BBX PROPERTY INVESTMENT FUND LIMITED

ABN 17 118 847 108

ANNUAL REPORT

2011 FINANCIAL YEAR

CORPORATE DIRECTORY

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

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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:	Boardroom Pty Ltd 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 2011.

TABLE OF CONTENTS

CHAIRMAN'S LETTER	4
CORPORATE GOVERNENCE STATEMENT	5
DIRECTORS' REPORT	8
AUDITOR'S INDEPENDENCE DECLARATION	13
FINANCIAL REPORTS	14
DIRECTORS' DECLARATION	42
INDEPENDENT AUDIT REPORT TO THE MEMBERS…	43
SHAREHOLDER INFORMATION	45

CHAIRMAN'S LETTER

Dear Shareholder,

It gives me pleasure on behalf of the board to present this annual report to you in respect of the financial year 2010/2011.

This past 12 months has been a challenging time as we once again dealt with the altered environment brought upon us by the global financial crisis, in particular the lack of credit to purchase further properties.

Your directors looked at all possibilities to take the Company forward before convening the recent EGM on 2nd September, 2011 which concluded nearly unanimously that the best way forward for shareholders was an orderly realization and distribution of the Company's assets.

All of the Company's investment properties are now listed for sale. This annual report may therefore be the Company's last in the form of a property investment fund.

If, as is hoped, Barry Dawes is able to take the remaining Company shell forward in some other form you can look forward to future annual reports with a new and possibly quite exiting outlook in the resources sector.

I would like to thank you for your support of the property fund over the last five years, our concept was sound and we proved that with the 17 properties we acquired before the GFC took hold. However, global forces in the end were for us, as for many other investment bodies, impossible to resist.

Yours sincerely,

MICHAEL TOUMA

Chairman

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 a majority of independent directors; an independent chairperson, who is not chairperson of the board; at least three members.	N/A	
	4.4	The audit committee should have a formal charter.		
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.

DIRECTORS REPORT

Your directors present their report on the company for the financial period ended 30 June 2011.

Directors

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

Tim Creasy

Barry Dawes

Michael Touma

Carolin MacDonald

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 was Property Investment.

Operating Results

The consolidated loss of the economic entity after providing for income tax and eliminating minority equity interests is $1,336,607. This amount includes an accounting revaluation adjustment against the carrying value of each property totalling $810,678 and an accounting impairment charge against the carrying value of BBX trade dollars amounting to $66,927 without which the company would have recorded a loss of $459,002. For the last financial year there was a loss of $4,226,375 and, after allowing for the impairment of trade dollars in that year, was $370,027.

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 2011 are $10,720,225.

Cash Position:	2010	2011
	$	$
Net increase in cash held:	(65,385)	43,637
Less Reallocation to Non Current	(227,131)	-
Cash as at 1 July 2010:	375,413	82,897
Cash as at 30 June 2011:	82,897	126,534
Net Movement in trade dollars:	180,922	223,091
Less Impairment Charge	(3,856,348)	(66,927)
Trade dollar as at 1 July 2010:	12,673,571	8,998,145
Trade dollar as at 30 June 2011:	8,998,145	9,154,309

Significant Changes in State of Affairs

There has been no significant change in the state of affairs of the company since 30th June, 2011 until the date of this report

There has been a change in circumstances that is likely to adversely affect the trading position of the company (refer After Balance Date Events).

After Balance Date Events

On 2nd September 2011 an EGM was held and a motion passed to conduct an orderly realisation of the Company's assets and, after repayment of all mortgage borrowings and provided there is no material prejudice to the Company's ability to repay creditors, that the Directors be authorised and directed for a period not exceeding six months from the date of the EGM to conduct one or more distributions of all remaining cash and BBX Trade Dollars by way of a reduction of capital to (or dividend or share buyback from) all shareholders in proportion to the shares they hold, both ordinary shares and "B" Class Shares.

Future Developments

It is expected that the Company will realize it's assets in an orderly manner, repay all creditors and distribute all remaining cash and BBX Trade Dollars to the members.

