directors fee		(111,509)	-	(111,509)	-
Share registration expense		(12,921)	-	(12,921)	-
Management fee		(134,550)	-	(134,550)	-
Interest paid		(39,016)	-	(4,127)	-
Other expenses		(20,718)	-	(9,750)	-
Profit /(Loss) before income tax		(261,013)	-	(227,492)	-
Income tax expense relating to ordinary activities	3	(12,314)	12,314	(12,314)	12,314
Profit attributable to members of the company		(273,327)	12,314	(239,806)	12,314



**BALANCE SHEET AS AT 30 JUNE 2007**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	738,849	-	716,944	-
Trade and other receivables	8	280,000	-	280,000	-
Other current assets	9	368,587	219,192	368,587	219,192
<b>TOTAL CURRENT ASSETS</b>		<b>1,387,436</b>	<b>219,192</b>	<b>1,365,531</b>	<b>219,192</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	8	19,395	1	21,823	1
Investment property	10	3,356,864	-	1,137,876	-
Financial assets	11	-	-	50,100	-
Other financial assets	13	8,955,154	-	8,955,154	-
Deferred tax assets	14	-	12,314	-	12,314
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,331,413</b>	<b>12,315</b>	<b>10,164,953</b>	<b>12,315</b>
<b>TOTAL ASSETS</b>		<b>13,718,849</b>	<b>231,507</b>	<b>11,530,484</b>	<b>231,507</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	62,202	55,075	61,867	55,075
Financial liabilities	16	742,000	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>804,202</b>	<b>55,075</b>	<b>61,867</b>	<b>55,075</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	15	18,409	40,278	18,299	40,278
Financial liabilities	16	1,479,441	-	-	-
Other financial liabilities	13	-	123,839	-	123,839
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,497,850</b>	<b>164,117</b>	<b>18,299</b>	<b>164,117</b>
<b>TOTAL LIABILITIES</b>		<b>2,302,052</b>	<b>219,192</b>	<b>80,166</b>	<b>219,192</b>
<b>NET ASSETS</b>		<b>11,416,797</b>	<b>12,315</b>	<b>11,450,318</b>	<b>12,315</b>
<b>EQUITY</b>					
Issued capital	17	11,677,810	1	11,677,810	1
Accumulated gain/(losses)		(261,013)	12,314	(227,492)	12,314
<b>TOTAL EQUITY</b>		<b>11,416,797</b>	<b>12,315</b>	<b>11,450,318</b>	<b>12,315</b>



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007**

<b>Economic Entity</b>	<b>Note</b>	<b>Share Capital Ordinary</b>	<b>Retained Profits</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<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>		<b>1</b>	<b>12,314</b>	<b>12,315</b>
Balance at 1.7.2006		1	12,314	12,315
Shares issued during the year		12,233,889	-	12,233,889
Cost of share issue		(556,080)	-	(556,080)
Loss attributable to members of entity		-	(273,327)	(273,327)
<b>Balance at 30.6.2007</b>		<b>11,677,810</b>	<b>(261,013)</b>	<b>11,416,797</b>

<b>Parent Entity</b>	<b>Note</b>	<b>Share Capital Ordinary</b>	<b>Retained Profits</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<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>		<b>1</b>	<b>12,314</b>	<b>12,315</b>
Balance at 1.7.2006		1	12,314	12,315
Shares issued during the year		12,233,889	-	12,233,889
Cost of share issue		(556,080)	-	(556,080)
Loss attributable to members of entity		-	(239,806)	(239,806)
<b>Balance at 30.6.2007</b>		<b>11,677,810</b>	<b>(227,492)</b>	<b>11,450,318</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		28,644	-	16,364	-
Payments to suppliers and employees		(562,357)	-	(260,359)	-
Interest received		29,057	-	29,001	-
Finance costs		(39,916)	-	(4,127)	-
Net cash used by operating activities	19a	(544,572)	-	(219,121)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(2,352,036)	-	(477,951)	-
Net cash used by investing activities		(2,352,036)	-	(477,951)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		1,414,016	-	1,414,016	-
Proceeds from borrowings		2,221,441	-	-	-
Net cash provided by financing activities		3,635,457	-	1,414,016	-
			-		-
Net increase/(decrease) in cash held		738,849	-	716,944	-
Cash at 1 July		-	-	-	-
Cash at 30 June		738,849	-	716,944	-

This cashflow statement only includes payments and receipts in cash dollars and does not include BBX trade dollar transactions.

