



# AVFM Limited

(formerly Australian Value Funds Management Ltd)

**Level 19, 90 Collins Street  
Melbourne VIC 3000  
Ph: (03) 8656 0071  
Fax: (03) 8656 0020  
ACN 009 487 674**

**AVFMLTD  
ABN 70 009 487 674  
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2005**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2005.

**AVFM LTD AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED  
31 DECEMBER 2005**

**TABLE OF CONTENTS**

	<b>Page</b>
Directors' Report	<b>3</b>
Auditor's Independence Declaration	<b>4</b>
Financial Report for the half year ended 31 December 2005	
Condensed Consolidated Income Statement	<b>5</b>
Condensed Consolidated Balance Sheet	<b>6</b>
Condensed Consolidated Statement of Changes in Equity	<b>7</b>
Condensed Consolidated Statement of Cash Flows	<b>8</b>
Notes to the Financial Statements	<b>9-19</b>
Directors' Declaration	<b>20</b>
Independent Review Report	<b>21</b>

**AVFM LTD AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

The Director presents their report together with the condensed financial report of the consolidated entity consisting of AVFM Ltd and the entities it controlled, for the half-year ended 31 December 2005 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

**Directors Names**

The names of the director in office at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of directorship</b>
<b>P. Kennedy</b>	<b>36 months</b>
<b>A. Darbyshire</b>	<b>24 months</b>
<b>C. Garnaut</b>	<b>8 months</b>
<b>L. IaFrate</b>	<b>36 months</b>
<b>N. Pike</b>	<b>12 months</b>

The director has been in office since the start of the financial period to the date of this report unless otherwise stated.

**Review of Operations**

The consolidated net profit of the company for the half-year after providing for income tax amounted to \$913,064 (2004: \$197,868).

During the period, the Company increased its stake in its cornerstone investee company, CPP Pty Ltd, from 28% to 39%. The Company also made a 30% investment in a newly formed corporate advisory business, Balnave Corporate Ltd.

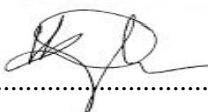
The Company also changed its name to AVFM Limited (from Australian Value Funds Management Ltd) during the half year, after obtaining requisite approval from its shareholders at the Company's Annual General Meeting.

A brief review of the operations of AVFM Limited, its controlled entities and its investee companies and the results of those operations for the half year under review are contained in the report to the ASX dated 13th February 2006.

**Auditor's Declaration**

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the director:

Director ..........(A. DARBYSHIRE).....

Dated: 13th day of February 2006

**AUDITOR'S INDEPENDENCE DECLARATION**  
**To the Directors of AVFM Ltd.**

In relation to the half-year independent review for the six months to 31 December 2005, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001
- (ii) No contraventions of any applicable code of professional conduct



**PITCHER PARTNERS**



**T J BENFOLD**  
**Partner**

**Dated on 13 February 2006**  
**Melbourne**

**AVFM LTD AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year</b>	
	<b>2005</b>	<b>2004</b>
	\$	\$
Revenue		
Revenue from ordinary activities	193,662	228,701
Other income	68,163	34,787
	<u>261,825</u>	<u>263,488</u>
Accounting & Audit expenses	13,864	19,059
Employee benefits expense	48,216	-
Contractor expense	36,300	-
Depreciation expense	2,452	258
Directors Fees	47,850	-
Management, Registry Maintenance & Listing Costs	37,381	38,076
Rent	9,710	-
Other expenses	17,162	8,227
	<u>212,935</u>	<u>65,620</u>
Share of profits of associates and joint ventures accounted for using the equity method	1,052,877	-
	<u>1,101,767</u>	<u>197,868</u>
<b>Profit before income tax</b>	<b>1,101,767</b>	<b>197,868</b>
Income tax expense	188,703	-
	<u>913,064</u>	<u>197,868</u>
<b>Profit for the half-year</b>	<b>913,064</b>	<b>197,868</b>
Profit attributable to minority interests	-	-
<b>Profit attributable to the members of the parent</b>	<u><b>913,064</b></u>	<u><b>197,868</b></u>
Basic earnings per share (cents)	1.22	1.05
Diluted earnings per share (cents)	1.07	0.39

The accompanying notes form part of these financial statements.

