
BBX HOLDINGS LIMITED

ABN 82 089 221 634

NOTICE OF GENERAL MEETING

TIME: 4:30 pm (AEDT)

DATE: 22 January 2010

PLACE: 916 Pacific Highway
Gordon NSW 2072

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 9499 1199.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 4:30 pm (AEDT) on 22 January 2010 at:

916 Pacific Highway
Gordon NSW 2072

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to BBX Holdings Limited, 916 Pacific Highway, Gordon, NSW 2072; or
- (b) facsimile to the Company on facsimile number (+61 2) 9499 1199,

so that it is received not later than 4:30 pm (AEDT) on 20 January 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 4:30 pm (AEDT) on 22 January 2010 at 916 Pacific Highway, Gordon, New South Wales.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 4:30 pm (AEDT) on 20 January 2010.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – APPROVAL FOR SELECTIVE SHARE BUY BACK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, in accordance with Section 257D of the Corporations Act and for all other purposes, approval is given for the Company to conduct a selective buy-back and cancellation of up to 19,153,236 Shares from certain Shareholders of the Company on the terms and conditions set out in the Explanatory Statement.”

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Ltd for the purposes of the Shareholder approval required under Section 257D of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this resolution by the Shareholders who have accepted the offer or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. RESOLUTION 2 – APPROVE SHARE AND ASSET SALE AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.1, ASX Listing Rule 11.2 and Section 208 of the Corporations Act and for all other purposes, Shareholders approve and authorise the Company to enter into a share and asset sale agreement with Barter Bonus Points Pty Ltd and www.ebbx.com Pty Ltd to dispose of a number of its subsidiaries which are the legal owners of the Company's main undertaking in accordance with the terms set out in the Explanatory Memorandum.”

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Ltd for the purposes of the Shareholder approval required under ASX Listing Rule 10.1 which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction (including the MT Buying Group) and a person who might obtain a benefit (including any member of the Arthur Phillip Group), except solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. RESOLUTION 3 – INCREASE IN VOTING POWER OF THE ARTHUR PHILLIP GROUP

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholder approval is given for the increase in the voting power of the Arthur Phillip Group, as a result of the proposed restructure of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Ltd for the purposes of Shareholder approval under item 7 of Section 611 of the Corporations Act. The Independent Expert's Report comments on whether the advantages of the transaction outweigh the disadvantages of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any member of the Arthur Phillip Group and any associate of any member of the Arthur Phillip Group. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 11 DECEMBER 2009

BY ORDER OF THE BOARD

**TIM CREASY
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 4:30 pm (AEDT) on 22 January 2010 at 916 Pacific Highway, Gordon, New South Wales.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. BACKGROUND

As announced to the market on 9 April 2009, the Company recently conducted a review of its business. As a result of this review, it was considered that whilst the business was robust as a private operation, the opportunity to increase Shareholder value by focusing on the development of the existing business was limited. In particular, the investment market has shown little interest in the developing story of the Company and there are no signs this will change. Accordingly, the Company decided to conduct a restructure.

As an overview, the main items in the restructure proposal that the Board has agreed (subject to shareholder approval) are as follows:

- (a) BBX will offer to buy-back 90% of each Eligible Shareholder's Shares (**Buy Back Shares**) (**Selective Buy Back**). The only shareholders who are ineligible to participate are the Excluded Shareholder Group, which consists of the major shareholders of the Company;
- (b) BBX will sell the majority of the Company's assets and liabilities to Barter Bonus Points Pty Ltd (**BBP**) and www.ebbx.com Pty Ltd (**EBBX**), being entities associated with founding director, Mr Michael Touma (who is a member of the Excluded Shareholder Group) (**Disposal**); and
- (c) the MT Buying Group will sell its shareholding in the Company, being 34,425,580 Shares (**MTBG Shares**), to a member of the Arthur Phillip Group (**MTBG Sell Down**).

The purpose of the above transactions is to enable the Company to separate itself from the day to day management of the BBX infrastructure there by allowing the Company to focus on building the existing BBX Sydney franchise. The Company also significantly reduces the amount of existing liabilities and is no longer responsible for funding the ongoing development of the BBX management process and systems including the BBX software.

Following the completion of the above transactions, the Company will look for additional business opportunities whilst retaining an interest in the Sydney Franchise.

Further details of each of the above steps are provided below.

2. RESOLUTION 1 – APPROVAL FOR SELECTIVE SHARE BUY BACK

2.1 General

As set out in this section 2.1, the Company has elected to undertake a Selective Buy Back. The Selective Buy Back is conditional on the Company obtaining Shareholder approval for the Selective Buy Back. This is now being sought under this Resolution.

Participation in the Selective Buy Back by Eligible Shareholders is voluntary. Eligible Shareholders may elect not to participate in the Selective Buy Back by simply ignoring the Selective Buy Back documentation which is provided to you separately.

2.2 Corporations Act

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's solvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, Section 257A of the Corporations Act requires that a company may buy back its own shares if:

- (a) the buy-back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

Pursuant to Section 257D(1) of the Corporations Act, a share buy-back must be approved by either:

- (a) a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting by all ordinary shareholders.

The phrase "no votes being cast" is intended to operate in a similar way to the way in which voting exclusion statements operate in the context of the ASX Listing Rules. Accordingly, if you accept the selective Buy Back offer, you will not be entitled to vote on the Resolution.

Pursuant to Section 257D(2) of the Corporations Act, the Company must include with the Notice of Meeting a statement setting out all information known to the Company that is material to the decision on how to vote on the resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

ASIC Regulatory Guide 110 – Share buy-backs sets out what ASIC expects a company to disclose to shareholders in a notice of meeting that seeks a selective buy back.

The information below is intended to satisfy the requirements of the Corporations Act and ASIC Regulatory Guide 110.

2.3 Summary of Selective Buy Back

The material terms of the Selective Buy Back are as follows:

- (a) **(Shares):** The offer is for 90% of each Shareholder's, other than the Excluded Shareholder Group, shareholding in the Company **(Eligible Shareholders)**

(Buy Back Shares). Every Shareholder, other than the Excluded Shareholder Group, will be eligible to participate in the buy-back. A condition of the Sale Agreement is that the MT Buying Group agrees not to participate in the Selective Buy Back. The Arthur Phillip Group have also agreed not to participate in the Selective Buy Back.

The Excluded Shareholder Group have agreed not to participate and are being excluded from the Selective Buy Back in order to allow the Eligible Shareholders to be provided with the maximum consideration possible under the Selective Buy Back.

Eligible Shareholders may only accept the offer in respect of 90% (and not a lesser or greater proportion) of their total Shares. For example, if the Eligible Shareholder has 10,000 Shares and they wish to accept the buyback offer, they may only accept it in respect of 9,000 Shares. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest Share.

BBX has decided to buy-back 90% of Eligible Shareholders holdings and not 100% to enable Eligible Shareholders to retain an interest in BBX and any future benefits that may flow to Shareholders as a result of any proposed acquisitions or investments made by BBX, whilst at the same time providing them with an opportunity to exit the majority of their investment.

- (b) **(Acceptance):** The offer will be open from 21 December 2009 to 20 January 2010 (inclusive), however the closing date of the offer may be extended at the discretion of the Directors. Shareholders will be informed if the closing date is extended. Participation in the Selective Buy Back by Eligible Shareholders is voluntary. Eligible Shareholders may elect not to participate in the Selective Buy Back by simply ignoring the buyback offer which is provided to Eligible Shareholders separately.
- (c) **(Consideration):** If Eligible Shareholders accept the offer, Eligible Shareholders can elect to receive the following consideration:
- (i) **(Cash):** \$0.005 (0.5 cents) for every one (1) Share in the Company the Eligible Shareholder holds; or
 - (ii) **(BBX PIF Shares):** one (1) fully paid ordinary share in the BBX PIF for every seven (7) Shares in the Company the Eligible Shareholder holds; or
 - (iii) **(BBX Trade Dollars):** one (1) BBX Trade Dollar for every seven (7) Shares in the Company the Eligible Shareholder holds. Please note that BBX Trade Dollars are not redeemable for cash. Accordingly, in order to utilise this form of consideration, Shareholders will either need to be an existing BBX member or become a BBX member. To this end, if a Shareholder elects to receive BBX Trade Dollars and is not currently a BBX member, BBX will waive the initial joining membership fee (\$895) for that BBX Shareholder. However, Shareholders should note that this option will allow them to use their BBX Trade Dollars for up to 12 months after which should they elect to maintain their account they will be required to subscribe by the payment of ongoing annual fees of \$200 per year. Shareholders should also note that the value of this form of consideration is subject to the BBX Exchange continuing and various other conditions. Please refer to Section 2.8 of this Notice and Section 10 of the Independent Expert's Report for more information; or

(iv) **(Combination)**: a combination of (i), (ii) and (iii).

Eligible Shareholders may elect, at their sole discretion, what form and in what proportions of the consideration they wish to receive.

BBX Share Value

Grant Thornton, in the Independent Expert's Report have determined an independent valuation as set out in Schedule 2 and advise that BBX Shares have a value of between nil and \$0.003 (0.3 cents) per BBX Share.

As a result, the value of seven (7) BBX Shares is between nil and \$0.021 (2.1 cents).

Cash Consideration

The cash consideration being offered is half (0.5) of a cent for every one BBX share.

BBX Property Investment Fund Share

Grant Thornton in the Independent Expert's Report has also determined that the value of one BBX PIF Share is between \$0.071 and \$0.312 (7.1 cents and 31.2 cents).

Therefore, based on Grant Thornton's valuation, the value of one BBX PIF Share exceeds the value of seven (7) BBX Shares. However, Shareholders should note that BBX PIF Shares are highly illiquid and the Company strongly recommends that Shareholders consider the information in respect of BBX PIF in Section 2.7.

BBX Trade Dollars

Grant Thornton in the Independent Expert's Report has also determined that the fair market value of one BBX Trade Dollar is between nil and \$0.40, if a shareholder is not a BBX member. If a shareholder is a BBX member, Grant Thornton has determined that the special value of a BBX trade dollar is between \$0.50 and \$0.70.

As set out above, if a Shareholder elects to receive BBX Trade Dollars and is not currently a BBX member, BBX will waive the initial joining membership fee (\$895) for that BBX Shareholder. However, Shareholders should note that this option will allow them to use their BBX Trade Dollars for up to 12 months after which should they elect to maintain their account they will be required to subscribe by the payment of ongoing annual fees of \$200 per year.

Shareholders should note that Grant Thornton has advised in their report that there is significant uncertainty regarding the fair market value of the BBX Trade Dollars. The Company strongly recommends that Shareholders consider the information in respect of BBX Trade Dollars in Section 2.8 which sets out more information in respect of the BBX Trade Dollars.

The Company also strongly recommends that Shareholders read in full the Independent Expert's Report set out in Schedule 2 to enable them to understand how the Independent Expert has come to these valuations.

(d) **(Conditions)**: The offer is conditional on:

- (i) the Company obtaining Shareholder approval for the Selective Buy Back in accordance with the requirements of the Corporations Act;
 - (ii) the Company obtaining Shareholder approval to complete the Disposal under the Sale Agreement in accordance with the Corporations Act and the ASX Listing Rules; and
 - (iii) completion occurring under the Sale Agreement; and
- (e) **(Termination):** If the above conditions are not satisfied or waived by the Company by the date which is 3 months after the date of the offer, the offer shall terminate.

If all of the Eligible Shareholders participate in the Selective Buy Back, BBX will buy-back and cancel approximately 19,153,236 Shares. The Board believes that an off-market selective buy back represents an efficient means of returning value to the Eligible Shareholders. The proposed Selective Buy Back, which is subject to Shareholder approval under this Notice of Meeting, will utilise the (predominately) existing assets of BBX whilst leaving Eligible Shareholders with an interest in BBX operations, which post the transactions set out in this Notice of Meeting will be focused on developing the Sydney Franchise combined with the possibility for newly focused operations. More information on the Sydney Franchise and the new operations of BBX are set out in section 3.5 of this Notice.

Please be aware that if all Resolutions are approved by Shareholders under this Notice of Meeting and 100% of Eligible Shareholders accept the Selective Buy Back, the MT Buying Group and the Arthur Phillip Group collectively will obtain a relevant interest in the Company's Shares of 96.26% (after completion of the Selective Buy Back). However, the MT Buying Group has agreed, following the completion of the Selective Buy Back, to the MTBG Sell Down. In addition, Arthur Phillip is not receiving any form of fee for the introduction of clients to BBX.

2.4 Effect on capital of the Company

The overall effect on the capital of the Company of the Selective Buy Back, assuming 100% of Eligible Shareholders accept the Selective Buy Back, is as follows:

	Shares
Shares on issue as at the date of this Notice of Meeting	76,035,953
Less Buy Back Shares	(19,153,236)
Shares on issue upon completion of Selective Buy Back	56,882,717

The overall effect on the capital of the Company of the Selective Buy Back, assuming 50% of Eligible Shareholders accept the Selective Buy Back, is as follows:

	Shares
Shares on issue as at the date of this Notice of Meeting	76,035,953
Less Buy Back Shares	(9,576,618)

Shares on issue upon completion of Selective Buy Back	66,459,335
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The overall effect on the capital of the Company of the Selective Buy Back, assuming 25% of Eligible Shareholders accept the Selective Buy Back, is as follows:

	Shares
Shares on issue as at the date of this Notice of Meeting	76,035,953
Less Buy Back Shares	(4,788,309)
Shares on issue upon completion of Selective Buy Back	71,247,644

2.5 Effect on control of the Company

The completion of the Selective Buy Back will have an effect on the voting power of the remaining Shareholders and the Excluded Shareholder Group increasing by varying amounts depending on the level of acceptance by the Eligible Shareholders. As a result, the Excluded Shareholder Group (individually and as a group) will obtain total voting power as set out below.

Entity	% voting power at date of Notice of Meeting	% voting power after Selective Buy Back – if 100% of Eligible Shareholders accept the Selective Buy Back	% Voting power after Selective Buy Back – if 50% of Eligible Shareholders accept the Selective Buy Back	% voting power after Selective Buy Back – if 25% of Eligible Shareholders accept the Selective Buy Back
Mr Michael Touma ¹	30.03%	40.14%	34.36%	32.05%
Mr Barry Dawes ¹	4.14%	5.53%	4.73%	4.41%
Mr Peter O'Mara ¹	11.11%	14.85%	12.71%	11.85%
Clients of Arthur Phillip Nominees Pty Ltd	26.74%	35.74%	30.59%	28.53%
Excluded Shareholder Group Total Relevant Interest	72.01%	96.26%	82.39%	76.85%
Non Associated	27.99%	3.74%	17.61%	23.15%
Total	100%	100%	100%	100%

¹ Including each of their related and associated entities.

Please note that if Resolutions 1 and 2 are approved by Shareholders and 100% of Eligible Shareholders accept the Selective Buy Back, the Excluded Shareholder Group will obtain a relevant interest in the Company's Shares of 96.26% (after

completion of the Selective Buy Back). Furthermore, as described in section 1 above, the MT Buying Group have agreed to the MTBG Sell Down.

2.6 Source of consideration for the Selective Buy Back

The Company is offering the following consideration to Eligible Shareholders under the Selective Buy Back in the form of:

- (a) \$0.005 (0.5 cents) for every one (1) Share in the Company the Eligible Shareholder holds – the Company has cash of approximately \$16,000 which is not a sufficient amount to meet the Company's obligations under the Selective Buy Back should all Eligible Shareholders accept the Selective Buy Back and elect to receive this form of consideration. However, the Company has a put option with Arthur Phillip Pty Ltd (**Arthur Phillip**) pursuant to which the Company can require Arthur Phillip to purchase the number of BBX PIF Shares at \$0.312 per share required to satisfy the Company's obligations under the cash alternative of the Selective Buy Back. The Company confirms that Arthur Phillip currently has sufficient cash resources to satisfy its obligations to acquire the BBX PIF Shares; or
- (b) one (1) fully paid ordinary share in the capital of BBX PIF for every seven (7) Shares in the Company the Eligible Shareholder holds – the Company currently holds 2,758,501 BBX PIF Shares which is a sufficient amount to meet the Company's obligations under the Selective Buy Back should all Eligible Shareholders accept the Selective Buy Back and elect to receive this form of consideration; or
- (c) one (1) BBX Trade Dollar for every seven (7) Shares in the Company the Eligible Shareholder holds (BBX Trade Dollars are not redeemable for cash and the value of this form of consideration is subject to the BBX Exchange continuing). The Company has an BBX Trade Dollar overdraft facility with the issuer of the BBX Trade Dollars, BBX Management Pty Ltd, and as such has the ability to meet the Company's obligations under the Selective Buy Back should all Eligible Shareholders accept the Selective Buy Back and elect to receive this form of consideration; or
- (d) a combination of (a), (b) and (c).

Eligible Shareholders may elect, at their sole discretion, what form and in what proportions of the consideration they wish to receive

Sections 2.3 and 2.7 set out more information in respect of BBX PIF and the BBX Trade Dollars. Please also refer to the independent valuation in Schedule 2 for more information on the consideration.

2.7 BBX PIF

2.7.1 General

BBX PIF recently issued a prospectus which sets out all material information in respect of that company. Although that prospectus is now closed, the Company recommends that Eligible Shareholders peruse that document along with BBX PIF's announcements made to the National Stock Exchange of Australia Limited (**NSX**). However, the following information is provided for Eligible Shareholders reference, but it is noted that this information is a summary only and does not set out all material information in relation to BBX PIF.

BBX PIF is listed on the NSX - formerly Newcastle Stock Exchange - and was established with a number of objectives in mind, namely:

- (a) to take advantage of the current over-supply that exists in respect of residential apartment building developments in both Australia and New Zealand;
- (b) to offer tax effective investment opportunities for investors and superannuation funds; and
- (c) to provide investment opportunities for both new and existing Members of the BBX Exchange.

At the present time, there exists an over-supply of residential property, particularly apartments, town houses and the like. Demand remains low and buyers are not attracted to the market at the present time.

In many cases, developers are burdened by significant holding costs (interest payments) and pressure is being brought to bear by their banks and other financiers to finalise their loan facilities.

Through its trade exchange operation, BBX PIF will enter into agreements with a number of developers to acquire all or some of their properties by using the trade dollar currency used by the exchange to fund part of the purchase price. For instance, a vendor of a property with an asking price of \$1,000,000 may agree to accept:

- (a) \$700,000 in cash; and
- (b) \$300,000 in BBX Trade Dollars.

Assuming the transaction falls within BBX PIF's investment criteria, the vendor will be offered the opportunity of applying any part of the \$300,000 in BBX Trade Dollars (for more information see section 2.7.2 below) toward an application for 'B' Class Shares in BBX PIF (for terms and conditions of 'B' Class Shares in the capital of BBX PIF see section 2.7.2 below).

BBX PIF will invest in a diverse and fully managed portfolio of residential property and it can, if structured properly, be an investment for superannuation funds. BBX can also provide interest-free overdrafts to qualifying Members for working capital and for investment in property, which is a unique feature to the trade exchange.

2.7.2 BBX PIF Capital Structure

Security	Number
BBX PIF Shares (fully paid ordinary)	16,003,559
B Class Shares	1,944,267
Options	Nil

The capital of BBX PIF consists of BBX PIF Shares of \$1.00 each and fully paid 'B' Class Shares of \$1.00 each.

'B' Class Shares are subscribed for using BBX Trade Dollars and do not carry any entitlement to participate in any dividends that may be paid by BBX PIF.

'B' Class Shares will convert to BBX PIF Shares over time. Fifty percent of an investor's 'B' Class Shares will convert into BBX PIF Shares after 12 months from the

date of issue, and the balance will convert into BBX PIF Shares after the following 12 months. An investor will therefore need to wait 24 months for all their 'B' Class Shares to convert to BBX PIF Shares.

Only BBX PIF Shares will be listed and tradeable on the NSX.

'B' Class Shares will not be listed on the NSX and, accordingly, there will not be a liquid market for these shares. 'B' Class Shares should therefore be viewed as an illiquid investment. 'B' Class Shares may be transferred by a shareholder to another party off-market.

BBX PIF shares were listed at \$1 on 18 August 2006. As at 13 July 2009, there are buyers at \$0.001 and sellers at \$0.60. However, no on-market trading on BBX PIF shares has ever occurred. BBX PIF is a highly illiquid stock and therefore should Eligible Shareholders elect to receive BBX PIF shares, they are swapping one illiquid investment for another.

2.7.3 Rights Attaching to BBX PIF Shares

It is noted that the BBX PIF Shares being offered as consideration under the Selective Buy Back are BBX PIF Shares (i.e. fully paid ordinary shares in BBX PIF) and as such will be listed on the NSX and tradeable.

The rights attaching to ownership of shares are detailed in the constitution of BBX PIF, which may be inspected at the registered business address of BBX PIF during normal business hours.

The following is a summary of the more significant rights attaching to ordinary shares under BBX PIF's constitution and the Corporations Act. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of BBX PIF shareholders. Investors should consult their accounting, legal, financial or other professional adviser if further information is required.

Voting

Subject to any shares which are issued with special or preferential rights, at a general meeting, each holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for every fully paid ordinary share held, and a proportionate vote for every partly paid ordinary share, registered in such shareholders' name on BBX PIF's share register.

Dividends

Dividends are payable out of BBX PIF's profits and are declared by the BBX PIF directors. Dividends declared will be payable on the ordinary shares at a fixed amount per share.

Variation or Cancellation of Class Rights

The rights attaching to any class of shares, unless otherwise provided for by the terms of issue of a class of shares, may only be varied or cancelled with the consent in writing of the holders of three-quarters of the issued shares in the relevant class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares in that class.

Transfer of Shares

A shareholder may transfer ordinary shares by a market transfer in accordance with

any computerised or electronic system established or recognised by the NSX or the Corporations Act for the purpose of facilitating transfers in ordinary shares or by an instrument in writing in a form approved by the NSX or in any other usual form or in any form approved by the Directors.

The directors of BBX PIF may refuse to register any transfer of ordinary shares, other than a proper SCH transfer (as defined in the Corporations Act), where permitted by the Listing Rules of the NSX. BBX PIF must not refuse to register or give effect to or delay or in any way interfere with a proper SCH transfer of ordinary shares.

General Meetings

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to shareholders under the constitution or the Corporations Act.

Winding Up

Subject to the constitution and any rights or restrictions attaching to any shares or class of shares, holders of ordinary shares will be entitled in a winding up to share in any surplus assets of BBX PIF in proportion to the shares held by them irrespective of the amounts paid or credited as paid on the ordinary shares, less any amounts which remain unpaid on these ordinary shares at the time of distribution.

However, a liquidator in a winding up may, with the sanction of a special resolution of shareholders, divide among the shareholders the whole or any part of property of BBX PIF and determine how the division is to be carried out as between the shareholders or different classes of shareholders.

Shareholder Liability

The ordinary shares are not subject to any calls for money by the directors and will therefore not become liable for forfeiture.

Issue of Further Shares

The directors may (subject to the restrictions on the issue of ordinary shares imposed by the constitution, the ASX Listing Rules and the Corporations Act) issue, grant options in respect of, or otherwise dispose of further ordinary shares on any terms and conditions they see fit.

Alteration of the Constitution

The constitution can only be amended by a special resolution passed by at least three-quarters of shareholders present in a general meeting or voting by proxy. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

Share Buy Backs

BBX PIF may buy shares in itself in any manner and on any terms permitted by the Corporations Act.

2.7.4 Valuation

Grant Thornton, in their independent valuation as set out in Schedule 2 confirm that BBX Shares have a value of between nil and \$0.003 (0.3 cents) per BBX Share. As a result, the value of seven (7) BBX Shares is between nil and \$0.021 (2.1 cents). Grant

Thornton has also determined that the value of one BBX PIF Share is between \$0.071 and \$0.312 (7.1 cents and 31.2 cents). Therefore, based on Grant Thornton's valuation, the value of one BBX PIF Share exceeds the value of seven (7) BBX Shares. However, Shareholders should note that BBX PIF Shares are highly illiquid and the Company strongly recommends that Shareholders consider the information in respect of BBX PIF in Section 2.7.

The Company also strongly recommends Shareholders read in full the Independent Expert's Report set out in Schedule 2 to understand how the Independent Expert has come to these valuations.

The Company notes that this is not a disclosure document and as such, whilst it does contain all information known to the Company that is material to the decision on how to vote on the resolution, it does not contain all relevant information relating to BBX PIF Shares that a disclosure document would contain. Accordingly, you should conduct your own investigations into BBX PIF to determine whether to elect to receive BBX PIF Shares.

2.8 BBX Trade Dollars

A common medium of exchange (cash/currency) was introduced by the governments and trading empires to simplify business transactions, and over the years the medium of exchange has progressed to bills of exchange, cheques, and now credit and debit cards, which today comprise 95% of all business and consumer transactions.

However, generating enough cash (or currency) is often an impediment to businesses, due to factors such as the size of the market in which they operate, the over-supply of competition, competitor pricing and discounting, and a range of other reasons that make it difficult for a business to generate the cash flow it needs to survive.

Business owners are left with over-stocked shelves, superseded stock, under-utilised machinery and equipment, low productivity and idle capacity, and sometimes there isn't enough business coming through the doors to pay the bills and make a profit.

Hotels are faced with vacant rooms, restaurants with empty tables, retailers have to deal with superseded or distressed inventories that need to be liquidated at discounted prices in the hope of recouping the initial cost of the merchandise.

It is this under-utilised capacity that the Company seeks to reduce, and many businesses both large and small are discovering trade as a way to improve productivity, profitability and cash flow.

The Company introduces new business and new customers, by simple networking of buyers with sellers, and in this way the business owner can supplement existing (cash) income with cashless (trade) income.

The Company uses a currency referred to as a trade dollar (BBX\$) to exchange value between member businesses. BBX\$ have the same taxable value as A\$ in Australia (refer A.T.O ruling IT2668) and NZ\$ in New Zealand. In other countries, for trading and accounting purposes, trade currency has a par value with the local currency of that country.

The Company notes that BBX Trade Dollars are not redeemable for cash and the value of this form of consideration is subject to the BBX Exchange continuing.

In order to utilise this form of consideration, Shareholders will either need to be an existing BBX member or become a BBX member. To this end, if a Shareholder elects to receive BBX Trade Dollars and is not currently a BBX member, BBX will waive the initial joining membership fee (\$895) for that BBX Shareholder. However, Shareholders should note that there are ongoing annual fees of \$200 per year. Full details of the terms of BBX membership will be provided to shareholders upon request.

Members of BBX both receive and pay trade dollars between themselves for an equivalent cash amount. For members who owe the BBX Trade Exchange, the value of one trade dollar is equivalent to saving one dollar in payments to creditors. As a consequence, to members of BBX who are debtors on the BBX Trade Exchange, based on Grant Thornton's valuation in its Independent Expert's Report, the special value of one BBX Trade Dollar is between \$0.50 and \$0.70.

Shareholders should note that the value of this form of consideration is subject to the BBX Exchange continuing and various other conditions. Please refer to Section 10 of the Independent Expert's Report for more information.

Based on Grant Thornton's independent valuation as set out in Schedule 2 the value of a BBX Share is between nil and \$0.003 (0.3 cents) and the value of 7 BBX Shares is between nil and \$0.021 (2.1 cents). Grant Thornton has determined that the fair market value of one BBX Trade Dollar for non BBX members is between nil and \$0.40. However, Shareholders should note that Grant Thornton has advised in their report that there is significant uncertainty regarding the fair market value of the BBX Trade Dollars.

The Company also strongly recommends Shareholders read in full the Independent Expert's Report set out in Schedule 2 to understand how the Independent Expert has come to these valuations.

The Company notes that ASIC considers that BBX Trade Dollars do not satisfy the definition of "financial asset" as defined under the Accounting Standard AASB 132 *Financial Instruments: Presentation* (**AASB 132**). In ASIC's view, "cash" for the purposes of AASB 132 should be given its generally accepted interpretation, being legal tender in the form of banknotes and coins that are readily acceptable for settlement of debts. As such, ASIC considers that, although BBX Trade Dollars may have some characteristics of cash or cash in a bank account, BBX Trade Dollars are barter credits which may provide the company with the opportunity to exchange for goods and services on a non-monetary basis. They cannot be exchanged for cash or another financial asset, and will not be settled in the entity's own equity instruments. As a result of ASIC's position, ASIC has advised BBX PIF that it considers that it should derecognise the BBX Trade Dollars from its 2009 financial report and reissue that report. ASIC has advised BBX PIF that it is intending to refer the matter to the Financial Reporting Panel.

Please refer to section 10 of the Independent Expert's Report set out in Schedule 2 for a more detailed discussion of the BBX Trade Dollars.

2.9 Directors' interests

Ms Carolin Macdonald and Mr Hector Vieira, both Directors of the Company, have an interest in the Selective Buy Back in common with other Eligible Shareholders in that they both intend to participate in the Selective Buy Back. Their voting power will decrease as a result of the completion of the Selective Buy Back.

Mr Michael Touma is a member of the Excluded Shareholder Group and as such, he does not have a direct interest in the Selective Buy Back. However, if the Selective

Buy Back proceeds, Mr Touma's interest in the Company will increase. Please refer to Section 2.5 for more information in this respect.

Notwithstanding this, Mr Touma recommends that Shareholders vote in favour of Resolution 1 for the reasons articulated in section 2.11. Mr Touma confirms that he intends to vote in favour of Resolution 1.

2.10 Financial effect on the Company of Selective Buy Back

(a) This paragraph assumes that Eligible Shareholders elect only cash consideration. The financial effect on the Company of the Selective Buy Back will be to reduce Shareholders funds (net assets) by an amount equal to the number of Shares bought back multiplied by \$0.005 per Buy Back Share. The exact amount depends on how many Eligible Shareholders accept the Selective Buy Back, and their shareholdings, and cannot be determined precisely at this stage. However, the following information is provided:

- (i) should 100% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$95,766;
- (ii) should 50% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$47,883; and
- (iii) should 25% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$23,942.

(b) This paragraph assumes that Eligible Shareholders elect only BBX PIF consideration.

The financial effect on the Company of the Selective Buy Back will be to reduce Shareholders funds (net assets) by an amount equal to the number of Shares bought back multiplied by 14.3 cents per Buy Back Share (based on the BBX PIF Shares having a carrying value of \$1.00 in the Company's accounts) (**BBX PIF Offer Price**) (please refer to section 2.13 for information on the BBX PIF Offer Price). The exact amount depends on how many Eligible Shareholders accept the Selective Buy Back, and their shareholdings, and cannot be determined precisely at this stage. However, the following information is provided:

- (i) should 100% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$2,736,177;
- (ii) should 50% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$1,368,088; and
- (iii) should 25% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$684,044.

(c) This paragraph assumes that Eligible Shareholders elect only BBX Trade Dollar consideration.

The financial effect on the Company of the Selective Buy Back will be to reduce Shareholders funds (net assets) by an amount equal to the number of Shares bought back multiplied by 14.3 cents per Buy Back Share (based on the BBX Trade Dollars having a carrying value of \$1.00 in the Company's accounts) (**BBX Trade Dollar Offer Price**) (please refer to section 2.13 for information on the BBX Trade Dollar Offer Price). The exact amount depends on how many Eligible Shareholders accept the Selective Buy

Back, and their shareholdings, and cannot be determined precisely at this stage. However, the following information is provided:

- (i) should 100% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$2,736,177;
- (ii) should 50% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$1,368,088; and
- (iii) should 25% of Eligible Shareholders accept the Selective Buy Back, then the effect would be \$684,044.

2.11 Advantages and disadvantages of the Selective Buy Back

- (a) The Board believes that the Selective Buy Back will provide the following advantages to Shareholders if approved:
 - (i) Grant Thornton Corporate Finance has concluded that the Buy-back is fair to the Participating Shareholders.
 - (ii) Given that BBX shares are illiquid, the cash buy-back alternative represents an opportunity for the Eligible Shareholders to receive cash in exchange for the majority of their shareholding in BBX, which may be difficult to achieve on-market.
 - (iii) For certain Eligible Shareholders, BBX Trade Dollars and BBX PIF shares may have superior value than the cash alternative. The Eligible Shareholders have the opportunity to receive BBX Trade Dollars and BBX PIF shares in exchange for BBX shares under the terms of the Buyback. However, it should be noted that BBX PIF shares listed on the NSX and are particularly illiquid with no trades since the listing of BBX PIF in 2006.
 - (iv) Participating in the Buyback will result in an increase in BBX's major shareholders relative interest in BBX. However it is noted that, based on the assessed values for the alternative considerations offered under the Buyback set out above, the Eligible Shareholders will receive a control premium of at least 67%, based on the cash alternative of 0.5 cents per share and the midpoint of our assessed value range of 0.3 cents per share.
 - (v) No transaction costs will be incurred by Eligible Shareholders pursuant to the Buy-back.
- (b) The Board believes the disadvantages to Shareholders of the Selective Buy Back include:
 - (i) the Eligible Shareholders, whilst still retaining 10% of their BBX shares following the completion of the Buyback will have a significant reduced exposure to any future increases in the value of BBX's operations or value generated through potential future corporate transactions. If the proposed transactions are implemented, the Arthur Phillip Group will hold between 72% and 97% of the issued capital of BBX. Arthur Phillip is a boutique corporate advisory firm and in the opinion of Grant Thornton is likely to sponsor a 'back-door' transaction for BBX in the future (i.e. generally this would occur by BBX acquiring an unlisted asset, business or company and as a result, that unlisted asset, business or company would become

BBX's main business). Such a transaction is likely to be unrelated to the BBX system given its unique characteristics;

- (ii) the Eligible Shareholders will still retain 10% of the BBX shares following the completion of the Buyback. Depending upon level of participation in the Buyback, the combined shareholdings of the MT Buying Group and the Arthur Phillip Group may increase from 72% to 97% if the Buyback proceeds. The Buyback will provide BBX's largest shareholders, the MT Buying Group and the Arthur Phillip Group, with the ability to increase their relative influence on the Company;
- (iii) Shareholders funds will likely be reduced by the amounts outlined above in section 2.10;
- (iv) BBX PIF Shares have never traded on the NSX and as such, it is an illiquid investment; and
- (v) BBX Trade Dollars are not redeemable for cash.

2.12 Trading Price of Shares

The trading history of the Company's Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	2 cents	5 June 2009
Lowest	1 cent	1 May 2009
Last	2 cents	5 June 2009

2.13 Offer Price and Value

The Board considers that the consideration offered under the Selective Buy Back is an appropriate return to Shareholders' based on the recent trading history of the Company's Shares. The Board has engaged Grant Thornton to prepare an independent report on the BBX PIF Offer Price and BBX Trade Dollar Offer Price. Grant Thornton has valued the BBX PIF consideration being offered at between \$0.01 and \$0.045 per Share (assuming a value of between \$0.071 and \$0.312 per BBX PIF Share) and the BBX Trade Dollar consideration at between nil and \$0.057 per Share (assuming a value of between nil and \$0.40 per BBX Trade Dollar). Please refer to Schedule 2 for more information.

2.14 Directors Recommendation

The Directors believe that the Selective Buy Back as proposed by Resolution 1 will not prejudice the Company's ability to pay its creditors because the MT Buying Group is effectively providing the cash component of the consideration under the Buyback. The payment of BBX Trade Dollars or the transfer of BBX PIF Shares, being 'non-cash' assets, will not change the Company's cash available to pay creditors.

Mr Michael Touma is a member of the Excluded Shareholder Group and as such, he does not have a direct interest in the Selective Buy Back. However, if the Selective Buy Back proceeds, Mr Touma's interest in the Company will increase. Please refer to Section 2.5 for more information in this respect. Mr Touma recommends that Shareholders vote in favour of Resolution 1 for the reasons articulated in section 2.11. Mr Touma confirms that he intends to vote in favour of Resolution 1.

Ms Macdonald and Mr Vieira, both Directors of the Company, have an interest in the Selective Buy Back of Shares. Ms Macdonald and Mr Viera intend to participate in the Selective Buy Back and as a result do not wish to make a recommendation in relation to Resolution 1. As holders of securities, their voting power will decrease as a result of the completion of the Selective Buy Back.

2.15 Other Material Information

The Independent Expert has also concluded that the fair market value for BBX post the implementation of the Buy Back and the sale pursuant to the Sale Agreement would be between \$0.001 and \$0.01 per Share, an increase of between \$0.001 and \$0.007 per Share. The reasons for this increase are various and are set out in detail in Section 9 of the Independent Expert's Report. However, one of the key reasons is the reduction in liabilities as a result of the disposal of a substantial portion of BBX's business. The Company strongly recommends that Shareholders read the Independent Expert's Report in full.

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 1 being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement.

Pursuant to Section 257H(3) of the Corporations Act, immediately after the registration of the transfer to the Company of the Shares bought back from the Eligible Shareholders, the Buy Back Shares will be cancelled.

3. RESOLUTION 2 – APPROVAL OF SHARE AND ASSET SALE AGREEMENT

3.1 Background

The Company has entered into a share and asset sale agreement (**Sale Agreement**) with BBP and EBBX pursuant to which, subject to shareholder approval:

- (a) the Company agreed to sell and BBP agreed to purchase:
 - (i) all of the fully paid ordinary shares and units held by the Company in the entities set out below (**Relevant Entities**); and
 - (ii) all of the assets of the Company immediately following the completion of the Selective Buy Back, other than the rights to the Sydney franchise.
- (b) the Company agreed to sell and EBBX agreed to purchase all of the fully paid ordinary shares held by the Company in BBX International Limited HK (company number 103 1854) (**BBX HK**).

