



AVFM Limited

(formerly Australian Value Funds Management Ltd)

ANNUAL REPORT

ABN 70 009 487 674

30 JUNE 2006

**AVFM LIMITED
ABN 70 009 487 674
AND CONTROLLED ENTITIES**

**FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2006
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

Appendix 4E Preliminary Final Report

Name of entity

AVFM Ltd

ABN or equivalent company reference: 70 009 487 674

1. Reporting period

Report for the financial year ended	30 June 2006
Previous corresponding period is the financial year ended	30 June 2005

2. Results for announcement to the market

Revenues from ordinary activities	Up	70%	to	558,532
Profit (loss) from ordinary activities after tax attributable to members	Up	235%	to	1,904,265
Net profit (loss) for the period attributable to members	Up	235%	to	1,904,265
Dividends	Amount per security		Franked amount per security	
Interim dividend	0.5 cents		0.5 cents	
Final dividend	1.0 cent		1.0 cent	
Record date for determining entitlements to the dividend	19th September 2006			
Payment date for Final dividend	3rd October 2006			
Results for the prior corresponding period primarily represents a 7 month result only, as re-listing was effective in December 2004.				
For the details, please refer to the attached Directors Report and Financial Report for the 12 month period ended 30 June 2006.				

3. Income Statement

Refer to the attached statement

4. Balance Sheet

Refer to the attached statement

5. Statement of Cash Flows

Refer to the attached statement

6. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2006	4 th April 2006	\$409,342
Final dividend – year ended 30 June 2006	3 rd October 2006	\$856,183

Amount per security

	Amount per security	Franked amount per security at % tax
Total dividend: Current year	1.5 cents	100%
Previous year	0.5 cents	100%

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities	\$1,266	\$386
Total	\$1,266	\$386

AVFM LTD (FORMERLY AUSTRALIAN VALUE FUNDS MANAGEMENT LTD)

7. Statement of retained earnings

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance at the beginning of year	(7,367,597)	(7,936,325)	(6,419,516)	(6,396,158)
Net profit attributable to members of the parent entity	1,904,265	568,728	575,466	(23,358)
Total available for appropriation	(5,463,332)	(7,367,597)	(5,844,050)	(6,419,516)
Dividends paid	(795,784)	-	(795,784)	-
Balance at end of year	(6,259,116)	(7,367,597)	(6,639,834)	(6,419,516)

8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	22.6 cents	19.9 cents

9. Details of associates

Name of associate	%Securities held
Carroll, Pike & Piercy Pty Ltd (“CPP”)	49%
Garnaut Private Client Advisers Pty Ltd	40%
Balnave Corporate Ltd (“Balnave”)	30%

* Effective 30 June 2006, the Company increased its ownership in CPP during the financial year. The Company also invested in Balnave during the financial year.

Aggregate share of profits (losses) of associates

	2006 \$	2005 \$
Group’s share of associates:		
Profit (loss) from ordinary activities before tax	2,553,106	598,817
Income tax on ordinary activities	(773,268)	(187,129)
Net profit (loss) from ordinary activities after tax	1,779,838	411,688
Adjustments	-	-
Share of net profit (loss) of associates	1,779,838	411,688

10. Significant information relating to the entity's financial performance and financial position.

Please refer to the attached Directors Report and Financial Report for the 12 month period to 30 June 2006.

11. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian accounting standards.

12. Commentary on the results for the period.

The consolidated profit after income tax attributable to the members of the Company was \$1,904,265 (2005: \$568,728). The consolidated entity achieved a significant increase in earnings per share in the current financial year.

	2006	2005
Basic Earnings Per Share	2.4	1.5
Diluted Earnings Per Share	2.1	0.9

For further details, please refer to the attached Directors Report and Financial Report for the 12 month period to 30 June 2006.

13. Audit of the financial report

The financial report has been audited

14. The audit has been completed.

The financial report is not subject to audit dispute or qualification.