**AVFMLTD AND CONTROLLED ENTITIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	<b>31 Dec</b>	<b>30 June</b>
	<b>2005</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash assets	2,810,289	3,810,944
Receivables	191,485	18,451
Other financial assets	3,155,312	-
Other	14,868	18,681
<b>TOTAL CURRENT ASSETS</b>	<u>6,171,954</u>	<u>3,848,076</u>
<b>NON-CURRENT ASSETS</b>		
Investments accounted for using the equity method	11,261,898	9,476,050
Deferred tax assets	-	4,727
Property, plant and equipment	19,244	10,741
<b>TOTAL NON-CURRENT ASSETS</b>	<u>11,281,142</u>	<u>9,491,518</u>
<b>TOTAL ASSETS</b>	<u>17,453,096</u>	<u>13,339,594</u>
<b>CURRENT LIABILITIES</b>		
Payables	24,106	66,761
Current tax liabilities	177,147	42,304
Provisions	3,414	1,711
<b>TOTAL CURRENT LIABILITIES</b>	<u>204,667</u>	<u>110,776</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	53,608	4,476
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>53,608</u>	<u>4,476</u>
<b>TOTAL LIABILITIES</b>	<u>258,275</u>	<u>115,252</u>
<b>NET ASSETS</b>	<u>17,194,821</u>	<u>13,224,342</u>
<b>EQUITY</b>		
Share capital	22,401,527	18,957,672
Reserves	1,634,267	1,634,267
Accumulated Losses	(6,840,973)	(7,367,597)
<b>TOTAL EQUITY</b>	<u>17,194,821</u>	<u>13,224,342</u>

The accompanying notes form part of these financial statements.

**AVFM LTD AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR</b>	13,224,342	547,666
Profit for the half year	913,064	197,868
<b>Total recognised income and expense for the period</b>	<b>14,137,406</b>	<b>745,534</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Contributions	2,631,376	7,116,093
Dividends provided for or paid	(386,442)	-
Issue of shares for services provided	-	62,500
Issue of shares to Directors	-	75,000
Issue of shares for acquisition	830,300	517,050
Capital raising costs	(17,819)	(369,047)
	<b>3,057,415</b>	<b>7,401,596</b>
<b>TOTAL EQUITY AT THE END OF THE HALF-YEAR</b>	<b>17,194,821</b>	<b>8,147,130</b>

The accompanying notes form part of these financial statements.

**AVFM LTD AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year</b>	
	<b>2005</b>	<b>2004</b>
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(255,597)	(74,410)
Dividends received	538,346	3,635
Interest received	71,179	23,532
Sales from trading portfolio	-	6,439,185
Purchases for trading portfolio	-	<u>(7,081,908)</u>
<b>Net cash provided by / (used in) operating activities</b>	<u>353,928</u>	<u>(689,966)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(14,433)	-
Payment for investments	(3,440,000)	-
Loans to other entities	(129,841)	-
<b>Net cash used in investing activities</b>	<u>(3,584,274)</u>	<u>-</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	2,610,930	6,863,275
Dividends paid	<u>(386,442)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>2,224,488</u>	<u>6,863,275</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	(1,005,858)	6,173,309
Cash and cash equivalents at beginning of half year	<u>3,810,944</u>	<u>511,999</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><u>2,805,086</u></u>	<u><u>6,685,308</u></u>

The accompanying notes form part of these financial statements.

**AVFM LTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2005 and any public announcements made by AVFM Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation of the half-year financial report**

This is the first financial report of AVFM Ltd prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of AVFM Ltd were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating profit/loss between AGAAP and AIFRS are provided under notes 9 to 11.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

Summary of the significant accounting policies under AIFRS is provided at note 12.

**(b) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which AVFM Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

**(c) Revenue Recognition**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method.

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

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, deposits held at call with financial institutions and bank overdrafts.

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR  
FINANCIAL REPORT (CONTINUED)**

**(e) Property, plant and equipment**

All classes of property, plant and equipment are measured at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cashflows have not been discounted to present values in determining recoverable amounts.