The Sale Agreement contains the following material terms:

- (a) (**Conditions Precedent**): the Sale Agreement is conditional upon:
 - (i) all necessary regulatory and shareholder approvals to give effect to the matters set out in the Sale Agreement pursuant to the ASX Listing Rules, Corporations Act 2001 (Cth) or any other law being obtained;
 - (ii) the MT Buying Group, agreeing to the MTBG Sell Down;
 - (iii) the MT Buying Group agreeing not to participate in the Selective Buy Back; and

- (iv) neither the Company nor BBP nor EBBX being prevented from completing the transaction contemplated by the Sale Agreement by virtue of receiving any notice (whether written or verbal) from any regulatory authority in relation to non-compliance with any relevant law by any aspect of the transaction contemplated by the Sale Agreement;
- (b) **(BBP Consideration)**: the consideration to be paid to the Company by BBP is \$80,000 (in cash) and the assumption of the net liabilities of the Company being an amount of \$2,042,438.01 (after completion of the Buyback and assuming 100% of Eligible Shareholders take up the Buyback);
- (c) **(EBBX Consideration)**: the consideration to be paid to the Company by EBBX is \$20,000 (in cash);
- (d) **(Representations and warranties)**: the Company has provided BBP with standard warranties including good standing and title to the shares and units in each of the entities within the Relevant Entities. The Company has also provided EBBX with standard warranties including good standing and title to the shares in BBX HK; and
- (e) **(Settlement)**: on the settlement date, the Company must cause the transfer of all the issued shares and units in each of the entities within the Relevant Entities to BBP and BBP must pay the BBP Consideration to the Company. The Company must also cause the transfer of all the issued shares in BBX HK to EBBX and EBBX must pay the EBBX Consideration to the Company.

A list of the Relevant Entities are set out below:

- (a) Australia & NZ Investments Pty Ltd (ACN 114 528 737);
- (b) BBX Management Ltd (ACN 059 341 758);
- (c) BBX Financial Solutions Limited (ACN 070 133 069);
- (d) BBX Distribution Pty Limited (ACN 094 609 051);
- (e) BBX Funds Management Limited (ACN 075 730 719);
- (f) BBX Real Estate Limited (ACN 122 066 559);
- (g) BBX Gold Coast Pty Ltd (ACN 117 239 817);
- (h) BBX Insurance Pty Limited (ACN 130 030 867);
- (i) BBX Financial Advisors Ltd (ACN 121 529 217);
- (j) BBX Money Pty Limited (ACN 121 078 117);
- (k) BBX Management Ltd (NZ) AK/1112095;
- (l) BBX Funds Management Unit Trust; and
- (m) BBX Insurance Unit Trust.

The main assets of the Relevant Entities are:

- (a) computer software;

- (b) office furniture;
- (c) debtors (in Australia and New Zealand) together with a potential royalty stream; and
- (d) a minority shareholding in the Indian & Costa Rican BBX franchises.

Note: The primary asset of BBX HK is intellectual property, websites, manuals, software & knowhow pertaining to the BBX system worldwide.

The effect of the Sale Agreement will be that the Company will be disposing of the majority of the Company's current business and assets. However, it will retain the rights to operate the Sydney Franchise (this is discussed in section 3.5 below).

As BBP is acquiring the Company's fully paid ordinary shares and units in the Relevant Entities, it will also effectively be acquiring all of their assets and assuming their liabilities (the Company has net liabilities of \$2,042,438.01), other than \$300,000 of liabilities. The Company has agreed to pay to BBX Financial Solutions Limited (ACN 070 133 069) the following payments commencing on that date which is 13 months after completion occurs under the Sale Agreement:

- (a) five (5) initial monthly payments of \$10,000; and then
- (b) ten (10) monthly payments of \$25,000.

3.2 Shareholder Approval

Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rules 10.1 and 11.2, and Section 208 of the Corporations Act for the Company to complete the Sale Agreement, under which it will dispose of all of its shares and units in the Relevant Entities, all of its shares in BBX HK (**Relevant Securities**) (the main undertaking of the Company) and its assets remaining after the Selective Buy Back has been completed (other than the rights to the Sydney Franchise (**Remaining Assets**)).

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to a related party. A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company. For the purposes of ASX Listing Rule 10.1, BBP and EBBX are considered to be "related parties" of the Company by virtue of the fact they are entities associated with Mr Touma, a Director of the Company.

ASX Listing Rule 11.2 restricts the Company's ability to dispose of its main undertaking without Shareholder approval.

Under Part 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 applies or shareholders have in general meeting approved the giving of that financial benefit to the related party.

For the purposes of Part 2E of the Corporations Act, BBP and EBBX are related parties of the Company because they are controlled by Mr Touma, a Director of the Company.

Section 229(3) of the Corporations Act provides that selling an asset to a related party constitutes giving a financial benefit. Accordingly, under the terms of the Sale Agreement, BBP and EBBX will receive a financial benefit from the Company.

The information set out below in relation to Resolution 2 is provided so that Shareholders can make an informed decision on how to vote on the Resolution.

3.3 The Company's current business

3.3.1 Background

BBX commenced operating as a barter exchange company in 1993. Today, the industry, in Australia and New Zealand, is dominated by two major exchanges – BBX and Bartercard. These two exchanges use trade dollars, which, based on a tax commissioner's ruling, have par or equal book value with the local currency, to assign value to transactions that take place between members. The exchange acts as a third party record keeper, similar to a bank, and trade is open and promoted between all exchange members rather than simply direct exchanging between two parties. BBX recruits new members to the trading system and services their needs on a day-to-day basis.

BBX relocated its national headquarters from Adelaide to Sydney in 1995 to enter the much larger business market along the East Coast of Australia. BBX has gone on to establish offices in all States of Australia, as well as Auckland and Christchurch in New Zealand.

BBX became a public listed company on 12 August 2005.

In July 2006 the Company's New Zealand business commenced operations as a master franchise, in which BBX HK retains a 20% interest. However, in the past year management of the franchise business has reverted to BBX.

Master franchises have also been issued in India and Central America (Costa Rica). BBX HK retains 20% equity in each of these franchises, which have been fully functioning since the last quarter of calendar 2008.

Today BBX and its franchises employ more than 60 people across a network of company and franchised offices both in Australia and New Zealand. These offices cater for an active membership base of approximately 5,000 businesses, which, in the year under review, collectively transacted over \$200 million in business through the BBX trading system. For information specific to the Sydney Franchise please refer to section 3.5 below.

The BBX trading program provides businesses with a proven and innovative means of utilising 'idle capacity' such as excess stock, unsold space or product, uncharged hours, etc. and generating extra sales from a captive market of business owners.

Any degree of idle capacity represents lost potential for a business to finance the purchase of various goods and services needed to maintain its own operation and make a profit.

Purchases made by a business through an organised trading program, such as BBX, are offset (paid for) by that business making additional sales of its own goods or services within the trading program itself.

3.3.2 Membership

Membership numbers increased to approximately 5,000 during 2008/09 (influenced to some extent by the establishment of BBX India). An initial membership base has also been established in Costa Rica.

3.3.3 Two way trade volume

Trade volume for 2008/09 was \$200 million, up from \$185 million (8%) in the previous year, reflected partly by growth in membership.

The Company continues to attract a supply of good quality real estate investment for offering its members or for take up through its related entity, BBX Property Investment Fund Limited (**BBX PIF**), a NSX-listed company.

3.3.4 Representation

The New Zealand franchise operation operates the BBX trade exchange in New Zealand, receiving and having as receivables, fees due from members using the exchange. The Company also has other international franchises located in Costa Rica and India, also receiving and having as receivables fees due from members using the relevant exchange.

However, these international franchise operations are yet to add to the transaction and member volumes – and consequently revenue.

3.3.5 Revenue

Gross revenue for 2008/09 was \$5 million, which represents a decrease of 52% over the corresponding year.

3.4 Balance Sheet

Set out in Schedule 1 is a balance sheet of the Company as at 30 June 2009, together with the pro-forma balance sheet following completion of the Disposal and the Selective Buy Back (the subject of Resolution 1).

3.5 Future of the Company upon completion of the Disposal

After completion of the Sale Agreement the Company is, and will continue to be, a commercial barter exchange company, but with operations reduced to the BBX franchise operating in the Sydney area (**Sydney Franchise**). The Sydney Franchise currently employs 8 staff that service over 750 Sydney based businesses. There is not a defined demographical area or boundary limit, however 90% of members are located in the Sydney CBD or surrounding suburbs. The Sydney Franchise currently trades over \$2.5 million a month on behalf of its members generating \$100,000 a month in transaction fees. The success of the model is directly related to distribution, variety and diversity of members and products. As the Company's membership grows, volume and revenue will increase.

The Sydney Franchise was established in June 1995 and grown to be the number 1 franchise in NSW of any barter system.

The franchise will continue to operate from the BBX head office under the supervision of BBX management. The Company will support and fund the franchise as required. There are currently 600,000 businesses registered in the Sydney market and the Company via its Sydney franchise will continue to target business owners required to stimulate trade. Historically barter booms in times of recession and we are anticipating the trend to continue with the global recession continuing to effect the Australian domestic market. With the current credit squeeze, business owners are sourcing new payment platforms and alternative currencies to fund and grow their business. BBX fits their needs.

Set out below in the following table are the results of the Disposal based upon comparisons on before the Disposal and after the Disposal:

Comparison	Before	After	% Decrease
Total liabilities as a result of the Disposal compared to the total	\$2.9 million	\$300,000	89.66%

liabilities in the Company's latest audited consolidated financial statements (i.e. for the year ended 30 June 2009)			
Total consolidated assets as a result of the Disposal compared to the total assets in the Company's latest audited consolidated financial statements (i.e. for the year ended 30 June 2009)	\$4.4 million	\$650,000	85.23%

In addition, the Directors will continue to investigate other investment opportunities to enhance Shareholder value. Shareholders will be kept fully informed of these matters. The Company notes that it is likely that additional capital will need to be raised in order to take advantage of any such investment opportunities and it is likely that this capital will be raised by the issue of new Shares, which will result in existing Shareholders interests being diluted.

The Independent Expert has also concluded that the fair market value for BBX post the implementation of the Buy Back and the sale pursuant to the Sale Agreement would be between \$0.001 and \$0.01 per Share, an increase of between \$0.001 and \$0.007 per Share. The reasons for this increase are various and are set out in detail in Section 9 of the Independent Expert's Report. However, one of the key reasons is the reduction in liabilities as a result of the disposal of a substantial portion of BBX's business. The Company strongly recommends that Shareholders read the Independent Expert's Report in full.

If the Company identifies investment opportunities that would result in a change to the nature or scale of the Company's activities, shareholder approval for the acquisition or investment will be required under ASX Listing Rule 11.1 and ASX may require the Company to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules as though it was applying to be listed on ASX for the first time, during which time the Company's securities may be suspended from quotation.

3.6 Advantages of the Disposal

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) Grant Thornton has concluded that the Buyback and the Sale Agreement are fair to the non-associated Shareholders;
- (b) BBX has incurred a loss for the year ended 30 June 2009 of approximately \$9.3m and has net current liabilities of approximately \$2.6m. Should the Buyback and Sale Agreement proceed, BBX will no longer be exposed to its historical liabilities, current loss making operations and any future liabilities and costs they might have otherwise incurred;
- (c) under the Sale Agreement, BBX will receive the right to a franchise in Sydney which currently has over 700 active members;
- (d) as a result of the Sale Agreement, the Buyback is effectively being funded by the MT Buying Group;
- (e) the Company is receiving valuable consideration whilst retaining an interest in BBX;

- (f) the Company will have no liability to fund the ongoing development of the BBX operating software; and
- (g) the Company, for the reason set out in Section 3.5 above, may be able to attract new investors and increase the Company's cash resources.

3.7 Disadvantages of the Disposal

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) the continuing shareholders will not receive the benefit of any potential upside in the businesses being sold to the various purchasers. These include the upside relating to the franchisor rights currently held, including the potential for international growth;
- (b) following completion of the Buyback and the Sale Agreement, BBX will have a liability of \$300,00 and current assets of only \$100,000 cash. The ability of BBX to pay its debts as and when they fall due will depend upon any cash that may be generated by the Sydney Franchise and the ability of BBX to raise additional capital as required;
- (c) the Buyback may provide BBX's largest shareholders, the MT Buying Group and the Arthur Phillip Group, with the ability to increase their relative influence on the Company. Should the Buyback go ahead there is the potential for BBX's largest shareholders interest to increase from approximately 72% to approximately 96%; and
- (d) should the Buyback go ahead, there will be a reduction of up to 90% in the BBX Shares not held by BBX's Shareholders. This decrease in shares on issue may reduce the free float and attractiveness of BBX shares to investors which may result in a further decrease in the liquidity of its shares.

3.8 Timetable

The expected timetable for completion of the Disposal is as follows:

Event	Date
Shareholder Meeting	22 January 2010
Satisfaction of the conditions precedent to the Sale Agreement	22 January 2010
Completion of the Selective Buy Back	29 January 2010
Completion of the Sale Agreement	29 January 2010

These are anticipated dates and are subject to change.

3.9 ASX Listing Rule 11.2

ASX Listing Rule 11.2 requires that a disposal of the main undertaking of a Company be approved by Shareholders. The proposed sale of the Company's holdings in the Relevant Entities to BBP and the proposed sale of its holding in BBX HK to EBBX constitutes the disposal of the main undertaking of the Company. Accordingly, this Resolution seeks the approval of Shareholders for the proposed Disposal.

For the purposes of ASX Listing Rule 11.2, this Explanatory Memorandum sets out the effect of the Sale Agreement on the Company and a voting exclusion statement is included in the Notice of Meeting.

3.10 Directors' interests

No Director other than Mr Touma will receive any payment or benefit of any kind following completion of the Sale Agreement, other than as a Shareholder of the Company. Mr Touma controls BBP and EBBX and accordingly has an interest in the outcome of the Resolution. BBP and EBBX are related parties of the Company by virtue of the fact they are associated with Mr Touma.

3.11 Directors' recommendations

Ms Macdonald and Mr Vieira consider that the terms of the Sale Agreement are fair and reasonable insofar as the Shareholders are concerned and the price received for the Company's assets, and all of the issued shares and units of the Relevant Entities and BBX HK is adequate (bearing in mind the Company's substantial liabilities). They recommend that, in the absence of a superior proposal, Shareholders vote in favour of the Sale Agreement by voting for Resolution 1 for the following reasons:

- (a) the advantages and disadvantages of the Sale Agreement, which are listed in section 3.6 and 3.7; and
- (b) BBP and EBBX are considered to have the financial ability to complete the Sale Agreement.

Mr Touma has declined to make a recommendation on the Disposal due to his material personal interest in the outcome of the Disposal.

3.12 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to a related party.

A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company.

The Company is seeking shareholder approval for the purposes of ASX Listing Rule 10.1 in relation to the Company disposing of a substantial asset by disposing of all of its remaining assets and the relevant securities pursuant to the Sale Agreement described in section 3.1.

For the purposes of ASX Listing Rule 10.1, BBP and EBBX are "related parties" of the Company by virtue of the fact they are entities associated with Mr Touma, a Director of the Company.

The value of the Relevant Securities and the assets is greater than 5% of the Company's equity interests on a consolidated basis as set out in the latest accounts given to ASX by the Company. As a result, the sale of the Relevant Securities by the Company to BBP and EBBX is considered to be a disposal of a substantial asset. Accordingly, the Company is seeking shareholder approval for the purpose of ASX Listing Rule 10.1.

Independent Expert's Report

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed disposal from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Grant Thornton concluding that the proposed disposal of the Relevant Securities from the Company to:

- (a) BBP is fair and reasonable; and
- (b) EBBX is fair and reasonable,

to the non associated Shareholders. Shareholders are urged to carefully read the Independent Expert's Report set out in Schedule 2 to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3.13 Section 208 of the Corporations Act

Under Part 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 applies or shareholders have in general meeting approved the giving of that financial benefit to the related party.

BBP and EBBX are related parties of the Company by virtue of the fact they are entities associated with Mr Touma, a Director of the Company.

Section 229(3) of the Corporations Act provides that selling an asset to a related party constitutes giving a financial benefit. Accordingly, under the terms of the Sale Agreement, BBP and EBBX will receive a financial benefit from the Company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months after the approval is obtained.

The Company seeks Shareholder approval for the provision of a financial benefit to BBP and EBBX with respect to the sale of the Relevant Securities in the Relevant Entities and BBX HK.

3.14 Sections 217 to 227 of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to BBP and EBBX:

- (a) the related party to whom a financial benefit may be given pursuant to the Sale Agreement is BBP and EBBX, as they are controlled by Mr Touma, a Director of the Company;
- (b) the financial benefit to be given to BBP and EBBX is the Relevant Securities;
- (c) except for Mr Touma, none of the Directors have an interest in the outcome of Resolution 2 and recommend that Shareholders vote in favour of Resolution 2 as they are of the view that the sale of the Relevant Securities and the various assets is in the best interests of the Company and its Shareholders on the basis that it will enable the Company to seek other investment opportunities; and
- (d) Mr Touma declines to make a recommendation to Shareholders in relation to Resolution 2 as he has a material personal interest in the outcome of Resolution 2.

Please also refer to the Independent Expert's Report in Schedule 2 for further details and information on the value of the Company's holdings in the Relevant Entities and BBX HK.

4. RESOLUTION 3 – INCREASE IN VOTING POWER OF THE ARTHUR PHILLIP GROUP

4.1 General

Upon completion of the Sale Agreement the MT Buying Group will transfer the remainder of their Shares, being a total of 34,425,580 Shares (**MTBG Shares**), to the Arthur Phillip Group or a member thereof in consideration of \$200,000 or \$0.0058 per Share (or \$0.0008 per Share more than the amount offered to Eligible Shareholders under the Buy Back). The Arthur Phillip Group may then transfer the MTBG Shares to its various clients. As not all of Arthur Phillip's clients have been identified, a particular member of the Arthur Phillip Group will need to initially acquire the MTBG Shares itself. Accordingly, BBX shareholder approval under item 7 Section 611 of the Corporations Act must be obtained prior to this occurring.

As such, Resolution 3 seeks Shareholder approval for the Arthur Phillip Group to increase its voting power in the Company as a result of the acquisition of the MTBG Shares (**Acquisition**).

The Arthur Phillip Group comprises Arthur Phillip Pty Ltd (**Arthur Phillip**), which is a company incorporated in Australia, Arthur Phillip Nominees Pty Ltd which is a wholly owned subsidiary of Arthur Phillip, Mr Richard Poole, Mr Paul Page (who are also controllers of Arthur Phillip) and Mr Philip Suriano (a director of Arthur Phillip Nominees Pty Ltd) and their associates. For the purposes of the Notice of Meeting, Arthur Phillip, Arthur Phillip Nominees, Mr Richard Poole, Mr Paul Page and Mr Philip Suriano and their associates are together known as the **Arthur Phillip Group**. Approval is being obtained for the Arthur Phillip Group to increase its voting power in the Company.

4.2 Item 7 of Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the person;

- (b) the second person has entered or proposed to enter in to a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may acquire a relevant interest in a company's voting shares with Shareholder approval.

As a result of the Acquisition (assuming completion under the Sale Agreement pursuant to Resolution 2 and completion of the Selective Buy Back pursuant to Resolution 1), the Arthur Phillip Group or a member thereof will potentially have a relevant interest in up to 77.80%, (please see the table set out in section 4.3 below) which exceeds 20% of the voting power in the Company. The Directors consider that it is prudent for the Company to seek Shareholder approval under Item 7 of Section 611 of the Corporations Act pursuant to Resolution 3 for the Acquisition.

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guides 74 and 111 in respect of obtaining approval pursuant to Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Ltd set out in Schedule 2.

4.3 Specific information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guides 74 and 111

Relevant Interests and Voting Power

The table set out below shows the percentage of the Company that the Arthur Phillip Group will be entitled to and the voting power upon the Acquisition assuming:

- (a) all Resolutions pursuant to this Notice of Meeting are passed and implemented; and
- (b) no Shares are issued other than pursuant to this Notice of Meeting.

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Security Holder	No. of Shares Currently Held	Current % of Co's Issued Capital	No. of Shares Held (Including the Acquisition Pursuant to Resolution 3) if 100% of Eligible Shareholders accept the Selective Buy Back	% of Co's Issued Capital pursuant to Column 3 eventuating	No. of Shares Held (Including the Acquisition Pursuant to Resolution 3) if 50% of Eligible Shareholders accept the Selective Buy Back	% of Co's Issued Capital pursuant to Column 5 eventuating	No. of Shares Held (Including the Acquisition Pursuant to Resolution 3) if 50% of Eligible Shareholders accept the Selective Buy Back	% of Co's Issued Capital pursuant to Column 7 eventuating
Arthur Phillip Group¹	9,829,000	12.93%	44,254,580	77.80%	44,254,580	66.59%	44,254,580	62.11%
Other Arthur Phillip Nominees Clients ²	10,500,000	13.81%	10,500,000	18.46%	10,500,000	15.80%	10,500,000	14.74%
Other Shareholders	55,834,953	73.43%	2,128,137	3.47%	11,704,755	17.61%	16,493,064	23.15%
Total	76,035,953	100%	56,882,717	100%	66,459,335	100%	71,247,644	100%

¹ Each member of the Arthur Phillip Group has a relevant interest in the securities of the other members of the Arthur Phillip Group and therefore has a voting power equal to the voting power of the Arthur Phillip Group in total. The Arthur Phillip Group incorporates the following parties:

- (a) Mr Richard Poole whose current holding of 2,728,500 (3.59%) includes shares held by himself, Arthur Phillip Pty Ltd, Amanda Poole and Tolarma Pty Ltd.
- (b) Mr Paul Page whose current holding of 3,600,000 (4.74%) includes shares held by Arthur Phillip Pty Ltd and Brovest Pty Ltd.
- (c) Mr Philip Suriano whose current holding of 3,500,000 (4.60%) includes shares held by Entertainment Marketing Enterprise Pty Ltd as trustee for the Suriano Family Trust.

² Other Arthur Phillip Nominees Clients includes shares held by Arthur Phillip Nominees as a bare trustee for various of clients who do not form part of the Arthur Phillip Group.

Prescribed Information

- (a) *The identity of the person proposing to make the acquisition and their associates:*

The background information on the Arthur Phillip Group is set out in detail in section 4.1 of the Explanatory Statement.

- (b) *The maximum extent of the increase in the person's voting power in the Company that would result from the Acquisition:*

As set out in the table in section 4.3 of the Explanatory Statement, assuming 100% of Eligible Shareholders accept the Selective Buy Back, the maximum extent of the increase in the Arthur Phillip Group's voting power that would result from the Acquisition is 64.87%.

- (c) *The voting power that person would have as a result of the Acquisition:*

The Arthur Phillip Group would have a maximum voting power of 77.80% as a result of the acquisition. Please refer to the table in Section 4.3 above which shows the varying levels of the voting power of the Arthur Phillip Group.

- (d) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:*

The maximum extent of the increase in voting power of the Arthur Phillip Group is 64.87%. The maximum extent of the increase in the voting power of each member of the Arthur Phillip Group's associates is set out in the table in section 4.3 of the Explanatory Statement.

- (e) *The voting power that each of that person's associates would have as a result of the Acquisition:*

The maximum voting power the Arthur Phillip Group will obtain as a result of the acquisition will be 77.80%. The voting power of each of Arthur Phillip Group's associates would have as a result of the Acquisition is set out in the table in section 4.3 of the Explanatory Statement

The Arthur Phillip Group has informed the Company that, as at the date of this Notice of Meeting and on the basis of the facts and information available to it, if Shareholders approve Resolution 3 that it:

- (a) has no intention of making any significant changes to the business of the Company in a manner that may be detrimental to non-associated Shareholders other than as set out in this Explanatory Statement;
- (b) does not intend to redeploy any fixed assets of the Company;
- (c) intends to inject sufficient capital into the Company in order to allow it to continue its operations;
- (d) does not intend to transfer any property between the Company and the Arthur Phillip Group or any person associated with either of them other than as set out in this Notice;
- (e) has no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;

- (f) has no current intentions regarding the future employment of the present employees of the Company; and
- (g) has no current intention to change the Board of the Company.

4.4 Interests and Recommendations of Directors

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, including the advantages and disadvantages outlined in detail in those two documents (refer to sections 3.6 and 3.7 of this Explanatory Statement and the Independent Expert's Report in Schedule 4), all of the Directors consider that the Acquisition the subject of Resolution 3 is in the best interests of the Company.

Each of the Directors approved the proposal to put Resolution 3 to Shareholders and each of the Directors recommends that Shareholders vote in favour of Resolution 3.

4.5 Role of the Independent Expert

The Independent Expert's Report assesses whether the advantages of the transaction outweigh the disadvantages of the transaction to the non-associated Shareholders in the Company. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to Resolution 3 contained within this Notice of Meeting.

Grant Thornton Corporate Finance Pty Ltd has prepared the Independent Expert's Report and has provided an opinion that it believes that the advantages of the proposal as outlined in Resolution 3 outweigh the disadvantages to the Shareholders of the Company not associated with the MT Buying Group or the Arthur Phillip Group.

The Independent Expert has also concluded that the fair market value for BBX post the implementation of the Buy Back and the sale pursuant to the Sale Agreement would be between \$0.001 and \$0.01 per Share, an increase of between \$0.001 and \$0.007 per Share. The reasons for this increase are various and are set out in detail in Section 9 of the Independent Expert's Report. However, one of the key reasons is the reduction in liabilities as a result of the disposal of a substantial portion of BBX's business. The Company strongly recommends that Shareholders read the Independent Expert's Report in full.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

5. ENQUIRIES

Shareholders are required to contact the Company Secretary on (+ 61 2) 9499 1100 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Arthur Phillip Group means each of Arthur Phillip Pty Ltd, Arthur Phillip Nominees Pty Ltd (an entity who holds 20,329,000 Shares for and on behalf of its various clients), Mr Richard Poole, Mr Paul Page and Mr Philip Suriano and their associates.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

BBX Exchange means the trade exchange system conducted by BBX on behalf of its Members.

BBX PIF means BBX Property Investment Fund Limited (ACN 118 847 108).

BBX PIF Share means a fully paid ordinary share in the capital of BBX PIF.

BBX Trade Dollars means the currency unit adopted by the BBX Exchange in order to pass value between member's accounts. For accounting and taxation purposes, one BBX Trade Dollar equals one Australian dollar.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Buy Back Shares has the meaning given to that term in Section 2.3(a) of the Explanatory Statement.

Company or **BBX** means BBX Holdings Limited (ABN 82 089 221 634).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eligible Shareholder means every Shareholder other than the Excluded Shareholder Group.

Excluded Shareholder Group means the MT Buying Group and the Arthur Phillip Group.

Execution Date means the date of the Share and Asset Sale Agreement.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Independent Expert's Report means the Independent Expert's Report and Financial Services Guide prepared by Grant Thornton for the purposes of this transaction.

General Meeting means the meeting convened by the Notice of Meeting.

Grant Thornton or **Independent Expert** means Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987).

Members means businesses that are active trading members of the BBX Exchange.

MT Buying Group means Michael Touma, Barry Dawes, Peter O'Mara (and each of their associated/related entities) and www.ebbx.com Pty Ltd.

MTBG Sell Down has the meaning given to that term in Section 1(c) of the Explanatory Statement.

MTBG Shares has the meaning given to that term in Section 1(c) of the Explanatory Statement.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

Regulatory Authority means the ASIC, ASX or the Takeovers Panel (as referred to in the Corporations Act 2001 (Cth)) or any other relevant regulatory body.

Relevant Entities means each of the entities in which the Company holds fully paid ordinary shares and units as set out in section 3.1 of the Explanatory Statement.

Relevant Law means the Corporations Act 2001 (Cth), the Listing Rules of ASX and any other law which may be relevant to, or have an impact on, the transaction contemplated by the Sale Agreement.

Relevant Securities means 100% of the fully paid ordinary shares and units in each of the Relevant Entities and 100% of the fully paid ordinary shares in BBX HK held by the Company.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Sale Agreement means the agreement dated on or about the date of this Notice of Meeting between the Company, BBP and EBBX for the sale of all the Company's issued shares and Units in the Relevant Entities and BBX HK.

Selective Buy Back has the meaning given to that term in Section 1.

Share or **BBX Share** means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shareholder Approvals means approval of the resolutions referred to in this Notice of Meeting.

Sydney Franchise has the meaning given to that term in Section 3.5.

SCHEDULE 1 - PRO-FORMA BALANCE SHEET

Pro forma Balance Sheet of BBX Holdings Limited				
		Balance sheet as at 30 June 2009 ¹ \$,000	Pro forma Balance Sheet after Disposal and Buyback \$,000	
	Notes		A	B
ASSETS				
Current Assets				
Cash and cash equivalents		10	100	100
Trade and other receivables		998	-	-
Inventories		58	-	-
Other current assets		163	-	-
Total Current Assets		1,229	100	100
Non-Current Assets				
Trade and other receivables	4	21	-	-
Investment stock		124	-	-
Property, plant and equipment		485	-	-
Intangible assets		957	-	-
Financial assets	1, 4	2,600	571	1,829
Total Non-Current Assets		4,187	571	1,829
Total Assets		5,416	671	1,929
LIABILITIES				
Current Liabilities				
Trade and other payables	3	1,413	300	300
Financial liabilities		810	-	-
Short-term provisions		146	-	-
Other current liabilities		1,496	-	-
Total Current Liabilities		3,865	300	300
Non-Current Liabilities				
Trade and other payables		699	-	-
Financial liabilities		251	-	-
Long-term provisions		97	-	-
Total Non-Current Liabilities		1,047	-	-
Total Liabilities		4,912	300	300
Net Assets		503	371	1,629
Share Capital				
Issued capital	2	11,183	8,447	9,815
Reserves		7	-	-
Accumulated losses		(10,657)	(8,076)	(8,186)
Parent interest		533	371	1,629
Minority equity interest		(30)	-	-
Total Equity		503	371	1,629

¹ The balance sheet as at 30 June 2009 has been audited and is prepared on a consolidated basis.

Notes

- A.** This column reflects the financial position of BBX where 100% of shareholders accept both the BBX PIF consideration as well as the BBX Trade Dollar consideration. This is the maximum effect on the financial position of BBX. Should shareholders elect the cash component; the Company will sell such number of its BBX PIF Shares to cover the amount of the cash elections.
- B.** This column reflects the financial position of BBX where only 50% of shareholders accept both the BBX PIF consideration as well as the BBX Trade Dollar consideration. This represents a midpoint of the effect on the financial position of BBX. Should shareholders elect the cash component, the Company will sell such number of its BBX PIF Shares to cover the amount of the cash elections.
- 1.** The Sydney Franchise will be retained by the Company. The value of \$550,000 is based on a Directors valuation.

2. Shares

	Number	Number	\$	\$
On issue at 30 June 2009	76,035,953	76,035,953	11,183,299	11,183,299
Bought back –				
- 100% - BBX PIF	(19,153,236)		(2,736,177)	
- 100% - BBX Trade Dollar				
	56,882,717		8,447,122	
- 50% - BBX PIF		(9,576,618)		(1,368,088)
- 50% - BBX Trade Dollar				
After Buyback		66,459,335		9,815,211

3. Payables

BBX has agreed to assist BBX Financial Solutions Limited to pay \$300,000 of the liabilities. Payments will commence 13 months after completion occurs under the Sale Agreement.

- 4.**
- a) The disposal of certain subsidiaries will lead both to the intercompany receivables and payables, as well as investments in these subsidiaries no longer existing.
 - b) Non related investments have no realisable value and have been adjusted to market value of \$nil.
 - c) Investments in BBX Property Investment Fund Limited are reduced as a result of the selective Buyback and Sale Agreement.

SCHEDULE 2 – INDEPENDENT EXPERT’S REPORT



BBX Holding Limited

Independent Expert's Report and Financial Services Guide

18 November 2009



The Directors
BBX Holdings Limited
916 Pacific Highway
Gordon, NSW 2072

18 November 2009

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Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

On 9 April 2009, BBX Holdings Limited ("BBX" or the "Company") announced the proposed restructure of BBX through:

- an off-market selective share buy-back offered to approximately 28% of BBX shareholders for 90% of each eligible shareholder's holding of BBX shares (the "Buy-back"); and
- the sale of the majority of the existing BBX business back to the founders (the "Share and Unit Sale") retaining only the franchise right for an area within Sydney.

The Buy-back and the Share and Unit Sale are interdependent between each other.

Also on 9 April 2009, Mr Michael Touma and parties related to him (the "MT Buying Group"):

- sold 20,000,000 BBX shares (approximately 26.3% of BBX) to Arthur Phillip Group¹ ("APN") for a total \$100,000, equivalent to \$0.005 or 0.50 cents per share (the "First Share Acquisition"); and
- agreed to sell the MT Buying Group's remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total of \$200,000, equivalent to approximately 0.58 cents per share (the Second Share Acquisition").

¹ Arthur Philip Group includes Arthur Phillip Pty Ltd, Arthur Phillip Nominees Pty Ltd (an entity who holds 20,329,000 Shares in BBX for and on behalf of its various clients), Mr Richard Poole, Mr Paul Page and Mr Philip Suriano and their associates.

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in management and operation of the BBX Trade Exchange.

APN is a company incorporated in Australia. Arthur Phillip Pty Ltd, a boutique investment and advisory house established in 2002 providing strategic planning, financial and IPO advisory services, is part of APN.

The Buy-back, the Share and Unit Sale and the Second Share Acquisition are collectively referred to as the “Proposed Transactions” for the purposes of this report. Terms used in this summary have the same meaning as defined in the body of the report.

Transaction summaries

The Buy-back

A summary of the key terms of the Buy-back are as follows:

- the offer is for 90% of BBX shares held by each BBX shareholder other than the MT Buying Group and APN (the “MT & APN Non-associated Shareholders”);
- MT & APN Non-associated Shareholders may only accept the offer in respect of 90% (and not a lesser or greater proportion) of their shares;
- participation in the Buy-back by MT & APN Non-associated Shareholders is voluntary;
- if MT & APN Non-associated Shareholders accept the offer, they can elect to receive the following consideration:
 - \$0.005 (0.5 cents) cash for every one (1) share in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) fully paid ordinary share in the BBX Property Investment Fund Limited (“BBX PIF”) for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) BBX Trade Dollar² for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold²; or
 - a combination of the above.
- MT & APN Non-associated Shareholders may elect, at their sole discretion, what form and what proportions of the consideration they wish to receive.

The Buy-back is subject to a number of conditions, some of which have not been satisfied at the date of this report, including the sale of the majority of the existing BBX business to companies related to Michael Touma and his associates under the Share and Unit Sale.

² We have been instructed by BBX that if a BBX shareholder elects to receive trade dollars and is not currently a BBX member, BBX will waive the initial joining membership fee for those BBX shareholders.

The Share and Unit Sale

Under this Share and Unit Sale, subject to shareholder approval:

- the Company agreed to sell and Barter Bonus Points Pty Ltd (“BBP”) agreed to purchase:
 - all of the fully paid ordinary shares and units held by the Company in all subsidiaries (other than BBX International Limited HK – refer below) held by BBX as set out in the Notice of Meeting; and
 - all of the assets and liabilities of the Company immediately following the completion of the Buy Back, other than the rights to one of the franchise areas in Sydney (the “Sydney franchise”).
- the Company agreed to sell and www.ebbx.com Pty Ltd (“EBBX”) agreed to purchase all of the fully paid ordinary shares held by the Company in BBX International Limited HK.

The effect of the Share and Unit Sale will be that the Company will be disposing of the majority of the Company’s current business and assets. The only component of the prior business being retained by BBX is the franchisee rights for a franchise area in Sydney (the “Sydney Franchise”). Whilst there are a number of franchise areas within Sydney, the Sydney Franchise right to be granted to BBX following the implementation of the Share and Unit Sale is currently the largest franchise area in Sydney.

The Share and Unit Sale is subject to a number of conditions, some of which have not been satisfied at the date of this report, including the Buy-back set out above.

The Second Share Acquisition

Under the terms of the Second Share Acquisition, the MT Buying Group will sell the MT Buying Group’s remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total cash consideration of \$200,000, equivalent to approximately 0.58 cents per share. We understand the shares acquired by APN under this transaction are intended to be held on behalf of APN clients. However, we have been advised that not all of APN’s clients who will be investing in BBX have been identified at the date of this report. We note that following the completion of the Second Share Acquisition APN and its clients will hold between 72% (assuming no participation in the Buy-back) and 96% of the BBX issued share capital (assuming full participation in the Buy-back).

The Second Share Acquisition is subject to, and conditional upon, BBX shareholder approval of the Buy-back and the Share and Unit Sale.

Effect of the Proposed Transactions

The effect of the Proposed Transactions is summarised below:

- **The Buy-back** – if the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination

of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

- **The Share and Unit Sale** – if the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of these assets and liabilities of BBX will be sold to the MT Buying Group³ in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX Financial Solutions Pty Ltd ("BBX FS")⁴ totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

- **The Second Share Acquisition** – if the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX.

Purpose of the report

The Buy-back is a selective buy-back for up to 26% of the issued capital of BBX and includes non-cash consideration alternatives. The Buy-back requires shareholder approval under Section 257D of the Corporations Act and the Company is required to provide to shareholders all information known to the Company that is material to the decision whether to vote in favour of the resolution.

We note that Regulatory Guide 110 "Share Buy-backs" ("RG 110") states that if a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and
- an independent expert's report with a valuation of the shares.

We also note that RG 110 states, in relation to buy-backs with non-cash consideration, to fulfil the disclosure requirements, directors will usually need to provide:

- a valuation of the assets offered as consideration for the buy-back; and
- an assessment of the effect on the company of the assets being transferred.

³ As at 31 October 2009, the net tangible liabilities to be acquired by the MT Buying Group has been estimated at \$0.8 million excluding the additional liabilities arising from the funds required for the Buy-back.

⁴ Following completion of the Proposed Transactions, BBX FS will be a wholly owned subsidiary of the MT Buying Group.

The MT Buying Group is a related party to Mr Michael Touma, a director of BBX. The sale of the majority of the existing BBX business under the Share and Unit Sale requires approval from the BBX shareholders not associated with the MT Buying Group (the “MT Non-associated Shareholders”) under ASX Listing Rule 10.1 (“LR 10.1”). As the Buy-back and the Share and Unit Sale are subject to, and conditional upon, each other, we have considered them collectively for the purposes of LR 10.1.

