BBX PROPERTY INVESTMENT FUND LIMITED
ABN 17 118 847 108

ANNUAL REPORT

2010 FINANCIAL YEAR

CORPORATE DIRECTORY

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

Registered Office:	916 Pacific Highway Gordon NSW 2072
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Email:	bbxpropertyfund@ebbx.com
Web address:	www.ebbx.com
Directors:	Tim Creasy Barry Dawes Michael Touma Carolin Macdonald
Secretary:	Tim Creasy
Auditors:	Robert Nielson Partners Level 7, 280 George Street Sydney NSW 2000
Solicitors:	Shad Legal Services 61 Rickard Road Bankstown NSW 2200
Banker:	Commonwealth Bank of Australia
Share Registry:	Registries Limited Level 7, 207 Kent 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:	25 October 2010.

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CHAIRMAN'S LETTER

Dear Shareholder,

It is with pleasure that I present to you on behalf of the directors the 2009/2010 Annual Report for BBX Property Investment Fund Limited (the "Property Fund" and the "Company").

During a difficult year your company has completed its fourth fundraising and embarked upon its fifth. At the date of this report over $18 million has been raised from investors. We have also been active trying to complete the purchase of further properties but have been unable to obtain finance due to the global financial crisis. Since the 30th June, 2010 two properties at Wollongong have been sold in order to raise cash for expansion and reduce debt. The two industrial units at Mt. Druitt are for sale to reduce debt.

Your directors continue to believe that patient investing in real estate will be rewarded when the market stabilises and values start to reflect lower interest rates and the higher yields being achieved. Once again this year I can reaffirm that despite the difficulties in capital markets around the world from the global financial crisis your directors are of the view that Australian property will prove to be a sound investment over the medium to long term. We wish we could have bought a lot more in the last 2 years. There have been very good opportunities available with a 30% BBX component but no finance could be obtained to complete the deals.

The Property Fund is presently listed on the National Stock Exchange and managed by BBX Funds Management Pty. Limited, formerly a 50% owned subsidiary company of BBX Holdings Limited. We are still pursuing plans to take the company on to the ASX as our shareholder base is now comfortably over 500. Those plans have been set back due to factors beyond our control but we are confident of a successful outcome.

It is to be hoped the present economic circumstances will give us the opportunity to invest more of our BBX currency as developers drive deals to clear slow moving stock. We continue to find that the banks and other lenders are still reluctant to lend but the market has shown signs or returning to normality.

On behalf of my fellow directors I commend this annual report for your consideration and look forward to your continued support as we strive to complete further property purchases.

Yours sincerely,

MICHAEL TOUMA

Chairman

ABOUT THE BBX PROPERTY FUND

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 over-supply that exists in respect to certain areas of the residential apartments market in both Australia and New Zealand;
- To offer tax effective investment opportunities for BBX investors and superannuation funds of BBX members;
- To provide property investment opportunities for new and existing members of the BBX Exchange.
-

Those who study the property market will understand that there is a modest over-supply of residential properties, particularly apartments, town houses in some areas of the eastern States. The first home owners grant provided a short term boost but this is now over.

In some cases developers are burdened by significant holding costs (interest payments) and pressure is being brought to bear by their banks and other financiers to clear 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.

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.

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.

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 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;	No	(3)
		at least three members.	Yes	
	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	
	9.2	The Board should establish a remuneration committee.	No	(2)
	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) One Director is also a Director of BBX Management Limited ACN 138 311 547 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.

Your directors present their report on the company for the financial period ended 30 June 2010.

Directors

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

Simon Touma (resigned 19/02/2010)
Tim Creasy
Barry Dawes
Michael Touma
Carolin MacDonald
Each of the directors was in office for the entire reporting period except Simon Touma who resigned in late 2009 to pursue other business interests.

Company Secretary

The Company Secretary, Mr Tim Creasy was appointed Company Secretary in 2008. He is a Chartered Accountant.