Where assets have been revalued, the potential affect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

*Depreciation*

The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	<b>2005</b>	<b>2004</b>
Plant and equipment:	6 to 10 years	6 to 10 years
IT equipment:	2.5 years	2.5 years

**(f) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating Leases*

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

**(g) Taxes**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR  
FINANCIAL REPORT (CONTINUED)**

*Tax Consolidation*

The parent entity and its controlled entities are forming an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group will enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

As at the date of this report the adoption of the tax consolidation system has been notified to the Australian Taxation Office.

**(h) Employee Benefits**

Provision is made for employees accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

**(i) Investments  
Controlled Entities**

Investments in controlled entities are carried in the holding companies financial statements at cost less amounts written off to recognise any permanent diminution in value. Dividends are brought to account in the statement of financial performance when they are proposed by the controlled entities.

***Associated Entities and Partnerships***

Investments in associated entities and partnerships are recognised in the financial statements by applying the equity method of accounting.

**(j) Financial Instruments**

*Classification*

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at each reporting date.

*Financial assets at fair value through profit or loss*

Investments in unlisted managed funds are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period.

*Interest and dividends*

Interest and dividends are classified as expenses or as distributions of profit consistent with classification of the related debt or equity instruments in the statement of financial position.

## AVFM LTD AND CONTROLLED ENTITIES

### Notes to the half-year financial report

31 December 2005

#### NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

##### (k) Comparatives

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous year results so as to achieve consistency with current year disclosures.

#### NOTE 2: SUBSEQUENT EVENTS

In January 2006, the entity acquired a further 10% stake in Carroll, Pike & Piercy Pty Ltd ("CPP") for consideration of \$1.1m. The acquisition results in AVFM Ltd increasing its shareholding in CPP to 49%.

#### NOTE 3: SIGNIFICANT ITEMS

The Company acquired a further 11% of CPP during the period. The consideration was \$395,000 cash plus 2,185,000 shares at a value of 38 cents per share.

The Company subscribed for 30% of capital of Balnave Corporate Ltd ("Balnave") for an initial investment of \$45,000. An entity associated with Mr Lee IaFrate, who is a director of the Company, is a 30% shareholder in Balnave. That entity subscribed for its interest in Balnave on terms identical to the basis the Company subscribed for its shares.

The Company made an advance of \$129,841, to Mr C Kennedy, an officer of the Company to acquire 300,000 shares in the Company. Interest is payable on the loan which has been made on a non-recourse basis as part of Mr C Kennedy's employment arrangements with the Company, on normal commercial terms.

#### NOTE 4: REVISIONS OF ACCOUNTING ESTIMATES

The Company has not made any changes in estimates of amounts reported in prior annual reporting periods.

#### NOTE 5: DIVIDENDS

	Half-year	
	2005	2004
	\$	\$
Dividends provided for or paid during the half-year:		
Ordinary Shares	386,442	-
Proposed dividends not recognised at the end of the half-year	409,281	-

#### NOTE 6: SEGMENT INFORMATION

The Company operates in one business segment, being investing, solely in Australia.

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 7: ISSURANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

During the half year the Company issued a total of 15,513,618 ordinary shares, comprising:

- 2,185,000 shares at a value of 38 cents per share as part consideration of its acquisition of a further 11% of the shares in Carroll, Pike & Piercy Pty Ltd.
- 13,328,618 shares as a result of the exercise of options to acquire shares at 20 cents per share.

**NOTE 8: CONTINGENT LIABILITIES**

As at the date of this financial report a contingent liability existed in respect to a security deposit for \$50,000 for the leased premises at level 19, 90 Collins St, Melbourne. The premises are leased by an associated company, Carroll, Pike & Piercy Pty Ltd. The Company has provided the security deposit on their behalf.

The Company also has a contingent liability of \$30,000, in respect of uncalled capital in relation to its 30% shareholding in Balnave Corporate Ltd.