Following the completion of the Second Share Acquisition APN could hold up to, between 72% (assuming nil participation in the Buy-Back) and 96% (assuming full participation in the Buy-Back) of the issued capital of BBX and as such the Second Share Acquisition requires approval from the BBX shareholder not associated with the MT Buying Group or APN (the MT & APN Non-associated Shareholders”) for the purposes of s611(7) of the Corporations Act 2001 (the “Corporations Act”).

We note that Regulatory Guide 111 “Content of expert reports” (“RG 111”) specifically differentiates between an issue and a sale of shares under Item 7 of Section 611. Specifically, an issue of shares under Item 7 of Section 611 requires the independent expert to form an opinion whether the proposed transaction is fair and reasonable whilst a sale of shares under Item 7 of Section 611 requires the independent expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

In Summary, the Directors of BBX have engaged Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) to prepare an Independent Expert’s Report to express opinions as to whether:

- the Buy-Back is fair and reasonable to the MT Non-associated Shareholders of BBX participating in the Buy-back (the “Participating Shareholders”);
- the Buy-back and the Share and Unit Sale are fair and reasonable to the MT Non-associated Shareholders of BBX continuing post the Buy-back (the “Continuing Shareholders”); and
- the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-associated Shareholders of BBX.

Our report is to be read in conjunction with the BBX Notice of Meeting and Explanatory Statement (“Notice of Meeting”) in which this report is included, and is prepared for the exclusive purpose of assisting the Non-associated Shareholders of BBX in their consideration of the Proposed Transactions.

Summary of opinion - The Buy-back for the Participating Shareholders

Grant Thornton Corporate Finance has concluded that the Buy-back is fair and reasonable to the Participating Shareholders.

Fairness of the Buy-back to Participating Shareholders

In forming our view in relation to whether the Buy-back is fair to the participating MT Non-associated Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale; with
- the value of the alternative Buy-back consideration offered.

The following table summarises our assessed values. We have shown values for a parcel of 7 BBX shares for ease of comparison with the assessed fair market values of the BBX PIF shares and BBX Trade Dollars⁵.

Figure 1: Summary of assessed values

All figures cents per share	Reference	Low value	High value
<i>Value of a BBX share 'prior' the Proposed Transactions</i>	<i>Section 8.3</i>	-	0.3
<i>Number of BBX shares</i>		7.0	7.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Buy-back alternatives (values for a parcel of 7 BBX shares)			
Cash Consideration			
Value of the Cash Consideration (0.5 cents per share)	Section 1.2	3.5	3.5
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		3.5	1.4
Premium/(discount) %		100%	67%
BBX Trade Dollar Consideration			
Value of the BBX Trade Dollar Consideration	Section 10.2	-	40.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		-	37.9
Premium/(discount) %		0%	1805%
BBX PIF Consideration			
Value of the BBX PIF Consideration	Section 11.4	7.1	31.2
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		7.1	29.1
Premium/(discount) %		n.m.	1387%

Source: Grant Thornton Corporate Finance analysis

We note that our assessed value for the alternative considerations offered, are above or within our assessed value ranges of BBX prior to the Buy-back and the Share and Unit Sale.

Accordingly, we conclude that the Buy-back is fair to the Participating Shareholders.

Reasonableness of the Buy-back to the Participating Shareholders

As the Buy-back is fair to the Participating Shareholders, it is also reasonable to the Participating Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Participating Shareholders associated with the Buy-back.

⁵ Refer to section 10 of this report for a valuation of the BBX dollars for an active member of the BBX exchange. For the purposes of our report we have assessed the value of a BBX Trade Dollar in the hands of an active BBX member to be in the range of \$0.50 to \$0.70 cash per BBX Trade Dollar. We note that this valuation is not in accordance with the fair market value definition and incorporates special value of the BBX Trade Dollar for members of the BBX Exchange.

Advantages

The Buy-back is fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back is fair to the Participating Shareholders.

Opportunity to exit an illiquid investment

Given that BBX shares are illiquid, the cash buy-back alternative represents an opportunity for the MT and APN Non-associated Shareholders to receive cash in exchange for the majority of their shareholding in BBX, which may be difficult to achieve on-market. Specifically, we note that BBX shares trading on the ASX are illiquid and the last trade was in June 2009.

Alternative Forms of Consideration Offered

For certain Participating Shareholders, BBX Trade Dollars and BBX PIF shares may have superior value than the cash alternative. The MT and APN Non-associated Shareholders have the opportunity to receive BBX Trade Dollars and BBX PIF shares in exchange for BBX shares under the terms of the Buy-back. We note that BBX PIF shares listed on the NSX and are particularly illiquid with no trades since the listing of BBX in 2006.

Control premium offered

Participating in the Buy-back will result in an increase in BBX's major shareholders relative interest in BBX. However we note that, based on the assessed values for the alternative considerations offered under the Buy-back set out above, the Participating Shareholders will receive a control premium of at least 67%, based on the cash alternative of 0.5 cents per share and the midpoint of our assessed value range of 0.3 cents per share.

Transaction costs

We understand no transaction costs will be incurred by Participating Shareholders pursuant to the Buy-back.

Disadvantages

Reduced exposure to any future increase in the value of BBX

The Participating Shareholders, whilst still retaining 10% of their BBX shares following the completion of the Buy-back will have a significantly reduced exposure to any future increases in the value of BBX's operations or value generated through potential future corporate transactions. We note that if the Proposed Transactions are implemented, APN and its clients will hold between 72% and 96% of the issued capital of BBX. APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a "back-door" transaction for BBX in the future. Such a transaction is likely to be unrelated to the BBX system given its unique characteristics.

Increased Control of BBX by the MT Buying Group and APN

The Participating Shareholders will still retain 10% of the BBX shares following the completion of the Buy-back. Depending upon level of participation in the Buy-back, the combined shareholdings of the MT Buying Group and APN may increase from 72% to 96% if the Buy-back proceeds. The Buy-back will provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to significantly increase their relative influence on the Company and fully control the board and management of BBX.

Other considerations

Marketability of BBX Trade Dollars

BBX Trade Dollars are not redeemable for cash. The value of BBX Trade Dollars is subject to the BBX trade exchange continuing and having sufficient members willing to trade. In our opinion, the value of BBX Trade Dollars is negligible for shareholders of BBX who are not active members or do not want to become active members of the BBX exchange.

Marketability of BBX PIF shares

BBX PIF shares have experience no on-market trading since BBX PIF listed in 2006 and has a stated policy of no dividends until 2021 and are potentially a less marketable asset than BBX shares. The value of BBX PIF shares is subject to the ability to realise value through the sale of BBX PIF shares or any dividends paid by BBX PIF.

Tax impact

Participating Shareholders may incur a tax liability or receive a tax benefit as a result of their participation in the Buy-back. Participating Shareholders should consult their tax advisors in relation to their personal circumstances.

Franking credits and accumulated tax losses

The proportionate interest of the Participating Shareholders in the franking credits and accumulated tax losses of BBX will decrease following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value, if any, of BBX's franking credits and accumulated tax losses is highly uncertain.

Summary of opinion - The Buy-back and the Share and Unit Sale for the Continuing Shareholders

Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit Sale are fair and reasonable to the Continuing Shareholders.

Fairness of the Buy-back and the Share and Unit Sale to Continuing Shareholders

In forming our view in relation to whether the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale with
- the value of a BBX share post the Buy-back and the Share and Unit Sale.

The following table summarises our fairness analysis:

Figure 2: Fairness of the Buy-back and the Share and Unit Sale

All figures cents per share	Reference	Low value	High value
Value of a BBX share 'prior' the Proposed Transactions	Section 8.3	-	0.3
Value of a BBX share 'post' the Proposed Transactions	Section 9.2	0.1	1.0
Difference		0.1	0.7

Source: Grant Thornton Corporate Finance analysis

We conclude that the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders as our assessed value range of BBX post the Buy-back and the Share and Unit Sale is higher than our assessed value range of BBX prior to the Buy-back and the Share and Unit Sale.

Reasonableness of the Buy-back and Share and Unit Sale to Continuing Shareholders

As the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, they are also reasonable to the Continuing Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Continuing Shareholders associated with the Buy-back and the Share and Unit Sale.

Advantages

The Buy-back and the Share and Unit Sale are fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit sale are fair to the Continuing Shareholders.

Removal of exposure to a loss making business and its associated historical and future liabilities

BBX incurred a loss for the year ended 30 June 2009 of approximately \$9.3 million and has net current liabilities of approximately \$2.6 million. Should the Buy-back and Share and Unit Sale proceed, BBX will no longer be exposed to its historical liabilities, current loss making operations and any future liabilities and costs they might have otherwise incurred.

The Sydney Franchise

Under the Share and Unit Sale, BBX will receive the right to a franchise in Sydney which currently has over 700 active members. Whilst there is considerable uncertainty surrounding the forecast, we note that BBX has forecast a gross profit (before some overheads, corporate costs and taxation) for the Sydney franchise for the year ending 30 June 2010.

Potential increase in ability to attract new investors

We understand that the removal of the loss making operations and liabilities as set out above will leave BBX as a relatively 'clean' listed corporate shell. This may increase the attractiveness of BBX to new investors and increase BBX's ability to pursue new investment opportunities

Potential increase of relative interest in BBX for continuing shareholders

Any reduction in the number of BBX shares on issue via the Buy-back would result in a relative increase of the ownership interest of the continuing shareholders given the Buy-back is indirectly funded by the MT Buying Group. Should this occur, the continuing shareholders will have increased voting capacity and share in any increase in the underlying value of BBX.

As a result of the Share and Unit Sale, the Buy-back is being funded by the MT Buying Group, so there is no cost to BBX or the continuing shareholders.

Disadvantages

No exposure to any upside in the businesses being sold to the MT Buying Group

The Continuing Shareholders will not receive the benefit of any potential upside in the businesses being sold to the MT Buying Group. These include the upside relating to the franchisor rights currently held, including the potential for international growth.

Going concern

Following the completion of the Buy-back and the Share and Unit Sale BBX will have a liability of \$300,000 and current assets of only \$100,000 cash. The ability of BBX to pay its debts as and when they fall due will depend upon any cash that may be generated by the Sydney Franchise and the ability of BBX to raise additional capital as required.

Potential for relative increase in interest for BBX's largest shareholders

The Buy-back may provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to increase their relative influence on the Company. Should the Buy-back proceed there is the potential for BBX's largest shareholders interest in BBX to increase from approximately 72% to approximately 96%.

Decrease in number of shares on issue and potential impact on liquidity

Should the Buy-back proceed, there will be a reduction of up to 90% in the BBX shares not held by BBX's largest shareholders. This decrease in shares on issue may reduce the free float and attractiveness of BBX shares to investors which may result in a further decrease in the liquidity of its shares.

Other considerations

Franking credits and accumulated tax losses

The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses of BBX may increase following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

Summary of opinion - The Second Share Acquisition

Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the Non-Associated Shareholders.

In arriving at our conclusion, Grant Thornton Corporate Finance has examined the likely advantages and disadvantages associated with the Second Share Acquisition including the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;

- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- other consideration relevant to the MT & APN Non-Associated Shareholders.

Control premium

For the purpose of assessing whether or not the MT Buying Group will receive a control premium if the Second Share Acquisition is approved, we have compared the purchase price under the Second Share Acquisition of approximately 0.58 cents per share with our assessed range of values of BBX post the Buy-back and the Share and Unit Sale.

Based on our analysis (detailed in Section 10 of the report), we have assessed the notional control premium to be received by the MT Buying Group to be approximately 5.5% above 0.55 cents, being the midpoint of our assessed value of BBX post the Buy-back and Share and Unit Sale. The assessed control premium received by the MT Buying Group is below the range of control premium typically paid for in successful takeovers in Australia. However, given that BBX will effectively become a listed shell post the Buy-back and the Share and Unit Sale, we consider an appropriate control premium, if any, for BBX to be small.

We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of the BBX shares.

Future takeover opportunities

In assessing whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid, we have considered the following:

- APN and its clients already own approximately 26.3% of BBX as a result of the First Share Acquisition;
- the Second Share Acquisition is not expected to change the capital and shareholding structure of BBX as APN and its clients are essentially replacing the MT Buying Group as a shareholder of BBX; and
- similarly, the structure or voting power of the Board of Directors of BBX will not materially change, except it is envisaged that APN will seek to appoint replacement representatives in place of the current Directors appointed by the MT Buying Group.

We note that APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a “back-door” transaction for BBX in the future. We would expect the Proposed Transactions to increase the attractiveness of BBX for such transactions and, as such, may materially increase BBX shareholders opportunities to receive a future takeover offers and a control premium.

We note that any takeover offers for BBX will require the agreement of the MT Buying Group and APN (or APN only if the Second Share Acquisition is implemented).

Future intentions of APN if the Second Share Acquisition is approved

If the Second Share Acquisition is approved, APN and its clients will own between 72% and 96% of the issued share capital in BBX and will become the largest shareholder in BBX. This will provide APN with the majority of the voting rights in shareholders’ meetings and will allow APN to make the decisions in relation to the business and operations of BBX.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

Also, if the Second Share Acquisition is approved, the diversification of control of BBX may increase as the shares acquired will be held by APN’s clients as well as APN. This increased diversification of ownership may impact the liquidity of trading in BBX shares.

Implications if the Second Share Acquisition is not approved

If the Second Share Acquisition is not approved and assuming the MT Buying Group intends to liquidate its investment in BBX in a timely manner, the MT Buying Group may choose to dispose of its shareholding in BBX to a third party or onto the market. We note that, given the very low liquidity of BBX shares, we consider it unlikely that the MT Buying Group would be able to dispose of its BBX shares on the market. Given the effective or perceived desire of the MT Buying Group to divest their remaining holding in BBX, their continued presence as the major shareholder may result in long term downward pressure on the share price of BBX.

Also we would expect that, should the Second Share Acquisition not be approved, APN’s interest in sponsoring and seeking “back-door” transactions for BBX may be decreased.

Other considerations

Should APN achieve greater than 90% control of BBX they will be able to proceed to compulsory acquisition should they choose to do so.

Overall conclusion – The Second Share Acquisition

In determining the overall conclusion in relation to the Second Share Acquisition, we note that based on the requirements of RG 111, the greater the control premium receivable by the MT Buying Group, the greater the advantages of the Second Share Acquisition to the MT & APN Non-Associated Shareholders would need to be, to support a finding that the advantages of the Second Share Acquisition outweigh the disadvantages. Specifically we summarise the following:

- we have assessed that the premium receivable by the MT Buying Group is relatively low at approximately 5.5%. We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of their BBX shares;
- if the Second Share Acquisition is not approved, it may have an adverse impact on the share price of BBX; and
- if the Second Share Acquisition is approved, we would expect APN to sponsor and seek a “back-door” transaction for BBX and the likelihood of BBX shareholders receiving a premium for control may materially increase.

Accordingly, Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-Associated Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Buy-back, the Share and Unit Sale or the Second Share Acquisition is a matter for each BBX shareholder based on their own views of value of BBX and expectations about future market conditions, BBX performance, risk profile and investment strategy. If BBX shareholders are in doubt about the action they should take in relation to the above transactions, they should seek their own professional advice.

Prior to finalising this report, we have provided draft copies of our report to management of BBX and their advisors for factual accuracy purposes. In addition, Grant Thornton Corporate Finance has also considered the relevant regulatory guides issued by ASIC in relation to disclosure of commercially sensitive information.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



SCOTT GRIFFIN
Director



ANDREA DE CIAN
Director

18 November 2009

Financial Services Guide**1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by BBX Holdings Limited (“BBX” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to the Buy-back, the Share and Unit Sale or the Second Share Acquisition. This report is included in the Company’s Notice of Meeting and Explanatory Statement.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of this report, Grant Thornton Corporate Finance will receive a fixed fee of approximately \$50,000 (plus GST) from the company plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of BBX in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BBX (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Propose Transactions.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act.

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1 Outline of the Proposed Transactions

1.1 Overview

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in management and operation of the BBX Trade Exchange. Founded in 1993, BBX currently services approximately 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders.

1.1.1 The Buy-back

On 9 April 2009, BBX announced a proposed restructure of the Company, including an off-market selective share buy-back offered to approximately 29% of BBX shareholders for up to 90% of the BBX shares held by each BBX shareholder other than Mr Michael Touma and his associates (the “MT Buying Group”) and Arthur Phillip Group (“APN”) (the “MT & APN Non-associated Shareholders”). We have referred to the proposed buy-back as the “Buy-back” for the purposes of this report.

The Buy-back is subject to, and conditional upon, the sale of the majority of the existing BBX business to companies related to Michael Touma and his associates (the “Share and Unit Sale”) as set out below.

1.1.2 The Share and Unit Sale

Also on 9 April 2009, as part of the proposed restructure of the Company, BBX announced the Share and Unit Sale. Should the Share and Unit Sale be implemented the Company will sell the majority of its businesses and assets to the MT Buying Group.

The Share and Unit Sale is subject to, and conditional upon, the Buy-back set out above.

1.1.3 The Second Share Acquisition

On 9 April 2009, the MT Buying Group sold 20,000,000 BBX shares (approximately 26.3% of the issued capital of BBX) to APN for a total cash consideration of \$100,000, equivalent to 0.50 cents per share (the “First Share Acquisition”). The First Share Acquisition has now completed. We have been advised by the company that the 26.3% of BBX issued capital held by APN is beneficially owned by a number of APN clients with no individual or related group holding more than 20% of BBX’s issued capital.

Also on 9 April 2009, the MT Buying Group agreed to sell the MT Buying Group’s remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total cash consideration of \$200,000, equivalent to approximately 0.58 cents per share (the “Second Share Acquisition”). We understand the shares acquired by APN under this transaction are intended to be held on behalf of APN clients. However, we have been advised that not all of APN’s clients who will be investing in BBX have been identified at the date of this report and as such, APN may initially beneficially own an interest in BBX greater than 20% (i.e. shares acquired but not yet ‘placed’ with APN clients and so beneficial held by APN). We note that following the completion of the Second Share Acquisition APN and its clients will hold between 72% (assuming no participation in the Buy-back) and 96% of the BBX issued share capital (assuming full participation in the Buy-back).

The Second Share Acquisition is subject to, and conditional upon, the Buy-back and the Share and Unit Sale set out above.

1.2 The Buy-back

A summary of the key terms of the Buy-back are as follows:

- the offer is for 90% of BBX shares held by each BBX shareholder other than the MT Buying Group and APN (the “MT & APN Non-associated Shareholders”);
- MT & APN Non-associated Shareholders may only accept the offer in respect of 90% (and not a lesser or greater proportion) of their shares;
- participation in the Buy-back by MT & APN Non-associated Shareholders is voluntary;
- if MT & APN Non-associated Shareholders accept the offer, they can elect to receive the following consideration:
 - \$0.005 (0.5 cents) cash for every one (1) share in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) fully paid ordinary share in the BBX Property Investment Fund Limited (“BBX PIF”)⁶ for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) BBX Trade Dollar ⁷ for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold ⁸; or
 - a combination of the above.
- MT & APN Non-associated Shareholders may elect, at their sole discretion, what form and what proportions of the consideration they wish to receive.

The Buy-back is subject to a number of conditions, some of which have not been satisfied at the date of this report, including:

- the Company obtaining shareholder approval for the Buy-back in accordance with the requirements of the Corporations Act;
- the Company obtaining shareholder approval for the Share and Unit Sale in accordance with the Corporations Act 2001 and ASX Listing Rules; and
- BBX shareholders approving the Share and Unit Sale.

⁶ A summary profile of BBX PIF is set out in section 5 of this report.

⁷ A summary of Trade Dollars is set out in section 4 of this report.

⁸ We have been instructed by BBX that if a BBX shareholder elects to receive trade dollars and is not currently a BBX member, BBX will waive the initial joining membership fee for those BBX shareholders

If all of the MT & APN Non-associated Shareholders participate in the Buy-back, BBX will buy-back and cancel up to 19,153,236 shares in the Company.

Based on the terms of the Buy-back, any shares acquired by BBX under the Buy-back will effectively be paid by the MT Buying Group under the Share and Unit Sale with no recovery or recourse to BBX or its continuing shareholders.

We have also been instructed by BBX that any cash, BBX Trade Dollars or additional BBX PIF shares required by BBX for the purposes of the Buy-back will be provided by parties related to the MT Buying Group, with draft agreements currently in place to meet these needs. Any such liabilities arising from the above provision will be acquired by the MT Buying Group under the Share and Unit Sale, and as such will have no impact on the position of BBX post the Buy-back and Share and Unit Sale.

1.3 The Share and Unit Sale agreement

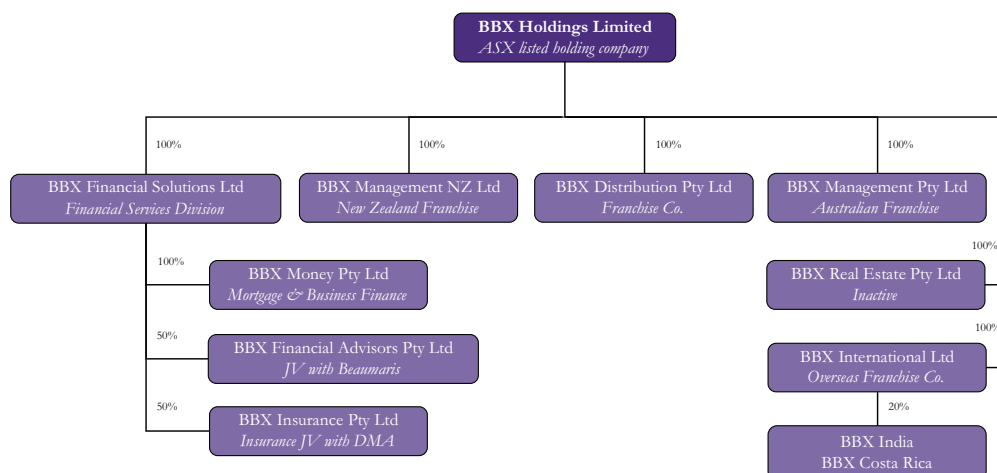
On 9 April 2009 BBX entered into a share and unit sale agreement with Barter Bonus Points Pty Ltd (“BBP”) and www.ebbx.com Pty Ltd (“EBBX”). We understand BBP and EBBX are related parties to Mr Michael Touma and are acting in concert for the purposes of the Share and Unit Sale. Under this agreement, subject to shareholder approval:

- the Company agreed to sell and BBP agreed to purchase:
 - all of the fully paid ordinary shares and units held by the Company in all subsidiaries (other than BBX International Limited HK – refer below) held by BBX as set out in the Notice of Meeting; and
 - all of the assets and liabilities of the Company immediately following the completion of the Buy Back, other than the rights to one of the franchise areas in Sydney (the “Sydney franchise”).
- the Company agreed to sell and EBBX agreed to purchase all of the fully paid ordinary shares held by the Company in BBX International Limited HK.

The effect of the Share and Unit Sale agreement will be that the Company will be disposing of the majority of the Company’s current business and assets. The only component of the prior business being retained by BBX is the franchisee right for a franchise area in Sydney (the “Sydney Franchise”). Whilst there are a number of franchise areas within Sydney, the Sydney Franchise right to be granted to BBX following the implementation of the Share and Unit Sale is currently the largest franchise area in Sydney.

The figures below set out the impact of the Share and Unit Sale on the BBX group structure:

Figure 3: Current BBX group structure



Source: BBX Management

Figure 4: BBX group structure should the Share and Unit Sale be implemented (no subsidiaries)



Source: BBX Management

We have been advised by BBX that the book value of the net tangible liabilities to be acquired / assumed by the MT Buying Group under the Share and Unit Sale agreement, prior to any reduction in net tangible assets resulting from shareholders participating in the Buy-back, is approximately \$0.8 million as at 31 October 2009, based on net tangible liabilities of \$454,000 as at 30 June 2009 and estimated net losses of \$400,000 to the date of this report. We note that, in addition to the \$0.8 million estimated net liability position at the end of October, further liabilities would result from funding any participation by shareholders in the Buy-back.

Under the Share and Unit Sale all of these assets and liabilities (including those resulting from the funding of any participation in the Buy-back) will be acquired / assumed by the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise less an obligation to make payments to BBX Financial Solutions Pty Ltd ("BBX FS") totalling \$300,000.

Under the terms of the Share and Unit sale, BBX will agree to pay to BBX FS a total of \$300,000 by way of the following payments commencing on that date which is 13 months after completion occurs under the Share and Unit Sale:

- five (5) monthly payments of \$10,000; and then

- ten (10) monthly payments of \$25,000.

The Share and Unit Sale is subject to a number of conditions, some of which have not been satisfied at the date of this report, including:

- all necessary regulatory and shareholder approvals to give effect to the matters set out in the sale agreement pursuant to the ASX Listing Rules, Corporations Act or any other law being obtained;
- the MT Buying Group and APN, agreeing to the Second Share Acquisition;
- the MT Buying Group and APN agreeing not to participate in the Buy-back; and
- neither the Company nor BBP nor EBBX being prevented from completing the Share and Unit Sale by virtue of receiving any notice (whether written or verbal) from any regulatory authority in relation to non-compliance with any relevant law by any aspect of the transaction contemplated by the sale agreement;

1.4 Effect of the Proposed Transactions

1.4.1 Buy-back

If the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

1.4.2 Share and Unit Sale

If the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of the assets and liabilities of BBX will be sold to the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX FS totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

1.4.3 The Second Share Acquisition

If the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX.

1.5 APN's intentions for BBX post the Second Share Acquisition

The intentions of APN following the Second Share Acquisition are set out at Section 6 of this report and in the Notice of Meeting.

We have made enquiries with APN in relation to future transactions and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that in the future and following the completion of the Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

2 Purpose and scope of the report

The independent directors of BBX have appointed Grant Thornton Corporate Finance to prepare this report to express opinions as to whether:

- the Buy-back is fair and reasonable to the MT Non-associated Shareholders of BBX who participate in the Buy-back (the “Participating Shareholders”);
- the Buy-back and Share and Unit Sale is fair and reasonable to the continuing MT Non-associated Shareholders of BBX (the “Continuing Shareholders”); and
- the Second Share Acquisition is reasonable to the MT & APN Non-associated Shareholders of BBX.

The following section sets out the purpose of our report as applicable to the above.

2.1 Purpose

2.1.1 The Buy-back

Section 257D of the Corporations Act sets out the shareholder approval requirements for a selective buy-back. These requirements include the necessity for a special resolution to be passed at a general meeting of the company.

The Company is required to include with the notice of meeting a statement setting out all information known to the Company that is material to the decision whether to vote in favour of the resolution.

RG 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buy-back offer.

RG 110.18 states:

If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- *a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*
- *an independent expert’s report with a valuation of the shares.*

RG 110.18 also states, in relation to buy-backs with non-cash consideration:

To fulfil the disclosure requirements, directors will usually need to provide:

- *a valuation of the assets offered as consideration for the buy-back; and*
- *an assessment of the effect on the company of the assets being transferred.*

The Buy-back is for up to 26% of the issued capital of BBX and includes non-cash consideration alternatives. Accordingly, the non-associated directors of BBX have appointed Grant Thornton Corporate Finance to prepare an independent expert's report in relation to the Buy-back.

2.1.2 The Share and Unit Sale

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder, without approval of the shareholders of the company.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the transaction to be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

With respect to the Share and Units Sale we note that:

- the net consideration offered by the MT Buying Group (based on BBX directors' estimations) exceeds 5% of BBX's last reported net assets of \$0.5 million as at 30 June 2009. Accordingly, the operations and assets being sold to the MT Buying Group as a whole are considered to be a substantial asset for the purpose of Chapter 10 of the ASX Listing Rules; and
- Mr Michael Touma is a director of BBX and also currently holds over 26% of the issued capital of BBX and therefore the MT Buying Group is considered as a substantial holder and related party of BBX for the purpose of Chapter 10 of the ASX Listing Rules.

Based on the above, the Share and Unit Sale requires the approval by the shareholders of BBX other than the MT Buying Group under ASX Listing Rule 10.1.

2.1.3 The Second Share Acquisition

If the Second Share Acquisition is completed, APN will own between 72% and 96% of the issued share capital of BBX. APN's increased interest in BBX will arise as a result of the sale of the MT Buying Group's BBX shares to APN and its clients.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111")

issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act. RG 111, in particular, sets out ASIC's views in relation to the approval of a 'sale of securities' as is applicable for the Second Share Acquisition.

2.1.4 Other matters

Our report is to be read in conjunction with the Notice of General Meeting in which this report is included, and is prepared for the exclusive purpose of assisting the MT Non-associated Shareholders and the MT & APN Non-associated Shareholders in their consideration of the Proposed Transactions.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the inclusion of this report and references to Grant Thornton Corporate Finance in the Notice of Meeting, in the form and context in which they appear. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.]

The Notice of Meeting contains information in relation to the Proposed Transaction. BBX shareholders are recommended to read it in full.

2.2 Basis of assessment

2.2.1 The Buy-back and the Share and Unit Sale

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by the ASIC, particularly RG 74 and Regulatory Guide 111: Content of experts report ("RG 111").

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company. Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Based on the terms of the Agreement, it is our opinion that the circumstances of the Proposed Transaction are similar to those considered in Section 606 of the Corporations Act.

RG 74 sets out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act. RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. RG 74 indicates that all the circumstances of the proposal should be examined. In addition to comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid, the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to must be compared with the advantages and disadvantages to those shareholders if it is not.

RG 111 establishes certain guidelines in respect to independent expert's reports prepared for the purposes of the Corporations Act, including reports prepared pursuant to Item 7 of Section 611 of the Corporations Act. In addition to the requirements under RG 74, RG 111 requires the independent expert to determine whether a premium for control is being received by the vendor and to consider whether the proposal may deter future takeover bids.

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has considered relevant regulatory guides issued by ASIC, with particular reference to RG 111, which states, *inter alia*, that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company; and
- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In arriving at our opinion as to whether the Proposed transactions are fair, Grant Thornton Corporate Finance has determined whether:

- the Buy-back is fair to the Participating Shareholders by comparing the assessed value of BBX prior to the Buy-back, to the assessed value of alternative consideration offered under the Buy-back; and
- the Buy-back and Share and Unit Sale is fair to the Continuing Shareholders, in the absence of a higher offer, by comparing the value of BBX prior to the Buy-back and the Share and Unit Sale, to the assessed value of BBX should the Buy-back and the Share and Unit Sale be implemented.

In considering whether the Buy-back and the Share and Unit Sale are reasonable, we have considered a number of factors, including:

- if applicable, whether the Buy-back and the Share and Unit Sale are fair;
- the potential for superior alternative transactions; and
- other advantages and disadvantages to BBX shareholders accepting each of the Proposed Transactions.

2.2.2 The Second Share Acquisition

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly the guidance provided by RG 111 associated with approval of a sale of securities under Item 7 of Section 611 of the Corporations Act.

In this regard, RG 111 states that security holders not associated with such a transaction may be forgoing the opportunity of receiving a takeover bid and sharing in any premium for control. RG 111 further states that the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion either:

- that the advantages of the proposal outweigh the disadvantages; or
- that the disadvantages of the proposal outweigh the advantages.

We note that RG111 specifically differentiates between an issue and a sale of shares under Item 7 of Section 611. Specifically, an issue of shares under Item 7 of Section 611 requires the independent expert to form an opinion whether the proposed transaction is fair and reasonable whilst a sale of shares under Item 7 of Section 611 requires the independent expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

RG 111 also requires the expert to determine whether the vendor is to receive a premium for control. The greater the control premium, the greater the advantages of the transaction to the non-associated holders would need to be, to support a finding that the advantages of the proposal outweighed the disadvantages.

Based on the above in order to form our opinion in relation to the Proposed Transactions in accordance with RG111, Grant Thornton Corporate Finance examined the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;
- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- the likely advantages and disadvantages relevant to the MT & APN Non-Associated Shareholders.

2.3 Independence

Grant Thornton Corporate Finance is independent of BBX, the MT Buying Group, APN, their directors and all other relevant parties associated with the Proposed Transactions. Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transactions other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection

with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transactions.

2.4 Limitations and reliance on information

The opinion of Grant Thornton Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AAS 902 applicable to review engagements

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact to the non-associated BBX shareholders as a whole. We have not considered the potential impact of the Proposed Transactions on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transactions on individuals.

The decision as to whether or not to approve the Proposed Transactions is a matter for each shareholder of BBX based on their own views of the value of BBX and expectations about future market conditions, BBX's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transactions, they should seek their own professional advice.

3 Profile of the barter exchange industry

3.1 Overview

The Australian barter exchange industry allows its users to trade both goods and services (barter) for a non-cash payment, which is then used to purchase from other sellers. The main providers within the bartering industry in Australia are Bartercard International Limited (“Bartercard”) and BBX.

The bartering industry is governed by the Code of Ethics set out by the International Reciprocal Trade Association (“IRTA”). The IRTA worked with the Australian government to help safeguard the practice of bartering and create a model with which to regulate the barter community and as a result the ATO has issued a guide on the taxation treatment of bartering transactions. We have been advised by the Company that whilst BBX is not currently a member of IRTA it does follow the guidelines as set out by IRTA.

3.2 Market size

According to Barter News (Issue #62/2004), the worlds largest circulation magazine on the Barter and Counter-trade industries, there were over 500 trade exchanges in the USA with a client of over 450,000 retailers, services and manufacturers.

3.3 Products segmentation

Products offered by barter platform providers are generally very similar, with a subscription fee allowing access to an electronic platform. This platform allows its users to trade with fellow users. Interest free finance on trade credits is offered to users.

3.4 Industry competition

BBX’s main competition within Australia comes from Bartercard, who has over 75,000 trading members in 9 countries. Bartercard also allows its members to barter goods and services. Bartercard is the largest barter network in the world, operating in Australia, the UK, NZ, the United Arab Emirates, and numerous Asian countries.

3.5 Taxation implications of the barter trade

The Australian Taxation Office (“ATO”) ruling IT 2668 sets out the Australian Taxation Office’s view for barter transactions utilising ‘trade dollars’, one trade dollar is equal to one Australian dollar for taxation purposes.

4 Profile of BBX

4.1 Business

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in the management and operation of the BBX Trade Exchange. Founded in 1993, BBX currently services approximately 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders.

BBX manages the buying and selling of goods and services on behalf of members in a cash less trading environment. The medium for payment is the BBX Trade Dollar (“BBX Trade Dollar”). In essence, BBX is a credit and debit card system (similar to other card systems) that enables businesses to access a variety of goods and services without the need for cash, in a less competitive market place.

BBX commenced operations as a barter exchange company in 1993 and was listed on ASX in August 2005. BBX currently services about 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders. BBX is head-quartered in Sydney and employs more than 60 people across Australia and New Zealand. BBX franchises are in operation in Costa Rica and India and BBX has retained a 20% equity stake in each of these franchises through its wholly owned subsidiary, BBX International Ltd.

4.2 Products and services

BBX is a provider of cashless trading services for goods and services. These goods and services are exchanged for BBX Trade Dollars which are the accounting unit used within the BBX platform.

As per the rules of the trading program, trade dollars are only able to be used within the BBX platform for the redemption goods or services from another member and are not redeemable for cash. If a member’s account is in debit, they are liable to either provide goods or services to an equivalent value to another member, or to pay the cash equivalent of the trade dollar debit balance. We note that per the Australian Taxation Office ruling IT 2668, one trade dollar is equal to one Australian dollar for taxation purposes.

Within the BBX platform member firms make available for barter any excess capacity they have, including both goods and services. This is then purchased by other members in exchange for BBX trade dollars. BBX offers businesses a platform to increase their sales, and also have access to lower cost purchasing.

In exchange for providing this platform, BBX charges its members fees. This includes a joining fee, monthly member fees, and a performance based fee on each transaction made.

The BBX platform provides cashless trading in a variety of goods services, including but not limited to, foreign currency, display cabinets, fencing materials, flowers, vegetables, gem stones, and health and beauty products.

BBX also owns a 50% interest in BBX Money Pty Ltd, which is currently active in the lending market. Loans are provided to current BBX members for the purposes of purchasing real estate, equipment leasing, car leasing and personal loans.

BBX Insurance Pty Limited provides insurance services to the members of BBX and allows for up to 30% of the premium to be paid with BBX trade dollars.

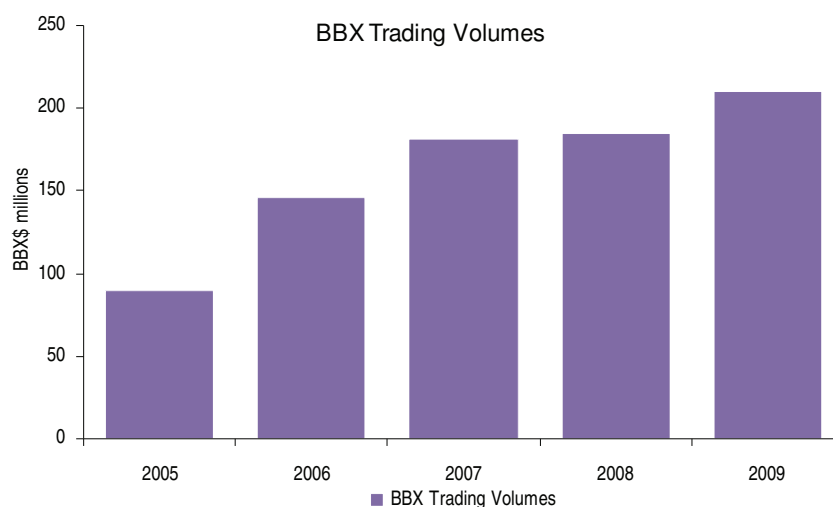
BBX has entered into franchise agreements in relation to BBX members in key markets. The role of a franchisee is to recruit new members to the trading system and service their needs on a day-to-day basis. For international markets, BBX has entered into Master Franchise agreements for each market through BBX International Ltd.

