

# BBX Property Investment Fund Limited ABN 17 118 847 108

## Interim Financial Report

### DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

#### Directors

The names of directors who held office during or since the end of the half-year:

Michael Touma

Barry Dawes

Tim Creasy

Carolyn Macdonald

#### Review of Operations

The consolidated loss of the consolidated group for the half year after providing for income tax and eliminating minority equity interests amounted to \$529,123.

#### Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 2 for the half-year ended 31 December 2010.

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

Director .....

Barry Dawes

Dated this

16<sup>th</sup>

day

of

March

2011

**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 half-year ended 31 December 2010, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

**Robert Nielson Partners**



**Robert Nielson**

Dated this 16 day of March 2011

**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR HALF-YEAR ENDED 31  
DECEMBER 2010**

	<b>Consolidated Group</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>\$</b>	<b>\$</b>
Revenue	134,292	134,125
Interest Paid	(171,556)	(152,423)
Loss on sale of properties	(105,669)	-
Directors Fee	(21,165)	(123,328)
Share Registration Fee	(23,697)	(19,757)
Loss on revaluation of property	(188,876)	-
Impairment of Trade Dollars	(46,277)	(3,743,305)
Other Expenses	(106,174)	(102,665)
Loss before income tax	(529,123)	(4,007,353)
Income tax expense	-	-
Loss from Continuing Operations	(529,123)	(4,007,353)
Loss for the period	(529,123)	(4,007,353)
Other comprehensive income	-	-
Total comprehensive income for the period	(529,123)	(4,007,353)
<b>Earnings per Share</b>		
Basic earnings per share (cents per share)	(2.90)	(22.33)
Diluted earnings per share (cents per share)	(2.90)	(22.33)

**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

	<b>Consolidated Group</b>	
	<b>Note</b>	
	<b>31.12.2010</b>	<b>30.06.2010</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	360,508	82,897
Trade and other receivables	100,080	146,000
Land & buildings	950,000	-
Other current assets	-	100,650
<b>TOTAL CURRENT ASSETS</b>	<b>1,410,588</b>	<b>329,547</b>
<b>NON-CURRENT ASSETS</b>		
Cash & cash equivalents	113,155	227,131
Trade and other receivables	37,785	1
Intangible assets	9,106,125	8,998,145
Investment property	4,161,425	6,916,847
<b>TOTAL NON-CURRENT ASSETS</b>	<b>13,418,490</b>	<b>16,142,124</b>
<b>TOTAL ASSETS</b>	<b>14,829,078</b>	<b>16,471,672</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	47,458.91	26,025
Financial liabilities	705,956	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>753,415</b>	<b>26,025</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	14,129	1,651
Financial liabilities	2,533,825	4,409,565
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,547,954</b>	<b>4,411,216</b>
<b>TOTAL LIABILITIES</b>	<b>3,301,370</b>	<b>4,437,241</b>
<b>NET ASSETS</b>	<b>11,527,708</b>	<b>12,034,431</b>
<b>EQUITY</b>		
Issued capital	17,318,122	17,295,722
Accumulated losses	(5,790,414)	(5,261,291)
<b>TOTAL EQUITY</b>	<b>11,527,708</b>	<b>12,034,431</b>

**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR ENDED 31 DECEMBER 2010**

	Share Capital Ordinary	Accumulated Losses	Total
	\$	\$	\$
<b>Balance at 30.06.2010</b>	17,295,722	(5,261,291)	12,034,431
Balance at 1.7.2010			
Share issued during the period	22,400		22,400
Loss attributable to members of entity		(529,123)	(529,123)
<b>Balance at 31.12.2010</b>	<b>17,318,122</b>	<b>(5,790,414)</b>	<b>11,527,708</b>
 <b>Balance at 30.06.2009</b>	 16,741,288	 (1,034,916)	 15,706,372
Balance at 1.7.2009	16,741,288	(1,034,916)	15,706,372
Share issued during the period	124,267		124,267
Loss attributable to members of entity		(4,007,353)	(4,007,353)
<b>Balance at 31.12.2009</b>	<b>16,865,555</b>	<b>(5,042,269)</b>	<b>11,823,286</b>

**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	<b>Consolidated Group</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	254,728	118,504
Payments to suppliers and employees	(221,763)	(152,931)
Interest received	3,508	3,203
Borrowing costs	(95,885)	(122,371)
Net cash (provided)/used by operating activities	(59,412)	(153,595)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of non-current assets	1,564,000	-
Net cash provided by investing activities	1,564,000	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	2,400	35,017
Proceeds from borrowings	99,500	133,382
Repayment of borrowings	(1,472,854)	(122,590)
Net cash (provided)/used by operating activities	(1,370,954)	45,809
Net increase/(decrease) in cash held	133,634	(107,786)
Cash at beginning of period	310,028	517,579
Cash at end of period	443,663	409,793

**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 1: BASIS OF PREPARATION**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issued Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by BBX Property Investment Fund during the half-year in accordance with continuous disclosure requirements arising under the *Corporation Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**Reporting Basis and Conventions**

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 30 June 2010 financial report.