Principal Activities

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

Operating Results

The consolidated loss of the economic entity after providing for income tax and eliminating minority equity interests is $4,226,375. This amount includes an accounting impairment charge against the carrying value of BBX trade dollars of $3,856,348 without which the company would have recorded a loss of $370,027. For the last financial year there was a loss of $385,509.

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 2010 are $12,034,431.

Cash Position:	2009	2010
	$	$
Net increase in cash held:	(54,657)	(65,385)
Less Reallocation to Non Current	-	(227,131)
Cash at 1 July:	430,070	375,413
Cash at 30 June:	375,413	82,897
Net Movement in trade dollars:	2,305,027	180,922
Less Impairment Charge	-	(3,856,348)
Trade dollar at 1 July:	10,368,544	12,673,571
Trade dollar at 30 June:	12,673,571	8,998,145

Significant Changes in State of Affairs

There has been no significant change in the state of affairs of the company since 30th June, 2010 until the date of this report and the directors are not aware of any change in circumstances that is likely to adversely affect the trading position of the company. The Company did not issue a Prospectus for further fundraising. However a total of 47,150 ordinary and 223,000 B shares were placed in June 2010 to 15 shareholders

After Balance Date Events

Contracts on a number of investment properties are being pursued but none have been exchanged since 30 June 2010. Two properties at Wollongong have been sold and settled in the September quarter.

Future Developments

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

Information on Directors
Directors in office at the date of this report are:

Michael Touma	-	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: - Nil Former Directorships of Listed Entities in last 3 years: BBX Holdings Ltd.
Interest in shares	-	203,000 ordinary shares, M & M Touma Super Fund, 58,116 ordinary shares Touma Family

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, Uranium Exploration Australia Limited - Director, Superior Coal Limited
	-	Former Directorships of Listed Entities in last 3 years: Nil
Interest in Shares	-	12,500 ordinary; Barry Dawes and Dronkay P/L. Related entities – 1,022,500 ordinary;

Tim Creasy	-	Non-Executive Director
Qualifications	-	Chartered Accountant
Experience	-	Appointed Director on 17 March 2006. Practiced as an Accountant for 24 years, including as a partner of a Chartered Accounting firm for 15 years. Tim is the Chief Financial Officer of the BBX Group.

Other Directorships	-	Current Directorships of Listed Entities - Nil
	-	Former Directorships of Listed Entities in the last 3 years: BBX Holdings Ltd. and Digislide Holdings Ltd.
Interest in shares	-	361,000 ordinary shares, R. Elliott & Associates P/L as trustee for T J Creasy Super Fund.
Carolin Macdonald	-	Non-Executive Director
Qualifications	-	Certified Trade Broker
Experience	-	Carolin is currently Chief Operating Officer of BBX responsible for day to day operations. Being a licensed real estate agent, Carolin also runs the BBX Real Estate Division and manages the properties in the BBX Property Investment Fund. Carolin has been an Executive Director of BBX for over 12 years, she is a Certified Trade broker and a Justice of the Peace for New South Wales.
Other Directorships	-	Current Directorships of Listed Entities - Nil
	-	Former Directorships of Listed Entities in last 3 years: BBX Holdings Ltd.
Interest in shares	-	64,701 ordinary, S & C Macdonald Superannuation 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 five 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.

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
Simon Touma	$25,756
Michael Touma	$31,908
Barry Dawes	$24,544
Tim Creasy	$34,074
Carolin MacDonald	$24,544

Approximately half of these amounts were paid in BBX trade dollars. The directors do not receive any benefits other than those disclosed above. The payment of directors' fees was suspended after 31 March, 2010 for all directors other than Tim Creasy in order to reduce the overheads of the company.

Options issued as part of remuneration for the year ended 30 June 2010

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.
- Environmental Legislation
- The group's operations are not subject to any significant environmental regulations under the laws of the Commonwealth or a State.