4.3 BBX Trade Dollars and the BBX Exchange

BBX Trade Dollars are an accumulation of rights to trade between members of the BBX trade exchange.

The figure below sets out the past 5 years trading in BBX Trade Dollars

Figure 5: Historical BBX Trade Dollar trading levels



Source: BBX Management

As shown above, there has been a significant level of BBX Trade Dollar transactions over the past 5 years. Whilst BBX Trade Dollars can not be redeemed for cash, there appears to be a relatively liquid market where they can be exchanged for goods and services.

We have been advised by BBX management that the BBX trade market and BBX trade dollars are attractive to members for a number of reasons, including:

- items may be sold in the BBX market at different prices without impacting the 'market price' within the cash market; and

- the acceptance of BBX trade dollars may increase sales volumes for businesses.

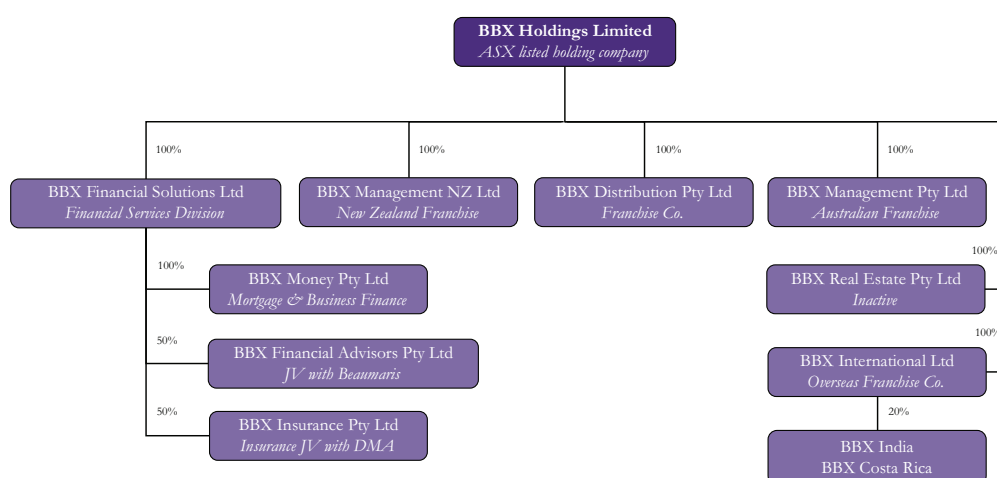
We note that, while there is a large variety of goods and services offered for trade in the BBX market:

- the BBX trade dollars cannot be exchanged for cash;
- transactions incur commission costs, payable to BBX, of up to 14%. Trade commissions appear to often be paid using a mix of cash and BBX Trade Dollar;
- BBX has experienced a very high level of write-offs in relation to overdrawn BBX trade dollar accounts; and
- BBX has, in some instances where members have overdrawn accounts, accepted non-cash consideration in the form of goods (e.g. jewellery) and BBX PIF shares, in exchange for BBX trade dollars credited to the overdrawn accounts.

4.4 BBX Corporate Structure

The figure below sets out the current BBX group structure:

Figure 6: Current BBX group structure



Source: BBX Management

4.5 Financial information

4.5.1 Financial performance

The following table summarises the audited income statements of BBX for the years ended 30 June 2007, 2008 and 2009:

Figure 7: Summary BBX historical income statement

All figures \$'000 and for the years ending	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Revenue	10,211	10,602	5,088
Employee benefits expense	(2,443)	(2,617)	(2,234)
Loss on sale of assets	-	(53)	(980)
Other expenses	(6,680)	(8,600)	(5,540)
Operating profit	1,088	(668)	(3,666)
Other income	-	817	-
EBITDA	1,088	149	(3,666)
Depreciation and amortisation	(204)	(333)	(434)
Impairment of goodwill	-	-	(5,005)
EBIT	884	(184)	(9,105)
Finance costs	(158)	(178)	(249)
Earnings before tax	726	(362)	(9,354)
Taxation (expense)/benefit	164	(550)	-
Loss from discontinued operations	-	(504)	-
Loss attributable to minority equity interests	-	-	30
Profit after tax	890	(1,416)	(9,324)

Source: 2007, 2008 and 2009 BBX Annual Reports

Note 1: 30 June 2008 balance sheet restated for the 30 June 2009 Annual Report

We note the following in relation to BBX's income statement:

30 June 2008

- on 30 June 2008, BBX disposed its 100% interest in Priced2Clear Pty Ltd, a clearance warehouse facility based in Sydney. Loss from discontinued operations of \$504,000 is in relation to the financial performance of Priced2Clear Pty Ltd;
- other income includes gain on sale of Priced2Clear Pty Ltd of \$488,000 and gain on revaluation of investment property of \$379,000;

30 June 2009

- During the year ended 30 June 2009, revenue decreased by approximately \$5.5 million to \$5.1 million (52% decrease). We understand that this is due to a decrease in:
 - Sales of international franchises (2008: \$1.1 million, 2009: \$nil);
 - Sale of Australian franchises (2008: \$0.4 million, 2009: \$nil);

- Sale of goods (2008: \$1.5 million, 2009: \$0.2 million); and
- Service fees (2008: \$7.5 million, 2009: \$4.8 million);
- an impairment of goodwill was recognised of approximately \$5 million. It was also noted in the audit report that there was significant uncertainty regarding the impairment of goodwill and carrying value of controlled entities. The auditor’s report states *“in the event that some of these assumptions are found to be incorrect, a further impairment of goodwill, and a further write down in the carrying value of controlled entities in the financial statements of BBX Holdings Limited, may be required”*. We note that the carrying value of goodwill and controlled entities were approximately \$704,000 and \$396,000 as at 30 June 2009;

4.5.2 Balance Sheet

The audited consolidated balance sheet of BBX as at 30 June 2007, 2008 and 2009 is summarised below:

Figure 8: Summary BBX historical consolidated balance sheet

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Note 1			
Current assets			
Cash and cash equivalents	106	15	10
Trade and other receivables	3,287	1,640	998
Inventory	2,864	80	58
Financial assets	531	-	-
Other current assets	715	937	163
Total current assets	7,503	2,672	1,229
Non-current assets			
Trade and other receivables	23	2,137	21
Land held for sale	80	459	-
Investment stock	-	403	124
Financial assets	928	1,013	2,600
Property, plant and equipment	702	1,081	485
Deferred tax asset	801	-	-
Intangible assets	4,234	5,385	957
Total non-current assets	6,768	10,478	4,187
Total assets	14,271	13,150	5,416
Current liabilities			
Trade and other payables	1,358	1,571	1,413
Financial liabilities	281	771	810
Provisions	202	177	146
Other current liabilities	-	-	1,496
Total current liabilities	1,841	2,519	3,865
Non current liabilities			
Trade and other payables	237	428	699
Financial liabilities	487	420	251
Other financial liabilities	256	-	-
Provisions	81	95	97
Total non-current liabilities	1,061	943	1,047
Total liabilities	2,902	3,462	4,912
Net assets	11,369	9,689	503
Equity			
Share capital	11,530	11,183	11,183
Reserves	200	(78)	7
Retained earnings/(accumulated losses)	(361)	(1,416)	(10,657)
Minority Interest	-	-	(30)
Total equity	11,369	9,689	503

Source: 2007, 2008 and 2009 BBX Annual Reports

Note 1: 30 June 2008 balance sheet restated for the 30 June 2009 Annual Report

We note the following in relation to the consolidated balance sheets of BBX:

- financial assets comprise of shares in BBX PIF carried at approximately \$2,538, 000 and Led Investments Pty Ltd (“Led Investments”) carried at approximately \$62,000. Refer to Section 5 for an overview of BBX PIF;
- investment stock consists of gold and silver jewellery. This inventory is currently held at cost as the independent valuation of jewellery was not conducted by the management of BBX. The Company’s auditor qualified the audit report for the 2009 Annual Report in relation to uncertainty regarding the carrying value of these investments;
- intangible assets include goodwill (\$704,000), computer software (\$7,000) and website development (\$246,000). Please refer to the comments regarding impairment of goodwill in the section above.
- trade and other payables include non current payables of approximately \$699,000 to directors and related parties;
- financial liabilities (current and non-current) include bank loans of approximately \$241,000 and bank overdrafts of approximately \$580,000, hire purchase liability of approximately \$223,000 and lease liability of approximately \$17,000;
- other current liabilities relate to trade exchange deficit;
- the Company had a net tangible asset deficiency of approximately \$454,000 as at 30 June 2009;
- the Company had a net current liability (current liabilities less current assets) of approximately \$2,636,000 as at 30 June 2009; and
- the Company’s auditor did not comment upon, or qualify their opinion in relation to the Company’s ability to operate as a going concern in BBX’s 2009 Annual Report.

4.5.3 Cash flows

The audited cash flows of BBX for the years ended 30 June 2007, 2008 and 2009 are summarised below:

Figure 9: Summary BBX historical cash flows

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Cash flows from operating activities			
Receipts from customers	5,356	6,326	4,433
Payments to suppliers and employees	(5,912)	(6,682)	(4,221)
Interest received	5	1	3
Finance costs	(107)	(75)	(197)
Sundry income received	5	-	-
Net cash provided by / (used in) operating activities	(653)	(430)	18
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	431	-	117
Purchase of property, plant and equipment	181	(75)	-
Purchase of intangibles	(30)	-	-
Purchase of other non-current assets	24	-	-
Net cash provided by / (used in) investing activities	606	(75)	117
Cash flows from financing activities			
Proceeds from issue of shares	579	-	-
Proceeds from borrowings	-	70	-
Repayment of borrowings	(258)	(159)	(217)
Dividends paid by parent entity	(110)	-	-
Net cash provided by / (used in) financing activities	211	(89)	(217)
Net increase in cash held	164	(594)	(82)
Cash at beginning of financial year	(58)	106	(488)
Cash at end of financial year	106	(488)	(570)

Source: 2007, 2008 and 2009 BBX Annual Reports

4.6 Capital structure

As at the date of this report, BBX has on issue 76,035,953 ordinary shares. We have been instructed that the Company does not have any options on issue as at the date of this report.

4.6.1 Top 10 shareholders

The top 10 shareholders of BBX as at 22 September 2009 are set out below:

Figure 10: BBX top 10 shareholders

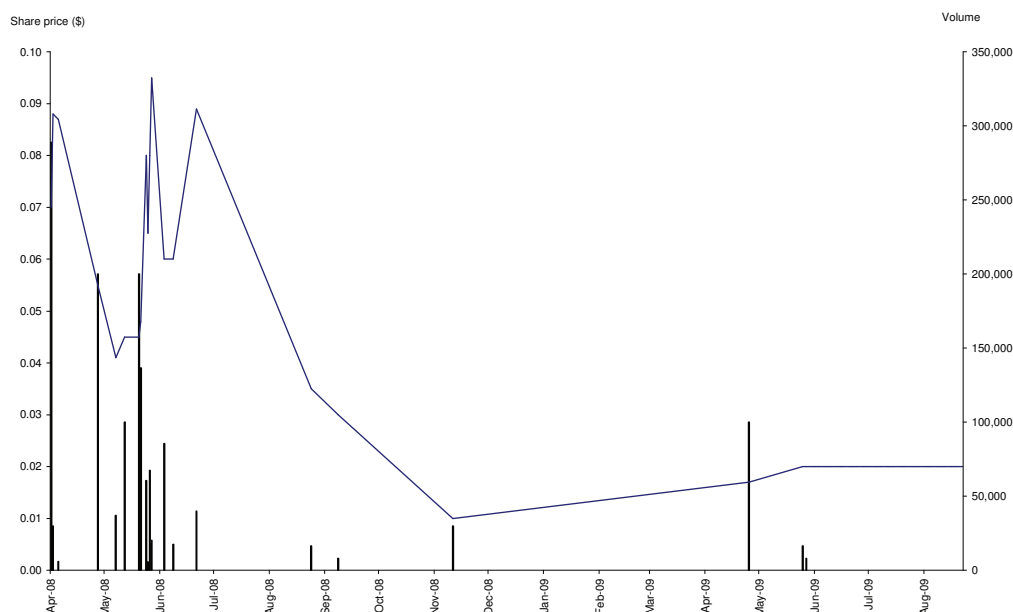
Name	Number of shares	% holding
Arthur Phillip Nominees Pty Ltd	20,000,000	26.3%
Michael Touma	19,808,000	26.1%
O'Mara Management Pty Ltd	8,037,600	10.6%
www.ebbx.com Pty Ltd	1,650,000	2.2%
Alcardo Investments Limited	1,636,000	2.2%
Martin Place Securities Staff Superannuation Fund Pty Ltd <Investment a/c>	1,592,000	2.1%
Whi Securities Pty Ltd	851,416	1.1%
Touma Investments Pty Ltd	587,720	0.8%
Martin Place Securities Nominees Pty Ltd	432,000	0.6%
Martin Place Securities Staff Superannuation Fund Pty Ltd <No2 a/c>	406,000	0.5%
Top 10 shareholders	55,000,736	72.3%
Other shareholders	21,035,217	27.7%
Total	76,035,953	100.0%

Source - BBX 2009 Annual report

4.6.2 Share price performance

As at the date of this report, the most recent trade in BBX shares was on 5 June 2009 at a share price of approximately 2 cents per share. The movements in the BBX share price and volumes traded on the ASX for the period from 1 April 2008 to 4 November 2009 is set out below:

Figure 11: BBX historical share price and trading volumes



Source: Reuters

We note the following with regard to the share price history shown above:

Date	Comments
24 April 2008	BBX announced the commencement of trading by the BBX franchise in China. Share price closed at \$0.087.
30 June 2008	BBX announced the sale of its interest in Priced2Clear Pty Ltd. Share price closed at \$0.089.
9 April 2009	BBX announced that it had agreed to restructure its business by undertaking an off-market selective share buy back. Share price closed at \$0.010.
17 April 2009	BBX announced an off-market selective share buy back. Share price closed at \$0.010.

Source: ASX

Set out below is the share price performance of BBX since April 2008:

Figure 12: BBX historical share price performance

Share price performance of BBX	High (A\$)	Low (A\$)	Close (A\$)	Total months volume
Month ended				
April 2008	0.088	0.023	0.087	324,920
May 2008	0.060	0.041	0.048	673,665
June 2008	0.095	0.060	0.089	297,206
July 2008	-	-	-	-
August 2008	-	-	-	-
September 2008	0.035	0.030	0.030	24,320
October 2008	-	-	-	-
November 2008	0.010	0.010	0.010	30,000
December 2008	-	-	-	-
January 2009	-	-	-	-
February 2009	-	-	-	-
March 2009	-	-	-	-
April 2009	-	-	-	-
May 2009	0.017	0.017	0.017	100,000
June 2009	0.020	0.020	0.020	24,320
July 2009	-	-	-	-
August 2009	-	-	-	-
September 2009	-	-	-	-
October 2009	-	-	-	-

Source: Reuters

We note that the transaction volumes over the period since April 2008 were extremely low.

5 Profile of BBX PIF

As shares in BBX PIF represents the largest assets on the BBX balance sheet as at 30 June 2009 and BBX PIF shares are one of the possible considerations offered under the Buy-back, set out below is an overview of BBX PIF.

BBX PIF is a diversified property investment fund listed on the National Securities Exchange (“NSX”). BBX PIF acquires and manages a portfolio of residential property.

BBX PIF’s stated objective is to maximise investment returns and provide the potential for income and capital growth to shareholders through investing in direct residential, commercial and industrial property assets.

BBX PIF has a target ‘fund’ size of \$100 million dollars to be achieved within 5 years of mid 2009 and a target gearing level of 33% debt.

5.1 BBX PIF investment portfolio

A summary of the properties in BBX PIF’s investment portfolio is set out below:

Residential

- 30 Hythe Street, Mt Druitt:
 - Units 18,19,20 & 21 – each 2 bed, 1 bath, 1 car park. Current rental yield of approximately 4.5%;
- 40-42 Toowoomba Bay Road, Long Jetty
 - Town House #2 - 3 bed, 2 bath, 2 car parks. Current rental yield of approximately 3.9%;
 - Units 12 & 26 – 2 bed, 2 bath, 2 car parks. Current rental yield of approximately 3.9%;
- 2 Willison Road, Carlton:
 - Units 8,11,14 & 15 – each 3 bed, 2 bath, 2 car parks. Current rental yield of approximately 4.3%;
- 12-14 Loftus Street, Wollongong
 - Unit 13 - 2 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;
 - Unit 14 - 3 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;

- Units 15 & 19 – each 4 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;

Commercial

- 8 Wainright Road, Mt Druitt, Factory Numbers 10 & 11 – each with 4 car parks and bathrooms / showers. Current rental yield of approximately 6.2%;

5.2 Financial information

5.2.1 Financial performance

The following table summarises the audited income statements of BBX PIF for the years ended 30 June 2007, 2008 and 2009:

Figure 13: Summary BBX PIF historical income statement

All figures \$'000 and for the years ending	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Revenue	29	247	298
Other income	29	34	19
Expenses	(280)	(373)	(357)
EBITDA	(222)	(93)	(41)
Depreciation and amortisation	-	-	-
EBIT	(222)	(93)	(41)
Finance costs	(39)	(296)	(345)
Earnings before tax	(261)	(388)	(386)
Taxation (expense)/benefit	(12)	-	-
Profit after tax	(273)	(388)	(386)

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.2.2 Balance sheet

The audited balance sheet of BBX PIF as at 30 June 2007, 2008 and 2009 is summarised below:

Figure 14: Summary BBX PIF historical balance sheet

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Current assets			
Cash and cash equivalents	312	430	375
New share issue account	427	-	-
Trade and other receivables	280	24	(125)
Other current assets	369	681	1
Total current assets	1,387	1,135	251
Non-current assets			
Trade and other receivables	19	56	281
Investment property	3,357	6,908	6,915
Other financial assets	8,955	10,369	12,674
Total non-current assets	12,331	17,332	19,869
Total assets	13,719	18,467	20,121
Current liabilities			
Trade and other payables	62	77	13
Financial liabilities	742	741	742
Total current liabilities	804	818	755
Non current liabilities			
Trade and other payables	18	-	-
Financial liabilities	1,479	3,657	3,660
Total non-current liabilities	1,498	3,657	3,660
Total liabilities	2,302	4,475	4,414
Net assets	11,417	13,992	15,706
Equity			
Share capital	11,678	14,642	16,741
Retained earnings/(accumulated losses)	(261)	(649)	(1,035)
Total equity	11,417	13,992	15,706

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.2.3 Cash flows

The audited cash flows of BBX PIF for the years ended 30 June 2007, 2008 and 2009 is summarised below:

Figure 15: Summary BBX PIF historical cash flows

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Cash flows from operating activities			
Receipts from customers	29	181	298
Payments to suppliers and employees	(562)	(106)	(481)
Interest received	29	34	19
Finance costs	(40)	(316)	(361)
Net cash provided by / (used in) operating activities	(545)	(207)	(525)
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,352)	(2,796)	(79)
Net cash provided by / (used in) investing activities	(2,352)	(2,796)	(79)
Cash flows from financing activities			
Proceeds from issue of shares	987	965	546
Proceeds from borrowings	2,221	2,156	4
Net cash provided by / (used in) financing activities	3,208	3,121	550
Net increase in cash held	312	118	(55)
Cash at beginning of financial year	-	312	430
Cash at end of financial year	312	430	375

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.3 Capital structure

As at the date of this report, BBX PIF has on issue 16,003,559 fully paid ordinary shares and 1,944,267 unquoted fully paid 'B' class shares.

5.3.1 Top 10 'ordinary shares' shareholders

The top 10 'ordinary shares' shareholders of BBX PIF as at 25 September 2009 are set out below:

Figure 16: BBX PIF top 10 'ordinary shares' shareholders

Name	Number of shares	% holding
BBX Holdings Ltd	2,122,500	13.3%
Mr Vincent Chan & Mrs Helen Chan <V&H Chan Super Fund a/c>	1,000,000	6.2%
Mrs Mireille Touma	754,000	4.7%
BBX Holdings Limited	636,001	4.0%
O'Mara Investments Pty Ltd <O'Mara Investments a/c>	454,000	2.8%
Ms Luceille Outhred <Jolu Super Fund a/c>	450,000	2.8%
Martin Place Securities Nominees Pty Ltd	352,500	2.2%
Cuthbert Supperannuation Pty Ltd <The Cuthbert Super Fund a/c>	323,900	2.0%
Mr Dennis Rutzou & Mrs Joan Rutzou <Cinque Super Fund a/c>	320,000	2.0%
R Elliot & Associates Pty Ltd <T J Creasy Super Fund a/c>	309,000	1.9%
Top 10 shareholders	6,721,901	42.0%
Other shareholders	9,281,658	58.0%
Total	16,003,559	100.0%

Source - BBX PIF 2009 Annual report

5.3.2 Top 10 'B' class shares' shareholders

A summary of the rights and condition of BBX PIF 'B' class shares is set out below:

- 'B' class shares do not carry any entitlement to participate in dividends that may be paid by the Company;
- 'B' Class Shares will convert to Ordinary Shares over time. 50% of an investor's 'B' Class Shares will convert into Ordinary Shares after twelve months from their date of issue, and the balance will convert into Ordinary Shares after the following 12 months;
- 'B' class shares are not listed on the NSX; and
- other than the above, 'B' class shares have the same rights as ordinary shares.

The top 10 'B' class shares' shareholders of BBX PIF as at 25 September 2009 are set out below:

Figure 17: BBX PIF top 10 “B” class shares’ shareholders

Name	Number of shares	% holding
Cuthbert Superannuation Pty Ltd <The Cuthbert Super Fund a/c>	201,100	10.3%
Radeshar Pty Ltd	160,000	8.2%
Alexander Administration Pty Ltd <Super Fund a/c>	111,500	5.7%
Mr Kenneth Lambert & Mrs Brenda Elaine Wylde <Kel Super Fund a/c>	110,000	5.7%
Nattia Pty Ltd <Sit Back & Relax S/F a/c>	73,600	3.8%
Mr John Outhred & Mrs Luceille Outhred <Jolu Super Fund a/c>	64,000	3.3%
R Elliot & Associates Pty Ltd <T J Creasy Super Fund a/c>	50,000	2.6%
Mr John Outhred <Jolu Super Fund a/c>	48,000	2.5%
Gogia Holdings Pty Ltd	45,000	2.3%
Peninsula Discounts Pty Ltd <Lynian Super Fund a/c>	41,667	2.1%
Top 10 shareholders	904,867	46.5%
Other shareholders	1,039,400	53.5%
Total	1,944,267	100.0%

Source - BBX PIF 2009 Annual report

6 Impact of the Proposed Transactions

6.1 Effect of the Proposed Transactions

6.1.1 Buy-back

If the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

6.1.2 Share and Unit Sale

If the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of the assets and liabilities of BBX will be sold to the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX FS totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

6.1.3 The Second Share Acquisition

If the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX..

6.2 Intentions of APN post the Proposed Transactions

APN and its related parties have informed the Company that, as at the date of the Notice of Meeting and on the basis of the facts and information available to them, should the Second Share Acquisition be approved, they:

- have no intention of making any significant changes to the business of the Company in a manner that may be detrimental to MT & APN Non-associated Shareholders;
- do not intend to redeploy any fixed assets of the Company;
- do not have any present intention to inject further capital into the Company;
- do not intend to transfer any property between the Company and APN or its related parties or any person associated with either of them other than as set out in the Notice of Meeting;

- have no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;
- have no current intentions regarding the future employment of the present employees of the Company; and
- have no current intention to change the board of directors of BBX, other than as set out in the Notice of Meeting.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion of the Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

6.3 Pro forma consolidated net assets post the Share and Unit Sale

Assuming the Buy-back and the Share and Unit Sale are implemented, the unaudited consolidated pro forma net assets of BBX as at 30 June 2009 as prepared by BBX management is set out below:

Figure 18: BBX pro forma balance sheet should the Buy-back and the Share and Unit Sale be implemented

All figures \$'000 and as at	Audited 30 Jun 2009	Pro-forma Balance Sheet
Current assets		
Cash and cash equivalents	10	100
Trade and other receivables	998	-
Inventory	58	-
Other current assets	163	-
Total current assets	1,229	100
Non-current assets		
Trade and other receivables	21	-
Investment stock	124	-
Financial assets	2,600	-
Property, plant and equipment	485	-
Intangible assets	957	571
Total non-current assets	4,187	571
Total assets	5,416	671
Current liabilities		
Trade and other payables	1,413	300
Financial liabilities	810	-
Other current liabilities	1,496	-
Provisions	146	-
Total current liabilities	3,865	300
Non current liabilities		
Trade and other payables	699	-
Financial liabilities	251	-
Provisions	97	-
Total non-current liabilities	1,047	-
Total liabilities	4,912	300
Net assets	503	371

Source: BBX

Notes:

The pro forma consolidated balance sheet above is for illustrative purposes only and has been provided by BBX.

We note that the management of BBX have included an estimated intangible asset value of \$571,000 for the Sydney Franchise, which we understand was based on a "\$ per active member" industry rule of thumb valuation approach. BBX have advised that the Sydney Franchise had 708 active members as at 30 September 2009, which equates to approximately \$780 per active member. We have not verified the assessed goodwill of the Sydney Franchise and we note it will be tested for impairment in accordance with accounting standards.

We note that the Second Share Acquisition will have no impact on the pro forma consolidated net asset position of BBX.

6.4 Impact of the Buy-back and the Second Share Acquisition on Capital Structure

Assuming the Proposed Transactions proceed, and there is full participation in the Buy-back, the share structure of BBX would be as follows:

Name	Current		Post Buy-back 'full participation'		Post the Second Share Acquisition	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
Arthur Phillip Nominees Pty Ltd or its clients	20,329,000	26.7%	20,329,000	35.7%	54,754,580	96.3%
MT Buying Group	34,425,580	45.3%	34,425,580	60.5%	-	-
Other shareholders	21,281,373	28.0%	2,128,137	3.7%	2,128,137	3.7%
Total	76,035,953	100.0%	56,882,717	100.0%	56,882,717	74.8%

Source - BBX and Grant Thornton Corporate Finance analysis

7 Valuation methodologies

7.1 Introduction

For the purposes of this report, Grant Thornton Corporate Finance has assessed values using the concept of fair market value.

Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing by not anxious seller acting at arm’s length.”

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

7.2 Methodology selected to value BBX prior to any of the Proposed Transactions

In considering the appropriate methodologies for valuing BBX prior to any of the Proposed Transactions, we note that:

- we have been advised by BBX that budgets or forecasts for the Company for the year ending 30 June 2010 or beyond are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- historically, BBX has incurred trading losses and, whilst a budget is not available, the Company’s management do not expect it to generate a profit for the year ending 30 June 2010. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- whilst BBX is a listed Australian company and is quoted on the ASX we note that on-market trading in BBX’s shares is extremely illiquid with the last trade prior to the date of this report

occurring on 5 June 2009. As such, we have not utilised the quoted price of listed securities approach for the purposes of our report;

- we have been advised by BBX that they have not received any recent offers for BBX or any of its key assets or operations. We note that on 9 April 2009 Mr Michael Touma sold approximately 26% of BBX to APN and its clients for 0.5 cents per share in an off-market transaction; and
- we have been advised by BBX that further funding is required for the Company to continue its operations.

Accordingly, for the purpose of this report, we consider the most appropriate approaches in relation to the valuation BBX prior to any of the Proposed Transactions to be:

- an orderly realisation of assets; and
- a cross check to comparable transactions by reference to the First Share Acquisition, being a recent off-market transaction in a significant parcel of BBX shares.

7.3 Methodology selected to value BBX post the Buy-back and the Share and Unit Sale

In considering the appropriate methodologies for valuing BBX post the Buy-back and the Share and Unit Sale, we note that:

- we have been advised by BBX that long term forecasts for BBX Sydney or BBX post the Buy-back and the Share and Unit Sale are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- BBX management have provided us with a budget for the Sydney Franchise for the year ending 2010. Whilst this indicates the Sydney Franchise will make a gross profit, we note that it is forecast to be loss making for 2010 once allowing for corporate costs. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- we understand that, even if the Buy-back and the Share and Unit Sale be implemented, additional funding is likely to be required for the Company to continue its operations.

Accordingly, for the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX post the Buy-back and the Share and Unit Sale.

7.4 Methodology selected to value BBX Trade Dollars

For the purpose of this report, we have had regard to the historical level of trading of the BBX Trade Dollars and adjusted for various factors relevant to the value of the BBX Trade Dollars in the hands of an active BBX member and also in the hands of a non BBX member.

7.5 Methodology selected to value BBX PIF

In considering the appropriate methodologies for valuing BBX PIF, we note that:

- we have been advised by BBX that budgets or forecasts for BBX PIF for the year ending 30 June 2010 or beyond are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- historically, BBX PIF has incurred trading losses and it is not expected to generate a profit for the year ending 30 June 2010. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- whilst BBX PIF is a listed Australian company and is quoted on the NSX, we note that there have been no on-market trades since it listed in 2006. As such, we have not utilised the quoted price of listed securities approach for the purposes of our report;
- BBX PIF has a stated dividend policy of no dividends until 2021;
- we have not been advised of any recent offers for BBX PIF or any of its key assets or operations; and
- BBX PIF incurred negative cash flow of approximately \$525,000 for the year ended 30 June 2009. Whilst BBX PIF have not provided forecasts for the year ending 30 June 2010, given the nature of their operations, with revenues determined by rental rates and expenses primarily driven by interest costs, we would expect it, assuming no significant changes to its operations, to also incur negative cash flows for the year ending 30 June 2010. We note that BBX PIF had cash at bank of \$375,000 as at 30 June 2009 and has subsequently raised approximately \$258,000 via the BBX PIF share offer which closed on 28 August 2009. Given the above, there is some uncertainty as to whether BBX PIF will have sufficient funding or will need additional funding to continue its operations. We note that BBX has raised additional funds via a share offer each year since listing, the most recent of which was completed on 28 August 2009.

Accordingly, for the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach in relation to the valuation of BBX PIF for the purposes of our report.

In arriving at an assessed value for BBX PIF we have also had regard to the recent BBX PIF share offer completed on 28 August 2009.

8 Valuation of BBX prior to any of the Proposed Transactions

For the purpose of this report, we consider the appropriate approaches in relation to the valuation of BBX prior to the Buy-back and the Share and Unit Sale to be:

- An orderly realisation of assets as the most appropriate approach for the valuation of BBX as it stands; and
- comparable transactions by reference to the First Share Acquisition, being a recent off-market transaction in a significant parcel of BBX shares.

8.1 Orderly realisation of assets valuation of BBX prior to any of the Proposed Transactions

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX prior to the Buy-back and the Share and Unit Sale. Under this approach, the fair market value of BBX prior to the Buy-back and the Share and Unit Sale has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX as at 30 June 2009, being the latest set of consolidated accounts provided by BBX. We understand that BBX's net loss from 1 July 2009 to the date of this report is estimated to be approximately \$400,000. We have adjusted our assessed values for this loss to reflect the expected decrease in net asset position between 30 June 2009 and the date of our report.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

8.1.1 Fair market value of assets net of realisation costs

We have considered the fair market value of the assets using the 30 June 2009 balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$10,000)** – For the purposes of our report we have adopted a fair market value net of realisation costs of the cash and cash equivalents equal to their book value.

- **Current trade and other receivables (book value of \$998,000)** – We note that over the past few years BBX has incurred significant write-offs in relation to trade receivables. From our discussions with BBX management we understand that this has resulted in improved collection management and a more conservative accounting treatment. However, we note that the trade and other receivables is still a significant portion of the annual turnover and represents approximately 2.5 months of turnover. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the current trade and other receivables in the range of \$500,000 to \$900,000, reflecting potential non-recovery of a portion of the trade debtors.
- **Inventory (book value of \$58,000)** – Inventory as at 30 June 2009 relates to items acquired by BBX, generally from members, for the purpose of resale at events such as exhibitions or on the trading platform. We understand that the balance is primarily comprised of jewellery received in lieu of settlement of a member's trade dollar overdraft. We note that the sale of jewellery is outside BBX's normal operations. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the inventory in the range of \$nil to \$30,000.
- **Other current assets (book value of \$163,000)** – Other current assets as at 30 June 2009 is comprised of prepayments in relation to advertising (~\$140,000) and rent (~\$10,000) and also a receivable in relation to payment for computers transferred to the China franchise (~\$12,000). For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the other current assets in the range of nil to \$30,000 reflecting, in particular the potential recoverability issues associated with these assets.
- **Non-current trade and other receivables (book value of \$21,000)** – For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the non-current trade and other receivables in the range of \$15,000 to \$21,000, reflecting potential non-recovery of a portion of the debtors.
- **Non-current investment stock (book value of \$124,000)** – Investment stock relates to non-current classification of inventory items (refer to above). We understand this has been classified as non-current, reflecting the length of time the assets have been held by BBX and when these assets are expected to be realised. For the purposes of our report, we have adopted a fair market value net of estimated realisation costs of the non-current investment stock in the range of \$nil to \$60,000.
- **Financial assets (book value of \$2.6 million)** – Financial assets are comprised of \$2,538,000 relating to approximately 2.76 million BBX PIF shares carried at \$0.92 per share and \$62,000 relating to an investment in the unlisted company Led Investments Pty Ltd, carried at cost.

Please refer to Section 11 of this report for our assessment of the fair market value of BBX PIF shares. We have assessed a fair market value of BBX PIF shares in the range of 11.4 cents to 43.7 cents per share. This implies a value for the 2.76 million BBX PIF shares held by BBX in the range of approximately \$315,000 to \$1,206,000. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the BBX PIF shares held in the range of \$250,000 to \$725,000, reflecting the illiquidity of the BBX PIF shares and the size of the parcel held by BBX.

We also note that Led Investments is an early stage unlisted Australian company engaged in the development of debt collection software and is currently seeking additional funding for further development and commercialisation. We have adopted a fair market value of \$nil to \$10,000 for the Led Investments shares.

- **Property, plant and equipment (book value of \$485,000)** – Property, plant and equipment primarily relates to office furniture and equipment. For the purposes of our report we have adopted a fair market value net of realisation costs of the non-current trade and other receivables in the range of \$200,000 to \$300,000.
- **Intangible assets (book value of \$957,000)** – Intangible assets are comprised of goodwill in relation to the Australian franchises (\$704,000), computer software (\$7,000) and website development (\$246,000). We consider it unlikely that significant value could be released in relation to these assets under an orderly realisation of assets scenario. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the intangible assets in the order of \$nil.

8.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume the 30 June 2009 book value of recorded liabilities reflects their fair market value.

8.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of the Company, including administrative overheads during a reasonable realisation period.

For the purposes of our report, we have adopted estimated wind-up costs for BBX in the range of \$200,000 to \$300,000, reflecting the overhead costs required during the wind-up period, costs relating to redundancy of the remaining employees and any break costs in relation to contracts.

8.1.4 Tax benefit / expense

BBX may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX as part of our assessment of fair market value.

8.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX. The corporate structure of BBX may be able to be used to quickly facilitate a business seeking listing on the ASX as a 'listed shell'. We have adopted an estimated current value of a 'listed shell' on the ASX in the range of \$300,000 to \$500,000, assuming BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We have not adjusted this value for tax as it would be taxed in the hands of the shareholders, and not the company.

8.1.6 Assessed values under an orderly realisation of assets approach

The following table summarises our assessed value range for BBX prior to the Buy-back and the Share and Unit Sale under an orderly realisation of assets approach:

Figure 19: Value of BBX prior to the Buy-back and the Share and Unit Sale

All figures \$'000 unless otherwise stated	Audited 30 Jun 2009	Low value	High value
Current assets			
Cash and cash equivalents	10	10	10
Trade and other receivables	998	500	900
Inventory	58	-	30
Other current assets	163	-	30
Total current assets	1,229	510	970
Non-current assets			
Trade and other receivables	21	15	21
Investment stock	124	-	60
Financial assets	2,600	250	725
Property, plant and equipment	485	200	300
Intangible assets	957	-	-
Total non-current assets	4,187	465	1,106
Total assets	5,416	975	2,076
Current liabilities			
Trade and other payables	1,413	1,413	1,413
Financial liabilities	810	810	810
Other current liabilities	1,496	1,496	1,496
Provisions	146	146	146
Total current liabilities	3,865	3,865	3,865
Non current liabilities			
Trade and other payables	699	699	699
Financial liabilities	251	251	251
Provisions	97	97	97
Total non-current liabilities	1,047	1,047	1,047
Total liabilities	4,912	4,912	4,912
Net assets	503	(3,937)	(2,836)
Losses from 1 July to 31 October		(400)	(400)
Wind-up costs		(200)	(300)
Corporate shell		300	500
Adjusted net asset value		(4,237)	(3,036)

Source: BBX and Grant Thornton Corporate Finance analysis

We note that our assessed net asset values under the orderly realisation of assets, set out above, are in deficiency. Given the size of the potential deficiency on an “orderly realisation” basis, we consider there is minimal value in the assets and business of BBX prior to the Buy-back and the Share and Unit Sale.

Given the above, in our opinion, we consider the value of BBX prior to the Buy-back and the Share and Unit Sale to be in the range of \$nil to \$200,000. Where the lower bound reflects the wind-up value and the upper bound reflects potential value that may be able to be achieved due to the listed corporate structure.

The following table summarises our assessed values of BBX prior to the Buy-back and the Share and Unit Sale:

Figure 20: Value of a BBX share prior to the Buy-back and the Share and Unit Sale

	Low value	High value
BBX Equity Value 'prior' - orderly realisation of assets (\$'000)	-	200
Number of BBX shares on issue ('000)	76,036	76,036
Adjusted net asset value (cents per share)	-	0.3

Source: Grant Thornton Corporate Finance analysis

We note that the above value reflects a 100% control value.

8.2 Comparable transactions - the First Share Acquisition

On 9 April 2009, Mr Michael Touma sold 20,000,000 BBX shares (approximately 26.3% of BBX) to APN on behalf of its clients for a total \$100,000, equivalent to 0.50 cents per share.