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 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*.

The financial report covers the economic entity of BBX Property Investment Fund Limited and controlled entities, and BBX Property Investment Fund Limited as an individual parent entity. BBX Property Investment Fund Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of BBX Property Investment Fund Limited and controlled entities, and BBX Property Investment Fund Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **Basis of Preparation**

##### *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) Principles of Consolidation*

A controlled entity is any entity BBX Property Investment Fund Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

##### **(b) 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

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

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.

**(c) Property**

Freehold land and buildings are shown at their 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, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

**(d) Financial Instruments**

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.

**-Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

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

**-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.

**-Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**-Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**-Financial liabilities**

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

**-Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**-Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

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

#### **(e) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(f) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

#### **(g) BBX Trade Dollars**

The group has completed various transactions in BBX Trade Dollars during the year and certain assets and liabilities at year end are denominated in BBX Trade Dollars. These transactions and balances have been converted on the basis of one BBX Trade Dollar for one currency unit in each of the countries that the group operates.

#### **(h) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### **(i) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

#### **(j) 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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**(k) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(l) Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in Note 21 have been rounded off to the nearest \$1,000.

The financial report was authorised for issue on the 28 September 2007 by the board of directors

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 2 REVENUE**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Ordinary operating activities					
— Rental income		28,644		16,364	
— Interest received		29,057		29,001	
Total revenue		57,701		45,365	

**NOTE 3. INCOME TAX EXPENSE**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
a. The components of tax expense comprise:					
Current tax		-	-	-	-
Deferred tax	14	(12,314)	12,314	(12,314)	12,314
		(12,314)	12,314	(12,314)	12,314

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 2 REVENUE**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<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% (2006: 30%)				
—	economic entity	(78,303)	-	-	-
—	parent entity	-	-	(68,248)	-
		<hr/>		<hr/>	
		(78,303)	-	(68,248)	-
Add:					
Tax effect of:					
—	Non-recognised deferred tax assets from current year loss	78,303	-	68,248	-
—	Reversal of deferred tax asset arising from prepaid equity raising expenditure in previous year.	(12,314)	12,314	(12,314)	12,314
		<hr/>		<hr/>	
	Income tax attributable to entity	(12,314)	12,314	(12,314)	12,314



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 4: 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 Chairman
Michael Touma	Executive Director
Barry Dawes	Non-Executive Director
Tim Creasy	Executive Director

- b. Compensation Practices

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

The directors' remuneration has been included in the Remuneration Report section of the Directors' Report.

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

No options have been issued to directors.

**NOTE 5: AUDITORS' REMUNERATION**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	4,850	-	4,850	-
	<u>4,850</u>	<u>-</u>	<u>4,850</u>	<u>-</u>

**NOTE 6: EARNINGS PER SHARE**

There is no meaningful EPS calculation given the fact that the company incurred loss for the year ended 30 June 2007.

**NOTE 7: CASH AND CASH EQUIVALENTS**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank and in hand	738,849	-	716,944	-
	<u>738,849</u>	<u>-</u>	<u>716,944</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 8: TRADE AND OTHER RECEIVABLE**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Other receivables	280,000	-	280,000	-
	280,000	-	280,000	-
NON CURRENT				
Other related entities	19,395	1	21,823	1
	19,395	1	21,823	1

**NOTE 9: OTHER CURRENT ASSETS**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Prepayment	13,300	-	13,300	-
Deposit	212,000	-	212,000	-
Public listing cost	-	205,225	-	205,225
GST receivables	143,267	13,967	143,267	13,967
Other	20	-	20	-
	368,587	219,192	368,587	219,192

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 10: INVESTMENT PROPERTY**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Balance at beginning of year	-	-	-	-
Acquisitions	3,356,864	-	1,137,876	-
Fair value adjustments	-	-	-	-
Balance at end of year	3,356,864	-	1,137,876	-
Rental income received from investment properties	28,644	-	16,364	-
Direct operating expenses of investment properties	18,487	-	2,363	-
Contractual obligations to purchase investment properties	2,109,000	-	2,109,000	-

All investment properties were acquired during the year and have been recorded at cost.