Directors Meetings

Director	Date Appointed	Board Meetings 01.07.2009 - 30.06.2010	
		Number of Meetings Held	Number of Meetings Attended
Tim Creasy	17.3.06	8	8
Barry Dawes	17.3.06	8	8
Michael Touma	17.3.06	8	8
Simon Touma	17.3.06	8	8
Carolin MacDonald	18.12.07	8	8

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

No non-audit services were provided by the auditing firm during the year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 13 of this report.

Directors' Resolution

This Directors' Report has been made in accordance with a resolution of directors dated 30 September, 2010.

Carolin Macdonald - Director

Michael Touma – Director

Gordon

Dated 30 September 2010

robertnielsonpartners
ABN 24 216 690 404
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rnp

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AUDITORS 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 year ended 30 June 2010 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 30 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	**2009**	**2010**	**2009**
Revenue from ordinary activities	2	318,441	297,511	225,760	201,198
Other income	2	6,558	18,815	6,558	18,815
Directors fee		(140,827)	(168,470)	(140,827)	(168,470)
Share registration expense		(29,733)	(26,058)	(29,733)	(26,058)
Management fee		(15,922)	(43,148)	(15,922)	(43,148)
Interest paid		(321,257)	(344,799)	(178,236)	(181,520)
Impairment of trade dollars		(3,856,348)	-	(3,836,604)	-
Unrealised loss on revaluation of share investments		-	-	(105,069)	(254,140)
Other expenses		(187,287)	(119,361)	(152,302)	(89,826)
Profit /(Loss) before income tax		(4,226,375)	(385,509)	(4,226,375)	(543,149)
Income tax expense relating to ordinary activities			-	-	-
Profit/(Loss) for the year		(4,226,375)	(385,509)	(4,226,375)	(543,149)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		(4,226,375)	(385,509)	(4,226,375)	(543,149)

	Note	2010	2009
Overall Operations			
Basic earnings per share (cents per share)	5	(23.75)	(3.7)
Diluted earnings per share (cps)	5	(23.75)	(3.7)

The accompanying notes from part of these accounts

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	82,897	375,413	62,733	347,763
Trade and other receivables	7	146,000	19,235	146,000	19,235
Trade dollar account	11	8,998,146	12,673,571	8,952,076	12,673,571
Other current assets	8	100,650	1,019	100,650	733
TOTAL CURRENT ASSETS		9,327,693	13,069,238	9,261,459	13,041,302
NON-CURRENT ASSETS					
Cash and cash equivalents	6	227,131	-	227,131	-
Trade and other receivables	7	1	280,726	1	12,272
Investment property	9	6,916,847	6,914,947	4,692,985	4,693,885
Financial assets	10	-	-	190,890	295,960
TOTAL NON-CURRENT ASSETS		7,143,979	7,195,673	5,111,007	5,002,117
TOTAL ASSETS		16,471,672	20,264,911	14,372,466	18,043,419
CURRENT LIABILITIES					
Trade and other payables	12	26,025	12,708	19,190	12,708
TOTAL CURRENT LIABILITIES		26,025	12,708	19,190	12,708
NON-CURRENT LIABILITIES					
Trade and other payables	12	1,651	144,194	132,802	144,194
Financial liabilities	13	4,409,565	4,401,636	2,186,043	2,180,144
TOTAL NON-CURRENT LIABILITIES		4,411,216	4,545,830	2,318,844	2,324,338
TOTAL LIABILITIES		4,437,241	4,558,538	2,338,035	2,337,046
NET ASSETS		12,034,431	15,706,372	12,034,431	15,706,373
EQUITY					
Issued capital	14	17,295,722	16,741,288	17,295,722	16,741,288
Accumulated (losses)		(5,261,291)	(1,034,916)	(5,261,291)	(1,034,916)
TOTAL EQUITY		12,034,431	15,706,372	12,034,431	15,706,372