Corporate Information

ABN 70 009 487 674

Directors

P.Kennedy

L.IaFrate

A.Darbyshire

N.Pike

C.Garnaut

S.James (appointed 16 May 2006)

C.Newman (appointed 16 May 2006 - alternate for Mr S James)

Company Secretary

C.Kennedy

Registered Office

Level 19, 90 Collins Street

Melbourne VIC 3000

Phone (03) 8656 0071

Facsimilie (03) 8656 0020

Solicitors

Madgwicks Lawyers

Bankers

Westpac Banking Corporation

Share Register

Computershare Investor Services

Yarra Falls, 452 Johnston Street

Abbotsford VIC 3067

Auditors

Pitcher Partners

**AVFM LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE YEAR ENDED
30 JUNE 2006**

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Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of AVFM Ltd ("the Company") (formerly Australian Value Funds Management Ltd) and the entities it controlled ("the Group"), for the financial year ended 30 June 2006 and auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards ("AIFRS").

Overview

The Company and its controlled entities made a full year net profit after tax of \$1,904,265 (on an equity accounted basis).

<i>Consolidated Results</i>	<i>2006 \$'000</i>	<i>2005 \$'000</i>	<i>Increase (%)</i>
<i>EBIT</i>	<i>2,154</i>	<i>519</i>	<i>315%</i>
<i>NPAT</i>	<i>1,904</i>	<i>569</i>	<i>235%</i>
<i>EPS (Cents)</i>			
<i>Basic EPS</i>	<i>2.4</i>	<i>1.5</i>	<i>60%</i>
<i>Diluted EPS</i>	<i>2.1</i>	<i>0.9</i>	<i>133%</i>
<i>Dividend (Cents)</i> <i>(Fully Franked)</i>	<i>1.5</i>	<i>0.5</i>	<i>200%</i>
<p>The above comparative figures have been adjusted for AIFRS. There was reduced tax payable on the comparative period to 30 June 2005, due to the offset of tax losses. Additionally, the Company derived interest income which is excluded for the purposes of calculating EBIT. In consequence, the EBIT for 2005 financial year was less than the reported NPAT.</p>			

The full year result compares to an operating profit of \$568,728 in the preceding financial year, which primarily represented a seven month result post re-listing of the Company on the Australian Stock Exchange in December, 2004.

The board has resolved to declared a fully franked final dividend of 1.0 cents per ordinary share, bringing the total dividends declared in respect of the twelve months to 30 June, 2006 to 1.5 cents per share. This compares to total dividends declared in the prior twelve month period of 0.5 cents per share.

The last twelve months has been a period of considerable activity for the Company, as it evolves into an integrated and diversified financial services investment holding company.

Directors' Report (Continued)

We are pleased to report that our foundation investments in the specialist financial planning businesses of Carroll, Pike and Piercy Pty Ltd ("CPP") and Garnaut Private Client Advisers ("GPCA") performed very strongly in the 2006 financial year and, more importantly, are well positioned for growth.

During the last year, we had the opportunity to increase our holding in CPP to 49%, which means that AVFM is now CPP's single largest shareholder.

Similarly, our initial investment in the recently formed corporate advisory business of Balnave Corporate Limited ("Balnave"), has also exceeded our expectations. In the short period since its inception, Balnave has delivered a strong maiden result, and is well advanced in forging its identity, both in terms of developing its own client and corporate referral base.

The recent appointment of Mr Stuart James, to the boards of AVFM and Balnave, will further enhance the strategic resources available to develop opportunities for both entities. Mr James has also become a meaningful shareholder in both AVFM and Balnave, which is viewed as appropriate and positive, in terms of ensuring commitment to delivering overall shareholder wealth.

The other major group development, announced in May 2006 was the purchase of a material interest in Armytage private Limited ("Armytage"). Armytage is an established boutique funds management business which has a strong profit record and currently has more than \$200m funds under management ("FUM"). The balance of Armytage is currently owned by one of our founding directors, Mr Lee Iafrate.

The Armytage interest was acquired from a third party, namely the ASX listed Treasury Group Limited, on appropriate arms-length terms. The Armytage acquisition was settled on 11 July 2006 (post balance date).

As stated at the time of announcing the Armytage acquisition, your directors believe that the move into funds management considerably enhances the Company's business model, and provides scope to capitalise upon the group's distribution and corporate advisory capacity.