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	-	264,326 ordinary shares, M & M Touma Super Fund; 369,942 ordinary shares, BBX Management Pty Ltd; 6,174 ordinary shares Touma Family; 631,071 ordinary shares, WWW.Ebbx.Com Pty Ltd
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, Superior Coal Limited
	-	Former Directorships of Listed Entities in last 3 years:
		Uranium Exploration Australia Limited
Interest in Shares	-	2,500 ordinary; Barry Dawes; 5,000 ordinary, Dronkay P/L;
		Related Entities: 1,022,500,
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 was 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	-	416,000 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	-	4,865, Carolin MacDonald; 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 four directors. The Company has appointed BBX Funds Management Pty Limited to manage the Fund. It is not anticipated that the Company will employ any additional person in the current year.

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 2010/2011

	Directors' Fees
Tim Creasy	$32,498
Barry Dawes	$5,000
Michael Touma	$6,500
Carolin MacDonald	$6,667

Options issued as part of remuneration for the year ended 30 June 2011

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.

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 01.07.2010 - 30.06.2011	
		Number of Meetings Held	Number of Meetings Attended
Tim Creasy	17.3.06	7	7
Barry Dawes	17.3.06	7	7
Michael Touma	17.3.06	7	7
Simon Touma	17.3.06	7	7
Carolin MacDonald	18.12.07	7	7

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

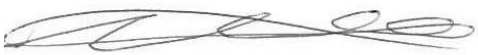
No non-audit services have been provided by the auditing firm

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 13 of the directors' report.

This Directors' Report has been made in accordance with a resolution of directors dated 30 September, 2011.

Carolin Macdonald - Director



Michael Touma – Director

Gordon Date: 30 September 2011

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2011, 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 2011

Liability limited by a scheme approved under Professional Standards Legislation

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	**2010**
		$	$
Revenue from ordinary activities	2	238,247	318,441
Other income	2	8,579	6,558
Directors fee		(50,663)	(140,827)
Auditors remuneration	4	(19,150)	(20,130)
Share registration expense		(28,775)	(29,733)
Management fee		(11,953)	(15,922)
Loss on sale of property		(104,669)	-
Interest paid		(320,772)	(321,257)
Impairment of trade dollars		(66,927)	(3,856,348)
Impairment of investment property		(810,678)	-
Other expenses		(169,845)	(167,157)
Profit /(Loss) before income tax		(1,336,607)	(4,226,375)
Income tax expense relating to ordinary activities		-	-
Profit/(loss) for the year		(1,336,607)	(4,226,375)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,336,607)	(4,226,375)
Earnings per share			
Overall operations:			
Basic earnings per share (cents)	5	(0.07)	(23.75)
Diluted earnings per share (cents)	5	(0.07)	(23.75)

The accompanying notes from part of these accounts

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	242,868	82,897
Trade and other receivables	7	113,612	66,000
Land & buildings held for sale	9	4,489,623	-
Intangible assets	10	9,154,309	-
Other current assets	8	-	100,650
TOTAL CURRENT ASSETS		14,000,412	9,247,693
NON-CURRENT ASSETS			
Cash and cash equivalents	6	-	227,131
Intangible assets	10	-	8,998,145
Trade and other receivables	7	-	80,001
Investment property	9	-	6,916,847
TOTAL NON-CURRENT ASSETS		-	7,223,979
TOTAL ASSETS		14,000,412	16,471,672
CURRENT LIABILITIES			
Trade and other payables	11	104,018	26,025
Financial liabilities	12	3,176,169	-
TOTAL CURRENT LIABILITIES		3,280,187	26,025
NON-CURRENT LIABILITIES			
Trade and other payables	11	-	1,651
Financial liabilities	12	-	4,409,565
TOTAL NON-CURRENT LIABILITIES		-	4,411,216
TOTAL LIABILITIES		3,280,187	4,437,241

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group	
		2011	**2010**
NET ASSETS		10,720,225	12,034,431
EQUITY			
Issued capital		17,318,122	17,295,722
Accumulated Profit/(losses)		(6,597,897)	(5,261,291)
TOTAL EQUITY		10,720,225	12,034,431

The accompanying notes from part of these accounts

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated Entity	Share Capital Ordinary	Accumulated Losses	Total
	$	$	$
Balance at *30.6.2009*	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
Shares issued during the year	22,400	-	22,400
Loss for the year	-	(1,336,607)	(1,336,607)
Balance at *30.6.2011*	17,318,122	(6,597,897)	10,720,225