The accompanying notes from part of these accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Economic Entity	Note	Share Capital Ordinary	Accumulated Losses	Total
		$	$	$
Balance at 1.7.2008		14,641,853	(649,407)	13,992,446
Shares issued during the year		2,187,650	-	2,187,650
Cost of share issue		(88,215)	-	(88,215)
Loss for the year		-	(385,509)	(385,509)
Balance at *30.6.2009*		16,741,288	(1,034,916)	15,706,372

Parent Entity	Note	Share Capital Ordinary	Accumulated Losses	Total
		$	$	$
Balance at 1.7.2008		14,641,853	(491,767)	14,150,087
Shares issued during the year		2,187,650	-	2,187,650
Cost of share issue		(88,215)	-	(88,215)
Loss for the year		-	(543,149)	(543,149)
Balance at *30.6.2009*		16,741,288	(1,034,916)	15,706,373

The accompanying notes from part of these accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Economic Entity	Note	Share Capital Ordinary	Accumulated Losses	Total
		$	$	$
Balance at 1.7.2009		16,741,288	(1,034,916)	15,706,372
Shares issued during the year		554,434	-	554,434
Loss for the year		-	(4,226,375)	(4,226,375)
Balance at *30.6.2010*		17,295,722	(5,261,291)	12,034,431

Parent Entity	Note	Share Capital Ordinary	Accumulated Losses	Total
		$	$	$
Balance at 1.7.2009		16,741,288	(1,034,916)	15,706,372
Shares issued during the year		554,434	-	554,434
Loss for the year		-	(4,226,375)	(4,226,375)
Balance at *30.6.2010*		17,295,722	(5,261,291)	12,034,431

The accompanying notes from part of these accounts

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010 $000	2009 $000	2010 $000	2009 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		239,203	297,511	83,417	201,198
Payments to suppliers and employees		(216,323)	(481,247)	(179,982)	(340,211)
Interest received		6,558	18,815	6,558	18,815
Finance costs		(301,590)	(360,552)	(188,921)	(184,178)
Net cash used by operating activities		(272,152)	(525,473)	(278,928)	(304,376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		-	(79,122)	-	(77,389)
Net cash used by investing activities		-	(79,122)	-	(77,389)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		149,767	546,150	149,767	46,150
Repayment of borrowings		(157,882)	-	(130,828)	-
Proceeds from borrowings		214,882	3,788	202,090	264,026
Net cash provided by financing activities		206,767	549,938	221,029	310,176
Net increase/(decrease) in cash held		(65,385)	(54,657)	(57,899)	(71,590)
Cash at 1 July	6	375,413	430,070	347,763	419,353
Cash at 30 June	6	310,028	375,413	289,864	347,763

This cash flow 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 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of BBX Property Investment Fund Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of BBX Property Investment Fund Limited as an individual parent entity. The financial report was adopted by the Directors of the Group on 30 September 2010.

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The group has completed various transactions denominated in BBX trade dollars during the year. Certain assets and liabilities at year end are recorded 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 in which the group operates.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which BBX Property Investment Fund Ltd has the power to govern the financial and operating policies of so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a June financial year-end.

At reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, 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.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 consolidated group 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) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *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 subsequently measured at amortised cost.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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 assesses 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.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Intangibles

-Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(h) Investment Property

Investment property is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined every three years by independent valuers. Changes to fair value are recorded in the statement of comprehensive income as other income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) BBX Trade Dollars

BBX currency unit adopted by the BBX Exchange in order to pass value between Member's accounts. It has par value with the currency of the country in which the exchange operates, for example, one BBX Trade Dollar (BBX$) equals one A$ in Australia. and one NZ$ in New Zealand.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. 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.

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

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition of properties are added to the cost of those properties.

(n) 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.