During the last twelve months, your board has also been actively exploring and analysing a number of other potential acquisition opportunities. Some of these efforts may produce outcomes, in terms of additional group investments.

We have also been concentrating on conjunctively developing growth strategies for our individual existing investments, and focusing firmly on appropriately capitalising upon the intellectual resources available to us on a Group level, to drive the overall AVFM business model forward.

Directors' Report (Continued)

Principal Activities

The principal activities of the consolidated entity during the financial year were investing in financial services businesses (refer above).

Results

The consolidated profit after income tax attributable to the members of AVFM Ltd was \$1,904,265 (2005: \$568,728). The consolidated entity achieved a significant increase in earnings per share in the current financial year.

After Balance Date Events

During July 2006, the Company settled the acquisition of an initial 50.1% of Armytage, for consideration of \$3m, on terms. Mr Stuart James has been appointed as the Company's representative on the board of Armytage.

As part of the re-alignment of ownership of Armytage, it is intended that the Company will retain a 45% interest, with a 10% interest to be acquired by interests associated with Armytage's investment director, Mr Campbell McComb, on commercial terms, with effect from 11 July 2006.

Armytage has, in turn, recently announced the acquisition of a 51% interest in Ceres Asset Management Pty Ltd, an established boutique corporate investment/ private equity business.

Significant Changes in State of Affairs

In July 2005, the Company subscribed for 30% of the capital of Balnave, a start up corporate advisory business, for an investment of \$116,300.

In December 2005, the Company issued 2,185,000 new shares (at a value of \$0.38 cents per share) to interests associated with Mr John Ham, as part consideration for the acquisition of a further 11% shareholding in CPP Pty Ltd (refer note 18 for further details).

In January 2006, the Company acquired a further 10% interest in CPP. The increased stake coincided with the unwinding of Tolhurst Noall Ltd's 20% shareholding in CPP. Consideration for the acquisition was \$1.1m (cash).

In April 2006, the Company issued 3,750,000 new shares (at a value of \$0.40 cents per share) to interests associated with Mr Stuart James, by way of a private placement. Concurrently, Mr James also acquired shares in Balnave (which the Company owns a 30% interest in), on normal commercial terms. Mr James has subsequently been appointed as a director of the Company and Balnave (refer note 23 for further details).

Likely Developments

The Company will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' Report (Continued)

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend Paid, Recommended and Declared

During the 2006 financial year, the Company paid an interim fully franked dividend of 0.5 cents per ordinary share in respect of the half year result. The Company has resolved to pay a final fully franked dividend of 1.0 cent per ordinary share in respect of the full year result.

Share Options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year.

Shares Under Option

Unissued ordinary shares of AVFM Ltd under option, at the date of this report, are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
219,407	\$0.20	30 June, 2007
10,000,000	\$0.20	31 December, 2009

No option holder has any right under the options to participate in any other share issue of the company.

Shares Issued On Exercise of Options

A total of 13,340,775 ordinary shares in the Company were issued during the financial year as a result of the exercise of options. All shares were issued at 20 cents per share. There are no amounts unpaid on shares issued on exercise of the options.

Indemnification and Insurance of Directors, Officers and Auditors

Mr Darbyshire has been given indemnification by the Company, in respect of his role as a representative director of CPP, GPCA and Balnave. Other than this, no indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the consolidated entity.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Directors' Report (Continued)

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of AVFM Ltd at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Mr Peter Kennedy B.Ec.LLM (Appointed 31 Dec 2002)

Mr Peter Kennedy is a senior partner of Madgwicks Lawyers and has over 30 years experience in commercial law. Mr Kennedy is also a non-executive Director of Treasury Group Limited, a position he has held since June 2003. Mr Kennedy is currently on the Audit, Remuneration and Nomination Committees of the board.

Mr Lee IaFrate B.Bus (Acc) Grad. Dip of App. Fin. And Inv., FCPA, FSIA (Appointed 31 Dec 2002)

Mr Lee IaFrate is the principal of Armytage private Ltd and has more than 20 years experience in the securities industry, specialising in corporate advising and institutional broking. Mr IaFrate recently resigned as a director of Treasury Group Ltd (2nd June 2006), a position he held since 1998. Mr IaFrate is on the Nomination Committee.