After initial recognition the fair value model will be applied to all investment properties. Investment properties will be independently revalued at least tri-annually, values will be based on an active liquid market value and be performed by a registered independent valuer.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 11: FINANCIAL ASSETS**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
a. Available-for-sale Financial Assets				
Comprise				
Unlisted investments, at cost	-	-	50,100	-
Total available-for-sale financial assets	-	-	50,100	-

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

**NOTE 12: CONTROLLED ENTITIES**

a. Controlled Entities Consolidated				
	Country of Incorporation	Percentage Owned (%)		
		2007	2006	
Parent Entity:				
BBX Property Fund Investment Ltd	Australia	-	-	
Ultimate Parent Entity				
Subsidiary of BBX Property Fund Investment Ltd				
BBX Residential Pty Ltd	Australia	100%	NA	

**NOTE 13: OTHER FINANCIAL ASSETS/LIABILITIES**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
OTHER FINANCIAL ASSETS				
Barter IT (Barter Trade Exchange Account)	3,982,366	-	3,982,366	-
Barter IT (Barter Share Issue Account)	4,972,788	-	4,972,788	-
	8,955,154	-	8,955,154	-
OTHER FINANCIAL LIABILITIES				
Barter IT (Barter Share Issue Account)	-	123,839	-	123,839
	-	123,839	-	123,839

The above assets and liabilities are denominated in BBX Trade Dollars

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 14: DEFERRED TAX ASSETS**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Deferred tax assets comprise:				
Prepaid equity raising expenditure	-	12,314	-	12,314
	-	12,314	-	12,314

Deferred tax assets not brought to account the benefits of which will only be realised if the conditions for deductibility set out in Note1 (b) are met

- temporary differences	12,314	-	12,314	-
- Current year tax losses	78,303	-	68,248	-

**NOTE 15: TRADE AND OTHER PAYABLES**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Sundry payables and accrued expense	62,202	55,075	61,867	55,075
	62,202	55,075	61,867	55,075
NON CURRENT				
Other related entities	18,409	40,278	18,299	40,278
	18,409	40,278	18,299	40,278

**NOTE 16: FINANCIAL LIABILITIES**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Bank loans	742,000	-	-	-
	742,000	-	-	-
NON CURRENT				
Bank loans	1,479,441	-	-	-
	1,479,441	-	-	-

The bank loans are secured by mortgages over property assets held by the company.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 17: ISSUED CAPITAL**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
1,762,358 Fully paid ordinary shares (2006:1 share)	1,762,358	1	1,762,358	1
Cost of issuing ordinary shares	(273,279)	-	(273,279)	-
10,471,532 Fully paid B Class shares (2006:1 share)	10,471,532	-	10,471,532	-
Cost of issuing B Class shares	(282,801)	=	(282,801)	=
	11,677,810	1	11,677,810	1

	2007 No.	2006 No.	2007 No.	2006 No.
a. <b>Ordinary shares</b>				
At the beginning of reporting period	1	1	1	1
Shares issued during the year				
— at \$1 each	1,762,357	-	1,762,357	-
b. <b>B class shares</b>				
At the beginning of reporting period	-	-	-	-
Shares issued during the year				
— at \$1 each	10,471,532	-	10,471,532	-
At reporting date	12,233,890	1	12,233,890	1

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

B Class shares have rights identical to those of the ordinary shares save and except as follows:

- they do not participate in dividend distributions.
- they cannot be traded on the stock exchange.