(o) Comparative Figures

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

(p) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

(q) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key judgments

(i) *Provision for Impairment of BBX Trade Dollar Account*

The BBX Trade Dollar balances have been impaired on the basis that each BBX Trade dollar has an equivalent cash value of $0.70 as calculated by Grant Thornton in their independent expert's report in relation to a buy back undertaken by BBX Holdings Limited . details of this report are available on the BBX Holdings Limited website

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Ordinary operating activities					
— Rental income		318,441	297,511	225,760	201,198
— interest received		6,558	18,815	6,558	18,815
Total Revenue		324,999	316,327	232,318	220,013

NOTE 3: KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Simon Touma	Non-Executive Chairman (resigned 19/02/2010)
Michael Touma	Executive Director
Barry Dawes	Non-Executive Director
Tim Creasy	Executive Director
Carolin MacDonald	Non-Executive Director

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

Key management personnel 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 4: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	16,290	14,235	16,290	14,235

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5: EARNINGS PER SHARE

		Consolidated Group	
		2010	**2009**
a.	Reconciliation of earnings to profit or loss		
	Profit/(loss)	(4,226,376)	(385,509)
	Profit/(loss) attributable to minority equity interest	-	-
	Redeemable and converting preference share dividends	-	-
	Earnings used to calculate basic EPS	(4,226,376)	(385,509)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS	(4,226,376)	(385,509)
b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit/(loss) from continuing operations	(4,226,376)	(385,509)
	Profit attributable to minority equity interest in respect of continuing operations	-	-
	Redeemable and converting preference share dividends	-	-
	Earnings used to calculate basic EPS from continuing operations	(4,226,376)	(385,509)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS from continuing operations	(4,226,376)	(385,509)
		No.	**No.**
c.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	17,795,724	10,419,162
	Weighted average number of options outstanding	-	-
	Weighted average number of converting preference shares on issue	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	17,795,724	10,419,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2090**
	$	**$**	**$**	**$**
CURRENT				
Cash at bank and in hand	82,897	375,413	62,733	347,763
	82,897	375,413	62,733	347,763
NON CURRENT				
Cash at bank and in hand	227,131	-	227,131	-
	227,131	-	227,131	-

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
CURRENT				
Trade debtors	66,000	19,235	66,000	19,235
Other entities	80,000	-	80,000	-
	146,000	19,235	146,000	19,235
NON CURRENT				
Other related entities	1	280,726	1	12,272

NOTE 8: OTHER CURRENT ASSETS

	Consolidated Group		Parent Entity	
	2010	**2009**	**2009**	**2009**
	$	**$**	**$**	**$**
Deposits	100,650	-	100,650	-
GST receivables	-	286	-	-
Other	-	733	-	733
	100,650	1,019	100,650	733

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9: INVESTMENT PROPERTY

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Balance at beginning of year	6,916,847	6,914,947	4,692,985	4,693,885
Balance at end of year	6,916,847	6,914,947	4,692,985	4,693,885
Rental income received from investment properties	318,441	297,511	232,318	201,198
Direct operating expenses of investment properties	91,937	69,024	71,089	52,796

All investment properties acquired 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.

NOTE 10: FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
a. Available-for-sale Financial Assets Comprise				
Shares in related parties, at cost	-	-	550,100	550,100
Accumulated impairment	-	-	(359,209)	(254,140)
Total available-for-sale financial assets	-	-	190,891	295,960

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11: TRADE DOLLAR ACCOUNT

	Consolidated Group		Parent Entity	
	2010 **$**	**2009** **$**	**2010** **$**	**2009** **$**
Barter IT (Barter Trade Exchange Account)	12,834,750	12,673,571	12,788,680	12,673,571
Accumulated impairment	(3,836,604)	-	(3,836,604)	-
	8,998,146	12,673,571	8,952,076	12,673,571

The above assets are denominated in BBX Trade Dollars

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2010 **$**	**2009** **$**	**2010** **$**	**2009** **$**
CURRENT				
Sundry payables and accrued expense	26,025	12,708	19,060	12,708
	26,025	12,708	19,060	12,708
NON CURRENT				
Other related entities	1,651	144,194	132,802	144,194
	1,651	144,194	132,802	144,194