Mr Andrew Darbyshire LLB. B.Comm (Appointed 5 Dec 2003)

Mr Andrew Darbyshire is a strategic advisor to a number of private companies and has extensive commercial and corporate experience gained over 20 years. During the 12 months to 30 June 2006, Mr Darbyshire acted as an executive director, including being the primary representative on the boards of CPP, GPCA and Balnave. Mr Darbyshire is also currently Chairman of the Company's Audit Committee and is a member of the Company's Nomination Committee. Mr Darbyshire has not held any other directorships of listed companies in the 3 year period to 30 June 2006.

Mr Nicholas Pike B.Bus (Banking & Fin) (Appointed 17 Jan 2005)

Mr Nicholas Pike is the Managing Director of CPP and has extensive business experience in the financial services and planning sectors gained over the last two decades. Mr Pike has not held any other directorships of listed companies in the 3 year period to 30 June 2006. During the 2006 financial year, Mr Pike was a member of the Company's Audit and Remuneration Committees.

Mr Christopher Garnaut A.I.M.M., CFP Dip. FP (Appointed 22 April 2005)

Mr Christopher Garnaut is the Managing Director and founder of the Garnaut Private Client Advisers' business. In addition, Mr Garnaut has and continues to act as a key strategy advisor to numerous successful businesses. Mr Garnaut has not held any other directorships of listed companies in the 3 year period to 30 June 2006.

Directors' Report (Continued)

Mr Stuart James BA (Hons) (Appointed 16 May 2006)

Mr Stuart James has held a number of high profile executive positions during his career, including extensive experience in the financial services sector. Mr James' past roles have included holding the position of Managing Director of Australian Financial Services, which was part of the Colonial State Bank (formerly the State Bank of N.S.W). Mr James' most recent executive role was as CEO of the Mayne Group. Mr James is currently a Director of Wolters Kluwer and is also a member of the advisory board of Gresham Private Equity Limited.

Mr Christopher Newman B.Econ, B.Comm (Appointed as an Alternate Director 16 May 2006)

Mr Christopher Newman is Chairman of Balnave, Mr Newman has extensive experience in investment management, merger and acquisition and corporate finance activities. Mr Newman is also currently a non-executive Director of Austereo Group Ltd, Gunns Ltd and Palm Springs Ltd.

Mr Campbell Kennedy B.Comm, CA - Company Secretary (Appointed 2 Feb 2005)

Mr Campbell Kennedy is a Chartered Accountant who has more than 8 years post graduate experience in a variety of accounting roles, both in Australia and the United Kingdom. Mr Kennedy is currently completing a Graduate Diploma in Applied Corporate Governance.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr Peter Kennedy	11	10	4	4
Mr Lee IaFrate	11	11	-	-
Mr Andrew Darbyshire	11	11	4	4
Mr Nicholas Pike	11	11	4	3
Mr Christopher Garnaut	11	11	-	-
Mr Stuart James	2	1	-	-
Mr Christopher Newman	2	1	-	-

Directors' Interests in Shares of Options

Directors' relevant interests in shares and options over shares in the company are detailed below.

Directors' relevant interests in:	Ordinary Shares	Options over shares
Mr Peter Kennedy	1,132,916	3,333,333
Mr Lee IaFrate	1,231,667	3,333,333
Mr Andrew Darbyshire	1,108,338	3,333,334
Mr Nicholas Pike	1,845,490	-
Mr Christopher Garnaut	8,333,333	-
Mr Stuart James	3,750,000	-
Mr Christopher Newman	443,000	-

Directors' Report (Continued)

Directors' Interests in Contracts

Mr Peter Kennedy, Chairman, is a senior partner of Madgwicks Solicitors, the Company's primary legal service provider. Mr Kennedy is not the responsible partner for the Company and does not supply legal advice and services to the Company. All services are supplied on normal commercial terms (refer also note 26).