The accompanying notes from part of these accounts

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		342,856	239,203
Payments to suppliers and employees		(335,000)	(216,323)
Interest received		8,297	6,558
Finance costs		(143,770)	(301,590)
Net cash used by operating activities		(127,617)	(272,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of property, plant and equipment		1,564,000	-
Net cash used by investing activities		1,564,000	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,400	149,767
Repayment of borrowings		(1,670,444)	(157,882)
Proceeds from borrowings		159,500	214,882
Net cash provided by financing activities		(1,503,544)	206,767
Net increase/(decrease) in cash held		(67,161)	(65,385)
Cash as at 1 July 2010	6	310,028	375,413
Cash as at 30 June 2011	6	242,668	310,028

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

The accompanying notes from part of these accounts

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of BBX Property Investment Fund Limited and Controlled entities.

The separate financial statements of the parent entity BBX Property Investment Fund Limited have not been presented within this financial report as permitted by the Corporations Act 2001

The financial statements were authorised for issue on 30 September 2011 by the directors of the company.

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 Australian dollar.

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 14 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 Statement of Financial Position and in the consolidated Statement of Comprehensive Income.

(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 income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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*

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.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

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 impairment has arisen. Impairment losses are recognised in the comprehensive 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 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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 comprehensive 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.

(e) 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.

(f) 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 five years by independent values. Changes to fair value are recorded in the statement of comprehensive income statement as other income.

(g) 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.

(h) 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.

(i) 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.

(j) Revenue

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

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.

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

(k) Borrowing Costs

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(l) 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.

(m) Comparative Figures

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

(n) 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.

(o) Going Concern Basis of Accounting

As outlined in Note 19, the Company has passed a resolution to begin the orderly realisation of Company assets and the eventual distribution of capital. As such, the going concern basis of accounting has not been applied.

At this stage, although valuations have been obtained, the final realisable amount of Company assets is unknown.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard.

The Group has not yet determined any potential impact on the financial statements

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

The Group has not yet determined any potential impact on the financial statements

– AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

The Group has not yet determined any potential impact on the financial statements

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

The Group has not yet determined any potential impact on the financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  The Group has not yet determined any potential impact on the financial statements

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Group has not yet determined any potential impact on the financial statements

– AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

The Group has not yet determined any potential impact on the financial statements

– AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

The Group has not yet determined any potential impact on the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: REVENUE

	Consolidated Group 2011 $	2010 $
Ordinary operating activities		
— Rental income	238,247	318,441
Other income		
— Other income	282	-
— interest received	8,297	6,558
	8,579	6,558

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
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.

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 2011 $	2010 $
Remuneration of the auditor of the consolidated entity for:		
— auditing or reviewing the financial report	19,150	16,290
— other services provided by related practice of auditor	-	3,840
	19,150	20,130

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: EARNINGS PER SHARE

		Consolidated Group	
		2011 $	2010 $
a.	Reconciliation of earnings to profit or loss		
	Profit/(loss)	(1,336,607)	(4,226,376)
	Profit/(loss) attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS	(1,336,607)	(4,226,376)
	Earnings used in the calculation of dilutive EPS	(1,336,607)	(4,226,376)
		No.	No.
c.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	18,217,976	17,795,724
	Weighted average number of options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	18,217,976	17,795,724

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2011 $	2010 $
CURRENT		
Cash at bank and in hand	242,868	82,897
	242,868	82,897
NON CURRENT		
Cash at bank and in hand	-	227,131
	-	227,131

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2011 $	**2010 $**
CURRENT		
Trade debtors		66,000
TFN Withholding Tax	825	-
MPS Staff Superannuation Fund	75,000	-
Other related entities	37,787	
	113,612	66,000
NON CURRENT		
MPS Staff Superannuation Fund	-	80,000
Other related entities	-	1
	-	80,001

NOTE 8: OTHER CURRENT ASSETS

	Consolidated Group	
	2011 $	**2010 $**
Deposits	-	100,650
	-	100,650

NOTE 9: LAND AND BUILDINGS HELD FOR SALE

	Consolidated Group	
	2011 $	**2010 $**
CURRENT		
Balance at beginning of year	-	-
Reclassification from land held for investment	4,489,623	-
Balance at end of year	4,489,623	-