NOTE 13: FINANCIAL LIABILITIES

	Consolidated Group		Parent Entity	
	2010 **$**	**2009** **$**	**2010** **$**	**2009** **$**
NON CURRENT				
Bank loans	4,409,565	4,401,636	2,186,043	2,180,144
	4,409,565	4,401,636	2,186,043	2,180,144

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 2010

NOTE 14: SHARE CAPITAL

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2010**
	$	**$**	**$**	**$**
16,844,059 Fully paid ordinary shares (2009 11,969,256 share)	16,844,059	11,969,256	16,844,059	11,969,256
Cost of issuing ordinary shares	(461,127)	(231,352)	(461,127)	(231,352)
1,373,917Fully paid B Class shares (2009 5,234,736)	1,373,917	5,234,736	1,373,917	5,234,736
Cost of issuing B Class shares	(461,127)	(231,352)	(461,127)	(231,352)
	17,295,722	16,741,288	17,295,722	16,741,288

	2010	**2009**	**2010**	**2009**
	No.	No.	No.	No.
a. Ordinary shares				
At the beginning of reporting period	11,969,256	5,283,950	11,969,256	5,283,950
Shares issued during the year				
— at $1 each	305,417	488,900	305,417	492,900
— convert from B class share	4,569,386	6,196,406	4,569,386	6,196,406
b. B class shares				
At the beginning of reporting period	5,234,736	10,299,092	5,234,736	10,147,542
Shares issued during the year				
— at $1 each	708,567	1,132,050	708,567	1,132,050
— convert to A class share	(4,569,386)	(6,196,406)	(4,569,386)	(6,196,406)
At reporting date	18,217,976	17,203,992	18,217,976	17,052,442

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.

Capital Management

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

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

There are no externally imposed capital requirements.

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

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

NOTE 15: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2010	**2009**
Subsidiaries of BBX Property Investment Fund Ltd:			
BBX Residential Pty Ltd	Australia	100%	100%

** Percentage of voting power is in proportion to ownership*

NOTE 16: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2010 **$**	**2009** **$**	**2010** **$**	**2009** **$**
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
(i) Transactions with related parties:				
Associated Companies				
Management fees paid to BBX Funds Management Pty Ltd	15,922	43,148	15,922	43,148
(i) Current account balances with related parties:				
Receivables				
BBX Holdings Ltd	1	1	1	1
BBX Funds Management Ltd	(1,651)	12,271	(1,651)	12,271

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Financial Assets					
Cash and cash equivalents	9	310,028	375,413	289,864	347,763
Financial assets at fair value through profit or loss					
— derivative instruments		-	-	-	-
— held for trading		-	-	-	-
		310,028	375,413	289,864	347,763
Loans and receivables	10	80,001	299,961	80,001	31,507
Available-for-sale financial assets:					
— at fair value					
– listed investments	13	-	-	-	-
– unlisted investments	13	-	-	190,890	295,960
Total available-for-sale financial assets	13	-	-	190,890	295,960
Total Financial Assets		390,029	675,374	560,755	675,230
Financial Liabilities					
Financial liabilities at amortised cost					
— Trade and other payables	18	-	156,902	-	156,902
— Borrowings	19	4,409,565	4,401,636	2,186,043	2,180,144
Total Financial Liabilities		4,409,565	4,558,538	2,186,043	4,558,538

Financial Risk Management Policies

Senior management has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. Senior management monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk.