Mr Lee IaFrate is the Executive Chairman of, and a shareholder in Armytage private Ltd. The Company has funds invested in the Armytage Strategic Opportunities Fund ("ASOF"), which is managed by Armytage. Interests associated with Mr IaFrate also owns units in ASOF. Armytage and hence Mr IaFrate derive fees from the management of ASOF. Interests associated with Mr IaFrate are also a founding shareholder in Balnave, an associated investment of the Company. The terms upon which interests associated with Mr IaFrate and the Company subscribed for shares in Balnave were the same (refer also note 26).

Mr Andrew Darbyshire has and continues to act as an Executive Director of the Company, on a part time basis. During the financial year, interests associated with Mr Darbyshire received fees for work performed, on a commercial basis (refer also note 26).

Mr Nicholas Pike is the Managing Director of, and shareholder in CPP, in which the Company is the largest single shareholder. Mr Pike receives a commercial remuneration in respect of this role.

Mr Chris Garnaut is the Executive Chairman of, and major equity interest holder in, the partnership which owns the business of Garnaut Private Client Advisers Pty Ltd ('GPCA'). Mr Garnaut receives a commercial remuneration in respect of this role.

Mr Stuart James is a Non-Executive Director of, and shareholder in Balnave, an investment of the Company. Mr James' interest in Balnave was acquired during the financial year, on normal commercial terms (refer also note 26).

Mr Chris Newman is the Chairman of, and a founding shareholder in Balnave, an investment of the Company. The terms upon which interests associated with Mr Newman and the Company subscribed for shares in Balnave were the same (refer also note 26).

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report. No non-audit services have been provided by the current auditors of the consolidated entity during the year.

Remuneration Report

The board and the Remuneration committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Directors' Report (Continued)

The board policy for determining the nature and amount of remuneration of directors is agreed by the board of directors as a whole. Remuneration for executives is determined by the board's Remuneration Committee. The board and its Remuneration Committee has the right to obtain professional advice, where necessary.

The Company had one full time (non-director) executive employee during the financial year, being Mr Campbell Kennedy - Company Secretary and Chief Operating Officer.

Directors' Remuneration:

2006	Short-term			Post employment		Equity	Other benefits	Total
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits	Options		
	\$	\$	\$	\$	\$	\$	\$	\$
Mr P Kennedy	20,900	-	-	-	-	-	-	20,900
Mr L IaFrate	18,700	-	-	-	-	-	-	18,700
Mr A Darbyshire*	158,400	-	-	-	-	-	-	158,400
Mr N Pike	19,800	-	-	-	-	-	-	19,800
Mr C Garnaut	16,500	-	-	-	-	-	-	16,500
Mr S James	1,913	-	-	-	-	-	-	1,913
Mr C Newman	-	-	-	-	-	-	-	-
2005								
Mr P Kennedy	-	-	-	-	-	-	-	-
Mr L IaFrate	-	-	-	-	-	-	-	-
Mr A Darbyshire*	102,500	-	-	-	-	-	-	102,500
Mr N Pike	-	-	-	-	-	-	-	-
Mr C Garnaut	-	-	-	-	-	-	-	-

* The above includes contracted management services provided by Mr A Darbyshire (refer note 26 for further details).

Directors' Report (Continued)

Executives' Remuneration:

2006	Short-term			Post employment		Equity	Other benefits	Total
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits	Options		
	\$	\$	\$	\$	\$	\$	\$	\$
Mr C Kennedy	\$77,982	-	-	\$7,018	-	-	-	\$85,000
2005								
Mr C Kennedy	\$24,847	-	-	\$2,236	-	-	-	\$27,083

Signed in accordance with a resolution of the directors.

.....
 Peter Kennedy
 Chairman
 30 August 2006

AUDITOR'S INDEPENDENCE DECLARATION

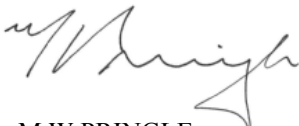
To the Directors of AVFM Limited

In relation to the independent audit for the year ended 30 June 2006, 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



M W PRINGLE
Partner

Dated at Melbourne on 30 August 2006

Corporate Governance Statement

Overview

The board of AVFM Limited is committed to the highest standards of ethical behaviour and corporate governance.