The Company has advised that through to the completion of the First Share Acquisition:

- APN and their clients were deemed as independent parties to the MT Buying Group;
- the sale of BBX shares by the MT Buying Group to APN was on an arm's length basis.

Given the recent timing of the First Share Acquisition and the number of BBX shares involved, we believe the First Share Acquisition is a reasonable indicator of the market value of BBX shares.

However, we note that it is not apparent to what extent the price agreed for the First Share Acquisition reflects the MT Buying Group's and APN's expectations, as to the value of BBX, post the implementation of Buy-back and the Share and Unit Sale.

We note that the share price implied by the First Share Acquisition of 0.50 cents per share is above the assessed range of values under the orderly realisation of assets.

8.3 Valuation conclusion – BBX prior to the Buy-back and the Share and Unit Sale

Given the above, we have assessed a fair market value for BBX prior to the Buy-back and the Share and Unit Sale in the range of \$nil cents to 0.3 cents per share.

9 Valuation of BBX should the Buy-back and the Share and Unit Sale be implemented

9.1 Valuation of BBX should the Buy-back and the Share and Unit Sale be implemented

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX should the Buy-back and the Share and Unit Sale be implemented. Under this approach, the fair market value of BBX post the Buy-back and the Share and Unit Sale has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX should the Buy-back and the Share and Unit Sale be implemented as provided by the management of BBX and set out in the Notice of Meeting.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

9.1.1 Fair market value of assets

We have considered the fair market value of the assets based on the pro-forma balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$100,000)** – For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the cash and cash equivalents equal to their book value.
- **Intangible assets – the Sydney Franchise (Directors' estimation \$571,000)** – We understand that the Directors' estimation of \$571,000 has been made with regard to a \$ per active member reflecting past acquisitions made by BBX and adjusted for specific characteristics of the Sydney Franchise. We note that there is considerable uncertainty regarding the realisation value in relation to the Sydney Franchise. In particular we understand that under the franchise agreement BBX Management has rights which may impact the amount achieved in a sale of the Sydney Franchise as a going concern or in a wind-up scenario. As such, for the purposes of our report we have adopted a fair market value net of estimated realisation costs for the Sydney Franchise in the range of \$nil to \$400,000.

9.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume that the pro-forma book value of recorded liabilities reflects their fair market value.

We have been advised by BBX that the pro-forma liabilities are solely limited to the \$300,000 payable to BBX FS as set out in the Notice of Meeting.

9.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of the Company, including administrative overheads during a reasonable realisation period.

We have been advised by BBX that there would be a minimal number of staff remaining with the Company.

For the purposes of our report, we have adopted estimated wind-up costs for BBX in the range of \$50,000 to \$150,000, reflecting the overhead costs required during the wind-up period, costs relating to the redundancy of the remaining employees and any break costs in relation to contracts. The upper end of this range incorporates costs associated with the realisation of the Sydney Franchise asset.

9.1.4 Tax benefit / expense

BBX may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX as part of our assessment of fair market value.

9.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX. The corporate structure of BBX may be able to be used to quickly facilitate a business seeking listing on the ASX as a 'listed shell'. We have adopted an estimated current value of a 'listed shell' on the ASX in the range of \$300,000 to \$500,000. We have not adjusted this value for tax as it would be taxed in the hands of the shareholders, and not the company.

The following table summarises our assessed value range for BBX under an orderly realisation of assets approach:

Figure 21: Value of BBX should the Buy-back and the Share and Unit Sale be implemented

All figures \$'000 unless other stated	Pro-forma balance sheet	Low value	High value
Current assets			
Cash and cash equivalents	100	100	100
Trade and other receivables	-	-	-
Total current assets	100	100	100
Non-current assets			
Trade and other receivables	-	-	-
Financial assets	-	-	-
Intangible assets	571	-	400
Total non-current assets	571	-	400
Total assets	671	100	500
Current liabilities			
Trade and other payables	300	300	300
Other current liabilities	-	-	-
Total current liabilities	300	300	300
Total liabilities	300	300	300
Net assets	371	(200)	200
Wind-up costs		(50)	(150)
Corporate shell		300	500
Adjusted net asset value		50	550

Source: BBX and Grant Thornton Corporate Finance analysis

9.1.6 Impact of the Buy-back

The mechanism of the Share and Unit Sale is for BBP to acquire all of the assets and liabilities of BBX in return for the assets and liabilities set out in the pro-forma balance sheet above, being \$100,000 cash, a liability payable of \$300,000 and the Sydney Franchise right. We note that as a result of the Share and Unit Sale, the assets and liabilities of BBX post the Buy-back and the Share and Unit Sale are not impacted by the level of participation in the Buy-back or the choice of considerations offered selected by shareholders participating in the Buy-back.

Should BBX shareholders approve the Buy-back and participate in the Buy-back the number of BBX shares on issue will be reduced. A maximum of 19,153,236 shares, assuming full participation, may be bought back under the Buy-back leaving BBX with 56,882,717 shares on issue. For the purposes of this report we have considered a low scenario, with no participation, and a high scenario, with full participation in the Buy-back.

9.1.7 Orderly realisation of assets summary

The following table summarises our assessed values of BBX post the Buy-back and the Share and Unit Sale:

Figure 22: Value of a BBX share post the Buy-back and the Share and Unit Sale

	Low value	High value
		Note 1
BBX Equity Value 'post' - orderly realisation of assets (\$'000)	50	550
Number of BBX shares on issue ('000)	76,036	56,194
Adjusted net asset value (cents per share)	0.1	1.0

Source: Grant Thornton Corporate Finance analysis

Note 1: Assumes full participation in the Selective Buy-back

We note that the above value reflects a 100% control value.

9.2 Valuation conclusion – BBX post the implementation of the Buy-back and the Share and Unit Sale

Given the above, we have assessed a fair market value for BBX post the implementation of the Buy-back and the Share and Unit Sale in the range of 0.1 cents to 1.0 cents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: Grant Thornton Corporate Finance analysis

11 Valuation of BBX PIF share consideration offered for the Buy-Back

11.1 Orderly realisation of assets valuation of BBX PIF

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX PIF. Under this approach, the fair market value of BBX PIF has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX PIF as at 30 June 2009, being the latest set out consolidated accounts available for BBX PIF. We have estimated BBX PIF's net loss for the 4 months to 31 October 2009 to be approximately \$130,000 based on the average monthly loss for the year ended 20 June 2009. We have adjusted our assessed values for this loss to reflect the expected decrease in net asset position between 30 June 2009 and the date of our report.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

11.1.1 Fair market value of assets net of realisation costs

We have considered the fair market value of the assets using the 30 June 2009 balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$375,000, adjusted to \$633,000 to reflect the results of the share offer)** – For the purposes of our report we have adopted a fair market value net of realisation costs of the cash and cash equivalents equal to their book value.
- **Current trade and other receivables (book value of negative \$125,000 – i.e. a liability)** – The BBX PIF 2009 Annual Report provides no information in relation to this liability, its composition, nature or why it shown as a current asset. For the purposes of our report we consider it reasonable to assume the book value of this liability reflects its fair market value.
- **Other current assets (book value of \$1,000)** – For the purposes of our report we consider it reasonable to assume the book value of this asset reflects its fair market value.
- **Non-current trade and other receivables (book value of \$281,000)** – The BBX PIF 2009 Annual Report provides no information in relation to this asset other than that it is receivable from 'other related entities'. For the purposes of our report we have adopted a fair market value

net of estimated realisation costs of the non-current trade and other receivables in the range of \$nil to \$281,000.

- **Investment Properties (book value of \$6.9 million)** – Investment properties have been recorded at cost and have all been acquired within the past 3 years. The BBX PIF 2009 Annual Report states that investment properties are shown at their “*fair value... based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings*”. We note that the majority of the investment properties were acquired in the years ending 30 June 2007 and 30 June 2008 and we understand the Company has assessed fair value shown as at 30 June 2009 based on independent valuations prepared in April 2008. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the investment properties in the range of \$6 million to \$7 million.
- **Financial assets (book value of \$12.7 million, adjusted to \$13.2 million to reflect the results of the share offer)** – Financial assets are comprised of BBX Trade Dollar balances held by BBX PIF. We note that the auditors report attached to the BBX PIF 2009 Annual Report draws attention to the “*significant uncertainty as to the value of the BBX Trade Dollar Balances*”. For the purposes of our report we have adopted a fair market value net of estimated realisation costs for the BBX Trade Dollar balances in the range of \$nil to \$5.0 million. As set out earlier in this report, our assessed fair market value for the BBX Trade Dollars does not incorporate any special value, being any additional value that may accrue to a particular purchaser, such as a regular trader on the BBX platform. We note that BBX PIF’s use of BBX Trade Dollars for the purchase of investment property appears to be limited.

11.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume the 30 June 2009 book value of recorded liabilities reflects their fair market value.

11.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of BBX PIF, including administrative overheads during a reasonable realisation period.

For the purposes of our report, we have been adopted estimated wind-up costs for BBX PIF in the range of \$200,000 to \$400,000, reflecting the overhead costs required during the wind-up period, costs relating to the redundancy of the remaining employees and any break costs in relation to contracts.

11.1.4 Tax benefit / expense

BBX PIF may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX PIF as part of our assessment of fair market value.

11.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX PIF. The corporate structure of BBX PIF may be able to be used to quickly facilitate a business seeking listing on the NSX as a 'listed shell'. However, we consider the value of such to be significantly lower than the value of a 'listed shell' on the ASX. For the purposes of our report we have adopted an estimated current value of a 'listed shell' on the NSX as \$nil.

11.1.6 Assessed values under an orderly realisation of assets approach

The following table summarises our assessed value range for BBX PIF under an orderly realisation of assets approach:

Figure 24: Assessed value of BBX PIF

All figures \$'000 unless otherwise stated	Audited 30 Jun 2009	Adjusted 30 Jun 2009	Low value	High value
Note 1				
Current assets				
Cash and cash equivalents	375	633	633	633
Trade and other receivables	(125)	(125)	(125)	(125)
Other current assets	1	1	1	1
Total current assets	251	509	509	509
Non-current assets				
Trade and other receivables	281	281	281	281
Investment property	6,915	6,915	6,000	7,000
Other financial assets	12,674	13,160	-	5,000
Total non-current assets	19,869	20,355	6,281	12,281
Total assets	20,121	20,865	6,790	12,790
Current liabilities				
Trade and other payables	13	13	13	13
Financial liabilities	742	742	742	742
Total current liabilities	755	755	755	755
Non current liabilities				
Financial liabilities	3,660	3,660	3,660	3,660
Total non-current liabilities	3,660	3,660	3,660	3,660
Total liabilities	4,414	4,414	4,414	4,414
Net assets	15,706	16,450	2,376	8,376
Losses from 1 July to 31 October			(130)	(130)
Wind-up costs			(200)	(400)
NSX corporate shell			-	-
Adjusted net asset value			2,046	7,846

Source: BBX PIF 2009 Annual Report and Grant Thornton Corporate Finance analysis

Note 1: Adjusted for the results of the BBX PIF share offer

11.2 Ordinary vs 'B' class BBX PIF shares

Please refer to Section 5.3 for further information on the capital structure of BBX PIF and the rights and conditions attached to each class of BBX PIF shares.

In relation to the 'B' class shares, we note the following:

- Whilst, 'B' class share are not entitled to participate in dividends, BBX PIF have a stated dividend policy of no dividends until 2021;
- 'B' class shares will convert to ordinary shares within 2 years from their date of issue, well before the 2021 stated first dividend year; and
- Whilst 'B' class shares are unlisted, there have been no on-market trades in BBX PIF ordinary shares since listing.

Given the above, we have treated ordinary and 'B' class BBX PIF shares as having similar value for the purposes of our report.

11.3 Assessed control value of a BBX PIF share

The following table summarises our assessed values of a BBX PIF share:

Figure 25: Value of a BBX PIF share

	Low value	High value
BBX Equity Value 'prior' - orderly realisation of assets (\$'000)	2,046	7,846
Number of BBX PIF ordinary shares on issue ('000)	16,004	16,004
Number of BBX PIF 'B' class shares on issue ('000)	1,944	1,944
Total number of BBX PIF shares on issue ('000)	17,948	17,948
Adjusted net asset value (cents per share)	11.4	43.7

Source: Grant Thornton Corporate Finance analysis

We note that the above value includes reflects a 100% control value.

11.4 Comparable transactions – the BBX PIF share offer

BBX PIF recently completed a share offer on 28 August 2009 raising \$258,267 cash and \$485,567 in BBX trade dollars at an issue price of \$1.00 (cash or BBX Trade Dollar) per share. We note that the minimum subscription required to close the offer was \$250,000 cash and the offer was for up to \$400,000 cash and \$1,600,000 in BBX trade dollars.

We note that the shares issued in total under the share offer was for less than 5% of the issued capital of BBX PIF and the shares issued for cash represents approximately 1.5% of the issued capital of BBX. Given the size of the cash component relative to the issued capital of BBX PIF we do not consider this transaction indicative of the fair market value of BBX PIF.

11.5 Valuation conclusion – Control value of BBX PIF

Given the above, we have assessed a fair market value for BBX PIF in the range of 11.4 cents to 43.7 cents per share, on a control basis.

11.6 Assessed value BBX Trade Dollars offered for the Buy-back

Under the terms of the Buy-back, the MT & APN Non-associated Shareholders are offered 1 BBX PIF share for every 7 BBX shares held (the "BBX PIF Consideration").

11.6.1 Discount for minority parcels and lack of marketability

When considering the value of the minority parcels of BBX PIF shares offered under the Buy-back, we have considered the relevance of the following adjustments:

- minority discount – the concept of minority interest can be described as “the reduction applied to the pro-rata portion of the total value of the entity which is necessary to reflect the absence of the power of control”; and

- liquidity or marketability discount – the term “discount for lack of marketability” is used to describe discounts applied to reflect the fact that the interest being valued is not readily marketable and/or it is likely to have a delay before the shares may become readily marketable. We note that there have been no on-market trades of BBX PIF since it listed in 2006.

For the purpose of this report, we have adopted a total discounting the range of 40% to 60% for minority interests and lack of marketability.

11.6.2 Assessed value of a minority parcel of BBX PIF shares

The following table sets out our assessed value of the BBX PIF Consideration per BBX share:

Figure 26: Assessed value of the BBX PIF Consideration

Cents

	Low value	High value
Assessed control value of a BBX PIF share	11.4	43.7
Discount for minority and lack of marketability	(60.0)%	(40.0)%
Assessed minority value of a BBX PIF share	7.1	31.2
<i>Buy-back consideration terms</i>	<i>1 for 7</i>	<i>1 for 7</i>
<i>BBX PIF Consideration per BBX share</i>	<i>1.0</i>	<i>4.5</i>

Source: Grant Thornton Corporate Finance analysis

12 Evaluation of the Buy-back for the Participating Shareholders

12.1 Fairness of the Buy-back for the Participating Shareholders

In forming our view in relation to whether the Buy-back is fair to the participating MT Non-associated Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale; with
- the value of the alternative Buy-back consideration offered.

The following table summarises our assessed values as set out earlier in this report. We have shown values for 7 BBX shares for ease of comparison with the assessed fair market values of BBX PIF shares and BBX Trade Dollars⁹.

Figure 27: Summary of assessed values

All figures cents per share	Reference	Low value	High value
<i>Value of a BBX share 'prior' the Proposed Transactions</i>	<i>Section 8.3</i>	-	0.3
<i>Number of BBX shares</i>		7.0	7.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Buy-back alternatives (values for a parcel of 7 BBX shares)			
Cash Consideration			
Value of the Cash Consideration (0.5 cents per share)	Section 1.2	3.5	3.5
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		3.5	1.4
Premium/(discount) %		100%	67%
BBX Trade Dollar Consideration			
Value of the BBX Trade Dollar Consideration	Section 10.2	-	40.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		-	37.9
Premium/(discount) %		0%	1805%
BBX PIF Consideration			
Value of the BBX PIF Consideration	Section 11.4	7.1	31.2
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		7.1	29.1
Premium/(discount) %		n.m.	1387%

Source: Grant Thornton Corporate Finance analysis

We note that our assessed value for the alternative considerations offered, are above or within our assessed value ranges of BBX prior to the Buy-back and the Share and Unit Sale.

Accordingly, we conclude that the Buy-back is fair to the Participating Shareholders.

⁹ Refer to section 10 of this report for a valuation of the BBX dollars for an active member of the BBX exchange.

12.2 Reasonableness of the Buy-back for the Participating Shareholders

As the Buy-back is fair to the Participating Shareholders it is also reasonable in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Participating Shareholders associated with the Buy-back.

12.2.1 Advantages

The Buy-back is fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back is fair to the Participating Shareholders.

Opportunity to exit an illiquid investment

Given that BBX shares are illiquid, the cash buy-back alternative represents an opportunity for the MT and APN Non-associated Shareholders to receive cash in exchange for the majority of their shareholding in BBX, which may be difficult to achieve on-market. Specifically, we note that BBX shares trading on the ASX are illiquid and the last trade was in June 2009.

Alternative Forms of Consideration Offered

For certain Participating Shareholders, BBX Trade Dollars and BBX PIF shares may have superior value than the cash alternative. The MT and APN Non-associated Shareholders have the opportunity to receive BBX Trade Dollars and BBX PIF shares in exchange for BBX shares under the terms of the Buy-back. We note that BBX PIF shares listed on the NSX and are particularly illiquid with no trades since the listing of BBX in 2006.

Control premium offered

Participating in the Buy-back will result in an increase in BBX's major shareholders relative interest in BBX. However we note that, based on the assessed values for the alternative considerations offered under the Buy-back set out above, the Participating Shareholders will receive a control premium of at least 67%, based on the cash alternative of 0.5 cents per share and the midpoint of our assessed value range of 0.3 cents per share.

Transaction costs

We understand no transaction costs will be incurred by Participating Shareholders pursuant to the Buy-back.

12.2.2 Disadvantages

Reduced exposure to any future increase in the value of BBX

The Participating Shareholders, whilst still retaining 10% of their BBX shares following the completion of the Buy-back will have a significantly reduced exposure to any future increases in the value of BBX's operations or value generated through potential future corporate transactions. We note that if the Proposed Transactions are implemented, APN and its clients will hold between 72% and 96% of the issued capital of BBX. APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a "back-door" transaction for BBX in the future. Such a transaction is likely to be unrelated to the BBX system given its unique characteristics.

Increased Control of BBX by the MT Buying Group and APN

The Participating Shareholders will still retain 10% of the BBX shares following the completion of

the Buy-back. Depending upon the level of participation in the Buy-back, the combined shareholdings of the MT Buying Group and APN may increase from 72% to 96% if the Buy-back proceeds. The Buy-back will provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to significantly increase their relative influence on the Company and fully control the board and management of BBX.

12.2.3 Other considerations

Marketability of BBX Trade Dollars

BBX Trade Dollars are not redeemable for cash. The value of BBX Trade Dollars is subject to the BBX trade exchange continuing and having sufficient members willing to trade. In our opinion, the value of BBX Trade Dollars is negligible for shareholders of BBX who are not active members or do not want to become active members of the BBX exchange.

Marketability of BBX PIF shares

BBX PIF shares have experience no on-market trading since BBX PIF listed in 2006 and has a stated policy of no dividends until 2021 and are potentially a less marketable asset than BBX shares. The value of BBX PIF shares is subject to the ability to realise value through the sale of BBX PIF shares or any dividends paid by BBX PIF.

Tax impact

Participating Shareholders may incur a tax liability or receive a tax benefit as a result of their participation in the Buy-back. Participating Shareholders should consult their tax advisors in relation to their personal circumstances.

Franking credits and accumulated tax losses

The proportionate interest of the Participating Shareholders in the franking credits and accumulated tax losses of BBX will decrease following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

13 Evaluation of the Buy-back and Share and Unit Sale for the Continuing Shareholders

13.1 Fairness of the Buy-back and Share and Unit Sale for the Continuing Shareholders

In forming our view in relation to whether the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale with
- the value of a BBX share post the Buy-back and the Share and Unit Sale.

The following table summarises our fairness analysis:

Figure 28: Fairness of the Buy-back and the Share and Unit Sale

All figures cents per share	Reference	Low value	High value
Value of a BBX share 'prior' the Proposed Transactions	Section 8.3	-	0.3
Value of a BBX share 'post' the Proposed Transactions	Section 9.2	0.1	1.0
Difference		0.1	0.7

Source: Grant Thornton Corporate Finance analysis

We conclude that the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders as our assessed value range of BBX post the Buy-back and the Share and Unit Sale is higher than our assessed value range of BBX prior to the Buy-back and the Share and Unit Sale.

13.2 Reasonableness of the Buy-back and Share and Unit Sale for the Continuing Shareholders

As the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, they are also reasonable to the Continuing Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Continuing Shareholders associated with the Buy-back and the Share and Unit Sale.

13.2.1 Advantages

The Buy-back and the Share and Unit Sale are fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit sale are fair to the Continuing Shareholders.

Removal of exposure to a loss making business and its associated historical and future liabilities

BBX incurred a loss for the year ended 30 June 2009 of approximately \$9.3 million and has net current liabilities of approximately \$2.6 million. Should the Buy-back and Share and Unit Sale proceed, BBX will no longer be exposed to its historical liabilities, current loss making operations and any future liabilities and costs they might have otherwise incurred.

The Sydney Franchise

Under the Share and Unit Sale, BBX will receive the right to a franchise in Sydney which currently has over 700 active members. Whilst there is considerable uncertainty surrounding the forecast, we note that BBX has forecast a gross profit (before some overheads, corporate costs and taxation) for the Sydney franchise for the year ending 30 June 2010.

Potential increase in ability to attract new investors

We understand that the removal of the loss making operations and liabilities, as set out above, will leave BBX as a relatively 'clean' listed corporate shell. This may increase the attractiveness of BBX to new investors and increase BBX's ability to pursue new investment opportunities

Potential increase of relative interest in BBX for continuing shareholders

Any reduction in the number of BBX shares on issue via the Buy-back would result in a relative increase of the ownership interest of the continuing shareholders given the Buy-back is indirectly funded by the MT Buying Group. Should this occur, the continuing shareholders will have increased voting capacity and share in any increase in the underlying value of BBX.

As a result of the Share and Unit Sale, the Buy-back is being funded by the MT Buying Group so no cost to BBX or the continuing shareholders.

13.2.2 Disadvantages**No exposure to any upside in the businesses being sold to the MT Buying Group**

The Continuing Shareholders will not receive the benefit of any potential upside in the businesses being sold to the MT Buying Group. These include the upside relating to the franchisor rights currently held, including the potential for international growth.

Going concern

Following the completion of the Buy-back and the Share and Unit Sale BBX will have a liability of \$300,000 and current assets of only \$100,000 cash. The ability of BBX to pay its debts as and when they fall due will depend upon any cash that may be generated by the Sydney Franchise and the ability of BBX to raise additional capital as required.

Potential for relative increase in interest for BBX' largest shareholders

The Buy-back may provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to increase their relative influence on the Company. Should the Buy-back proceed there is the potential for BBX's largest shareholders interest in BBX to increase from approximately 72% to approximately 96%.

Decrease in number of shares on issue and potential impact on liquidity

Should the Buy-back proceed, there will be a reduction of up to 90% in the BBX shares not held by BBX's largest shareholders. This decrease in shares on issue may reduce the free float and attractiveness of BBX shares to investors which may result in a further decrease in the liquidity of its shares.

13.2.3 Other considerations

Franking credits and accumulated tax losses

The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses of BBX may increase following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

14 Evaluation of the Second Share Acquisition

In arriving at our conclusion, Grant Thornton Corporate Finance has examined the likely advantages and disadvantages associated with the Second Share Acquisition including the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;
- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- other considerations relevant to the MT & APN Non-Associated Shareholders.

14.1 Control premium

For the purpose of assessing whether or not the MT Buying Group will receive a control premium if the Second Share Acquisition is approved, we have compared the purchase price under the Second Share Acquisition of approximately 0.58 cents per share with our assessed range of values of BBX post the Buy-back and the Share and Unit Sale.

Based on our analysis (detailed in Section 10 of the report), we have assessed the notional control premium to be received by the MT Buying Group to be approximately 5.5% above 0.55 cents, being the midpoint of our assessed value of BBX post the Buy-back and Share and Unit Sale. The assessed control premium received by the MT Buying Group is below the range of control premium typically paid for in successful takeovers in Australia. However, given that BBX will effectively become a listed shell post the Buy-back and the Share and Unit Sale, we consider an appropriate control premium, if any, for BBX to be small.

We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of the BBX shares.

14.2 Future takeover opportunities

In assessing whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid, we have considered the following:

- APN and its clients already own approximately 26.3% of BBX as a result of the First Share Acquisition;

- the Second Share Acquisition is not expected to change the capital and shareholding structure of BBX as APN and its clients are essentially replacing the MT Buying Group as a shareholder of BBX; and
- similarly, the structure or voting power of the Board of Directors of BBX will not materially change, except it is envisaged that APN will seek to appoint replacement representatives in place of the current Directors appointed by the MT Buying Group.

We note that APN is a boutique corporate advisory firm and in our opinion, is likely to sponsor a “back-door” transaction for BBX in the future. We would expect the Proposed Transactions to increase the attractiveness of BBX for such transactions and, as such, may materially increase BBX shareholders opportunities to receive future takeover offers and a control premium.

We note that any takeover offers for BBX will require the agreement of the MT Buying Group and APN (or APN only if the Second Share Acquisition is implemented).

14.3 Future intentions of APN if the Second Share Acquisition is approved

If the Second Share Acquisition is approved, APN and its clients will own between 72% and 96% of the issued share capital in BBX and will become the largest shareholder in BBX. This will provide APN with the majority of the voting rights in shareholders’ meetings and will allow APN to make the decisions in relation to the business and operations of BBX.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

Also if the Second Share Acquisition is approved, the diversification of control of BBX may increase as the shares acquired will be held by APN’s clients as well as APN. This increased diversification of ownership may impact the liquidity of trading in BBX shares.

14.4 Implications if the Second Share Acquisition is not approved

If the Second Share Acquisition is not approved and assuming the MT Buying Group intends to liquidate its investment in BBX in a timely manner, the MT Buying Group may choose to dispose of its shareholding in BBX to a third party or onto the market. We note that, given the very low liquidity of BBX shares, we consider it unlikely that the MT Buying Group would be able to dispose of its BBX shares on the market. Given the effective or perceived desire of the MT Buying Group to divest their remaining holding in BBX, their continued presence as the major shareholder may result in long term downward pressure on the share price of BBX.

Also we would expect that, should the Second Share Acquisition not be approved, APN’s interest in sponsoring and seeking “back-door” transactions for BBX may be decreased.

14.5 Other considerations

Should APN achieve greater than 90% control of BBX they will be able to proceed to compulsory acquisition should they choose to do so.

14.6 Overall conclusion – The Second Share Acquisition

In determining the overall conclusion in relation to the Second Share Acquisition, we note that based on the requirements of RG 111, the greater the control premium receivable by the MT Buying Group, the greater the advantages of the Second Share Acquisition to the MT & APN Non-Associated Shareholders would need to be, to support a finding that the advantages of the Second Share Acquisition outweigh the disadvantages. Specifically we summarise the following:

- we have assessed that the premium receivable by the MT Buying Group is relatively low at approximately 5.5%. We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of their BBX shares;
- if the Second Share Acquisition is not approved, it may have an adverse impact on the share price of BBX; and
- if the Second Share Acquisition is approved, we would expect APN to sponsor and seek a “back-door” transaction for BBX and the likelihood of BBX shareholders receiving a premium for control may materially increase.

Accordingly, Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-Associated Shareholders.

15 Sources of information, disclaimer and consents

15.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- draft BBX Notice of Meeting and Explanatory Statement dated 18 November 2009;
- draft Share and Asset Sale Agreement dated 4 November 2009
- draft Call Option Deed dated 4 November 2009
- Annual reports of BBX for FY07, FY08 and FY09;
- Annual reports of BBX PIF for FY07, FY08 and FY09;
- management accounts for BBX Management for the three months to 30 September 2009;
- releases and announcements by BBX on ASX;
- releases and announcements by BBX PIF on NSX;
- Prospectus of BBX PIF dated 15 May 2008;
- BBX and BBX PIF websites;
- Reuters;
- Bloomberg; and
- other publicly available information.

15.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to BBX and all other parties involved in the Proposed Transactions with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to BBX, its shareholders and all other parties involved in the Proposed Transactions.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BBX or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transactions, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Schemes. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report

will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

15.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by BBX and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by BBX through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of BBX.

This report has been prepared to assist the independent director of BBX in advising the BBX shareholders in relation to the Proposed Transactions. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether:

- the Buy-Back is fair and reasonable to the Participating Shareholders;
- the Buy-back and the Share and Unit Sale is fair and reasonable to the Continuing Shareholders; and
- the Second Share Acquisition is reasonable to the MT & APN Non-associated Shareholders of BBX.

BBX has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by BBX, which BBX knew or should have known to be false and/or reliance on information, which was material information BBX had in its possession and which BBX knew or should have known to be material and which BBX did not provide to Grant Thornton Corporate Finance. BBX will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

15.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be issued to BBX shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounting projected cash flows

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the Weighted Average Cost of Capital is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Net asset backing / Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

\$	Australian Dollar
APN	Arthur Phillip Group
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BBP	Barter Bonus Points Pty Ltd
BBX	BBX Holdings Limited
BBX FS	BBX Financial Solutions Pty Ltd
BBX Management	BBX Management Ltd
BBX PIF	BBX Property Investment Fund Limited
BBX PIF Consideration	1 BBX PIF share for every 7 BBX shares participating in the Buy-back
BBX Trade Dollars	The unit of payment on the BBX Trade Exchange
BBX Trade Dollar Consideration	1 BBX Trade Dollar for every 7 BBX shares participating in the Buy-back
the Buy-back	The off-market selective share buy-back offered to approximately 29% of BBX shareholders for 90% of each eligible shareholder's holding of BBX shares
Bartercard	Bartercard International Limited
the Company	BBX Holdings Limited
the Continuing Shareholders	The MT Non-associated Shareholders of BBX continuing post the Buy-back
Corporations Act	Corporations Act, 2001
Corporations Regulations	Corporations Regulations, 2001
DCF	Discounted cash flow
EBBX	www.ebbx.com Pty Ltd
the First Share Acquisition	The sale of 20,000,000 BBX shares by Mr Michael Touma to APN for a total \$100,000 on 9 April 2009
FSG	Financial Services Guide
FY07	Financial year ended 30 June 2007
FY08	Financial year ended 30 June 2008
FY09	Financial year ended 30 June 2009
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
IRTA	International Reciprocal Trade Association
Led Investments	Led Investments Pty Ltd
LR 10.1	ASX Listing Rule 10.1
the MT Buying Group	Mr Michael Touma and parties related to him
the MT Non-associated Shareholders	BBX shareholder not associated with the MT Buying Group
the MT & APN Non-associated Shareholders	BBX shareholder not associated with the MT Buying Group or APN

Notice of Meeting	BBX Notice of Meeting and Explanatory Statement to be issued to BBX shareholders
NSX	National Securities Exchange
the Participating Shareholders	The MT Non-associated Shareholders of BBX participating in the Buy-back
Proposed Transactions	The Buy-back, the Share and Unit Sale and the Second Share Acquisition collectively
RG 74	ASIC Regulatory Statement 74 "Acquisitions agreed to by shareholders"
RG 110	ASIC Regulatory Statement 110 "Share Buy-backs"
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
RG 170	ASIC Regulatory Statement 170 "Prospective financial information"
SEC	Securities and Exchange Commission
the Second Share Acquisition	The Proposed sale of the MT Buying Group's remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total of \$200,000
the Share and Unit Sale	The sale of the majority of the existing BBX business to the Mt Buying Group
the Sydney Franchise	The franchisee rights for one of the franchise areas of Sydney
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

PROXY FORM

**APPOINTMENT OF PROXY
BBX HOLDINGS LIMITED
ABN 82 089 221 634**

GENERAL MEETING

I/We

of

being a member of BBX Holdings Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR

☐

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 4:30 pm (AEDT), on 22 January 2010 at 916 Pacific Highway, Gordon, New South Wales, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 3** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 3 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 3.

OR

Voting on Business of the General Meeting

Resolution 1 – Approve Share and Asset Sale Agreement

Resolution 2 – Approval of Selective Buy-Back

Resolution 3 – Increase in voting power of the Arthur Phillip Group

FOR

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☐
☐

AGAINST

☐
☐
☐

ABSTAIN

☐
☐
☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of Member(s):

Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

BBX HOLDINGS LIMITED
ABN 82 089 221 634

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members must sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to BBX Holdings Limited, 916 Pacific Highway, Gordon, NSW 2072; or
 - (b) facsimile to the Company on facsimile number +61 2 9499 1199,so that it is received not later than 4:30 pm (AEDT) on 20 January 2010.

Proxy forms received later than this time will be invalid.



BBX Holding Limited

Independent Expert's Report and Financial Services Guide

18 November 2009



The Directors
BBX Holdings Limited
916 Pacific Highway
Gordon, NSW 2072

18 November 2009

Grant Thornton Corporate Finance Pty Ltd
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Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

On 9 April 2009, BBX Holdings Limited ("BBX" or the "Company") announced the proposed restructure of BBX through:

- an off-market selective share buy-back offered to approximately 28% of BBX shareholders for 90% of each eligible shareholder's holding of BBX shares (the "Buy-back"); and
- the sale of the majority of the existing BBX business back to the founders (the "Share and Unit Sale") retaining only the franchise right for an area within Sydney.

The Buy-back and the Share and Unit Sale are interdependent between each other.

Also on 9 April 2009, Mr Michael Touma and parties related to him (the "MT Buying Group"):

- sold 20,000,000 BBX shares (approximately 26.3% of BBX) to Arthur Phillip Group¹ ("APN") for a total \$100,000, equivalent to \$0.005 or 0.50 cents per share (the "First Share Acquisition"); and
- agreed to sell the MT Buying Group's remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total of \$200,000, equivalent to approximately 0.58 cents per share (the Second Share Acquisition").

¹ Arthur Philip Group includes Arthur Phillip Pty Ltd, Arthur Phillip Nominees Pty Ltd (an entity who holds 20,329,000 Shares in BBX for and on behalf of its various clients), Mr Richard Poole, Mr Paul Page and Mr Philip Suriano and their associates.

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in management and operation of the BBX Trade Exchange.

APN is a company incorporated in Australia. Arthur Phillip Pty Ltd, a boutique investment and advisory house established in 2002 providing strategic planning, financial and IPO advisory services, is part of APN.

The Buy-back, the Share and Unit Sale and the Second Share Acquisition are collectively referred to as the “Proposed Transactions” for the purposes of this report. Terms used in this summary have the same meaning as defined in the body of the report.

Transaction summaries

The Buy-back

A summary of the key terms of the Buy-back are as follows:

- the offer is for 90% of BBX shares held by each BBX shareholder other than the MT Buying Group and APN (the “MT & APN Non-associated Shareholders”);
- MT & APN Non-associated Shareholders may only accept the offer in respect of 90% (and not a lesser or greater proportion) of their shares;
- participation in the Buy-back by MT & APN Non-associated Shareholders is voluntary;
- if MT & APN Non-associated Shareholders accept the offer, they can elect to receive the following consideration:
 - \$0.005 (0.5 cents) cash for every one (1) share in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) fully paid ordinary share in the BBX Property Investment Fund Limited (“BBX PIF”) for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) BBX Trade Dollar² for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold²; or
 - a combination of the above.
- MT & APN Non-associated Shareholders may elect, at their sole discretion, what form and what proportions of the consideration they wish to receive.

The Buy-back is subject to a number of conditions, some of which have not been satisfied at the date of this report, including the sale of the majority of the existing BBX business to companies related to Michael Touma and his associates under the Share and Unit Sale.

² We have been instructed by BBX that if a BBX shareholder elects to receive trade dollars and is not currently a BBX member, BBX will waive the initial joining membership fee for those BBX shareholders.

The Share and Unit Sale

Under this Share and Unit Sale, subject to shareholder approval:

- the Company agreed to sell and Barter Bonus Points Pty Ltd (“BBP”) agreed to purchase:
 - all of the fully paid ordinary shares and units held by the Company in all subsidiaries (other than BBX International Limited HK – refer below) held by BBX as set out in the Notice of Meeting; and
 - all of the assets and liabilities of the Company immediately following the completion of the Buy Back, other than the rights to one of the franchise areas in Sydney (the “Sydney franchise”).
- the Company agreed to sell and www.ebbx.com Pty Ltd (“EBBX”) agreed to purchase all of the fully paid ordinary shares held by the Company in BBX International Limited HK.

The effect of the Share and Unit Sale will be that the Company will be disposing of the majority of the Company’s current business and assets. The only component of the prior business being retained by BBX is the franchisee rights for a franchise area in Sydney (the “Sydney Franchise”). Whilst there are a number of franchise areas within Sydney, the Sydney Franchise right to be granted to BBX following the implementation of the Share and Unit Sale is currently the largest franchise area in Sydney.

The Share and Unit Sale is subject to a number of conditions, some of which have not been satisfied at the date of this report, including the Buy-back set out above.

The Second Share Acquisition

Under the terms of the Second Share Acquisition, the MT Buying Group will sell the MT Buying Group’s remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total cash consideration of \$200,000, equivalent to approximately 0.58 cents per share. We understand the shares acquired by APN under this transaction are intended to be held on behalf of APN clients. However, we have been advised that not all of APN’s clients who will be investing in BBX have been identified at the date of this report. We note that following the completion of the Second Share Acquisition APN and its clients will hold between 72% (assuming no participation in the Buy-back) and 96% of the BBX issued share capital (assuming full participation in the Buy-back).

The Second Share Acquisition is subject to, and conditional upon, BBX shareholder approval of the Buy-back and the Share and Unit Sale.