**NOTE 18: SEGMENT REPORTING**

The Company operates in one business segment, being investment in property.

**NOTE 19: CONTINGENT LIABILITY**

There were no contingent liabilities at balance date.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 19: CASH FLOW INFORMATION**

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
a. <b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>	(273,327)	12,314	(239,806)	12,314
Profit after income tax				
Future income tax benefit applicable	12,314	(12,314)	12,314	(12,314)
Changes in assets and liabilities				
Decrease/(increase) in other debtors	105,198	-	400,000	-
Decrease/(increase) in prepayments and other	(374,014)	(219,192)	(376,443)	(219,192)
(Decrease)/increase in trade creditors and accruals	(14,743)	219,192	(15,186)	219,192
Cashflow from operations	(544,572)	-	(219,121)	-
b. <b>Non-cash Financing and Investing Activities</b>				
i.				
1. Purchase of property	1,004,828	-	659,926	-
2. Proceeds from share issue	10,188,731	-	10,188,731	-
3. Shares in BBX Residential Pty Ltd	-	-	50,100	-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE**

No significant matters have arisen since the end of the financial year.

**NOTE 21: 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

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
(i) Transactions with related parties:				
Rental income received from Priced2Clear Pty Ltd	16,364	-	16,364	-
(ii) Current account balances with related parties				
<b>Receivables</b>				
Priced2Clear Pty Ltd	18,000	-	18,000	-
BBX Holdings Ltd	1	1	1	1
BBX Funds Management Pty Ltd	1,394	-	1,394	-
BBX Residential Pty Ltd	-	-	2,429	-
<b>Payables</b>				
BBX Management Ltd	18,409	40,278	18,299	40,278



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

## NOTE 22: 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:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 years		Non Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets:</b>												
Cash and cash equivalents			739								739	-
Other financial assets									8,955		8,955	-
Receivables									443	14	443	14
<b>Total Financial Assets</b>			739						9,398	14	10,137	14
<b>Financial Liabilities:</b>												
Trade and sundry payables									81	95	81	95
Other financial liabilities										124		124
Bank loans	7.65	0			742		1,479				2,221	-
<b>Total Financial Liabilities</b>					742		1,479		81	219	2,302	219

## 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 of financial position and notes to the financial statements.

## 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.

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, where applicable, 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, where applicable, 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.

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

**NOTE 23: 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**

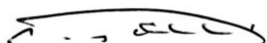
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 34, 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 2007 and of the performance for the period ended on that date of the company.
2. The Chief Executive Officer and Chief Financial 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.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board.



Simon Touma  
Chairman



Michael Touma  
Director

Hornsby  
28 September 2007



**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF BBX PROPERTY INVESTMENT FUND LIMITED**

**Scope**

**Report on the Financial Report**

We have audited the accompanying financial report comprising the income statement, the balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for BBX Property Investment Fund Limited (the company) and BBX Property Investment Fund Limited and its Controlled Entities (the consolidated entity) for the year ended 30 June 2007. The consolidated entity comprises both the company and the entities it controlled at the year's end or from time to time during the financial year.

**The financial report and the directors' responsibility**

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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud and 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 the financial statements comply with International Financial Reporting Standards in their entirety.

**Audit Approach**

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 judgment, 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 evaluation 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

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

### **Audit Opinion**

In our opinion,

(a) the financial report of BBX Property Investment Fund Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting interpretations) and with the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Robert Nielson Partners**

A handwritten signature in black ink, appearing to be 'RN' followed by a long horizontal stroke.

**Robert Nielson**

**Date 28 September 2007**

**SHAREHOLDER INFORMATION**

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The Shareholder Information set out below was applicable at 2August 2007.