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 9: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS**

(a) **At the date of transition to AIFRS - 1 July 2004**

	AGAAP	Adjustment	AIFRS
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	511,999	-	511,999
Receivables	7,044	-	7,044
Other financial assets	118,822	16,325	135,147
<b>Total current assets</b>	<b>637,865</b>	<b>16,325</b>	<b>654,190</b>
<b>NON-CURRENT ASSETS</b>			
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>637,865</b>	<b>-</b>	<b>654,190</b>
<b>CURRENT LIABILITIES</b>			
Payables	20,719	-	20,719
Provisions	85,805	-	85,805
<b>TOTAL CURRENT LIABILITIES</b>	<b>106,524</b>	<b>-</b>	<b>106,524</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>106,524</b>	<b>-</b>	<b>106,524</b>
<b>NET ASSETS</b>	<b>531,342</b>	<b>16,325</b>	<b>547,666</b>
<b>EQUITY</b>			
Share capital	6,849,724	-	6,849,724
Reserves	1,634,267	-	1,634,267
Accumulated Losses	(7,952,650)	16,325	(7,936,325)
<b>TOTAL EQUITY</b>	<b>531,342</b>	<b>16,325</b>	<b>547,666</b>

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

(b) At the end of the last half-year reporting period under AGAAP - 31 Dec 2004

	AGAAP	Adjustment	AIFRS
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	6,685,308	-	6,685,308
Receivables	548,296	-	548,296
Other financial assets	828,744	172,647	1,001,391
Other	39,122	-	39,122
<b>Total current assets</b>	<u>8,101,470</u>	<u>172,647</u>	<u>8,274,117</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<u>4,251</u>	-	<u>4,251</u>
<b>Total non-current assets</b>	<u>4,251</u>	-	<u>4,251</u>
<b>TOTAL ASSETS</b>	<u>8,105,721</u>	<u>172,647</u>	<u>8,278,368</u>
<b>CURRENT LIABILITIES</b>			
Payables	<u>131,238</u>	-	<u>131,238</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>131,238</u>	-	<u>131,238</u>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>131,238</u>	<u>-</u>	<u>131,238</u>
<b>NET ASSETS</b>	<u>7,974,483</u>	<u>172,647</u>	<u>8,147,130</u>
<b>EQUITY</b>			
Contributed Equity	14,251,320	-	14,251,320
Reserves	1,634,267	-	1,634,267
Accumulated Losses	<u>(7,911,104)</u>	<u>172,647</u>	<u>(7,738,457)</u>
<b>TOTAL EQUITY</b>	<u>7,974,483</u>	<u>172,647</u>	<u>8,147,130</u>

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

(c) At the end of the last annual reporting period under AGAAP - 30 June 2005

	AGAAP	Adjustment	AIFRS
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	3,810,944	-	3,810,944
Receivables	18,451	-	18,451
Other	18,681	-	18,681
<b>Total current assets</b>	<u>3,848,076</u>	-	<u>3,848,076</u>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	9,476,050	-	9,476,050
Deferred tax assets	4,727	-	4,727
Property, plant and equipment	10,741	-	10,741
<b>Total non-current assets</b>	<u>9,491,518</u>	-	<u>9,491,518</u>
<b>TOTAL ASSETS</b>	<u>13,339,594</u>	-	<u>13,339,594</u>
<b>CURRENT LIABILITIES</b>			
Payables	66,761	-	66,761
Current tax liabilities	42,304	-	42,304
Provisions	1,711	-	1,711
<b>TOTAL CURRENT LIABILITIES</b>	<u>110,776</u>	-	<u>110,776</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	4,476	-	4,476
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>4,476</u>	-	<u>4,476</u>
<b>TOTAL LIABILITIES</b>	<u>115,252</u>	-	<u>115,252</u>
<b>NET ASSETS</b>	<u>13,224,342</u>		<u>13,224,342</u>
<b>EQUITY</b>			
Contributed Equity	18,957,672	-	18,957,672
Reserves	1,634,267	-	1,634,267
Accumulated Losses	(7,367,597)	-	(7,367,597)
<b>TOTAL EQUITY</b>	<u>13,224,342</u>	-	<u>13,224,342</u>

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 10: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF  
PROFIT REPORTED UNDER AGAAP TO PROFIT UNDER AIFRS**

