

# **BBX PROPERTY INVESTMENT FUND LTD**

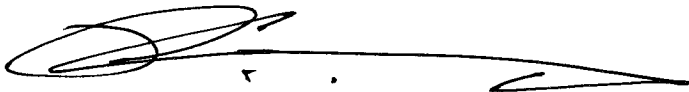
ACN 118 847 108

## **MARKET UPDATE VALUATION OF TRADE DOLLARS GRANT THORNTON REPORT**

The Directors of BBX Property Investment Fund Ltd. wish to advise the market that they have had the benefit of the attached report in relation to the valuation of BBX Trade Dollars.

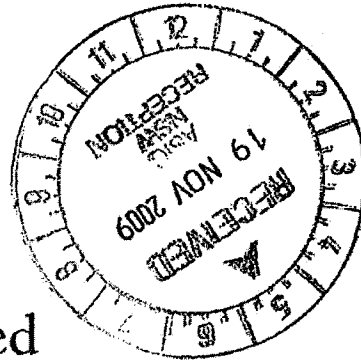
The report was prepared by Grant Thornton in November, 2009 for the directors of BBX Holdings Ltd. as part of the restructure of that company. On Page 51 it sets out a valuation range of between 50 and 70 cents per BBX trade dollar.

The 31 December, 2010 financial statements of the company contain various disclosures in relation to valuation issues and the views of the auditor, Robert Nielson. It is considered that those disclosures along with the Grant Thornton Report are sufficient for investors to come to an informed view about the valuation of Trade Dollars.



**TIM CREASY**  
Secretary

10/3/2011



## BBX Holding Limited

Independent Expert's Report and Financial Services Guide

18 November 2009

## 10 Valuation of BBX Trade Dollars offered for the Buy-back

In considering the value of the BBX Trade Dollars, we note that:

- there has been a material level of BBX Trade Dollar transactions over the past 5 years where BBX Trade Dollars have been exchanged for goods and services;
- the BBX Trade Dollars cannot be exchanged for cash;
- the BBX Trade Dollars can only be utilised on the BBX exchange or at businesses which accept the BBX credit card;
- BBX has experienced a very high level of write-offs in relation to overdrawn BBX trade dollar accounts;
- BBX has, in some instances where members have overdrawn accounts, accepted non-cash consideration in the form of goods (e.g. jewellery) and BBX PIF shares, in exchange for BBX trade dollars credited to the overdrawn accounts.
- the use of BBX Trade Dollars is limited to trade with other BBX members and business members;
- there are significant transaction costs associated with BBX trades;
- the BBX market is used by companies to sell goods at a BBX Trade Dollar price superior to the cash price which could have been achieved in the cash market; and
- based on the current and historical performance, the BBX operations have generated negative cash flows and accordingly there is uncertainty regarding the future of the manager of the BBX exchange if the current and future shareholders will not continue to support the BBX operations by additional capital inflows. Whilst the manager of the BBX Exchange does not own the BBX Exchange and a new manager can be appointed, there is uncertainty in relation to whether the operation of the BBX Exchange and the BBX Exchange in itself are economically viable in the medium/long term. Should the BBX exchange be discontinued, the BBX Trade Dollars would be expected to have nil value. We note that BBX's directors have historically provided financial support for BBX as required and as at 30 June 2009 BBX owed a total of \$699,000 to directors and related parties.

Given the above, we consider there to be significant uncertainty regarding the value of the BBX Trade Dollar generally.

In addition we consider it likely that there is a significant difference between the value of BBX Trade Dollars in the hands of an active BBX trader compared to a non BBX member or even an incidental user of the BBX platform. For the purposes of our report we have considered both values as set out below.

#### **10.1 Assessed value of BBX Trade Dollars to an active BBX member**

Additional factors we consider may be relevant to a BBX Trade Dollar in the hands of an active BBX member include:

- we would expect an active BBX member to be a regular consumer of goods or services available within the BBX platform; and
- an active BBX member may have a trade dollar overdraft account which must be repaid either using BBX Trade Dollars or cash.

For the purposes of our report we have assessed the value of a BBX Trade Dollar in the hands of an active BBX member to be in the range of \$0.50 to \$0.70 cash per BBX Trade Dollar. We note that in arriving at this range we have considered the following:

- all of the factors discussed above and in particular draw attention to the significant transaction costs to be incurred by the BBX member to use the BBX Dollars;
- the wider range of goods, services and suppliers available in the cash market; and
- the uncertainty regarding the future of the manager of the exchange.

We note that this assessed range reflects our assessment of the average value to active BBX members. Certain BBX members may be able to realise values below or above our assessed range.

#### **10.2 Assessed value of BBX Trade Dollars to a non BBX member**

We consider the value of a BBX Trade Dollar in the hands of a non BBX member would be significantly lower than in the hands of an active BBX member, having had particular regard to the inability to exchange BBX Trade Dollars for cash and our estimate of the value a non BBX member would place on BBX Trade Dollars. For the purposes of our report we have assessed a range in the order of \$nil to \$0.40 cash per BBX Trade Dollar in the hands of a non BBX member.

We have been instructed by BBX that if a BBX shareholder elects to receive trade dollars and is not currently a BBX member, BBX will waive the initial joining membership fee for those BBX shareholders

#### **10.3 Assessed of the fair market value of the BBX Trade Dollars**

For the purposes of our report we must assess the 'fair market value' of the BBX Trade Dollars.

We note that the concept of 'fair market value' does not incorporate any special value, being any additional value that may accrue to a particular purchaser, such as an active BBX member. As set out above, we would expect that the value that may be realised by specific purchaser, such as an active BBX member, may be in excess of the fair market value of the BBX Trade Dollars.

We have been instructed by BBX that approximately 640 of the 670 participants (96%) of the participants in the IPO were also BBX members at that time. The Directors of BBX have represented to us that the current proportion of BBX shareholders who are also BBX members as at the date of this report is not materially different from the date of the IPO. Whilst this is a very high proportion of BBX shareholders, we cannot be certain that all BBX shareholders are also BBX members.

Accordingly, for the purposes of our report we have adopted the value of BBX Trade Dollars in the hands of a non BBX member as the fair market value, being in the range of \$nil to \$0.40 cash per BBX Trade Dollar.

Whilst we have assessed this range for the purposes of fair market value for our valuation, we note that BBX members may be able to realise a superior value for the BBX Trade Dollars.

#### 10.4 Assessed fair market value of the BBX Trade Dollars offered under the Buy-back

Under the terms of the Buy-back, the MT & APN Non-associated Shareholders are offered 1 BBX Trade Dollar for every 7 BBX shares held (the "BBX Trade Dollar Consideration"). The following table sets out our assessed fair market value of the BBX Trade Dollar Consideration per BBX share:

Figure 23: Assessed fair market value of the BBX Trade Dollar Consideration

	Low value	High value
Assessed value of a BBX Trade Dollar to a non BBX member	-	40.0
Buy-back consideration terms	1 for 7	1 for 7
BBX Trade Dollar Consideration per BBX share	-	5.7

Source: Grant Thornton Corporate Finance analysis