Effect of the Proposed Transactions

The effect of the Proposed Transactions is summarised below:

- **The Buy-back** – if the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination

of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

- **The Share and Unit Sale** – if the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of these assets and liabilities of BBX will be sold to the MT Buying Group³ in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX Financial Solutions Pty Ltd ("BBX FS")⁴ totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

- **The Second Share Acquisition** – if the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX.

Purpose of the report

The Buy-back is a selective buy-back for up to 26% of the issued capital of BBX and includes non-cash consideration alternatives. The Buy-back requires shareholder approval under Section 257D of the Corporations Act and the Company is required to provide to shareholders all information known to the Company that is material to the decision whether to vote in favour of the resolution.

We note that Regulatory Guide 110 "Share Buy-backs" ("RG 110") states that if a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and
- an independent expert's report with a valuation of the shares.

We also note that RG 110 states, in relation to buy-backs with non-cash consideration, to fulfil the disclosure requirements, directors will usually need to provide:

- a valuation of the assets offered as consideration for the buy-back; and
- an assessment of the effect on the company of the assets being transferred.

³ As at 31 October 2009, the net tangible liabilities to be acquired by the MT Buying Group has been estimated at \$0.8 million excluding the additional liabilities arising from the funds required for the Buy-back.

⁴ Following completion of the Proposed Transactions, BBX FS will be a wholly owned subsidiary of the MT Buying Group.

The MT Buying Group is a related party to Mr Michael Touma, a director of BBX. The sale of the majority of the existing BBX business under the Share and Unit Sale requires approval from the BBX shareholders not associated with the MT Buying Group (the “MT Non-associated Shareholders”) under ASX Listing Rule 10.1 (“LR 10.1”). As the Buy-back and the Share and Unit Sale are subject to, and conditional upon, each other, we have considered them collectively for the purposes of LR 10.1.

Following the completion of the Second Share Acquisition APN could hold up to, between 72% (assuming nil participation in the Buy-Back) and 96% (assuming full participation in the Buy-Back) of the issued capital of BBX and as such the Second Share Acquisition requires approval from the BBX shareholder not associated with the MT Buying Group or APN (the MT & APN Non-associated Shareholders”) for the purposes of s611(7) of the Corporations Act 2001 (the “Corporations Act”).

We note that Regulatory Guide 111 “Content of expert reports” (“RG 111”) specifically differentiates between an issue and a sale of shares under Item 7 of Section 611. Specifically, an issue of shares under Item 7 of Section 611 requires the independent expert to form an opinion whether the proposed transaction is fair and reasonable whilst a sale of shares under Item 7 of Section 611 requires the independent expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

In Summary, the Directors of BBX have engaged Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) to prepare an Independent Expert’s Report to express opinions as to whether:

- the Buy-Back is fair and reasonable to the MT Non-associated Shareholders of BBX participating in the Buy-back (the “Participating Shareholders”);
- the Buy-back and the Share and Unit Sale are fair and reasonable to the MT Non-associated Shareholders of BBX continuing post the Buy-back (the “Continuing Shareholders”); and
- the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-associated Shareholders of BBX.

Our report is to be read in conjunction with the BBX Notice of Meeting and Explanatory Statement (“Notice of Meeting”) in which this report is included, and is prepared for the exclusive purpose of assisting the Non-associated Shareholders of BBX in their consideration of the Proposed Transactions.

Summary of opinion - The Buy-back for the Participating Shareholders

Grant Thornton Corporate Finance has concluded that the Buy-back is fair and reasonable to the Participating Shareholders.

Fairness of the Buy-back to Participating Shareholders

In forming our view in relation to whether the Buy-back is fair to the participating MT Non-associated Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale; with
- the value of the alternative Buy-back consideration offered.

The following table summarises our assessed values. We have shown values for a parcel of 7 BBX shares for ease of comparison with the assessed fair market values of the BBX PIF shares and BBX Trade Dollars⁵.

Figure 1: Summary of assessed values

All figures cents per share	Reference	Low value	High value
<i>Value of a BBX share 'prior' the Proposed Transactions</i>	<i>Section 8.3</i>	-	0.3
<i>Number of BBX shares</i>		7.0	7.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Buy-back alternatives (values for a parcel of 7 BBX shares)			
Cash Consideration			
Value of the Cash Consideration (0.5 cents per share)	Section 1.2	3.5	3.5
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		3.5	1.4
Premium/(discount) %		100%	67%
BBX Trade Dollar Consideration			
Value of the BBX Trade Dollar Consideration	Section 10.2	-	40.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		-	37.9
Premium/(discount) %		0%	1805%
BBX PIF Consideration			
Value of the BBX PIF Consideration	Section 11.4	7.1	31.2
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		7.1	29.1
Premium/(discount) %		n.m.	1387%

Source: Grant Thornton Corporate Finance analysis

We note that our assessed value for the alternative considerations offered, are above or within our assessed value ranges of BBX prior to the Buy-back and the Share and Unit Sale.

Accordingly, we conclude that the Buy-back is fair to the Participating Shareholders.

Reasonableness of the Buy-back to the Participating Shareholders

As the Buy-back is fair to the Participating Shareholders, it is also reasonable to the Participating Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Participating Shareholders associated with the Buy-back.

⁵ Refer to section 10 of this report for a valuation of the BBX dollars for an active member of the BBX exchange. For the purposes of our report we have assessed the value of a BBX Trade Dollar in the hands of an active BBX member to be in the range of \$0.50 to \$0.70 cash per BBX Trade Dollar. We note that this valuation is not in accordance with the fair market value definition and incorporates special value of the BBX Trade Dollar for members of the BBX Exchange.

Advantages

The Buy-back is fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back is fair to the Participating Shareholders.

Opportunity to exit an illiquid investment

Given that BBX shares are illiquid, the cash buy-back alternative represents an opportunity for the MT and APN Non-associated Shareholders to receive cash in exchange for the majority of their shareholding in BBX, which may be difficult to achieve on-market. Specifically, we note that BBX shares trading on the ASX are illiquid and the last trade was in June 2009.

Alternative Forms of Consideration Offered

For certain Participating Shareholders, BBX Trade Dollars and BBX PIF shares may have superior value than the cash alternative. The MT and APN Non-associated Shareholders have the opportunity to receive BBX Trade Dollars and BBX PIF shares in exchange for BBX shares under the terms of the Buy-back. We note that BBX PIF shares listed on the NSX and are particularly illiquid with no trades since the listing of BBX in 2006.

Control premium offered

Participating in the Buy-back will result in an increase in BBX's major shareholders relative interest in BBX. However we note that, based on the assessed values for the alternative considerations offered under the Buy-back set out above, the Participating Shareholders will receive a control premium of at least 67%, based on the cash alternative of 0.5 cents per share and the midpoint of our assessed value range of 0.3 cents per share.

Transaction costs

We understand no transaction costs will be incurred by Participating Shareholders pursuant to the Buy-back.

Disadvantages

Reduced exposure to any future increase in the value of BBX

The Participating Shareholders, whilst still retaining 10% of their BBX shares following the completion of the Buy-back will have a significantly reduced exposure to any future increases in the value of BBX's operations or value generated through potential future corporate transactions. We note that if the Proposed Transactions are implemented, APN and its clients will hold between 72% and 96% of the issued capital of BBX. APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a "back-door" transaction for BBX in the future. Such a transaction is likely to be unrelated to the BBX system given its unique characteristics.

Increased Control of BBX by the MT Buying Group and APN

The Participating Shareholders will still retain 10% of the BBX shares following the completion of the Buy-back. Depending upon level of participation in the Buy-back, the combined shareholdings of the MT Buying Group and APN may increase from 72% to 96% if the Buy-back proceeds. The Buy-back will provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to significantly increase their relative influence on the Company and fully control the board and management of BBX.

Other considerations

Marketability of BBX Trade Dollars

BBX Trade Dollars are not redeemable for cash. The value of BBX Trade Dollars is subject to the BBX trade exchange continuing and having sufficient members willing to trade. In our opinion, the value of BBX Trade Dollars is negligible for shareholders of BBX who are not active members or do not want to become active members of the BBX exchange.

Marketability of BBX PIF shares

BBX PIF shares have experience no on-market trading since BBX PIF listed in 2006 and has a stated policy of no dividends until 2021 and are potentially a less marketable asset than BBX shares. The value of BBX PIF shares is subject to the ability to realise value through the sale of BBX PIF shares or any dividends paid by BBX PIF.

Tax impact

Participating Shareholders may incur a tax liability or receive a tax benefit as a result of their participation in the Buy-back. Participating Shareholders should consult their tax advisors in relation to their personal circumstances.

Franking credits and accumulated tax losses

The proportionate interest of the Participating Shareholders in the franking credits and accumulated tax losses of BBX will decrease following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value, if any, of BBX's franking credits and accumulated tax losses is highly uncertain.

Summary of opinion - The Buy-back and the Share and Unit Sale for the Continuing Shareholders

Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit Sale are fair and reasonable to the Continuing Shareholders.

Fairness of the Buy-back and the Share and Unit Sale to Continuing Shareholders

In forming our view in relation to whether the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale with
- the value of a BBX share post the Buy-back and the Share and Unit Sale.

The following table summarises our fairness analysis:

Figure 2: Fairness of the Buy-back and the Share and Unit Sale

All figures cents per share	Reference	Low value	High value
Value of a BBX share 'prior' the Proposed Transactions	Section 8.3	-	0.3
Value of a BBX share 'post' the Proposed Transactions	Section 9.2	0.1	1.0
Difference		0.1	0.7

Source: Grant Thornton Corporate Finance analysis

We conclude that the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders as our assessed value range of BBX post the Buy-back and the Share and Unit Sale is higher than our assessed value range of BBX prior to the Buy-back and the Share and Unit Sale.

Reasonableness of the Buy-back and Share and Unit Sale to Continuing Shareholders

As the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, they are also reasonable to the Continuing Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Continuing Shareholders associated with the Buy-back and the Share and Unit Sale.

Advantages

The Buy-back and the Share and Unit Sale are fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit sale are fair to the Continuing Shareholders.

Removal of exposure to a loss making business and its associated historical and future liabilities

BBX incurred a loss for the year ended 30 June 2009 of approximately \$9.3 million and has net current liabilities of approximately \$2.6 million. Should the Buy-back and Share and Unit Sale proceed, BBX will no longer be exposed to its historical liabilities, current loss making operations and any future liabilities and costs they might have otherwise incurred.

The Sydney Franchise

Under the Share and Unit Sale, BBX will receive the right to a franchise in Sydney which currently has over 700 active members. Whilst there is considerable uncertainty surrounding the forecast, we note that BBX has forecast a gross profit (before some overheads, corporate costs and taxation) for the Sydney franchise for the year ending 30 June 2010.

Potential increase in ability to attract new investors

We understand that the removal of the loss making operations and liabilities as set out above will leave BBX as a relatively 'clean' listed corporate shell. This may increase the attractiveness of BBX to new investors and increase BBX's ability to pursue new investment opportunities

Potential increase of relative interest in BBX for continuing shareholders

Any reduction in the number of BBX shares on issue via the Buy-back would result in a relative increase of the ownership interest of the continuing shareholders given the Buy-back is indirectly funded by the MT Buying Group. Should this occur, the continuing shareholders will have increased voting capacity and share in any increase in the underlying value of BBX.

As a result of the Share and Unit Sale, the Buy-back is being funded by the MT Buying Group, so there is no cost to BBX or the continuing shareholders.

Disadvantages

No exposure to any upside in the businesses being sold to the MT Buying Group

The Continuing Shareholders will not receive the benefit of any potential upside in the businesses being sold to the MT Buying Group. These include the upside relating to the franchisor rights currently held, including the potential for international growth.

Going concern

Following the completion of the Buy-back and the Share and Unit Sale BBX will have a liability of \$300,000 and current assets of only \$100,000 cash. The ability of BBX to pay its debts as and when they fall due will depend upon any cash that may be generated by the Sydney Franchise and the ability of BBX to raise additional capital as required.

Potential for relative increase in interest for BBX's largest shareholders

The Buy-back may provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to increase their relative influence on the Company. Should the Buy-back proceed there is the potential for BBX's largest shareholders interest in BBX to increase from approximately 72% to approximately 96%.

Decrease in number of shares on issue and potential impact on liquidity

Should the Buy-back proceed, there will be a reduction of up to 90% in the BBX shares not held by BBX's largest shareholders. This decrease in shares on issue may reduce the free float and attractiveness of BBX shares to investors which may result in a further decrease in the liquidity of its shares.

Other considerations

Franking credits and accumulated tax losses

The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses of BBX may increase following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

Summary of opinion - The Second Share Acquisition

Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the Non-Associated Shareholders.

In arriving at our conclusion, Grant Thornton Corporate Finance has examined the likely advantages and disadvantages associated with the Second Share Acquisition including the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;

- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- other consideration relevant to the MT & APN Non-Associated Shareholders.

Control premium

For the purpose of assessing whether or not the MT Buying Group will receive a control premium if the Second Share Acquisition is approved, we have compared the purchase price under the Second Share Acquisition of approximately 0.58 cents per share with our assessed range of values of BBX post the Buy-back and the Share and Unit Sale.

Based on our analysis (detailed in Section 10 of the report), we have assessed the notional control premium to be received by the MT Buying Group to be approximately 5.5% above 0.55 cents, being the midpoint of our assessed value of BBX post the Buy-back and Share and Unit Sale. The assessed control premium received by the MT Buying Group is below the range of control premium typically paid for in successful takeovers in Australia. However, given that BBX will effectively become a listed shell post the Buy-back and the Share and Unit Sale, we consider an appropriate control premium, if any, for BBX to be small.

We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of the BBX shares.

Future takeover opportunities

In assessing whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid, we have considered the following:

- APN and its clients already own approximately 26.3% of BBX as a result of the First Share Acquisition;
- the Second Share Acquisition is not expected to change the capital and shareholding structure of BBX as APN and its clients are essentially replacing the MT Buying Group as a shareholder of BBX; and
- similarly, the structure or voting power of the Board of Directors of BBX will not materially change, except it is envisaged that APN will seek to appoint replacement representatives in place of the current Directors appointed by the MT Buying Group.

We note that APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a “back-door” transaction for BBX in the future. We would expect the Proposed Transactions to increase the attractiveness of BBX for such transactions and, as such, may materially increase BBX shareholders opportunities to receive a future takeover offers and a control premium.

We note that any takeover offers for BBX will require the agreement of the MT Buying Group and APN (or APN only if the Second Share Acquisition is implemented).

Future intentions of APN if the Second Share Acquisition is approved

If the Second Share Acquisition is approved, APN and its clients will own between 72% and 96% of the issued share capital in BBX and will become the largest shareholder in BBX. This will provide APN with the majority of the voting rights in shareholders’ meetings and will allow APN to make the decisions in relation to the business and operations of BBX.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

Also, if the Second Share Acquisition is approved, the diversification of control of BBX may increase as the shares acquired will be held by APN’s clients as well as APN. This increased diversification of ownership may impact the liquidity of trading in BBX shares.

Implications if the Second Share Acquisition is not approved

If the Second Share Acquisition is not approved and assuming the MT Buying Group intends to liquidate its investment in BBX in a timely manner, the MT Buying Group may choose to dispose of its shareholding in BBX to a third party or onto the market. We note that, given the very low liquidity of BBX shares, we consider it unlikely that the MT Buying Group would be able to dispose of its BBX shares on the market. Given the effective or perceived desire of the MT Buying Group to divest their remaining holding in BBX, their continued presence as the major shareholder may result in long term downward pressure on the share price of BBX.

Also we would expect that, should the Second Share Acquisition not be approved, APN’s interest in sponsoring and seeking “back-door” transactions for BBX may be decreased.

Other considerations

Should APN achieve greater than 90% control of BBX they will be able to proceed to compulsory acquisition should they choose to do so.

Overall conclusion – The Second Share Acquisition

In determining the overall conclusion in relation to the Second Share Acquisition, we note that based on the requirements of RG 111, the greater the control premium receivable by the MT Buying Group, the greater the advantages of the Second Share Acquisition to the MT & APN Non-Associated Shareholders would need to be, to support a finding that the advantages of the Second Share Acquisition outweigh the disadvantages. Specifically we summarise the following:

- we have assessed that the premium receivable by the MT Buying Group is relatively low at approximately 5.5%. We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of their BBX shares;
- if the Second Share Acquisition is not approved, it may have an adverse impact on the share price of BBX; and
- if the Second Share Acquisition is approved, we would expect APN to sponsor and seek a “back-door” transaction for BBX and the likelihood of BBX shareholders receiving a premium for control may materially increase.

Accordingly, Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-Associated Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Buy-back, the Share and Unit Sale or the Second Share Acquisition is a matter for each BBX shareholder based on their own views of value of BBX and expectations about future market conditions, BBX performance, risk profile and investment strategy. If BBX shareholders are in doubt about the action they should take in relation to the above transactions, they should seek their own professional advice.

Prior to finalising this report, we have provided draft copies of our report to management of BBX and their advisors for factual accuracy purposes. In addition, Grant Thornton Corporate Finance has also considered the relevant regulatory guides issued by ASIC in relation to disclosure of commercially sensitive information.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



SCOTT GRIFFIN
Director



ANDREA DE CIAN
Director

18 November 2009

Financial Services Guide**1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by BBX Holdings Limited (“BBX” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to the Buy-back, the Share and Unit Sale or the Second Share Acquisition. This report is included in the Company’s Notice of Meeting and Explanatory Statement.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of this report, Grant Thornton Corporate Finance will receive a fixed fee of approximately \$50,000 (plus GST) from the company plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of BBX in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BBX (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Propose Transactions.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act.

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1 Outline of the Proposed Transactions

1.1 Overview

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in management and operation of the BBX Trade Exchange. Founded in 1993, BBX currently services approximately 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders.

1.1.1 The Buy-back

On 9 April 2009, BBX announced a proposed restructure of the Company, including an off-market selective share buy-back offered to approximately 29% of BBX shareholders for up to 90% of the BBX shares held by each BBX shareholder other than Mr Michael Touma and his associates (the “MT Buying Group”) and Arthur Phillip Group (“APN”) (the “MT & APN Non-associated Shareholders”). We have referred to the proposed buy-back as the “Buy-back” for the purposes of this report.

The Buy-back is subject to, and conditional upon, the sale of the majority of the existing BBX business to companies related to Michael Touma and his associates (the “Share and Unit Sale”) as set out below.

1.1.2 The Share and Unit Sale

Also on 9 April 2009, as part of the proposed restructure of the Company, BBX announced the Share and Unit Sale. Should the Share and Unit Sale be implemented the Company will sell the majority of its businesses and assets to the MT Buying Group.

The Share and Unit Sale is subject to, and conditional upon, the Buy-back set out above.

1.1.3 The Second Share Acquisition

On 9 April 2009, the MT Buying Group sold 20,000,000 BBX shares (approximately 26.3% of the issued capital of BBX) to APN for a total cash consideration of \$100,000, equivalent to 0.50 cents per share (the “First Share Acquisition”). The First Share Acquisition has now completed. We have been advised by the company that the 26.3% of BBX issued capital held by APN is beneficially owned by a number of APN clients with no individual or related group holding more than 20% of BBX’s issued capital.

Also on 9 April 2009, the MT Buying Group agreed to sell the MT Buying Group’s remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total cash consideration of \$200,000, equivalent to approximately 0.58 cents per share (the “Second Share Acquisition”). We understand the shares acquired by APN under this transaction are intended to be held on behalf of APN clients. However, we have been advised that not all of APN’s clients who will be investing in BBX have been identified at the date of this report and as such, APN may initially beneficially own an interest in BBX greater than 20% (i.e. shares acquired but not yet ‘placed’ with APN clients and so beneficial held by APN). We note that following the completion of the Second Share Acquisition APN and its clients will hold between 72% (assuming no participation in the Buy-back) and 96% of the BBX issued share capital (assuming full participation in the Buy-back).

The Second Share Acquisition is subject to, and conditional upon, the Buy-back and the Share and Unit Sale set out above.

1.2 The Buy-back

A summary of the key terms of the Buy-back are as follows:

- the offer is for 90% of BBX shares held by each BBX shareholder other than the MT Buying Group and APN (the “MT & APN Non-associated Shareholders”);
- MT & APN Non-associated Shareholders may only accept the offer in respect of 90% (and not a lesser or greater proportion) of their shares;
- participation in the Buy-back by MT & APN Non-associated Shareholders is voluntary;
- if MT & APN Non-associated Shareholders accept the offer, they can elect to receive the following consideration:
 - \$0.005 (0.5 cents) cash for every one (1) share in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) fully paid ordinary share in the BBX Property Investment Fund Limited (“BBX PIF”)⁶ for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold;
 - one (1) BBX Trade Dollar ⁷ for every seven (7) shares in the Company the MT & APN Non-associated Shareholders hold ⁸; or
 - a combination of the above.
- MT & APN Non-associated Shareholders may elect, at their sole discretion, what form and what proportions of the consideration they wish to receive.

The Buy-back is subject to a number of conditions, some of which have not been satisfied at the date of this report, including:

- the Company obtaining shareholder approval for the Buy-back in accordance with the requirements of the Corporations Act;
- the Company obtaining shareholder approval for the Share and Unit Sale in accordance with the Corporations Act 2001 and ASX Listing Rules; and
- BBX shareholders approving the Share and Unit Sale.

⁶ A summary profile of BBX PIF is set out in section 5 of this report.

⁷ A summary of Trade Dollars is set out in section 4 of this report.

⁸ We have been instructed by BBX that if a BBX shareholder elects to receive trade dollars and is not currently a BBX member, BBX will waive the initial joining membership fee for those BBX shareholders

If all of the MT & APN Non-associated Shareholders participate in the Buy-back, BBX will buy-back and cancel up to 19,153,236 shares in the Company.

Based on the terms of the Buy-back, any shares acquired by BBX under the Buy-back will effectively be paid by the MT Buying Group under the Share and Unit Sale with no recovery or recourse to BBX or its continuing shareholders.

We have also been instructed by BBX that any cash, BBX Trade Dollars or additional BBX PIF shares required by BBX for the purposes of the Buy-back will be provided by parties related to the MT Buying Group, with draft agreements currently in place to meet these needs. Any such liabilities arising from the above provision will be acquired by the MT Buying Group under the Share and Unit Sale, and as such will have no impact on the position of BBX post the Buy-back and Share and Unit Sale.

1.3 The Share and Unit Sale agreement

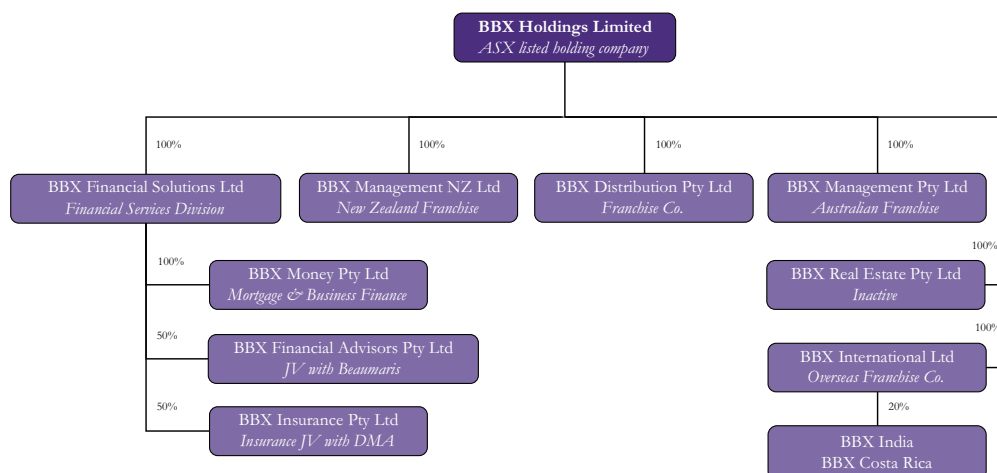
On 9 April 2009 BBX entered into a share and unit sale agreement with Barter Bonus Points Pty Ltd (“BBP”) and www.ebbx.com Pty Ltd (“EBBX”). We understand BBP and EBBX are related parties to Mr Michael Touma and are acting in concert for the purposes of the Share and Unit Sale. Under this agreement, subject to shareholder approval:

- the Company agreed to sell and BBP agreed to purchase:
 - all of the fully paid ordinary shares and units held by the Company in all subsidiaries (other than BBX International Limited HK – refer below) held by BBX as set out in the Notice of Meeting; and
 - all of the assets and liabilities of the Company immediately following the completion of the Buy Back, other than the rights to one of the franchise areas in Sydney (the “Sydney franchise”).
- the Company agreed to sell and EBBX agreed to purchase all of the fully paid ordinary shares held by the Company in BBX International Limited HK.

The effect of the Share and Unit Sale agreement will be that the Company will be disposing of the majority of the Company’s current business and assets. The only component of the prior business being retained by BBX is the franchisee right for a franchise area in Sydney (the “Sydney Franchise”). Whilst there are a number of franchise areas within Sydney, the Sydney Franchise right to be granted to BBX following the implementation of the Share and Unit Sale is currently the largest franchise area in Sydney.

The figures below set out the impact of the Share and Unit Sale on the BBX group structure:

Figure 3: Current BBX group structure



Source: BBX Management

Figure 4: BBX group structure should the Share and Unit Sale be implemented (no subsidiaries)



Source: BBX Management

We have been advised by BBX that the book value of the net tangible liabilities to be acquired / assumed by the MT Buying Group under the Share and Unit Sale agreement, prior to any reduction in net tangible assets resulting from shareholders participating in the Buy-back, is approximately \$0.8 million as at 31 October 2009, based on net tangible liabilities of \$454,000 as at 30 June 2009 and estimated net losses of \$400,000 to the date of this report. We note that, in addition to the \$0.8 million estimated net liability position at the end of October, further liabilities would result from funding any participation by shareholders in the Buy-back.

Under the Share and Unit Sale all of these assets and liabilities (including those resulting from the funding of any participation in the Buy-back) will be acquired / assumed by the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise less an obligation to make payments to BBX Financial Solutions Pty Ltd ("BBX FS") totalling \$300,000.

Under the terms of the Share and Unit sale, BBX will agree to pay to BBX FS a total of \$300,000 by way of the following payments commencing on that date which is 13 months after completion occurs under the Share and Unit Sale:

- five (5) monthly payments of \$10,000; and then

- ten (10) monthly payments of \$25,000.

The Share and Unit Sale is subject to a number of conditions, some of which have not been satisfied at the date of this report, including:

- all necessary regulatory and shareholder approvals to give effect to the matters set out in the sale agreement pursuant to the ASX Listing Rules, Corporations Act or any other law being obtained;
- the MT Buying Group and APN, agreeing to the Second Share Acquisition;
- the MT Buying Group and APN agreeing not to participate in the Buy-back; and
- neither the Company nor BBP nor EBBX being prevented from completing the Share and Unit Sale by virtue of receiving any notice (whether written or verbal) from any regulatory authority in relation to non-compliance with any relevant law by any aspect of the transaction contemplated by the sale agreement;

1.4 Effect of the Proposed Transactions

1.4.1 Buy-back

If the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

1.4.2 Share and Unit Sale

If the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of the assets and liabilities of BBX will be sold to the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX FS totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

1.4.3 The Second Share Acquisition

If the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX.

1.5 APN's intentions for BBX post the Second Share Acquisition

The intentions of APN following the Second Share Acquisition are set out at Section 6 of this report and in the Notice of Meeting.

We have made enquiries with APN in relation to future transactions and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that in the future and following the completion of the Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

2 Purpose and scope of the report

The independent directors of BBX have appointed Grant Thornton Corporate Finance to prepare this report to express opinions as to whether:

- the Buy-back is fair and reasonable to the MT Non-associated Shareholders of BBX who participate in the Buy-back (the “Participating Shareholders”);
- the Buy-back and Share and Unit Sale is fair and reasonable to the continuing MT Non-associated Shareholders of BBX (the “Continuing Shareholders”); and
- the Second Share Acquisition is reasonable to the MT & APN Non-associated Shareholders of BBX.

The following section sets out the purpose of our report as applicable to the above.

2.1 Purpose

2.1.1 The Buy-back

Section 257D of the Corporations Act sets out the shareholder approval requirements for a selective buy-back. These requirements include the necessity for a special resolution to be passed at a general meeting of the company.

The Company is required to include with the notice of meeting a statement setting out all information known to the Company that is material to the decision whether to vote in favour of the resolution.

RG 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buy-back offer.

RG 110.18 states:

If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- *a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*
- *an independent expert’s report with a valuation of the shares.*

RG 110.18 also states, in relation to buy-backs with non-cash consideration:

To fulfil the disclosure requirements, directors will usually need to provide:

- *a valuation of the assets offered as consideration for the buy-back; and*
- *an assessment of the effect on the company of the assets being transferred.*

The Buy-back is for up to 26% of the issued capital of BBX and includes non-cash consideration alternatives. Accordingly, the non-associated directors of BBX have appointed Grant Thornton Corporate Finance to prepare an independent expert's report in relation to the Buy-back.

2.1.2 The Share and Unit Sale

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder, without approval of the shareholders of the company.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the transaction to be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

With respect to the Share and Units Sale we note that:

- the net consideration offered by the MT Buying Group (based on BBX directors' estimations) exceeds 5% of BBX's last reported net assets of \$0.5 million as at 30 June 2009. Accordingly, the operations and assets being sold to the MT Buying Group as a whole are considered to be a substantial asset for the purpose of Chapter 10 of the ASX Listing Rules; and
- Mr Michael Touma is a director of BBX and also currently holds over 26% of the issued capital of BBX and therefore the MT Buying Group is considered as a substantial holder and related party of BBX for the purpose of Chapter 10 of the ASX Listing Rules.

Based on the above, the Share and Unit Sale requires the approval by the shareholders of BBX other than the MT Buying Group under ASX Listing Rule 10.1.

2.1.3 The Second Share Acquisition

If the Second Share Acquisition is completed, APN will own between 72% and 96% of the issued share capital of BBX. APN's increased interest in BBX will arise as a result of the sale of the MT Buying Group's BBX shares to APN and its clients.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111")

issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act. RG 111, in particular, sets out ASIC's views in relation to the approval of a 'sale of securities' as is applicable for the Second Share Acquisition.

2.1.4 Other matters

Our report is to be read in conjunction with the Notice of General Meeting in which this report is included, and is prepared for the exclusive purpose of assisting the MT Non-associated Shareholders and the MT & APN Non-associated Shareholders in their consideration of the Proposed Transactions.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the inclusion of this report and references to Grant Thornton Corporate Finance in the Notice of Meeting, in the form and context in which they appear. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.]

The Notice of Meeting contains information in relation to the Proposed Transaction. BBX shareholders are recommended to read it in full.

2.2 Basis of assessment

2.2.1 The Buy-back and the Share and Unit Sale

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by the ASIC, particularly RG 74 and Regulatory Guide 111: Content of experts report ("RG 111").

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company. Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Based on the terms of the Agreement, it is our opinion that the circumstances of the Proposed Transaction are similar to those considered in Section 606 of the Corporations Act.

RG 74 sets out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act. RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. RG 74 indicates that all the circumstances of the proposal should be examined. In addition to comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid, the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to must be compared with the advantages and disadvantages to those shareholders if it is not.

RG 111 establishes certain guidelines in respect to independent expert's reports prepared for the purposes of the Corporations Act, including reports prepared pursuant to Item 7 of Section 611 of the Corporations Act. In addition to the requirements under RG 74, RG 111 requires the independent expert to determine whether a premium for control is being received by the vendor and to consider whether the proposal may deter future takeover bids.

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has considered relevant regulatory guides issued by ASIC, with particular reference to RG 111, which states, *inter alia*, that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company; and
- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In arriving at our opinion as to whether the Proposed transactions are fair, Grant Thornton Corporate Finance has determined whether:

- the Buy-back is fair to the Participating Shareholders by comparing the assessed value of BBX prior to the Buy-back, to the assessed value of alternative consideration offered under the Buy-back; and
- the Buy-back and Share and Unit Sale is fair to the Continuing Shareholders, in the absence of a higher offer, by comparing the value of BBX prior to the Buy-back and the Share and Unit Sale, to the assessed value of BBX should the Buy-back and the Share and Unit Sale be implemented.

In considering whether the Buy-back and the Share and Unit Sale are reasonable, we have considered a number of factors, including:

- if applicable, whether the Buy-back and the Share and Unit Sale are fair;
- the potential for superior alternative transactions; and
- other advantages and disadvantages to BBX shareholders accepting each of the Proposed Transactions.

2.2.2 The Second Share Acquisition

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly the guidance provided by RG 111 associated with approval of a sale of securities under Item 7 of Section 611 of the Corporations Act.

In this regard, RG 111 states that security holders not associated with such a transaction may be forgoing the opportunity of receiving a takeover bid and sharing in any premium for control. RG 111 further states that the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion either:

- that the advantages of the proposal outweigh the disadvantages; or
- that the disadvantages of the proposal outweigh the advantages.

We note that RG111 specifically differentiates between an issue and a sale of shares under Item 7 of Section 611. Specifically, an issue of shares under Item 7 of Section 611 requires the independent expert to form an opinion whether the proposed transaction is fair and reasonable whilst a sale of shares under Item 7 of Section 611 requires the independent expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

RG 111 also requires the expert to determine whether the vendor is to receive a premium for control. The greater the control premium, the greater the advantages of the transaction to the non-associated holders would need to be, to support a finding that the advantages of the proposal outweighed the disadvantages.

Based on the above in order to form our opinion in relation to the Proposed Transactions in accordance with RG111, Grant Thornton Corporate Finance examined the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;
- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- the likely advantages and disadvantages relevant to the MT & APN Non-Associated Shareholders.

2.3 Independence

Grant Thornton Corporate Finance is independent of BBX, the MT Buying Group, APN, their directors and all other relevant parties associated with the Proposed Transactions. Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transactions other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection

with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transactions.

2.4 Limitations and reliance on information

The opinion of Grant Thornton Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AAS 902 applicable to review engagements

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact to the non-associated BBX shareholders as a whole. We have not considered the potential impact of the Proposed Transactions on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transactions on individuals.

The decision as to whether or not to approve the Proposed Transactions is a matter for each shareholder of BBX based on their own views of the value of BBX and expectations about future market conditions, BBX's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transactions, they should seek their own professional advice.

3 Profile of the barter exchange industry

3.1 Overview

The Australian barter exchange industry allows its users to trade both goods and services (barter) for a non-cash payment, which is then used to purchase from other sellers. The main providers within the bartering industry in Australia are Bartercard International Limited (“Bartercard”) and BBX.

The bartering industry is governed by the Code of Ethics set out by the International Reciprocal Trade Association (“IRTA”). The IRTA worked with the Australian government to help safeguard the practice of bartering and create a model with which to regulate the barter community and as a result the ATO has issued a guide on the taxation treatment of bartering transactions. We have been advised by the Company that whilst BBX is not currently a member of IRTA it does follow the guidelines as set out by IRTA.

3.2 Market size

According to Barter News (Issue #62/2004), the worlds largest circulation magazine on the Barter and Counter-trade industries, there were over 500 trade exchanges in the USA with a client of over 450,000 retailers, services and manufacturers.

3.3 Products segmentation

Products offered by barter platform providers are generally very similar, with a subscription fee allowing access to an electronic platform. This platform allows its users to trade with fellow users. Interest free finance on trade credits is offered to users.

3.4 Industry competition

BBX’s main competition within Australia comes from Bartercard, who has over 75,000 trading members in 9 countries. Bartercard also allows its members to barter goods and services. Bartercard is the largest barter network in the world, operating in Australia, the UK, NZ, the United Arab Emirates, and numerous Asian countries.

3.5 Taxation implications of the barter trade

The Australian Taxation Office (“ATO”) ruling IT 2668 sets out the Australian Taxation Office’s view for barter transactions utilising ‘trade dollars’, one trade dollar is equal to one Australian dollar for taxation purposes.

4 Profile of BBX

4.1 Business

BBX is listed on the Australian Securities Exchange (the “ASX”) and is engaged in the management and operation of the BBX Trade Exchange. Founded in 1993, BBX currently services approximately 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders.

BBX manages the buying and selling of goods and services on behalf of members in a cash less trading environment. The medium for payment is the BBX Trade Dollar (“BBX Trade Dollar”). In essence, BBX is a credit and debit card system (similar to other card systems) that enables businesses to access a variety of goods and services without the need for cash, in a less competitive market place.

BBX commenced operations as a barter exchange company in 1993 and was listed on ASX in August 2005. BBX currently services about 5,000 member businesses in Australia and New Zealand, representing over 10,000 individual cardholders. BBX is head-quartered in Sydney and employs more than 60 people across Australia and New Zealand. BBX franchises are in operation in Costa Rica and India and BBX has retained a 20% equity stake in each of these franchises through its wholly owned subsidiary, BBX International Ltd.

4.2 Products and services

BBX is a provider of cashless trading services for goods and services. These goods and services are exchanged for BBX Trade Dollars which are the accounting unit used within the BBX platform.

As per the rules of the trading program, trade dollars are only able to be used within the BBX platform for the redemption goods or services from another member and are not redeemable for cash. If a member’s account is in debit, they are liable to either provide goods or services to an equivalent value to another member, or to pay the cash equivalent of the trade dollar debit balance. We note that per the Australian Taxation Office ruling IT 2668, one trade dollar is equal to one Australian dollar for taxation purposes.

Within the BBX platform member firms make available for barter any excess capacity they have, including both goods and services. This is then purchased by other members in exchange for BBX trade dollars. BBX offers businesses a platform to increase their sales, and also have access to lower cost purchasing.

In exchange for providing this platform, BBX charges its members fees. This includes a joining fee, monthly member fees, and a performance based fee on each transaction made.

The BBX platform provides cashless trading in a variety of goods services, including but not limited to, foreign currency, display cabinets, fencing materials, flowers, vegetables, gem stones, and health and beauty products.

BBX also owns a 50% interest in BBX Money Pty Ltd, which is currently active in the lending market. Loans are provided to current BBX members for the purposes of purchasing real estate, equipment leasing, car leasing and personal loans.