**Accounting Standards not previously applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

***Presentation of Financial Statements***

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

# BBX Property Investment Fund Limited ABN 17 118 847 108

## Interim Financial Report

### NOTE 2: BALANCES DENOMINATED IN BBX TRADE DOLLARS

The following assets are denominated in BBX Trade Dollars	31/12/2010	31/12/2009
Other Current Assets		
Deposit on purchase of Property	<u>Nil</u>	<u>196,450</u>
Other Assets – Non Current		
Barter IT (Barter Share Issue Account)	688,567	465,567
Barter IT (Barter Trade Exchange Account)	12,254,370	12,012,116
Barter IT (BBX Residential Account)	65,814	Nil
Less: Impairment of Trade dollars	<u>(3,902,625)</u>	<u>(3,743,305)</u>
	<u>9,106,126</u>	<u>8,734,378</u>
	<u>9,106,126</u>	<u>8,930,828</u>

The following Profit and Loss items are denominated in BBX Trade Dollars	31/12/2010	31/12/2009
INCOME		
Rent Income-Commercial	<u>30,000</u>	<u>Nil</u>
EXPENDITURE		
Agent Fee	5,386	2,077
Directors Fees	Nil	74,667
Entertainment Exp	Nil	9,803
Legal & Professional Fees	Nil	2,000
Printing & Stationery	Nil	4,550
Valuation	<u>7,007</u>	<u>—</u>
Total	<u>12,393</u>	<u>93,097</u>

There has been a change in accounting treatment of the BBX trade dollar assets in the current period. These accounts in the past have been disclosed as Other Non-Current Assets in the balance sheet. The change in accounting treatment was adopted as per recommendations given by the Australian Government Financial Reporting Panel in their report dated 19th October, 2010.

The report has been lodged with the National Stock Exchange of Australia and can be viewed at their website [www.nsx.com.au](http://www.nsx.com.au) in full under the code BPI.

The recommendation given by the Panel was to treat the trade dollar accounts as an intangible asset. The Directors after consideration have decided to adopt this suggested change.

The Directors of the Company have also decided to impair the trade dollar assets in accordance with paragraph 3.5 of the report on page 7 as intangible assets with an indefinite useful life. They have adopted a degree of impairment that reflects the upper limit of the valuation placed on BBX trade dollars in the Grant Thornton Report, prepared for the directors of BBX Holdings Ltd. In early 2010. That report has been lodged with the Australian Stock Exchange and can be viewed at their website [www.asx.com.au](http://www.asx.com.au) in full under the code BBX.

### NOTE 3: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There are no acquisitions or disposals during the period.



**BBX Property Investment Fund Limited ABN 17 118 847 108**

**Interim Financial Report**

**NOTE 4: PROFIT FROM ORDINARY ACTIVITIES**

All significant revenue and expense items for the periods are disclosed on the face of the income statement.

**NOTE 5: SEGMENT INFORMATION**

The entity operates in one business segment, being the management of the BBX Property Investment Fund in Australia.

**NOTE 6: CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 December 2010

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

No significant matters have arisen since the end of the half-year.

**Interim Financial Report**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 8 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Barry Dawes

Dated this 16<sup>th</sup> day of March 2011

**robertnielsonpartners**

ABN 65 141 087 768  
chartered accountants  
business advisors

**rnp**

Level 7 280 George Street  
Sydney NSW 2000 Australia  
Box R176 Royal Exchange  
NSW 1225 Australia  
T 61 2 9235 0299  
F 61 2 9222 1065  
E [enq@robertnielsonpartners.com.au](mailto:enq@robertnielsonpartners.com.au)

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
BBX PROPERTY INVESTMENT FUND LIMITED AND CONTROLLED ENTITIES**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half year consolidated financial report of BBX Property Investment Fund Limited and controlled entities ('the consolidated company'), which comprises the condensed statement of financial position as at 31 December 2010, condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, the accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The directors' of BBX Property Investment Fund Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the BBX Property Investment Fund Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**

### **Matters Relating to the Electronic Presentation of the Audited Financial Report**

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2010 included on the website of BBX Property Investment Fund Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website

### **Independence**

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

### **Qualifications**

#### **Impairment of BBX Trade Dollars**

The Statement of Comprehensive Income includes an impairment charge of \$46,277 relating the value of BBX Trade dollars held by the consolidated entity at 31 December 2010. The methodology on which this impairment charged is based is set out in Note 2.

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 31 December 2010 is in the range of \$1,410,000 to \$2,620,000 which would result in an impairment charge in the range of \$7,696,125 to \$6,486,125.

#### **Amortisation of BBX Trade Dollars**

In accordance with the report of the Financial Reporting Panel dated 19 October 2010, the balance of BBX Trade dollars as at 31 December 2010 has been classified as an intangible asset.

As set out in Note 2 the directors have determined that BBX trade dollars have an indefinite life and therefore they have not been subject to amortisation.

We disagree with this view. We note that BBX trade dollars can be considered to have an indefinite life while ever the BBX Exchange continues to operate. However we consider that if the BBX Trade dollars are not expended within the next 10 years it is unlikely that the company will be able to realise any economic value from this asset. On this basis we consider that the BBX Trade dollars have a finite useful life 10 years.

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

*AASB 138 - Intangible Assets* requires that intangible assets with a finite useful life be subject to amortisation.

We consider that an amortisation charge of either \$455,306 or \$100,750 should be charged against income for the half year depending on the valuation of BBX Trade Dollars adopted as set out below:-.

Basis of Valuation Of BBX Trade Dollars	Carrying Value	Amortisation Charge
Carrying value as disclosed in the financial statements	\$9,106,126	\$455,306
Mid point of our range of valuations	\$2,015,000	\$100,750

### Qualified Conclusion

Based on our review, which is not an audit, and except for the matter referred to in the qualification paragraph above, we have not become aware of any matter that makes us believe that the half-year consolidated financial report of BBX Property Investment Fund Limited is not in accordance with the *Corporations Act 2001* including

- i. giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

**Robert Nielson Partners**



**Robert Nielson**

Dated this 16 day of March 2011