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

Number of Shares Held	Total Holders	Number of Units	%
1 – 1,000	1	1	0.00
1,001 – 5,000	277	684,106	27.82
5,001 – 10,000	41	341,295	13.88
10,001 – 100,000	26	803,901	32.69
100,001 and over	2	630,000	25.61
<b>Total</b>	<b>347</b>	<b>2,459,303</b>	<b>100.00</b>

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

Name	Number Held	% of Issued Shares
Martin Place Securities Nominees Pty Limited	350,000	14.23
O'Mara Investments Pty Ltd	332,000	13.50
Vincent & Helen Chan (V & H Chan Super Fund)	180,000	7.32
WHI Securities Pty Limited	100,000	4.07
Cuthbert Superannuation Pty Ltd (Cuthbert Super Fund)	42,725	1.74
Gary Kurzer & Virginia Aghan (Big Feats Super Fund)	40,000	1.63
Dennis Rutzou & Joan Rutzuo (Cinque Super Fund)	40,000	1.63
Luceille Outhred (Jolu Super Fund)	39,000	1.58
Michael Timoney (Timoney Super Fund)	37,500	1.52
South Sydney District RLFC Limited	30,000	1.22
Luigi Incampo	30,000	1.22
Radesharp Pty Ltd (Pillay Family Super Fund)	28,000	1.14
Anthony & Deborah Terranova (Terranova Power S/Fund)	27,271	1.11
Fast Edge Holdings Pty Ltd (Super Fund Account)	25,000	1.02
Keendex Wholesale Pty Ltd (Super Fund Account)	20,000	0.81
Moisture Cure Pty Ltd	20,000	0.81
George Gilbert Trott	20,000	0.81
Y's Choice Financial Solutions Pty Ltd	20,000	0.81
Sharon Davson	16,000	0.65
Arcadia Acceptance Pty Ltd	15,000	0.61
<b>Total</b>	<b>1,412,496</b>	<b>57.43</b>

All 2,459,303 Ordinary Shares in the Company are listed on the National Stock Exchange (NSX).

**SHAREHOLDER INFORMATION**

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**Distribution of Equities - Unquoted Fully Paid 'B' Class Shares**

Number of Shares Held	Total Holders	Number of Units	%
1 – 1,000	0	0	0.00
1,001 – 5,000	6	21,800	0.17
5,001 – 10,000	71	573,784	4.56
10,001 – 100,000	135	5,340,542	42.44
100,001 and over	19	6,649,688	52.83
<b>Total</b>	<b>231</b>	<b>12,585,814</b>	<b>100.00</b>



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

Name	Number Held	% of Issued Shares
O'Mara Investments Pty Ltd	2,122,000	16.86
Alan Guthrie (Al-Mara Family Account)	1,000,000	7.94
Victor & Helen Chan (V & H Chan Super Fund)	820,000	6.51
R Elliott & Associates Pty Ltd (T.J. Creasy Super Fund)	358,000	2.84
Luceille Outhred (Jolu Super Fund)	351,000	2.79
Luigi Incampo	300,000	2.38
Dennis & Joan Rutzou (Cinque Super Fund)	280,000	2.22
Anthony & Deborah Terranova (Terranova Power S/Fund)	272,729	2.17
Cuthbert Superannuation Pty Ltd (Cuthbert Super Fund)	230,900	1.83
Martin Place Securities Nominees Pty Ltd	200,000	1.59
George Gilbert Trott	200,000	1.59
South Sydney District RLFC Limited	180,000	1.43
Gary Kurzer & Virginia Aghan (Big Feats Super Fund)	160,000	1.27
Robert Knuckey & Christine Lowder	150,000	1.19
Michael Timoney (Timoney Super Fund)	150,000	1.19
Radessharp Pty Ltd (Pillay Family Super Fund)	126,000	1.00
Daralush Mktg & Dist Pty Ltd (Freeman Superannuation Fund)	125,000	0.99
Just Suzi Robdau Pty Ltd (Super Fund Account)	120,000	0.95
Michael & Mireille Touma ( M & M Touma Super Fund)	117,000	0.93
Khodair Nominees Pty Ltd	110,000	0.87
<b>Total</b>	<b>7,372,629</b>	<b>58.58</b>

## **Voting Rights**

The voting attaching to each class of equity securities is 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.