BBX Insurance Pty Limited provides insurance services to the members of BBX and allows for up to 30% of the premium to be paid with BBX trade dollars.

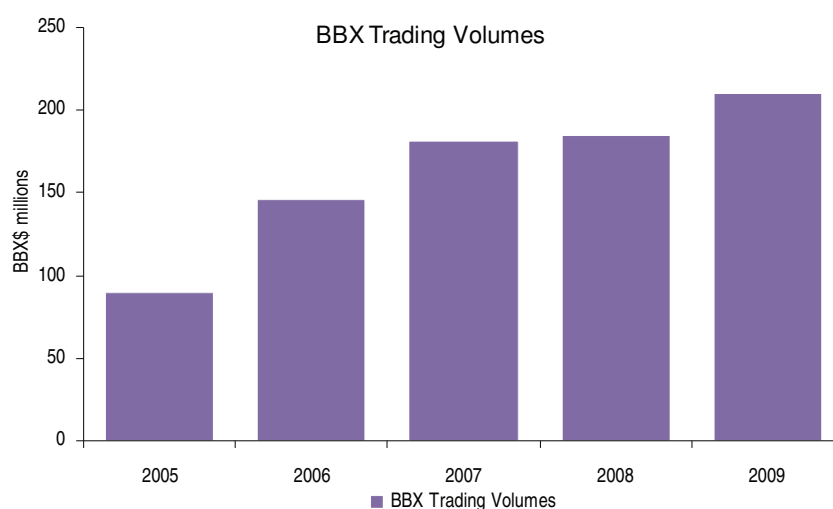
BBX has entered into franchise agreements in relation to BBX members in key markets. The role of a franchisee is to recruit new members to the trading system and service their needs on a day-to-day basis. For international markets, BBX has entered into Master Franchise agreements for each market through BBX International Ltd.

4.3 BBX Trade Dollars and the BBX Exchange

BBX Trade Dollars are an accumulation of rights to trade between members of the BBX trade exchange.

The figure below sets out the past 5 years trading in BBX Trade Dollars

Figure 5: Historical BBX Trade Dollar trading levels



Source: BBX Management

As shown above, there has been a significant level of BBX Trade Dollar transactions over the past 5 years. Whilst BBX Trade Dollars can not be redeemed for cash, there appears to be a relatively liquid market where they can be exchanged for goods and services.

We have been advised by BBX management that the BBX trade market and BBX trade dollars are attractive to members for a number of reasons, including:

- items may be sold in the BBX market at different prices without impacting the 'market price' within the cash market; and

- the acceptance of BBX trade dollars may increase sales volumes for businesses.

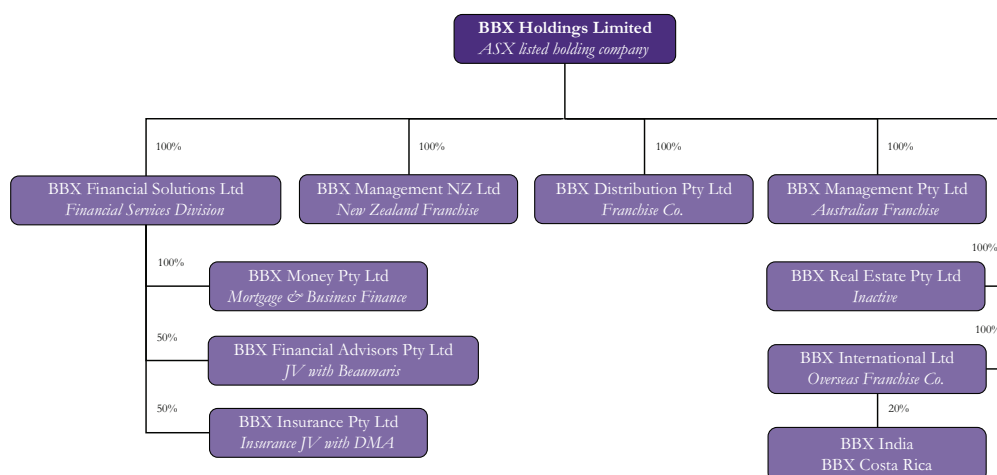
We note that, while there is a large variety of goods and services offered for trade in the BBX market:

- the BBX trade dollars cannot be exchanged for cash;
- transactions incur commission costs, payable to BBX, of up to 14%. Trade commissions appear to often be paid using a mix of cash and BBX Trade Dollar;
- BBX has experienced a very high level of write-offs in relation to overdrawn BBX trade dollar accounts; and
- BBX has, in some instances where members have overdrawn accounts, accepted non-cash consideration in the form of goods (e.g. jewellery) and BBX PIF shares, in exchange for BBX trade dollars credited to the overdrawn accounts.

4.4 BBX Corporate Structure

The figure below sets out the current BBX group structure:

Figure 6: Current BBX group structure



Source: BBX Management

4.5 Financial information

4.5.1 Financial performance

The following table summarises the audited income statements of BBX for the years ended 30 June 2007, 2008 and 2009:

Figure 7: Summary BBX historical income statement

All figures \$'000 and for the years ending	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Revenue	10,211	10,602	5,088
Employee benefits expense	(2,443)	(2,617)	(2,234)
Loss on sale of assets	-	(53)	(980)
Other expenses	(6,680)	(8,600)	(5,540)
Operating profit	1,088	(668)	(3,666)
Other income	-	817	-
EBITDA	1,088	149	(3,666)
Depreciation and amortisation	(204)	(333)	(434)
Impairment of goodwill	-	-	(5,005)
EBIT	884	(184)	(9,105)
Finance costs	(158)	(178)	(249)
Earnings before tax	726	(362)	(9,354)
Taxation (expense)/benefit	164	(550)	-
Loss from discontinued operations	-	(504)	-
Loss attributable to minority equity interests	-	-	30
Profit after tax	890	(1,416)	(9,324)

Source: 2007, 2008 and 2009 BBX Annual Reports

Note 1: 30 June 2008 balance sheet restated for the 30 June 2009 Annual Report

We note the following in relation to BBX's income statement:

30 June 2008

- on 30 June 2008, BBX disposed its 100% interest in Priced2Clear Pty Ltd, a clearance warehouse facility based in Sydney. Loss from discontinued operations of \$504,000 is in relation to the financial performance of Priced2Clear Pty Ltd;
- other income includes gain on sale of Priced2Clear Pty Ltd of \$488,000 and gain on revaluation of investment property of \$379,000;

30 June 2009

- During the year ended 30 June 2009, revenue decreased by approximately \$5.5 million to \$5.1 million (52% decrease). We understand that this is due to a decrease in:
 - Sales of international franchises (2008: \$1.1 million, 2009: \$nil);
 - Sale of Australian franchises (2008: \$0.4 million, 2009: \$nil);

- Sale of goods (2008: \$1.5 million, 2009: \$0.2 million); and
- Service fees (2008: \$7.5 million, 2009: \$4.8 million);
- an impairment of goodwill was recognised of approximately \$5 million. It was also noted in the audit report that there was significant uncertainty regarding the impairment of goodwill and carrying value of controlled entities. The auditor’s report states *“in the event that some of these assumptions are found to be incorrect, a further impairment of goodwill, and a further write down in the carrying value of controlled entities in the financial statements of BBX Holdings Limited, may be required”*. We note that the carrying value of goodwill and controlled entities were approximately \$704,000 and \$396,000 as at 30 June 2009;

4.5.2 Balance Sheet

The audited consolidated balance sheet of BBX as at 30 June 2007, 2008 and 2009 is summarised below:

Figure 8: Summary BBX historical consolidated balance sheet

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Note 1			
Current assets			
Cash and cash equivalents	106	15	10
Trade and other receivables	3,287	1,640	998
Inventory	2,864	80	58
Financial assets	531	-	-
Other current assets	715	937	163
Total current assets	7,503	2,672	1,229
Non-current assets			
Trade and other receivables	23	2,137	21
Land held for sale	80	459	-
Investment stock	-	403	124
Financial assets	928	1,013	2,600
Property, plant and equipment	702	1,081	485
Deferred tax asset	801	-	-
Intangible assets	4,234	5,385	957
Total non-current assets	6,768	10,478	4,187
Total assets	14,271	13,150	5,416
Current liabilities			
Trade and other payables	1,358	1,571	1,413
Financial liabilities	281	771	810
Provisions	202	177	146
Other current liabilities	-	-	1,496
Total current liabilities	1,841	2,519	3,865
Non current liabilities			
Trade and other payables	237	428	699
Financial liabilities	487	420	251
Other financial liabilities	256	-	-
Provisions	81	95	97
Total non-current liabilities	1,061	943	1,047
Total liabilities	2,902	3,462	4,912
Net assets	11,369	9,689	503
Equity			
Share capital	11,530	11,183	11,183
Reserves	200	(78)	7
Retained earnings/(accumulated losses)	(361)	(1,416)	(10,657)
Minority Interest	-	-	(30)
Total equity	11,369	9,689	503

Source: 2007, 2008 and 2009 BBX Annual Reports

Note 1: 30 June 2008 balance sheet restated for the 30 June 2009 Annual Report

We note the following in relation to the consolidated balance sheets of BBX:

- financial assets comprise of shares in BBX PIF carried at approximately \$2,538, 000 and Led Investments Pty Ltd (“Led Investments”) carried at approximately \$62,000. Refer to Section 5 for an overview of BBX PIF;
- investment stock consists of gold and silver jewellery. This inventory is currently held at cost as the independent valuation of jewellery was not conducted by the management of BBX. The Company’s auditor qualified the audit report for the 2009 Annual Report in relation to uncertainty regarding the carrying value of these investments;
- intangible assets include goodwill (\$704,000), computer software (\$7,000) and website development (\$246,000). Please refer to the comments regarding impairment of goodwill in the section above.
- trade and other payables include non current payables of approximately \$699,000 to directors and related parties;
- financial liabilities (current and non-current) include bank loans of approximately \$241,000 and bank overdrafts of approximately \$580,000, hire purchase liability of approximately \$223,000 and lease liability of approximately \$17,000;
- other current liabilities relate to trade exchange deficit;
- the Company had a net tangible asset deficiency of approximately \$454,000 as at 30 June 2009;
- the Company had a net current liability (current liabilities less current assets) of approximately \$2,636,000 as at 30 June 2009; and
- the Company’s auditor did not comment upon, or qualify their opinion in relation to the Company’s ability to operate as a going concern in BBX’s 2009 Annual Report.

4.5.3 Cash flows

The audited cash flows of BBX for the years ended 30 June 2007, 2008 and 2009 are summarised below:

Figure 9: Summary BBX historical cash flows

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Cash flows from operating activities			
Receipts from customers	5,356	6,326	4,433
Payments to suppliers and employees	(5,912)	(6,682)	(4,221)
Interest received	5	1	3
Finance costs	(107)	(75)	(197)
Sundry income received	5	-	-
Net cash provided by / (used in) operating activities	(653)	(430)	18
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	431	-	117
Purchase of property, plant and equipment	181	(75)	-
Purchase of intangibles	(30)	-	-
Purchase of other non-current assets	24	-	-
Net cash provided by / (used in) investing activities	606	(75)	117
Cash flows from financing activities			
Proceeds from issue of shares	579	-	-
Proceeds from borrowings	-	70	-
Repayment of borrowings	(258)	(159)	(217)
Dividends paid by parent entity	(110)	-	-
Net cash provided by / (used in) financing activities	211	(89)	(217)
Net increase in cash held	164	(594)	(82)
Cash at beginning of financial year	(58)	106	(488)
Cash at end of financial year	106	(488)	(570)

Source: 2007, 2008 and 2009 BBX Annual Reports

4.6 Capital structure

As at the date of this report, BBX has on issue 76,035,953 ordinary shares. We have been instructed that the Company does not have any options on issue as at the date of this report.

4.6.1 Top 10 shareholders

The top 10 shareholders of BBX as at 22 September 2009 are set out below:

Figure 10: BBX top 10 shareholders

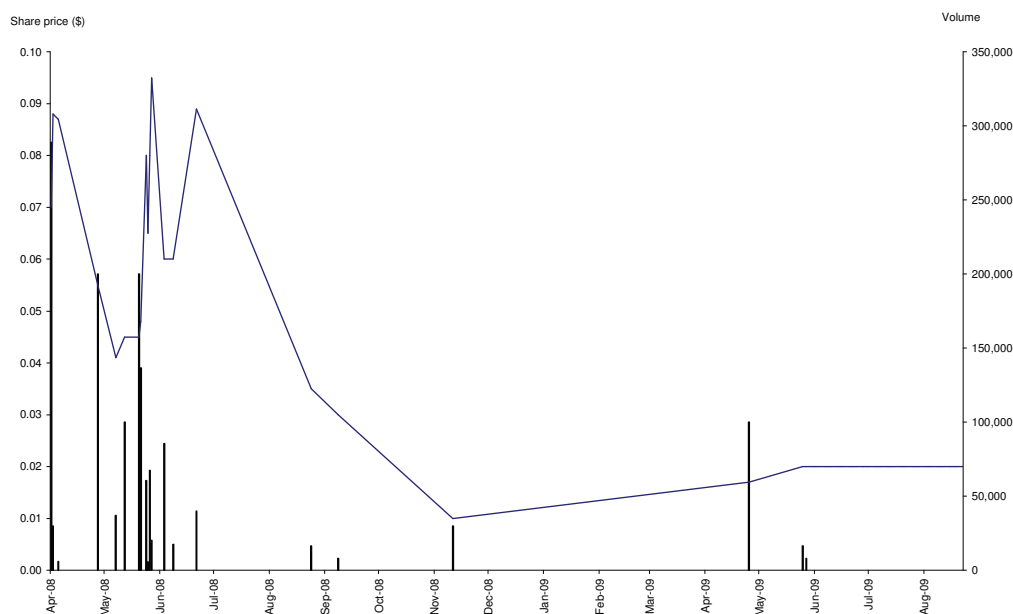
Name	Number of shares	% holding
Arthur Phillip Nominees Pty Ltd	20,000,000	26.3%
Michael Touma	19,808,000	26.1%
O'Mara Management Pty Ltd	8,037,600	10.6%
www.ebbx.com Pty Ltd	1,650,000	2.2%
Alcardo Investments Limited	1,636,000	2.2%
Martin Place Securities Staff Superannuation Fund Pty Ltd <Investment a/c>	1,592,000	2.1%
Whi Securities Pty Ltd	851,416	1.1%
Touma Investments Pty Ltd	587,720	0.8%
Martin Place Securities Nominees Pty Ltd	432,000	0.6%
Martin Place Securities Staff Superannuation Fund Pty Ltd <No2 a/c>	406,000	0.5%
Top 10 shareholders	55,000,736	72.3%
Other shareholders	21,035,217	27.7%
Total	76,035,953	100.0%

Source - BBX 2009 Annual report

4.6.2 Share price performance

As at the date of this report, the most recent trade in BBX shares was on 5 June 2009 at a share price of approximately 2 cents per share. The movements in the BBX share price and volumes traded on the ASX for the period from 1 April 2008 to 4 November 2009 is set out below:

Figure 11: BBX historical share price and trading volumes



Source: Reuters

We note the following with regard to the share price history shown above:

Date	Comments
24 April 2008	BBX announced the commencement of trading by the BBX franchise in China. Share price closed at \$0.087.
30 June 2008	BBX announced the sale of its interest in Priced2Clear Pty Ltd. Share price closed at \$0.089.
9 April 2009	BBX announced that it had agreed to restructure its business by undertaking an off-market selective share buy back. Share price closed at \$0.010.
17 April 2009	BBX announced an off-market selective share buy back. Share price closed at \$0.010.

Source: ASX

Set out below is the share price performance of BBX since April 2008:

Figure 12: BBX historical share price performance

Share price performance of BBX	High (A\$)	Low (A\$)	Close (A\$)	Total months volume
Month ended				
April 2008	0.088	0.023	0.087	324,920
May 2008	0.060	0.041	0.048	673,665
June 2008	0.095	0.060	0.089	297,206
July 2008	-	-	-	-
August 2008	-	-	-	-
September 2008	0.035	0.030	0.030	24,320
October 2008	-	-	-	-
November 2008	0.010	0.010	0.010	30,000
December 2008	-	-	-	-
January 2009	-	-	-	-
February 2009	-	-	-	-
March 2009	-	-	-	-
April 2009	-	-	-	-
May 2009	0.017	0.017	0.017	100,000
June 2009	0.020	0.020	0.020	24,320
July 2009	-	-	-	-
August 2009	-	-	-	-
September 2009	-	-	-	-
October 2009	-	-	-	-

Source: Reuters

We note that the transaction volumes over the period since April 2008 were extremely low.

5 Profile of BBX PIF

As shares in BBX PIF represents the largest assets on the BBX balance sheet as at 30 June 2009 and BBX PIF shares are one of the possible considerations offered under the Buy-back, set out below is an overview of BBX PIF.

BBX PIF is a diversified property investment fund listed on the National Securities Exchange (“NSX”). BBX PIF acquires and manages a portfolio of residential property.

BBX PIF’s stated objective is to maximise investment returns and provide the potential for income and capital growth to shareholders through investing in direct residential, commercial and industrial property assets.

BBX PIF has a target ‘fund’ size of \$100 million dollars to be achieved within 5 years of mid 2009 and a target gearing level of 33% debt.

5.1 BBX PIF investment portfolio

A summary of the properties in BBX PIF’s investment portfolio is set out below:

Residential

- 30 Hythe Street, Mt Druitt:
 - Units 18,19,20 & 21 – each 2 bed, 1 bath, 1 car park. Current rental yield of approximately 4.5%;
- 40-42 Toowoomba Bay Road, Long Jetty
 - Town House #2 - 3 bed, 2 bath, 2 car parks. Current rental yield of approximately 3.9%;
 - Units 12 & 26 – 2 bed, 2 bath, 2 car parks. Current rental yield of approximately 3.9%;
- 2 Willison Road, Carlton:
 - Units 8,11,14 & 15 – each 3 bed, 2 bath, 2 car parks. Current rental yield of approximately 4.3%;
- 12-14 Loftus Street, Wollongong
 - Unit 13 - 2 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;
 - Unit 14 - 3 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;

- Units 15 & 19 – each 4 bed, 2 bath, 1 car parks. Current rental yield of approximately 6.5%;

Commercial

- 8 Wainright Road, Mt Druitt, Factory Numbers 10 & 11 – each with 4 car parks and bathrooms / showers. Current rental yield of approximately 6.2%;

5.2 Financial information

5.2.1 Financial performance

The following table summarises the audited income statements of BBX PIF for the years ended 30 June 2007, 2008 and 2009:

Figure 13: Summary BBX PIF historical income statement

All figures \$'000 and for the years ending	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Revenue	29	247	298
Other income	29	34	19
Expenses	(280)	(373)	(357)
EBITDA	(222)	(93)	(41)
Depreciation and amortisation	-	-	-
EBIT	(222)	(93)	(41)
Finance costs	(39)	(296)	(345)
Earnings before tax	(261)	(388)	(386)
Taxation (expense)/benefit	(12)	-	-
Profit after tax	(273)	(388)	(386)

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.2.2 Balance sheet

The audited balance sheet of BBX PIF as at 30 June 2007, 2008 and 2009 is summarised below:

Figure 14: Summary BBX PIF historical balance sheet

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Current assets			
Cash and cash equivalents	312	430	375
New share issue account	427	-	-
Trade and other receivables	280	24	(125)
Other current assets	369	681	1
Total current assets	1,387	1,135	251
Non-current assets			
Trade and other receivables	19	56	281
Investment property	3,357	6,908	6,915
Other financial assets	8,955	10,369	12,674
Total non-current assets	12,331	17,332	19,869
Total assets	13,719	18,467	20,121
Current liabilities			
Trade and other payables	62	77	13
Financial liabilities	742	741	742
Total current liabilities	804	818	755
Non current liabilities			
Trade and other payables	18	-	-
Financial liabilities	1,479	3,657	3,660
Total non-current liabilities	1,498	3,657	3,660
Total liabilities	2,302	4,475	4,414
Net assets	11,417	13,992	15,706
Equity			
Share capital	11,678	14,642	16,741
Retained earnings/(accumulated losses)	(261)	(649)	(1,035)
Total equity	11,417	13,992	15,706

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.2.3 Cash flows

The audited cash flows of BBX PIF for the years ended 30 June 2007, 2008 and 2009 is summarised below:

Figure 15: Summary BBX PIF historical cash flows

All figures \$'000 and as at	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
Cash flows from operating activities			
Receipts from customers	29	181	298
Payments to suppliers and employees	(562)	(106)	(481)
Interest received	29	34	19
Finance costs	(40)	(316)	(361)
Net cash provided by / (used in) operating activities	(545)	(207)	(525)
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,352)	(2,796)	(79)
Net cash provided by / (used in) investing activities	(2,352)	(2,796)	(79)
Cash flows from financing activities			
Proceeds from issue of shares	987	965	546
Proceeds from borrowings	2,221	2,156	4
Net cash provided by / (used in) financing activities	3,208	3,121	550
Net increase in cash held	312	118	(55)
Cash at beginning of financial year	-	312	430
Cash at end of financial year	312	430	375

Source: 2007, 2008 and 2009 BBX PIF Annual Reports

5.3 Capital structure

As at the date of this report, BBX PIF has on issue 16,003,559 fully paid ordinary shares and 1,944,267 unquoted fully paid 'B' class shares.

5.3.1 Top 10 'ordinary shares' shareholders

The top 10 'ordinary shares' shareholders of BBX PIF as at 25 September 2009 are set out below:

Figure 16: BBX PIF top 10 'ordinary shares' shareholders

Name	Number of shares	% holding
BBX Holdings Ltd	2,122,500	13.3%
Mr Vincent Chan & Mrs Helen Chan <V&H Chan Super Fund a/c>	1,000,000	6.2%
Mrs Mireille Touma	754,000	4.7%
BBX Holdings Limited	636,001	4.0%
O'Mara Investments Pty Ltd <O'Mara Investments a/c>	454,000	2.8%
Ms Luceille Outhred <Jolu Super Fund a/c>	450,000	2.8%
Martin Place Securities Nominees Pty Ltd	352,500	2.2%
Cuthbert Supperannuation Pty Ltd <The Cuthbert Super Fund a/c>	323,900	2.0%
Mr Dennis Rutzou & Mrs Joan Rutzou <Cinque Super Fund a/c>	320,000	2.0%
R Elliot & Associates Pty Ltd <T J Creasy Super Fund a/c>	309,000	1.9%
Top 10 shareholders	6,721,901	42.0%
Other shareholders	9,281,658	58.0%
Total	16,003,559	100.0%

Source - BBX PIF 2009 Annual report

5.3.2 Top 10 'B' class shares' shareholders

A summary of the rights and condition of BBX PIF 'B' class shares is set out below:

- 'B' class shares do not carry any entitlement to participate in dividends that may be paid by the Company;
- 'B' Class Shares will convert to Ordinary Shares over time. 50% of an investor's 'B' Class Shares will convert into Ordinary Shares after twelve months from their date of issue, and the balance will convert into Ordinary Shares after the following 12 months;
- 'B' class shares are not listed on the NSX; and
- other than the above, 'B' class shares have the same rights as ordinary shares.

The top 10 'B' class shares' shareholders of BBX PIF as at 25 September 2009 are set out below:

Figure 17: BBX PIF top 10 “B” class shares’ shareholders

Name	Number of shares	% holding
Cuthbert Superannuation Pty Ltd <The Cuthbert Super Fund a/c>	201,100	10.3%
Radeshar Pty Ltd	160,000	8.2%
Alexander Administration Pty Ltd <Super Fund a/c>	111,500	5.7%
Mr Kenneth Lambert & Mrs Brenda Elaine Wylde <Kel Super Fund a/c>	110,000	5.7%
Nattia Pty Ltd <Sit Back & Relax S/F a/c>	73,600	3.8%
Mr John Outhred & Mrs Luceille Outhred <Jolu Super Fund a/c>	64,000	3.3%
R Elliot & Associates Pty Ltd <T J Creasy Super Fund a/c>	50,000	2.6%
Mr John Outhred <Jolu Super Fund a/c>	48,000	2.5%
Gogia Holdings Pty Ltd	45,000	2.3%
Peninsula Discounts Pty Ltd <Lynian Super Fund a/c>	41,667	2.1%
Top 10 shareholders	904,867	46.5%
Other shareholders	1,039,400	53.5%
Total	1,944,267	100.0%

Source - BBX PIF 2009 Annual report

6 Impact of the Proposed Transactions

6.1 Effect of the Proposed Transactions

6.1.1 Buy-back

If the Buy-back is approved, the MT & APN Non-associated Shareholders will have the opportunity to participate in a buy-back of 90% of their BBX shareholding in exchange for consideration in the form of cash, BBX PIF shares or BBX Trade Dollars (or a combination of these), to be effectively paid by the MT Buying Group.

Full participation in the Buyback would result in the MT & APN Non-associated Shareholders collective interest in BBX decrease from 29% to 2.9%. Under this scenario, the MT Buying Group's and APN interest in BBX would collectively increase from 72% to 96%.

6.1.2 Share and Unit Sale

If the Share and Unit Sale is implemented BBX will sell all of its subsidiaries and the majority of its businesses to the MT Buying Group, effectively retaining only a single operation or business, being the franchisee right for an area within Sydney.

Based on the terms of the Share and Unit Sale, all of the assets and liabilities of BBX will be sold to the MT Buying Group in exchange for \$100,000 of cash consideration and the rights to a Sydney franchise (refer above) less an obligation to make payments to BBX FS totalling \$300,000. These assets and liabilities will comprise the total assets, liabilities and operations of BBX following the Share and Unit Sale.

6.1.3 The Second Share Acquisition

If the Second Share Acquisition is approved APN will acquire 34,425,580 BBX shares from the MT Buying Group for \$200,000. Following the Second Share Acquisition, APN will hold between 72% (nil participation in the Buy-back) and 96% (full participation in the Buy-back) of the issued capital of BBX..

6.2 Intentions of APN post the Proposed Transactions

APN and its related parties have informed the Company that, as at the date of the Notice of Meeting and on the basis of the facts and information available to them, should the Second Share Acquisition be approved, they:

- have no intention of making any significant changes to the business of the Company in a manner that may be detrimental to MT & APN Non-associated Shareholders;
- do not intend to redeploy any fixed assets of the Company;
- do not have any present intention to inject further capital into the Company;
- do not intend to transfer any property between the Company and APN or its related parties or any person associated with either of them other than as set out in the Notice of Meeting;

- have no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;
- have no current intentions regarding the future employment of the present employees of the Company; and
- have no current intention to change the board of directors of BBX, other than as set out in the Notice of Meeting.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion of the Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

6.3 Pro forma consolidated net assets post the Share and Unit Sale

Assuming the Buy-back and the Share and Unit Sale are implemented, the unaudited consolidated pro forma net assets of BBX as at 30 June 2009 as prepared by BBX management is set out below:

Figure 18: BBX pro forma balance sheet should the Buy-back and the Share and Unit Sale be implemented

All figures \$'000 and as at	Audited 30 Jun 2009	Pro-forma Balance Sheet
Current assets		
Cash and cash equivalents	10	100
Trade and other receivables	998	-
Inventory	58	-
Other current assets	163	-
Total current assets	1,229	100
Non-current assets		
Trade and other receivables	21	-
Investment stock	124	-
Financial assets	2,600	-
Property, plant and equipment	485	-
Intangible assets	957	571
Total non-current assets	4,187	571
Total assets	5,416	671
Current liabilities		
Trade and other payables	1,413	300
Financial liabilities	810	-
Other current liabilities	1,496	-
Provisions	146	-
Total current liabilities	3,865	300
Non current liabilities		
Trade and other payables	699	-
Financial liabilities	251	-
Provisions	97	-
Total non-current liabilities	1,047	-
Total liabilities	4,912	300
Net assets	503	371

Source: BBX

Notes:

The pro forma consolidated balance sheet above is for illustrative purposes only and has been provided by BBX.

We note that the management of BBX have included an estimated intangible asset value of \$571,000 for the Sydney Franchise, which we understand was based on a "\$ per active member" industry rule of thumb valuation approach. BBX have advised that the Sydney Franchise had 708 active members as at 30 September 2009, which equates to approximately \$780 per active member. We have not verified the assessed goodwill of the Sydney Franchise and we note it will be tested for impairment in accordance with accounting standards.

We note that the Second Share Acquisition will have no impact on the pro forma consolidated net asset position of BBX.

6.4 Impact of the Buy-back and the Second Share Acquisition on Capital Structure

Assuming the Proposed Transactions proceed, and there is full participation in the Buy-back, the share structure of BBX would be as follows:

Name	Current		Post Buy-back 'full participation'		Post the Second Share Acquisition	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
Arthur Phillip Nominees Pty Ltd or its clients	20,329,000	26.7%	20,329,000	35.7%	54,754,580	96.3%
MT Buying Group	34,425,580	45.3%	34,425,580	60.5%	-	-
Other shareholders	21,281,373	28.0%	2,128,137	3.7%	2,128,137	3.7%
Total	76,035,953	100.0%	56,882,717	100.0%	56,882,717	74.8%

Source - BBX and Grant Thornton Corporate Finance analysis

7 Valuation methodologies

7.1 Introduction

For the purposes of this report, Grant Thornton Corporate Finance has assessed values using the concept of fair market value.

Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing by not anxious seller acting at arm’s length.”

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

7.2 Methodology selected to value BBX prior to any of the Proposed Transactions

In considering the appropriate methodologies for valuing BBX prior to any of the Proposed Transactions, we note that:

- we have been advised by BBX that budgets or forecasts for the Company for the year ending 30 June 2010 or beyond are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- historically, BBX has incurred trading losses and, whilst a budget is not available, the Company’s management do not expect it to generate a profit for the year ending 30 June 2010. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- whilst BBX is a listed Australian company and is quoted on the ASX we note that on-market trading in BBX’s shares is extremely illiquid with the last trade prior to the date of this report

occurring on 5 June 2009. As such, we have not utilised the quoted price of listed securities approach for the purposes of our report;

- we have been advised by BBX that they have not received any recent offers for BBX or any of its key assets or operations. We note that on 9 April 2009 Mr Michael Touma sold approximately 26% of BBX to APN and its clients for 0.5 cents per share in an off-market transaction; and
- we have been advised by BBX that further funding is required for the Company to continue its operations.

Accordingly, for the purpose of this report, we consider the most appropriate approaches in relation to the valuation BBX prior to any of the Proposed Transactions to be:

- an orderly realisation of assets; and
- a cross check to comparable transactions by reference to the First Share Acquisition, being a recent off-market transaction in a significant parcel of BBX shares.

7.3 Methodology selected to value BBX post the Buy-back and the Share and Unit Sale

In considering the appropriate methodologies for valuing BBX post the Buy-back and the Share and Unit Sale, we note that:

- we have been advised by BBX that long term forecasts for BBX Sydney or BBX post the Buy-back and the Share and Unit Sale are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- BBX management have provided us with a budget for the Sydney Franchise for the year ending 2010. Whilst this indicates the Sydney Franchise will make a gross profit, we note that it is forecast to be loss making for 2010 once allowing for corporate costs. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- we understand that, even if the Buy-back and the Share and Unit Sale be implemented, additional funding is likely to be required for the Company to continue its operations.

Accordingly, for the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX post the Buy-back and the Share and Unit Sale.

7.4 Methodology selected to value BBX Trade Dollars

For the purpose of this report, we have had regard to the historical level of trading of the BBX Trade Dollars and adjusted for various factors relevant to the value of the BBX Trade Dollars in the hands of an active BBX member and also in the hands of a non BBX member.

7.5 Methodology selected to value BBX PIF

In considering the appropriate methodologies for valuing BBX PIF, we note that:

- we have been advised by BBX that budgets or forecasts for BBX PIF for the year ending 30 June 2010 or beyond are not available. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- historically, BBX PIF has incurred trading losses and it is not expected to generate a profit for the year ending 30 June 2010. Accordingly, we have not utilised a capitalisation of FME approach for the purposes of our report;
- whilst BBX PIF is a listed Australian company and is quoted on the NSX, we note that there have been no on-market trades since it listed in 2006. As such, we have not utilised the quoted price of listed securities approach for the purposes of our report;
- BBX PIF has a stated dividend policy of no dividends until 2021;
- we have not been advised of any recent offers for BBX PIF or any of its key assets or operations; and
- BBX PIF incurred negative cash flow of approximately \$525,000 for the year ended 30 June 2009. Whilst BBX PIF have not provided forecasts for the year ending 30 June 2010, given the nature of their operations, with revenues determined by rental rates and expenses primarily driven by interest costs, we would expect it, assuming no significant changes to its operations, to also incur negative cash flows for the year ending 30 June 2010. We note that BBX PIF had cash at bank of \$375,000 as at 30 June 2009 and has subsequently raised approximately \$258,000 via the BBX PIF share offer which closed on 28 August 2009. Given the above, there is some uncertainty as to whether BBX PIF will have sufficient funding or will need additional funding to continue its operations. We note that BBX has raised additional funds via a share offer each year since listing, the most recent of which was completed on 28 August 2009.

Accordingly, for the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach in relation to the valuation of BBX PIF for the purposes of our report.

In arriving at an assessed value for BBX PIF we have also had regard to the recent BBX PIF share offer completed on 28 August 2009.

8 Valuation of BBX prior to any of the Proposed Transactions

For the purpose of this report, we consider the appropriate approaches in relation to the valuation of BBX prior to the Buy-back and the Share and Unit Sale to be:

- An orderly realisation of assets as the most appropriate approach for the valuation of BBX as it stands; and
- comparable transactions by reference to the First Share Acquisition, being a recent off-market transaction in a significant parcel of BBX shares.

8.1 Orderly realisation of assets valuation of BBX prior to any of the Proposed Transactions

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX prior to the Buy-back and the Share and Unit Sale. Under this approach, the fair market value of BBX prior to the Buy-back and the Share and Unit Sale has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX as at 30 June 2009, being the latest set of consolidated accounts provided by BBX. We understand that BBX's net loss from 1 July 2009 to the date of this report is estimated to be approximately \$400,000. We have adjusted our assessed values for this loss to reflect the expected decrease in net asset position between 30 June 2009 and the date of our report.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

8.1.1 Fair market value of assets net of realisation costs

We have considered the fair market value of the assets using the 30 June 2009 balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$10,000)** – For the purposes of our report we have adopted a fair market value net of realisation costs of the cash and cash equivalents equal to their book value.

- **Current trade and other receivables (book value of \$998,000)** – We note that over the past few years BBX has incurred significant write-offs in relation to trade receivables. From our discussions with BBX management we understand that this has resulted in improved collection management and a more conservative accounting treatment. However, we note that the trade and other receivables is still a significant portion of the annual turnover and represents approximately 2.5 months of turnover. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the current trade and other receivables in the range of \$500,000 to \$900,000, reflecting potential non-recovery of a portion of the trade debtors.
- **Inventory (book value of \$58,000)** – Inventory as at 30 June 2009 relates to items acquired by BBX, generally from members, for the purpose of resale at events such as exhibitions or on the trading platform. We understand that the balance is primarily comprised of jewellery received in lieu of settlement of a member's trade dollar overdraft. We note that the sale of jewellery is outside BBX's normal operations. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the inventory in the range of \$nil to \$30,000.
- **Other current assets (book value of \$163,000)** – Other current assets as at 30 June 2009 is comprised of prepayments in relation to advertising (~\$140,000) and rent (~\$10,000) and also a receivable in relation to payment for computers transferred to the China franchise (~\$12,000). For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the other current assets in the range of nil to \$30,000 reflecting, in particular the potential recoverability issues associated with these assets.
- **Non-current trade and other receivables (book value of \$21,000)** – For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the non-current trade and other receivables in the range of \$15,000 to \$21,000, reflecting potential non-recovery of a portion of the debtors.
- **Non-current investment stock (book value of \$124,000)** – Investment stock relates to non-current classification of inventory items (refer to above). We understand this has been classified as non-current, reflecting the length of time the assets have been held by BBX and when these assets are expected to be realised. For the purposes of our report, we have adopted a fair market value net of estimated realisation costs of the non-current investment stock in the range of \$nil to \$60,000.
- **Financial assets (book value of \$2.6 million)** – Financial assets are comprised of \$2,538,000 relating to approximately 2.76 million BBX PIF shares carried at \$0.92 per share and \$62,000 relating to an investment in the unlisted company Led Investments Pty Ltd, carried at cost.

Please refer to Section 11 of this report for our assessment of the fair market value of BBX PIF shares. We have assessed a fair market value of BBX PIF shares in the range of 11.4 cents to 43.7 cents per share. This implies a value for the 2.76 million BBX PIF shares held by BBX in the range of approximately \$315,000 to \$1,206,000. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the BBX PIF shares held in the range of \$250,000 to \$725,000, reflecting the illiquidity of the BBX PIF shares and the size of the parcel held by BBX.

We also note that Led Investments is an early stage unlisted Australian company engaged in the development of debt collection software and is currently seeking additional funding for further development and commercialisation. We have adopted a fair market value of \$nil to \$10,000 for the Led Investments shares.

- **Property, plant and equipment (book value of \$485,000)** – Property, plant and equipment primarily relates to office furniture and equipment. For the purposes of our report we have adopted a fair market value net of realisation costs of the non-current trade and other receivables in the range of \$200,000 to \$300,000.
- **Intangible assets (book value of \$957,000)** – Intangible assets are comprised of goodwill in relation to the Australian franchises (\$704,000), computer software (\$7,000) and website development (\$246,000). We consider it unlikely that significant value could be released in relation to these assets under an orderly realisation of assets scenario. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the intangible assets in the order of \$nil.

8.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume the 30 June 2009 book value of recorded liabilities reflects their fair market value.

8.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of the Company, including administrative overheads during a reasonable realisation period.

For the purposes of our report, we have adopted estimated wind-up costs for BBX in the range of \$200,000 to \$300,000, reflecting the overhead costs required during the wind-up period, costs relating to redundancy of the remaining employees and any break costs in relation to contracts.