Senior management's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The group is not exposed to any credit risk.

b. **Liquidity risk**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17: FINANCIAL RISK MANAGEMENT

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

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Consolidated Group	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Bank overdrafts and loans	-	-	-	-	4,409,565	2,186,043	4,409,565	2,186,043
Trade and other payables (excluding est. annual leave)	26,025	12,708	1,651	144,194	-	-	27,676	156,902
Total contractual outflows	26,025	12,708	1,651	144,194	4,409,565	2,186,043	4,437,241	2,342,945
less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	26,025	12,708	1,651	144,194	4,409,565	2,186,043	4,437,241	2,342,945
Financial assets — cash flows realisable								
Cash and cash equivalents	82,897	375,413	227,131	-	-	-	310,028	227,131
Trade, term and loans receivables	66,000	19,235	80,001	280,726	-	-	146,001	299,961
Total anticipated inflows	148,897	394,648	307,132	280,726	-	-	456,029	527,092
Net (outflow)/inflow on financial instruments	122,872	381,940	305,481	136,532	(4,409,565)	(2,186,043)	(3,981,212)	(1,815,853)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total contractual cash flow	
	2010	2009	2010	2009	2010	2009	2010	2009
Parent Entity	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Bank overdrafts and loans	-	-	-	-	2,186,043	2,180,144	2,186,043	2,180,141
Trade and other payables (excluding est. annual leave)	19,190	12,708	132,802	144,194	-	-	151,992	156,902
Total contractual outflows	19,190	12,708	132,802	144,194	2,186,043	2,180,144	2,338,035	2,337,043
less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	19,190	12,708	132,802	144,194	2,186,043	2,180,144	2,338,035	2,337,043
Financial assets — cash flows realisable								
Cash and cash equivalents	62,733	347,763	227,131	-	-	-	289,864	347,763
Trade, term and loans receivables	66,000	19,235	80,001	12,272	-	-	146,001	31,507
Total anticipated inflows	128,733	366,998	307,132	12,272	-	-	435,865	379,270
Net (outflow)/inflow on financial instruments	109,543	24,290	174,330	(131,922)	(2,186,043)	(2,180,144)	(1,902,170)	(1,957,773)

c. Market Risk

i. *Interest rate risk*

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

ii. *Foreign exchange risk*

The group is not exposed to any foreign exchange rate risk

iii. *Price risk*

The group is not exposed to any price risk.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities equate to their carrying values in the financial statements.

The fair values disclosed in the report have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

(ii) Term receivables generally reprice to a market interest rate every six months, and fair value therefore approximates carrying value.

(iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying values largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iv) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at the end of the reporting period used. In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(v) Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.

(vi) Quoted market prices at the end of the reporting period are used as well as valuation techniques incorporating observable market data relevant to the hedged position.

(vii) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.

(viii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

— quoted prices in active markets for identical assets or liabilities (Level 1);

— inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

— inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTE 18: SUBSEQUENT EVENTS

The following properties have been sold after balance date:

	Net Proceeds of Sale	Cost Base	Profit/(Loss)
13/12-14 Loftus St, Wollongong	390,000	395,234	(5,234)
15/12-14 Loftus St, Wollongong	399,000	400,610	(1,610)

In addition to the above settled properties, the Group is currently negotiating to sell the two commercial warehouses located at Mount Druitt, with a combined cost base of $1,138,875.

NOTE 19: COMPANY DETAILS

The registered office of the company is:

916 Pacific Hwy, Gordon NSW, 2072

The principal places of business are:

916 Pacific Hwy, Gordon NSW, 2072

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages15 to 32, 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 2010 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.

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

On behalf of the Board.

Carolin Macdonald
Director

Michael Touma
Director
Gordon
30 September 2010

robertnielsonpartners
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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 of BBX Property Investment Fund Limited and controlled entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2010, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ending on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the BBX Property Investment Fund Limited 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

Auditor's Responsibility

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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes 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

Qualification

The Statement of Comprehensive Income includes an impairment charge of $3,856,348 relating to the value of BBX Trade dollars held by the consolidated entity at 30 June 2010. The methodology on which this impairment charged is based is set out in Note 1 (q).