The board is responsible for the corporate governance of the consolidated entity, and monitors the business and affairs of the Company, on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance & Best Practice Recommendations" (the Recommendations), the Corporate Governance Statement is required to contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis. To this end, disclosure is required in respect of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted.

The Company's corporate governance principles and policies are therefore structured with reference to Council's best practice recommendations, which are as follows:

- Principle 1. Lay solid foundation for management and oversight
- Principle 2. Structure the board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interests of stakeholders

The Company now substantially complies with the Council's best practice Recommendations. It is the board's ultimate aim to adhere to the recommendations set down by the Council, particularly as these Recommendations become more relevant and important to its future operations, with due regard to economic practicalities and the underlying interest of the shareholders that it represents.

A full copy of the Company's Corporate Government Policy and Code of Conduct can be found on the Company's website (www.avfm.com.au).

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Director's Report on **Page 13**.

Corporate Governance Statement (Continued)

The term of office held by each Director in office at the date of this report is as follows:

Name	Term in office
Lee Iafrate	44 months
Peter Kennedy	44 months
Andrew Darbyshire	32 months
Nicholas Pike	20 months
Christopher Garnaut	16 months
Stuart James	3 months
Christopher Newman (Alternate for Stuart James)	3 months

There are procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice, at the Company's expense.

Independence

Corporate Governance Council's Recommendation 2.1 requires a majority of the Board to be independent Directors. In addition, Recommendation 2.2 requires the chairperson of the Company to be independent.

The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. Applying this definition, three of the six Directors of the Company may not be deemed to be independent, namely Mr Iafrate, Mr Darbyshire and Mr Garnaut.

Trading in company securities by directors, officers and employees

Dealings are not permitted in the Company's securities at any time when Directors, officers or employees are in the possession of price sensitive information not already available to the market, as required by Recommendation 3.2. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities.

The Company has procedures to ensure the Company and investee (associated) company directors and employees comply with the relevant laws and ASX rules.

Audit Committee

Recommendation 4.1 requires the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company has not formally appointed any individual to the position of CEO or CFO. During the year to 30 June, 2006, Mr. Campbell Kennedy was COO and Company Secretary. Mr. Kennedy, in his position as COO and Company Secretary, works under the direct supervision of Mr. Darbyshire (executive director). Mr. Darbyshire and Mr. Kennedy have provided a statement to the above effect.

Corporate Governance Statement (Continued)

During the year ended 30 June 2006, the Company's Audit Committee comprised Mr Darbyshire, Mr Kennedy and Mr Pike. Effective 30 June 2006, Mr Pike retired from the Committee, and was replaced by Mr James.

Risk Management

Recommendation 7.2 in essence, requires that the Company's Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) give a written statement to the board in respect of the operation of the Company's development.

The Company has not formally appointed any individual to the position of CEO. During the year to 30 June, 2006, Mr. Campbell Kennedy as COO and Company Secretary. Mr. Kennedy, in his position as COO and Company Secretary, works under the direct supervision of Mr. Darbyshire (executive director). Mr. Darbyshire and Mr. Kennedy have provided a statement in respect to the Company's compliance with its risk management and internal compliance to the Audit Committee of the Board.

Performance

No formal performance evaluation of Board members was undertaken during the reporting period. In accordance with Recommendation 8.1, the Board has established a Nomination Committee, which is charged with the task of reviewing the Board's compensation and performance on a regular basis in the future.

Remuneration

The Company established a Remuneration Committee during the reporting period. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for executives of the Company, in accordance with the Company's stated policies. As of 30 June, 2006, the Remuneration Committee comprised Mr Peter Kennedy (alternative Mr Darbyshire), Mr James and Mr Pike.

The Board (as a whole) is responsible for determining and reviewing compensation arrangements for Directors.