8.1.4 Tax benefit / expense

BBX may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX as part of our assessment of fair market value.

8.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX. The corporate structure of BBX may be able to be used to quickly facilitate a business seeking listing on the ASX as a 'listed shell'. We have adopted an estimated current value of a 'listed shell' on the ASX in the range of \$300,000 to \$500,000, assuming BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We have not adjusted this value for tax as it would be taxed in the hands of the shareholders, and not the company.

8.1.6 Assessed values under an orderly realisation of assets approach

The following table summarises our assessed value range for BBX prior to the Buy-back and the Share and Unit Sale under an orderly realisation of assets approach:

Figure 19: Value of BBX prior to the Buy-back and the Share and Unit Sale

All figures \$'000 unless otherwise stated	Audited 30 Jun 2009	Low value	High value
Current assets			
Cash and cash equivalents	10	10	10
Trade and other receivables	998	500	900
Inventory	58	-	30
Other current assets	163	-	30
Total current assets	1,229	510	970
Non-current assets			
Trade and other receivables	21	15	21
Investment stock	124	-	60
Financial assets	2,600	250	725
Property, plant and equipment	485	200	300
Intangible assets	957	-	-
Total non-current assets	4,187	465	1,106
Total assets	5,416	975	2,076
Current liabilities			
Trade and other payables	1,413	1,413	1,413
Financial liabilities	810	810	810
Other current liabilities	1,496	1,496	1,496
Provisions	146	146	146
Total current liabilities	3,865	3,865	3,865
Non current liabilities			
Trade and other payables	699	699	699
Financial liabilities	251	251	251
Provisions	97	97	97
Total non-current liabilities	1,047	1,047	1,047
Total liabilities	4,912	4,912	4,912
Net assets	503	(3,937)	(2,836)
Losses from 1 July to 31 October		(400)	(400)
Wind-up costs		(200)	(300)
Corporate shell		300	500
Adjusted net asset value		(4,237)	(3,036)

Source: BBX and Grant Thornton Corporate Finance analysis

We note that our assessed net asset values under the orderly realisation of assets, set out above, are in deficiency. Given the size of the potential deficiency on an “orderly realisation” basis, we consider there is minimal value in the assets and business of BBX prior to the Buy-back and the Share and Unit Sale.

Given the above, in our opinion, we consider the value of BBX prior to the Buy-back and the Share and Unit Sale to be in the range of \$nil to \$200,000. Where the lower bound reflects the wind-up value and the upper bound reflects potential value that may be able to be achieved due to the listed corporate structure.

The following table summarises our assessed values of BBX prior to the Buy-back and the Share and Unit Sale:

Figure 20: Value of a BBX share prior to the Buy-back and the Share and Unit Sale

	Low value	High value
BBX Equity Value 'prior' - orderly realisation of assets (\$'000)	-	200
Number of BBX shares on issue ('000)	76,036	76,036
Adjusted net asset value (cents per share)	-	0.3

Source: Grant Thornton Corporate Finance analysis

We note that the above value reflects a 100% control value.

8.2 Comparable transactions - the First Share Acquisition

On 9 April 2009, Mr Michael Touma sold 20,000,000 BBX shares (approximately 26.3% of BBX) to APN on behalf of its clients for a total \$100,000, equivalent to 0.50 cents per share.

The Company has advised that through to the completion of the First Share Acquisition:

- APN and their clients were deemed as independent parties to the MT Buying Group;
- the sale of BBX shares by the MT Buying Group to APN was on an arm's length basis.

Given the recent timing of the First Share Acquisition and the number of BBX shares involved, we believe the First Share Acquisition is a reasonable indicator of the market value of BBX shares.

However, we note that it is not apparent to what extent the price agreed for the First Share Acquisition reflects the MT Buying Group's and APN's expectations, as to the value of BBX, post the implementation of Buy-back and the Share and Unit Sale.

We note that the share price implied by the First Share Acquisition of 0.50 cents per share is above the assessed range of values under the orderly realisation of assets.

8.3 Valuation conclusion – BBX prior to the Buy-back and the Share and Unit Sale

Given the above, we have assessed a fair market value for BBX prior to the Buy-back and the Share and Unit Sale in the range of \$nil cents to 0.3 cents per share.

9 Valuation of BBX should the Buy-back and the Share and Unit Sale be implemented

9.1 Valuation of BBX should the Buy-back and the Share and Unit Sale be implemented

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX should the Buy-back and the Share and Unit Sale be implemented. Under this approach, the fair market value of BBX post the Buy-back and the Share and Unit Sale has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX should the Buy-back and the Share and Unit Sale be implemented as provided by the management of BBX and set out in the Notice of Meeting.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

9.1.1 Fair market value of assets

We have considered the fair market value of the assets based on the pro-forma balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$100,000)** – For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the cash and cash equivalents equal to their book value.
- **Intangible assets – the Sydney Franchise (Directors' estimation \$571,000)** – We understand that the Directors' estimation of \$571,000 has been made with regard to a \$ per active member reflecting past acquisitions made by BBX and adjusted for specific characteristics of the Sydney Franchise. We note that there is considerable uncertainty regarding the realisation value in relation to the Sydney Franchise. In particular we understand that under the franchise agreement BBX Management has rights which may impact the amount achieved in a sale of the Sydney Franchise as a going concern or in a wind-up scenario. As such, for the purposes of our report we have adopted a fair market value net of estimated realisation costs for the Sydney Franchise in the range of \$nil to \$400,000.

9.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume that the pro-forma book value of recorded liabilities reflects their fair market value.

We have been advised by BBX that the pro-forma liabilities are solely limited to the \$300,000 payable to BBX FS as set out in the Notice of Meeting.

9.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of the Company, including administrative overheads during a reasonable realisation period.

We have been advised by BBX that there would be a minimal number of staff remaining with the Company.

For the purposes of our report, we have adopted estimated wind-up costs for BBX in the range of \$50,000 to \$150,000, reflecting the overhead costs required during the wind-up period, costs relating to the redundancy of the remaining employees and any break costs in relation to contracts. The upper end of this range incorporates costs associated with the realisation of the Sydney Franchise asset.

9.1.4 Tax benefit / expense

BBX may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX as part of our assessment of fair market value.

9.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX. The corporate structure of BBX may be able to be used to quickly facilitate a business seeking listing on the ASX as a 'listed shell'. We have adopted an estimated current value of a 'listed shell' on the ASX in the range of \$300,000 to \$500,000. We have not adjusted this value for tax as it would be taxed in the hands of the shareholders, and not the company.

The following table summarises our assessed value range for BBX under an orderly realisation of assets approach:

Figure 21: Value of BBX should the Buy-back and the Share and Unit Sale be implemented

All figures \$'000 unless other stated	Pro-forma balance sheet	Low value	High value
Current assets			
Cash and cash equivalents	100	100	100
Trade and other receivables	-	-	-
Total current assets	100	100	100
Non-current assets			
Trade and other receivables	-	-	-
Financial assets	-	-	-
Intangible assets	571	-	400
Total non-current assets	571	-	400
Total assets	671	100	500
Current liabilities			
Trade and other payables	300	300	300
Other current liabilities	-	-	-
Total current liabilities	300	300	300
Total liabilities	300	300	300
Net assets	371	(200)	200
Wind-up costs		(50)	(150)
Corporate shell		300	500
Adjusted net asset value		50	550

Source: BBX and Grant Thornton Corporate Finance analysis

9.1.6 Impact of the Buy-back

The mechanism of the Share and Unit Sale is for BBP to acquire all of the assets and liabilities of BBX in return for the assets and liabilities set out in the pro-forma balance sheet above, being \$100,000 cash, a liability payable of \$300,000 and the Sydney Franchise right. We note that as a result of the Share and Unit Sale, the assets and liabilities of BBX post the Buy-back and the Share and Unit Sale are not impacted by the level of participation in the Buy-back or the choice of considerations offered selected by shareholders participating in the Buy-back.

Should BBX shareholders approve the Buy-back and participate in the Buy-back the number of BBX shares on issue will be reduced. A maximum of 19,153,236 shares, assuming full participation, may be bought back under the Buy-back leaving BBX with 56,882,717 shares on issue. For the purposes of this report we have considered a low scenario, with no participation, and a high scenario, with full participation in the Buy-back.

9.1.7 Orderly realisation of assets summary

The following table summarises our assessed values of BBX post the Buy-back and the Share and Unit Sale:

Figure 22: Value of a BBX share post the Buy-back and the Share and Unit Sale

	Low value	High value
		Note 1
BBX Equity Value 'post' - orderly realisation of assets (\$'000)	50	550
Number of BBX shares on issue ('000)	76,036	56,194
Adjusted net asset value (cents per share)	0.1	1.0

Source: Grant Thornton Corporate Finance analysis

Note 1: Assumes full participation in the Selective Buy-back

We note that the above value reflects a 100% control value.

9.2 Valuation conclusion – BBX post the implementation of the Buy-back and the Share and Unit Sale

Given the above, we have assessed a fair market value for BBX post the implementation of the Buy-back and the Share and Unit Sale in the range of 0.1 cents to 1.0 cents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: Grant Thornton Corporate Finance analysis

11 Valuation of BBX PIF share consideration offered for the Buy-Back

11.1 Orderly realisation of assets valuation of BBX PIF

For the purpose of this report, we consider the orderly realisation of assets as the most appropriate approach for the valuation of BBX PIF. Under this approach, the fair market value of BBX PIF has been assessed by aggregating:

- the fair market value of assets net of estimated realisation costs;
- deducting liabilities;
- deducting wind-up costs of the business; and
- adding the value of the listed corporate structure.

For the purposes of our report we have utilised the pro-forma balance sheet of BBX PIF as at 30 June 2009, being the latest set out consolidated accounts available for BBX PIF. We have estimated BBX PIF's net loss for the 4 months to 31 October 2009 to be approximately \$130,000 based on the average monthly loss for the year ended 20 June 2009. We have adjusted our assessed values for this loss to reflect the expected decrease in net asset position between 30 June 2009 and the date of our report.

Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets.

11.1.1 Fair market value of assets net of realisation costs

We have considered the fair market value of the assets using the 30 June 2009 balance sheet. We have made an adjustment to the fair market values to reflect the costs associated with the notional realisation of assets. We have set out below our assessment of fair market value net of estimated realisation costs that we have adopted for the purposes of our report and their basis.

- **Cash and cash equivalents (book value of \$375,000, adjusted to \$633,000 to reflect the results of the share offer)** – For the purposes of our report we have adopted a fair market value net of realisation costs of the cash and cash equivalents equal to their book value.
- **Current trade and other receivables (book value of negative \$125,000 – i.e. a liability)** – The BBX PIF 2009 Annual Report provides no information in relation to this liability, its composition, nature or why it shown as a current asset. For the purposes of our report we consider it reasonable to assume the book value of this liability reflects its fair market value.
- **Other current assets (book value of \$1,000)** – For the purposes of our report we consider it reasonable to assume the book value of this asset reflects its fair market value.
- **Non-current trade and other receivables (book value of \$281,000)** – The BBX PIF 2009 Annual Report provides no information in relation to this asset other than that it is receivable from 'other related entities'. For the purposes of our report we have adopted a fair market value

net of estimated realisation costs of the non-current trade and other receivables in the range of \$nil to \$281,000.

- **Investment Properties (book value of \$6.9 million)** – Investment properties have been recorded at cost and have all been acquired within the past 3 years. The BBX PIF 2009 Annual Report states that investment properties are shown at their “*fair value... based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings*”. We note that the majority of the investment properties were acquired in the years ending 30 June 2007 and 30 June 2008 and we understand the Company has assessed fair value shown as at 30 June 2009 based on independent valuations prepared in April 2008. For the purposes of our report we have adopted a fair market value net of estimated realisation costs of the investment properties in the range of \$6 million to \$7 million.
- **Financial assets (book value of \$12.7 million, adjusted to \$13.2 million to reflect the results of the share offer)** – Financial assets are comprised of BBX Trade Dollar balances held by BBX PIF. We note that the auditors report attached to the BBX PIF 2009 Annual Report draws attention to the “*significant uncertainty as to the value of the BBX Trade Dollar Balances*”. For the purposes of our report we have adopted a fair market value net of estimated realisation costs for the BBX Trade Dollar balances in the range of \$nil to \$5.0 million. As set out earlier in this report, our assessed fair market value for the BBX Trade Dollars does not incorporate any special value, being any additional value that may accrue to a particular purchaser, such as a regular trader on the BBX platform. We note that BBX PIF’s use of BBX Trade Dollars for the purchase of investment property appears to be limited.

11.1.2 Fair market value of liabilities

For the purposes of our report we consider it reasonable to assume the 30 June 2009 book value of recorded liabilities reflects their fair market value.

11.1.3 Wind-up costs

For the purposes of our report, we have adjusted the net assets assessed above for costs associated with the wind-up of BBX PIF, including administrative overheads during a reasonable realisation period.

For the purposes of our report, we have been adopted estimated wind-up costs for BBX PIF in the range of \$200,000 to \$400,000, reflecting the overhead costs required during the wind-up period, costs relating to the redundancy of the remaining employees and any break costs in relation to contracts.

11.1.4 Tax benefit / expense

BBX PIF may incur / receive a company tax liability / shield in relation to the difference between realised values and the tax base of assets and liabilities. Some items will be assessed as income and some on capital account. We have not assessed any potential value impact of the tax position of BBX PIF as part of our assessment of fair market value.

11.1.5 Listed corporate structure

For the purposes of our report, we have assessed the potential value of the corporate structure of BBX PIF. The corporate structure of BBX PIF may be able to be used to quickly facilitate a business seeking listing on the NSX as a 'listed shell'. However, we consider the value of such to be significantly lower than the value of a 'listed shell' on the ASX. For the purposes of our report we have adopted an estimated current value of a 'listed shell' on the NSX as \$nil.

11.1.6 Assessed values under an orderly realisation of assets approach

The following table summarises our assessed value range for BBX PIF under an orderly realisation of assets approach:

Figure 24: Assessed value of BBX PIF

All figures \$'000 unless otherwise stated	Audited 30 Jun 2009	Adjusted 30 Jun 2009	Low value	High value
Note 1				
Current assets				
Cash and cash equivalents	375	633	633	633
Trade and other receivables	(125)	(125)	(125)	(125)
Other current assets	1	1	1	1
Total current assets	251	509	509	509
Non-current assets				
Trade and other receivables	281	281	281	281
Investment property	6,915	6,915	6,000	7,000
Other financial assets	12,674	13,160	-	5,000
Total non-current assets	19,869	20,355	6,281	12,281
Total assets	20,121	20,865	6,790	12,790
Current liabilities				
Trade and other payables	13	13	13	13
Financial liabilities	742	742	742	742
Total current liabilities	755	755	755	755
Non current liabilities				
Financial liabilities	3,660	3,660	3,660	3,660
Total non-current liabilities	3,660	3,660	3,660	3,660
Total liabilities	4,414	4,414	4,414	4,414
Net assets	15,706	16,450	2,376	8,376
Losses from 1 July to 31 October			(130)	(130)
Wind-up costs			(200)	(400)
NSX corporate shell			-	-
Adjusted net asset value			2,046	7,846

Source: BBX PIF 2009 Annual Report and Grant Thornton Corporate Finance analysis

Note 1: Adjusted for the results of the BBX PIF share offer

11.2 Ordinary vs 'B' class BBX PIF shares

Please refer to Section 5.3 for further information on the capital structure of BBX PIF and the rights and conditions attached to each class of BBX PIF shares.

In relation to the 'B' class shares, we note the following:

- Whilst, 'B' class share are not entitled to participate in dividends, BBX PIF have a stated dividend policy of no dividends until 2021;
- 'B' class shares will convert to ordinary shares within 2 years from their date of issue, well before the 2021 stated first dividend year; and
- Whilst 'B' class shares are unlisted, there have been no on-market trades in BBX PIF ordinary shares since listing.

Given the above, we have treated ordinary and 'B' class BBX PIF shares as having similar value for the purposes of our report.

11.3 Assessed control value of a BBX PIF share

The following table summarises our assessed values of a BBX PIF share:

Figure 25: Value of a BBX PIF share

	Low value	High value
BBX Equity Value 'prior' - orderly realisation of assets (\$'000)	2,046	7,846
Number of BBX PIF ordinary shares on issue ('000)	16,004	16,004
Number of BBX PIF 'B' class shares on issue ('000)	1,944	1,944
Total number of BBX PIF shares on issue ('000)	17,948	17,948
Adjusted net asset value (cents per share)	11.4	43.7

Source: Grant Thornton Corporate Finance analysis

We note that the above value includes reflects a 100% control value.

11.4 Comparable transactions – the BBX PIF share offer

BBX PIF recently completed a share offer on 28 August 2009 raising \$258,267 cash and \$485,567 in BBX trade dollars at an issue price of \$1.00 (cash or BBX Trade Dollar) per share. We note that the minimum subscription required to close the offer was \$250,000 cash and the offer was for up to \$400,000 cash and \$1,600,000 in BBX trade dollars.

We note that the shares issued in total under the share offer was for less than 5% of the issued capital of BBX PIF and the shares issued for cash represents approximately 1.5% of the issued capital of BBX. Given the size of the cash component relative to the issued capital of BBX PIF we do not consider this transaction indicative of the fair market value of BBX PIF.

11.5 Valuation conclusion – Control value of BBX PIF

Given the above, we have assessed a fair market value for BBX PIF in the range of 11.4 cents to 43.7 cents per share, on a control basis.

11.6 Assessed value BBX Trade Dollars offered for the Buy-back

Under the terms of the Buy-back, the MT & APN Non-associated Shareholders are offered 1 BBX PIF share for every 7 BBX shares held (the "BBX PIF Consideration").

11.6.1 Discount for minority parcels and lack of marketability

When considering the value of the minority parcels of BBX PIF shares offered under the Buy-back, we have considered the relevance of the following adjustments:

- minority discount – the concept of minority interest can be described as “the reduction applied to the pro-rata portion of the total value of the entity which is necessary to reflect the absence of the power of control”; and

- liquidity or marketability discount – the term “discount for lack of marketability” is used to describe discounts applied to reflect the fact that the interest being valued is not readily marketable and/or it is likely to have a delay before the shares may become readily marketable. We note that there have been no on-market trades of BBX PIF since it listed in 2006.

For the purpose of this report, we have adopted a total discounting the range of 40% to 60% for minority interests and lack of marketability.

11.6.2 Assessed value of a minority parcel of BBX PIF shares

The following table sets out our assessed value of the BBX PIF Consideration per BBX share:

Figure 26: Assessed value of the BBX PIF Consideration

Cents

	Low value	High value
Assessed control value of a BBX PIF share	11.4	43.7
Discount for minority and lack of marketability	(60.0)%	(40.0)%
Assessed minority value of a BBX PIF share	7.1	31.2
<i>Buy-back consideration terms</i>	<i>1 for 7</i>	<i>1 for 7</i>
<i>BBX PIF Consideration per BBX share</i>	<i>1.0</i>	<i>4.5</i>

Source: Grant Thornton Corporate Finance analysis

12 Evaluation of the Buy-back for the Participating Shareholders

12.1 Fairness of the Buy-back for the Participating Shareholders

In forming our view in relation to whether the Buy-back is fair to the participating MT Non-associated Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale; with
- the value of the alternative Buy-back consideration offered.

The following table summarises our assessed values as set out earlier in this report. We have shown values for 7 BBX shares for ease of comparison with the assessed fair market values of BBX PIF shares and BBX Trade Dollars⁹.

Figure 27: Summary of assessed values

All figures cents per share	Reference	Low value	High value
<i>Value of a BBX share 'prior' the Proposed Transactions</i>	<i>Section 8.3</i>	-	0.3
<i>Number of BBX shares</i>		7.0	7.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Buy-back alternatives (values for a parcel of 7 BBX shares)			
Cash Consideration			
Value of the Cash Consideration (0.5 cents per share)	Section 1.2	3.5	3.5
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		3.5	1.4
Premium/(discount) %		100%	67%
BBX Trade Dollar Consideration			
Value of the BBX Trade Dollar Consideration	Section 10.2	-	40.0
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		-	37.9
Premium/(discount) %		0%	1805%
BBX PIF Consideration			
Value of the BBX PIF Consideration	Section 11.4	7.1	31.2
Value of 7 BBX shares 'prior' the Proposed Transactions		-	2.1
Premium/(discount)		7.1	29.1
Premium/(discount) %		n.m.	1387%

Source: Grant Thornton Corporate Finance analysis

We note that our assessed value for the alternative considerations offered, are above or within our assessed value ranges of BBX prior to the Buy-back and the Share and Unit Sale.

Accordingly, we conclude that the Buy-back is fair to the Participating Shareholders.

⁹ Refer to section 10 of this report for a valuation of the BBX dollars for an active member of the BBX exchange.

12.2 Reasonableness of the Buy-back for the Participating Shareholders

As the Buy-back is fair to the Participating Shareholders it is also reasonable in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Participating Shareholders associated with the Buy-back.

12.2.1 Advantages

The Buy-back is fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back is fair to the Participating Shareholders.

Opportunity to exit an illiquid investment

Given that BBX shares are illiquid, the cash buy-back alternative represents an opportunity for the MT and APN Non-associated Shareholders to receive cash in exchange for the majority of their shareholding in BBX, which may be difficult to achieve on-market. Specifically, we note that BBX shares trading on the ASX are illiquid and the last trade was in June 2009.

Alternative Forms of Consideration Offered

For certain Participating Shareholders, BBX Trade Dollars and BBX PIF shares may have superior value than the cash alternative. The MT and APN Non-associated Shareholders have the opportunity to receive BBX Trade Dollars and BBX PIF shares in exchange for BBX shares under the terms of the Buy-back. We note that BBX PIF shares listed on the NSX and are particularly illiquid with no trades since the listing of BBX in 2006.

Control premium offered

Participating in the Buy-back will result in an increase in BBX's major shareholders relative interest in BBX. However we note that, based on the assessed values for the alternative considerations offered under the Buy-back set out above, the Participating Shareholders will receive a control premium of at least 67%, based on the cash alternative of 0.5 cents per share and the midpoint of our assessed value range of 0.3 cents per share.

Transaction costs

We understand no transaction costs will be incurred by Participating Shareholders pursuant to the Buy-back.

12.2.2 Disadvantages

Reduced exposure to any future increase in the value of BBX

The Participating Shareholders, whilst still retaining 10% of their BBX shares following the completion of the Buy-back will have a significantly reduced exposure to any future increases in the value of BBX's operations or value generated through potential future corporate transactions. We note that if the Proposed Transactions are implemented, APN and its clients will hold between 72% and 96% of the issued capital of BBX. APN is a boutique corporate advisory firm and in our opinion is likely to sponsor a "back-door" transaction for BBX in the future. Such a transaction is likely to be unrelated to the BBX system given its unique characteristics.

Increased Control of BBX by the MT Buying Group and APN

The Participating Shareholders will still retain 10% of the BBX shares following the completion of

the Buy-back. Depending upon the level of participation in the Buy-back, the combined shareholdings of the MT Buying Group and APN may increase from 72% to 96% if the Buy-back proceeds. The Buy-back will provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to significantly increase their relative influence on the Company and fully control the board and management of BBX.

12.2.3 Other considerations

Marketability of BBX Trade Dollars

BBX Trade Dollars are not redeemable for cash. The value of BBX Trade Dollars is subject to the BBX trade exchange continuing and having sufficient members willing to trade. In our opinion, the value of BBX Trade Dollars is negligible for shareholders of BBX who are not active members or do not want to become active members of the BBX exchange.

Marketability of BBX PIF shares

BBX PIF shares have experience no on-market trading since BBX PIF listed in 2006 and has a stated policy of no dividends until 2021 and are potentially a less marketable asset than BBX shares. The value of BBX PIF shares is subject to the ability to realise value through the sale of BBX PIF shares or any dividends paid by BBX PIF.

Tax impact

Participating Shareholders may incur a tax liability or receive a tax benefit as a result of their participation in the Buy-back. Participating Shareholders should consult their tax advisors in relation to their personal circumstances.

Franking credits and accumulated tax losses

The proportionate interest of the Participating Shareholders in the franking credits and accumulated tax losses of BBX will decrease following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

13 Evaluation of the Buy-back and Share and Unit Sale for the Continuing Shareholders

13.1 Fairness of the Buy-back and Share and Unit Sale for the Continuing Shareholders

In forming our view in relation to whether the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, we have compared:

- the value of a BBX share prior to the Buy-back and the Share and Unit Sale with
- the value of a BBX share post the Buy-back and the Share and Unit Sale.

The following table summarises our fairness analysis:

Figure 28: Fairness of the Buy-back and the Share and Unit Sale

All figures cents per share	Reference	Low value	High value
Value of a BBX share 'prior' the Proposed Transactions	Section 8.3	-	0.3
Value of a BBX share 'post' the Proposed Transactions	Section 9.2	0.1	1.0
Difference		0.1	0.7

Source: Grant Thornton Corporate Finance analysis

We conclude that the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders as our assessed value range of BBX post the Buy-back and the Share and Unit Sale is higher than our assessed value range of BBX prior to the Buy-back and the Share and Unit Sale.

13.2 Reasonableness of the Buy-back and Share and Unit Sale for the Continuing Shareholders

As the Buy-back and the Share and Unit Sale are fair to the Continuing Shareholders, they are also reasonable to the Continuing Shareholders in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages to the Continuing Shareholders associated with the Buy-back and the Share and Unit Sale.

13.2.1 Advantages

The Buy-back and the Share and Unit Sale are fair to Participating Shareholders

As set out above, Grant Thornton Corporate Finance has concluded that the Buy-back and the Share and Unit sale are fair to the Continuing Shareholders.

Removal of exposure to a loss making business and its associated historical and future liabilities

BBX incurred a loss for the year ended 30 June 2009 of approximately \$9.3 million and has net current liabilities of approximately \$2.6 million. Should the Buy-back and Share and Unit Sale proceed, BBX will no longer be exposed to its historical liabilities, current loss making operations and any future liabilities and costs they might have otherwise incurred.

The Sydney Franchise

Under the Share and Unit Sale, BBX will receive the right to a franchise in Sydney which currently has over 700 active members. Whilst there is considerable uncertainty surrounding the forecast, we note that BBX has forecast a gross profit (before some overheads, corporate costs and taxation) for the Sydney franchise for the year ending 30 June 2010.

Potential increase in ability to attract new investors

We understand that the removal of the loss making operations and liabilities, as set out above, will leave BBX as a relatively 'clean' listed corporate shell. This may increase the attractiveness of BBX to new investors and increase BBX's ability to pursue new investment opportunities

Potential increase of relative interest in BBX for continuing shareholders

Any reduction in the number of BBX shares on issue via the Buy-back would result in a relative increase of the ownership interest of the continuing shareholders given the Buy-back is indirectly funded by the MT Buying Group. Should this occur, the continuing shareholders will have increased voting capacity and share in any increase in the underlying value of BBX.

As a result of the Share and Unit Sale, the Buy-back is being funded by the MT Buying Group so no cost to BBX or the continuing shareholders.

13.2.2 Disadvantages**No exposure to any upside in the businesses being sold to the MT Buying Group**

The Continuing Shareholders will not receive the benefit of any potential upside in the businesses being sold to the MT Buying Group. These include the upside relating to the franchisor rights currently held, including the potential for international growth.

Going concern

Following the completion of the Buy-back and the Share and Unit Sale BBX will have a liability of \$300,000 and current assets of only \$100,000 cash. The ability of BBX to pay its debts as and when they fall due will depend upon any cash that may be generated by the Sydney Franchise and the ability of BBX to raise additional capital as required.

Potential for relative increase in interest for BBX' largest shareholders

The Buy-back may provide BBX's largest shareholders, the MT Buying Group and APN, with the ability to increase their relative influence on the Company. Should the Buy-back proceed there is the potential for BBX's largest shareholders interest in BBX to increase from approximately 72% to approximately 96%.

Decrease in number of shares on issue and potential impact on liquidity

Should the Buy-back proceed, there will be a reduction of up to 90% in the BBX shares not held by BBX's largest shareholders. This decrease in shares on issue may reduce the free float and attractiveness of BBX shares to investors which may result in a further decrease in the liquidity of its shares.

13.2.3 Other considerations

Franking credits and accumulated tax losses

The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses of BBX may increase following the Buy-back. The Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances, however, we note that the timing of realisation and the value (if any) of BBX's franking credits and accumulated tax losses is highly uncertain.

14 Evaluation of the Second Share Acquisition

In arriving at our conclusion, Grant Thornton Corporate Finance has examined the likely advantages and disadvantages associated with the Second Share Acquisition including the following factors:

- whether the MT Buying Group, as a vendor, receives a control premium;
- whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid;
- the future intentions of APN if the Second Share Acquisition is approved;
- whether any further transactions are planned between the MT Buying Group and BBX or any of their associates;
- the implications for BBX and the MT & APN Non-Associated Shareholders if the Second Share Acquisition is not approved; and
- other considerations relevant to the MT & APN Non-Associated Shareholders.

14.1 Control premium

For the purpose of assessing whether or not the MT Buying Group will receive a control premium if the Second Share Acquisition is approved, we have compared the purchase price under the Second Share Acquisition of approximately 0.58 cents per share with our assessed range of values of BBX post the Buy-back and the Share and Unit Sale.

Based on our analysis (detailed in Section 10 of the report), we have assessed the notional control premium to be received by the MT Buying Group to be approximately 5.5% above 0.55 cents, being the midpoint of our assessed value of BBX post the Buy-back and Share and Unit Sale. The assessed control premium received by the MT Buying Group is below the range of control premium typically paid for in successful takeovers in Australia. However, given that BBX will effectively become a listed shell post the Buy-back and the Share and Unit Sale, we consider an appropriate control premium, if any, for BBX to be small.

We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of the BBX shares.

14.2 Future takeover opportunities

In assessing whether the Second Share Acquisition will affect the opportunities of BBX receiving a takeover bid, we have considered the following:

- APN and its clients already own approximately 26.3% of BBX as a result of the First Share Acquisition;

- the Second Share Acquisition is not expected to change the capital and shareholding structure of BBX as APN and its clients are essentially replacing the MT Buying Group as a shareholder of BBX; and
- similarly, the structure or voting power of the Board of Directors of BBX will not materially change, except it is envisaged that APN will seek to appoint replacement representatives in place of the current Directors appointed by the MT Buying Group.

We note that APN is a boutique corporate advisory firm and in our opinion, is likely to sponsor a “back-door” transaction for BBX in the future. We would expect the Proposed Transactions to increase the attractiveness of BBX for such transactions and, as such, may materially increase BBX shareholders opportunities to receive future takeover offers and a control premium.

We note that any takeover offers for BBX will require the agreement of the MT Buying Group and APN (or APN only if the Second Share Acquisition is implemented).

14.3 Future intentions of APN if the Second Share Acquisition is approved

If the Second Share Acquisition is approved, APN and its clients will own between 72% and 96% of the issued share capital in BBX and will become the largest shareholder in BBX. This will provide APN with the majority of the voting rights in shareholders’ meetings and will allow APN to make the decisions in relation to the business and operations of BBX.

We have made enquiries with APN in relation to future transaction and we have been advised that there are no current agreements or plans in relation to potential transactions involving BBX.

Whilst this is the current situation, if the Proposed Transactions are implemented, we understand BBX will become a listed shell with sufficient shareholders spread in accordance with the requirements of the ASX Listing Rules. We believe that following the completion Second Share Agreement, BBX may undergo an issue of BBX shares to raise capital or issue new BBX shares to acquire other businesses or activities.

Also if the Second Share Acquisition is approved, the diversification of control of BBX may increase as the shares acquired will be held by APN’s clients as well as APN. This increased diversification of ownership may impact the liquidity of trading in BBX shares.

14.4 Implications if the Second Share Acquisition is not approved

If the Second Share Acquisition is not approved and assuming the MT Buying Group intends to liquidate its investment in BBX in a timely manner, the MT Buying Group may choose to dispose of its shareholding in BBX to a third party or onto the market. We note that, given the very low liquidity of BBX shares, we consider it unlikely that the MT Buying Group would be able to dispose of its BBX shares on the market. Given the effective or perceived desire of the MT Buying Group to divest their remaining holding in BBX, their continued presence as the major shareholder may result in long term downward pressure on the share price of BBX.

Also we would expect that, should the Second Share Acquisition not be approved, APN’s interest in sponsoring and seeking “back-door” transactions for BBX may be decreased.

14.5 Other considerations

Should APN achieve greater than 90% control of BBX they will be able to proceed to compulsory acquisition should they choose to do so.

14.6 Overall conclusion – The Second Share Acquisition

In determining the overall conclusion in relation to the Second Share Acquisition, we note that based on the requirements of RG 111, the greater the control premium receivable by the MT Buying Group, the greater the advantages of the Second Share Acquisition to the MT & APN Non-Associated Shareholders would need to be, to support a finding that the advantages of the Second Share Acquisition outweigh the disadvantages. Specifically we summarise the following:

- we have assessed that the premium receivable by the MT Buying Group is relatively low at approximately 5.5%. We also note that the MT and APN Non-associated Shareholders would have an opportunity to participate in the Buy-back for 90% of their BBX shares;
- if the Second Share Acquisition is not approved, it may have an adverse impact on the share price of BBX; and
- if the Second Share Acquisition is approved, we would expect APN to sponsor and seek a “back-door” transaction for BBX and the likelihood of BBX shareholders receiving a premium for control may materially increase.

Accordingly, Grant Thornton Corporate Finance has concluded that the advantages of the Second Share Acquisition outweigh the disadvantages to the MT & APN Non-Associated Shareholders.

15 Sources of information, disclaimer and consents

15.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- draft BBX Notice of Meeting and Explanatory Statement dated 18 November 2009;
- draft Share and Asset Sale Agreement dated 4 November 2009
- draft Call Option Deed dated 4 November 2009
- Annual reports of BBX for FY07, FY08 and FY09;
- Annual reports of BBX PIF for FY07, FY08 and FY09;
- management accounts for BBX Management for the three months to 30 September 2009;
- releases and announcements by BBX on ASX;
- releases and announcements by BBX PIF on NSX;
- Prospectus of BBX PIF dated 15 May 2008;
- BBX and BBX PIF websites;
- Reuters;
- Bloomberg; and
- other publicly available information.

15.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to BBX and all other parties involved in the Proposed Transactions with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to BBX, its shareholders and all other parties involved in the Proposed Transactions.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BBX or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transactions, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Schemes. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report

will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

15.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by BBX and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by BBX through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of BBX.

This report has been prepared to assist the independent director of BBX in advising the BBX shareholders in relation to the Proposed Transactions. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether:

- the Buy-Back is fair and reasonable to the Participating Shareholders;
- the Buy-back and the Share and Unit Sale is fair and reasonable to the Continuing Shareholders; and
- the Second Share Acquisition is reasonable to the MT & APN Non-associated Shareholders of BBX.

BBX has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by BBX, which BBX knew or should have known to be false and/or reliance on information, which was material information BBX had in its possession and which BBX knew or should have known to be material and which BBX did not provide to Grant Thornton Corporate Finance. BBX will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

15.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be issued to BBX shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounting projected cash flows

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the Weighted Average Cost of Capital is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Net asset backing / Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

\$	Australian Dollar
APN	Arthur Phillip Group
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BBP	Barter Bonus Points Pty Ltd
BBX	BBX Holdings Limited
BBX FS	BBX Financial Solutions Pty Ltd
BBX Management	BBX Management Ltd
BBX PIF	BBX Property Investment Fund Limited
BBX PIF Consideration	1 BBX PIF share for every 7 BBX shares participating in the Buy-back
BBX Trade Dollars	The unit of payment on the BBX Trade Exchange
BBX Trade Dollar Consideration	1 BBX Trade Dollar for every 7 BBX shares participating in the Buy-back
the Buy-back	The off-market selective share buy-back offered to approximately 29% of BBX shareholders for 90% of each eligible shareholder's holding of BBX shares
Bartercard	Bartercard International Limited
the Company	BBX Holdings Limited
the Continuing Shareholders	The MT Non-associated Shareholders of BBX continuing post the Buy-back
Corporations Act	Corporations Act, 2001
Corporations Regulations	Corporations Regulations, 2001
DCF	Discounted cash flow
EBBX	www.ebbx.com Pty Ltd
the First Share Acquisition	The sale of 20,000,000 BBX shares by Mr Michael Touma to APN for a total \$100,000 on 9 April 2009
FSG	Financial Services Guide
FY07	Financial year ended 30 June 2007
FY08	Financial year ended 30 June 2008
FY09	Financial year ended 30 June 2009
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
IRTA	International Reciprocal Trade Association
Led Investments	Led Investments Pty Ltd
LR 10.1	ASX Listing Rule 10.1
the MT Buying Group	Mr Michael Touma and parties related to him
the MT Non-associated Shareholders	BBX shareholder not associated with the MT Buying Group
the MT & APN Non-associated Shareholders	BBX shareholder not associated with the MT Buying Group or APN

Notice of Meeting	BBX Notice of Meeting and Explanatory Statement to be issued to BBX shareholders
NSX	National Securities Exchange
the Participating Shareholders	The MT Non-associated Shareholders of BBX participating in the Buy-back
Proposed Transactions	The Buy-back, the Share and Unit Sale and the Second Share Acquisition collectively
RG 74	ASIC Regulatory Statement 74 "Acquisitions agreed to by shareholders"
RG 110	ASIC Regulatory Statement 110 "Share Buy-backs"
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
RG 170	ASIC Regulatory Statement 170 "Prospective financial information"
SEC	Securities and Exchange Commission
the Second Share Acquisition	The Proposed sale of the MT Buying Group's remaining BBX shares, being 34,425,580 BBX shares, to APN or its nominees for a total of \$200,000
the Share and Unit Sale	The sale of the majority of the existing BBX business to the Mt Buying Group
the Sydney Franchise	The franchisee rights for one of the franchise areas of Sydney
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