NOTE 9: LAND AND BUILDINGS HELD FOR SALE CONTINUED

	Consolidated Group	
	2011 $	2010 $
NON CURRENT		
Balance at beginning of year	6,916,847	6,916,847
Revaluation of property	(810,678)	-
Sale of property	(1,616,546)	-
Reclassification to land held for resale	(4,489,623)	-
Balance at end of year	-	6,916,847
Rental income received from investment properties	238,246	318,441
Direct operating expenses of investment properties	78,051	91,937

The fair value model is applied to all investment properties. Investment properties were independently valued at 7 July 2010. Values are based on an active liquid market value and were performed by a registered independent valuer.

Carrying values have been reduced by estimated expenses of disposal of the properties.

All the investments have been recognized as current as the members have determined that an orderly realisation of the group's assets be implemented within the next 6 months.

NOTE 10: INTANGIBLE ASSETS

	Consolidated Group	
	2011 $	2010 $
CURRENT		
Balance at beginning of year	-	-
Reclassification from non current	9,154,309	-
Balance at end of year	9,154,309	-

NOTE 10 INTANGIBLE ASSETS CONTINUED

NON CURRENT		
Barter IT (Barter Trade Exchange Account)	13,077,584	12,834,749
Accumulated impairment	(3,923,275)	(3,836,604)
Reclassification to current	(9,154,309)	-
Balance at end of year	-	8,998,145

The above assets are denominated in BBX Trade Dollars
The asset has been classified as current as the going concern basis has not been applied

The Directors of the Company have also decided to impair the trade dollar assets 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 in full under the code BBX.

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2011 $	**2010 $**
CURRENT		
Sundry payables and accrued expense	82,976	26,025
Other related entities	21,042	
	104,018	26,025
NON CURRENT		
Other related entities	-	1,651
	-	1,651

NOTE 12: FINANCIAL LIABILITIES

	Consolidated Group	
	2011 $	2010 $
CURRENT		
Bank loans	3,176,169	-
	3,176,169	-
NON CURRENT		
Bank loans	-	4,409,565
	-	4,409,565

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

NOTE 13: SHARE CAPITAL

	Consolidated Group	
	2011 $	2010 $
17,728,642 Fully paid ordinary shares (2010: 16,844,059)	17,728,642	16,844,059
Cost of issuing ordinary shares	(449,927)	(461,127)
489,334 Fully paid B Class shares (2010: 1,373,917)	489,334	1,373,917
Cost of issuing B Class shares	(449,927)	(461,127)
	17,318,122	17,295,722

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13 SHARE CAPITAL CONTINUED

		2011	2010
		No	No.
a.	Ordinary shares		
	At the beginning of reporting period	16,844,059	11,969,256
	Shares issued during the year		
	— at $1 each	-	305,417
	— convert from B class share	884,583	4,569,386
	At reporting date	17,728,642	16,844,059
b.	B class shares		
	At the beginning of reporting period	18,217,976	5,234,736
	Shares issued during the year		
	— at $1 each	-	708,567
	— convert to A class share	(884,583)	(4,569,386)
	At reporting date	17,333,393	18,217,976

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

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

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

- they do not participate in dividend distributions.

- they cannot be traded on the stock exchange.

NOTE 13 SHARE CAPITAL CONTINUED

b. 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 14: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

	Country of Incorporation	**Percentage Owned (%)***	
		2011	**2010**
Subsidiaries of BBX Property Investment Fund Ltd:			
BBX Residential Pty Ltd	Australia	100%	100%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2011 $	2010 $
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		
Commercial rental income received from Stock & Asset Management Pty Ltd	52,500	60,000
Management fees paid to BBX Funds Management Pty Ltd	11,953	15,922
(i) Current account balances with related parties:		
Receivables		
BBX Holdings Ltd	-	1
BBX Management No2 Unit Trust	37,786	-
Payables		
BBX Funds Management Ltd	21,042	1,651

NOTE 16: 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	
		2011 $	2010 $
Financial Assets			
Cash and cash equivalents	6	242,868	310,028
Loans and receivables	7	113,612	146,001
Total Financial Assets		356,480	456,029
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	11	104,018	27,676
— Borrowings	12	3,176,169	4,409,565
Total Financial Liabilities		3,280,187	4,409,565

NOTE !6 FINANCIAL RISK MANAGEMENT CONTINUED

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

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.