The Board and its Remuneration Committee address the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given opportunity to receive their base emolument in a variety of forms including cash, statutory superannuation and other items. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has committed to adhering to an underlying corporate "Code of Conduct" to guide compliance with legal and other obligations to legitimate stakeholders. "Stakeholders" include employees, clients, customers, government authorities, creditors and the community as a whole.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue					
Other revenues from operating activities	3	558,532	329,480	1,095,782	329,480
Accounting expenses		(39,978)	(56,487)	(39,978)	(56,487)
Administrative expenses		(44,866)	(16,634)	(44,866)	(16,632)
Contractors expense		(76,812)	(44,792)	(76,812)	(44,792)
Director fees		(97,804)	-	(97,804)	-
Employee benefits expense		(116,353)	(28,795)	(116,353)	(28,795)
Investment management fees		-	(27,624)	-	(27,624)
Listing and registry fees		(56,780)	(51,635)	(56,780)	(51,635)
Non-recoverable loan		-	-	-	(120,000)
Other expenses from ordinary activities		(20,220)	(7,125)	(20,223)	(7,125)
Share of net profit of associates and partnership accounted for using the equity method		2,202,134	514,392	-	-
Profit before income tax		2,307,853	610,780	642,966	(23,610)
Income tax expense	5	(403,588)	(42,052)	(67,500)	252
Profit for the year		1,904,265	568,728	575,466	(23,358)
Profit attributable to the members of the parent		1,904,265	568,728	575,466	(23,358)
Basic earnings per share	21	2.4	1.5		
Diluted earnings per share	21	2.1	0.9		

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006**

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	3,607,046	3,810,944	3,607,046	3,810,944
Receivables	8	302,237	18,451	680,628	60,755
Other current assets	9	4,212	18,681	4,212	18,681
TOTAL CURRENT ASSETS		3,913,495	3,848,076	4,291,886	3,890,380
NON-CURRENT ASSETS					
Receivables	8	52,623	-	5,549,289	6,486,051
Property, plant and equipment	13	17,604	10,741	17,604	10,741
Other financial assets	10	-	-	4,917,209	2,475,609
Financial assets at fair value through profit and loss	11	3,221,746	-	3,221,746	-
Investments accounted for using the equity method	12	12,593,151	9,476,050	-	-
Deferred tax assets	5	96,335	4,727	96,335	4,727
TOTAL NON-CURRENT ASSETS		15,981,459	9,491,518	13,802,183	8,977,128
TOTAL ASSETS		19,894,954	13,339,594	18,094,069	12,867,508
CURRENT LIABILITIES					
Payables	14	115,174	66,761	115,174	66,761
Current tax payable	5	338,320	42,304	338,320	42,304
Short-term provisions	15	5,119	1,711	5,119	1,711
TOTAL CURRENT LIABILITIES		458,613	110,776	458,613	110,776
NON-CURRENT LIABILITIES					
Deferred tax liabilities	5	75,268	4,476	75,268	4,476
TOTAL NON-CURRENT LIABILITIES		75,268	4,476	75,268	4,476
TOTAL LIABILITIES		533,881	115,252	533,881	115,252
NET ASSETS		19,361,073	13,224,342	17,560,188	12,752,256
EQUITY					
Contributed equity	16	23,985,922	18,957,672	23,985,922	18,957,672
Reserves	17	1,634,267	1,634,267	214,100	214,100
Accumulated Losses	17	(6,259,116)	(7,367,597)	(6,639,834)	(6,419,516)
TOTAL EQUITY		19,361,073	13,224,342	17,560,188	12,752,256

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR		13,224,342	547,666	12,752,256	667,666
Total recognised income and expense for the period		1,904,265	568,728	575,466	(23,358)
		15,128,607	1,116,394	13,327,722	644,308
Transactions with equity holders in their capacity as equity holders:					
Contributions		2,633,557	8,434,180	2,633,557	8,434,180
Dividends provided for or paid		(795,784)	-	(795,784)	-
Other shares issued		1,500,000	200,211	1,500,000	200,211
Issue of shares for acquisition in associates		830,300	3,917,051	830,300	3,917,051
Capital raising costs		(23,923)	(434,664)	(23,923)	(434,664)
Sale of unmarketable parcels costs		-	(8,830)	-	(8,830)
Deferred tax asset – capital raising costs		88,316	-	88,316	-
		4,232,465	12,107,948	4,232,466	12,107,948
TOTAL EQUITY AT THE END OF THE YEAR		19,361,073	13,224,342	17,560,188	12,752,256