We disagree with the methodology used. We consider that the value of $0.70 cash calculated by an independent expert in relation to a buy back undertaken by BBX Holdings Limited is inappropriate because:-

- The valuation sought to provide a cash equivalent for the purpose of assessing the worth of consideration offered in the buy back. It did not consider the on-going value of the BBX Trade dollars to purchase goods and services.
- The consolidated entity has no intention of converting the BBX Trade dollar values into cash and therefore the imputed cash value is not relevant. It is probable that such a cash conversion would be impossible

We have prepared alternative calculations of fair value of the BBX Trade dollar balances based on the likely future ability of the consolidated entity to utilise BBX Trade dollars to purchase goods and services. In our opinion the fair value of the BBX Trade dollar balances held by the consolidated entity at 30 June 2010 is in the range of $969,794 to $1,024,024 which would result in an impairment charge in the range of $11,764,655 to $11,818,885.

Independence

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

Qualified Audit Opinion

In our opinion, except for the matter set out in the qualification paragraph above,

(a) the financial report of BBX Property Investment Fund Limited and its controlled entity 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 2010 and of its 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.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 10 and 11 of the report of the directors for the year ended 30 June 2010. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

In our opinion the Remuneration Report of BBX Property Investment Fund Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001*.

Robert Nielson Partners

Robert Nielson **Date** 30 September 2010

SHAREHOLDER INFORMATION
The Shareholder Information set out below was applicable at 30 September 2010 for all classes of shares.

Distribution of Equity Securities – Fully Paid Ordinary Shares

Number of Shares Held	Total Holders	Number of Units	%
1-1,000	15	7,950	0.044
1,001-5,000	218	452,279	2.483
5,001-10,000	107	947,766	5.202
10,001-100,000	194	7,189,316	39.463
100,001-99,999,999,999	33	9,620,665	52.809
Totals	567	16,003,559	100.000

TWENTY LARGEST SECURITY HOLDERS – FULL PAID ORDINARY SHARES

Name	Number Held	% of Issued Shares
BBX HOLDINGS LTD	1,643,458	9.021
MR VINCENT CHAN & MRS HELEN CHAN <V & H CHAN SUPER FUND A/C>	1,000,000	5.489
MRS MIREILLE TOUMA	659,886	3.622
CUTHBERT SUPERANNUATION PTY LTD <THE CUTHBERT SUPER FUND A/C>	525,000	2.882
MS LUCEILLE OUTHRED <JOLU SUPER FUND A/C>	490,000	2.690
WWW.EBBX.COM PTY. LTD.	479,042	2.630
BBX MANAGEMENT PTY LTD	454,000	2.492
MARTIN PLACE SECURITIES NOMINEES PTY LTD	352,500	1.935
MR DENNIS RUTZOU & MRS JOAN RUTZOU <CINQUE SUPER FUND A/C>	320,000	1.757
R ELLIOTT & ASSOCIATES PTY LTD <T J CREASY SUPER FUND A/C>	309,000	1.696
MR GEORGE GILBERT TROTT	220,000	1.208
SOUTH SYDNEY DISTRICT RUGBY LEAGUE FOOTBALL CLUB LTD	210,000	1.153
TATO PTY LTD <MCHENDY A/C>	206,000	1.131
MR GARY KURZER & MS VIRGINIA AGHAN <BIG FEATS SUPER FUND A/C>	200,000	1.098
NATTIA PTY LTD <SIT BACK & RELAX S/F A/C>	202,000	1.109
WHI SECURITIES PTY LIMITED <CROWN CREDIT CORPORATION A/C>	200,000	1.098
MR JOHN OUTHRED <JOLU SUPER FUND A/C>	200,000	1.098

MARTIN PLACE SECURITIES NOMINEES PTY LTD	200,000	1.098
MR KEVIN JAMES SOPER <DIGISLIDE SUPER FUND A/C>	200,000	1.098
RADESHAR PTYLTD	200,000	1.098
Total	8,270,886	45.400

All 17,485,859 Ordinary Shares in the Company are listed on the National Stock Exchange (NSX).
Substantial shareholders are as shown in the table above.
There are no unmarketable parcels.

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.