NOTE 16: FINANCIAL RISK MANAGEMENT CONTINUED

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Consolidated Group	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Bank overdrafts and loans	3,176,169	-	-	-	-	4,409,565	3,176,169	4,409,565
Trade and other payables (excluding est. annual leave)	104,018	26,025	-	1,651	-	-	104,018	27,676
Total contractual outflows	3,280,187	26,025	-	1,651	-	4,409,565	3,280,187	4,437,241
less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	3,280,187	26,025	-	1,651	-	4,409,565	3,280,187	4,437,241
Financial assets — cash flows realisable								
Cash and cash equivalents	242,868	82,897	-	227,131	-	-	242,868	310,028
Trade, term and loans receivables	113,612	66,000	-	80,001	-	-	113,612	146,001
Total anticipated inflows	356,480	148,897	-	307,132	-	-	356,480	456,029
Net (outflow)/inflow on financial instruments	(2,923,707)	122,872	-	305,481	-	(4,409,565)	(2,923,707)	(3,981,212)

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.

NOTE 16: FINANCIAL RISK MANAGEMENT CONTINUED

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) 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).

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

(iv) 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.

(v) 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17: PARENT COMPANY INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $	2010 $
Balance Sheet		
Current Assets	12,143,525	9,261,459
Total Assets	12,143,525	14,372,466
Current Liabilities	1,156,537	19,190
Total Liabilities	1,156,537	2,338,035
Shareholders' Contributed Equity	17,318,122	17,295,722
Accumulated Losses	(6,331,134)	(5,261,291)
Statement of Comprehensive Income		
Total profit/(loss)	(1,069,843)	(4,226,375)
Total comprehensive income/(loss)	(1,069,843)	(4,226,375)

b) Contingent Liabilities of the Parent

The parent entity did not have any contingent liabilities as at 30 June 2011

NOTE 20: CASH FLOW INFORMATION

		Consolidated Group 2011	2010
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
	Profit after income tax	(1,336,607)	(4,226,375)
	Non-cash flows in profit:		
	– Impairment of trade dollars	66,927	3,856,348
	– Loss on revaluation of investment property	810,678	-
	– Net trade dollar profit & loss items	17,334	160,046
	– Bad debts written off	-	12,727
	– Net loss on disposal of investments	104,669	-
	Share of associated companies net profit after income tax and dividends		
	Share of joint venture entity net profit after income tax and dividends		
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	– (increase)/decrease in trade and term receivables	133,039	54,329
	– increase/(decrease) in trade payables and accruals	76,342	(129,226)
	Cash flow from operations	(127,617)	(272,152)

NOTE 18: SEGMENT INFORMATION

The company operates in industry segment being real estate investment and one geographic segment being New South Wales Australia.

NOTE 19: SUBSEQUENT EVENTS

On 2 September 2011, a resolution was passed by the shareholders of the company to realise all company assets in an orderly manner, and to distribute the proceeds of this realisation of assets to the members.

With this exception there have no events occurring since balance date that may materially affect the operations of the company in future periods

NOTE 20: 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

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages14 to 42, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the period ended on that date of the company.

2. 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.

CarolinMacdonald
Director

MichaelTouma
Director

Gordon
30 September 2011

robertnielsonpartners
ABN 65 141 087 768
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business advisors

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BBX PROPERTY INVESTMENT FUND LIMITED
AND CONTROLLED ENTITIES

Scope

Report on the Financial Report

We have audited the accompanying financial report of BBX Property Investment Fund Limited ('the company') and BBX Property Investment Fund Limited and its Controlled Entities ('the consolidated entity') comprising the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended at that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances In Note 1 the directors also state, in accordance with Accounting Standard AASB 101; Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Audit Opinion

In our opinion,

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

(i) giving a true and fair view of the company and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

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

Going Concern and Asset Values

Without modification to our opinion expressed above, attention is drawn to the following matters.