(a) **Reconciliation of profit for the half-year ended 31 December 2004**

	<b>AGAAP</b>	<b>Adjustment</b>	<b>AIFRS</b>
	<b>\$</b>		<b>\$</b>
Revenue			
Revenue from ordinary activities	72,379	156,322	228,701
Other income	34,787	-	34,787
	<u>107,166</u>	<u>156,322</u>	<u>263,488</u>
Accounting & Audit expenses	(19,059)	-	(19,059)
Depreciation expense	(258)	-	(258)
Management, Registry Maintenance & Listing Costs	(38,076)	-	(38,076)
Other expenses	(8,227)	-	(8,227)
	<u>65,620</u>	<u>-</u>	<u>65,620</u>
<b>Profit before income tax</b>	<u>41,546</u>	<u>156,322</u>	<u>197,868</u>
Income tax expense	-	-	-
<b>Profit for the half year</b>	<u>41,546</u>	<u>156,322</u>	<u>197,868</u>
Profit attributable to minority interests	-	-	-
<b>Profit attributable to the members of the parent</b>	<u>41,546</u>	<u>156,322</u>	<u>197,868</u>

**AVFM LTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**(b) Reconciliation of profit for the year ended 30 June 2005**

	<b>AGAAP</b>	<b>Adjustment</b>	<b>AIFRS</b>
	<b>\$</b>		<b>\$</b>
Revenue			
Proceeds on disposal of investments	18,168,265	-	18,168,265
Other revenues from ordinary activities	172,757	-	172,757
	<u>18,341,022</u>	-	<u>18,341,022</u>
Accounting Expenses	(56,487)	-	(56,487)
Administrative expenses	(16,634)	-	(16,634)
Contractors expense	(44,792)	-	(44,792)
Employee Benefits expense	(28,795)	-	(28,795)
Investment management fees	(27,624)	-	(27,624)
Listing and registry fees	(51,635)	-	(51,635)
Cost of investments disposed	(17,995,217)	(16,325)	(18,011,542)
Other expenses from ordinary activities	(7,125)	-	(7,125)
	<u>(18,228,309)</u>	<u>(16,325)</u>	<u>(18,244,634)</u>
Share of net profits (losses) of associates and joint ventures accounted for using the equity method	514,392	-	514,392
	<u>627,105</u>	<u>(16,325)</u>	<u>610,780</u>
<b>Profit before income tax</b>	<b>627,105</b>	<b>(16,325)</b>	<b>610,780</b>
Income tax expense (income tax benefit)	(42,052)	-	(42,052)
	<u>585,053</u>	<u>(16,325)</u>	<u>568,728</u>
<b>Profit for the year</b>	<b>585,053</b>	<b>(16,325)</b>	<b>568,728</b>
Profit attributable to minority interests	-		-
	<u>585,053</u>	<u>(16,325)</u>	<u>568,728</u>
<b>Profit attributable to the members of the entity</b>	<b>585,053</b>	<b>(16,325)</b>	<b>568,728</b>

**AVFMLTD AND CONTROLLED ENTITIES**  
**Notes to the half-year financial report**  
**31 December 2005**

**NOTE 11: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005 AS  
REPORTED UNDER AGAAP TO CASH FLOWS UNDER AIFRS**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

**NOTE 12: FIRST-ADOPTION OF AIFRS – EXPLANATION OF  
CHANGES IN ACCOUNTING POLICY ARISING ON FIRST-TIME  
ADOPTION OF AIFRS**

**(a) Impairment of assets**

Under AIFRS the recoverable amount test under the previous AGAAP is replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

**(b) Income taxes**

Under AIFRS a balance sheet approach has been adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit. A future income tax benefit is recognised for tax losses where their realisation is considered probable.

On first-time adoption of AIFRS, adjustments to the provision for deferred tax have been recognised for asset revaluations provisions.

**(c) Financial instruments**

The entity previously measured all investments at cost. On first-time adoption of AIFRS investments that are listed on a recognised securities exchange have been designated as fair value through profit and loss and therefore an adjustment has been made to the carrying value and retained earnings.

## **AVFM LIMITED**

### **DIRECTORS DECLARATION**

The directors declare that the financial statements and notes set out on pages 5 to 19 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that AVFM Ltd will be able to pay its debts as and when they become due and payable.

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



Andrew Darbyshire  
Director

Melbourne  
Date 13 February 2006

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF AVFM LTD

### Scope

We have reviewed the condensed consolidated financial report of AVFM Ltd for the half-year ended 31 December 2005 as set out on pages 5 to 20. The directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVFM Ltd is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory professional reporting requirements in Australia.



PITCHER PARTNERS



T J BENFOLD  
Partner

Dated on 13 February 2006  
Melbourne