Orderly Realisation of Assets

On 2 September 2011, a resolution was passed at an extraordinary general meeting that authorised the directors to conduct an orderly realisation of the group's assets and distribute the proceeds to shareholders within a period of 6 months. These financial statements have been impacted by this resolution in the following ways:-

(a) Going Concern

As set out in Note 1(o) the going concern assumption has not been applied. All assets and liabilities have been stated at the directors' estimates of their net realisable value with the exception of land and buildings (see below)..

(b) Classification of Assets and Liabilities

All assets are expected to be realised and all liabilities extinguished within the next 12 months. Therefore all assets and liabilities have been classified as current.

Net Realisable Value of Land and Buildings held for sale

As set out in Note 9 land and buildings held for sale have been stated at independent valuation dated 7 July 2010 less estimated costs of disposal. The final net proceeds on sale of these properties are unknown and may be higher or lower than this amount.

BBX Trade Dollars

BBX Trade Dollars are stated at a value of 70% of Australian dollars which is consistent with prior years. The final value of BBX Trade Dollars in the hands of individual shareholders will depend on the circumstances of each shareholder, in particular whether they are a member of the BBX Trade Exchange.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 9 to 10 of the report of the directors for the year ended 30 June 2011. 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 Funds Limited for the year ended 30 June 2011, complies with s 300A of the *Corporations Act 2001*.

Robert Nielson Partners

Robert Nielson **Date** 30 September 2011

BBX PROPERTY INVESTMENT FUND LIMITED ABN 17 118 847 108

SHAREHOLDER INFORMATION

The Shareholder Information set out below was applicable at 30 September 2011 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	0.045
1,001-5,000	220	460,607	2.598
5,001-10,000	106	895,148	5.049
10,001-100,000	190	6,865,841	38.727
100,001-99,999,999,999	28	9,499,096	53.581
Totals	559	17,728,642	100.000

TWENTY LARGEST SECURITY HOLDERS – FULL PAID ORDINARY SHARES

Name	Number Held	% of Issued Shares
BBX HOLDINGS LTD	1,659,218	11.446
MR VINCENT CHAN & MRS HELEN CHAN <V & H CHAN SUPER FUND A/C>	1,000,000	5.641
MRS MIREILLE TOUMA	656,415	3.703
WWW.EBBX.COM PTY. LTD.	631,071	3.560
CUTHBERT SUPERANNUATION PTY LTD <THE CUTHBERT SUPER FUND A/C>	514,450	2.902
MS LUCEILLE OUTHRED <JOLU SUPER FUND A/C>	490,000	2.764
BBX MANAGEMENT PTY LTD	369,942	2.084
R ELLIOTT & ASSOCIATES PTY LTD <T J CREASY SUPER FUND A/C>	361,000	2.036
MARTIN PLACE SECURITIES NOMINEES PTY LTD	350,000	1.974
MR DENNIS RUTZOU & MRS JOAN RUTZOU <CINQUE SUPER FUND A/C>	320,000	1.805
MARTIN PLACE SECURITIES STAFF SUPERANNUATION FUND PTY LTD <MPSSF INVESTMENT A/C>	315,000	1.777
MR GARY KURZER & MS VIRGINIA AGHAN <BIG FEATS SUPER FUND A/C>	230,000	1.297

SHAREHOLDER INFORMATION CONTINUED

MR JOHN OUTHRED <JOLU SUPER FUND A/C>	280,000	1.579
MR GEORGE GILBERT TROTT	220,000	1.241
TATO PTY LTD <MCHENDY A/C>	206,000	1.162
NATTIA PTY LTD <SIT BACK & RELAX S/F A/C>	202,000	1.139
MR KEVIN JAMES SOPER <DIGISLIDE SUPER FUND A/C>	200,000	1.128
RADESHAR PTYLTD	200,000	1.128
WHI SECURITIES PTY LIMITED <CROWN CREDIT CORPORATION A/C>	200,000	1.128
MR ROBERT KNUCKEY & MS CHRISTINE LOWDER	165,000	0.931
Total	7,878,635	48.340

All 17,728,642 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.

SHAREHOLDER INFORMATION CONTINUED

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.