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(429,738)	(214,562)	(429,738)	(214,562)
Interest received		163,424	143,497	163,424	143,497
Dividends and distributions received		1,573,392	14,338	1,573,392	14,338
Sales from trading portfolio		-	18,168,265	-	18,168,265
Purchases from trading portfolio		-	(17,879,855)	-	(17,879,855)
Income tax paid		(40,500)	-	(40,500)	-
Net cash provided by operating activities	18(a)	1,266,578	231,683	1,266,578	231,683
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for equity accounted investments		(1,611,300)	(5,012,633)	(1,611,300)	(5,012,633)
Payment for other investments		(3,000,000)	-	(3,000,000)	-
Payment for property, plant and equipment		(13,325)	(7,229)	(13,325)	(7,229)
Loans to other entities		(159,697)	-	(159,697)	-
Net cash used in investing activities		(4,784,322)	(5,019,862)	(4,784,322)	(5,019,862)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from share issue		4,109,630	8,087,124	4,109,630	8,087,124
Dividends paid		(795,784)	-	(795,784)	-
Net cash provided by financing activities		3,313,846	8,087,124	3,313,846	8,087,124
Net decrease in cash and cash equivalents		(203,898)	3,298,945	(203,898)	3,298,945
Cash and cash equivalents at beginning of year		3,810,944	511,999	3,810,944	511,999
Cash and cash equivalents at end of the year	18(b)	3,607,046	3,810,944	3,607,046	3,810,944

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers AVFM Ltd as an individual parent entity and AVFM Ltd and controlled entities as a consolidated entity. AVFM Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

This is the first annual 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 31 to 33.

The financial report has been prepared on an accruals basis and 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:

(a) Principles of Consolidation

Details of the investments are contained in Note 26(a).

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.

(b) 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. Distribution revenue is recognised when the right to receive a distribution has been established. All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

(d) Property, plant and equipment

All classes of plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

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.

The useful lives for each class of assets are:

	2006	2005
Office equipment:	6 to 10 years	6 to 10 years
Computer equipment:	2.5 years	2.5 years

(e) 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.

(f) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(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.

NOTE 1: BASIS OF PREPARATION (CONTINUED)

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 utilise those temporary differences and losses.

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

Tax Consolidation

The parent entity and its subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group. The parent entity and subsidiaries in the tax-consolidated group are entering into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only.

All entities in the tax-consolidated group have adopted UIG Interpretation 1052 to account for the effects of the tax funding agreement under the tax consolidation system. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as intercompany payables or receivables.

(h) Employee Benefits

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*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.

Financial assets at fair value through profit or loss

Investments in unlisted unit 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. Fair value of unlisted unit funds are based on current net tangible assets of the fund, which equates to the redemption value of leaving the fund.

NOTE 1: BASIS OF PREPARATION (CONTINUED)*Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(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: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Critical Accounting Estimates and Assumptions

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Estimated impairment of investments

Investments are allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 8.5% to determine value-in-use.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 3: REVENUE

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenues from operating activities					
Distributions Received		182,483	799	182,483	799
Dividends Received	(a)	-	13,539	537,250	13,539
Interest Received on Trading portfolio		-	66,763	-	66,763
Gains on disposal of investments		-	156,723	-	156,723
Unrealised gains on investments		221,746	-	221,746	-
Total revenues from operating activities		404,229	237,824	941,479	237,824
Revenues from non-operating activities					
Interest Received – from other persons		154,303	91,656	154,303	91,656
Total revenues		558,532	329,480	1,095,782	329,480
(a) Revenues from operating activities:					
- Associated companies		-	-	537,250	-
- Other corporations		-	13,539	-	13,539

NOTE 4: EXPENSES

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Profit/(Loss) from ordinary activities before income tax has been determined after:					
Depreciation of non-current assets					
Computer Equipment		5,346	1,113	5,346	1,113
Office equipment		1,116	168	1,116	168
Total depreciation of non-current assets		6,462	1,281	6,462	1,281
Employee benefits expense					
Salaries and wages		106,837	26,558	106,837	26,558
Superannuation		9,516	2,236	9,516	2,236
Employee entitlements		3,408	1,711	3,408	1,711
		119,761	30,505	119,761	30,505
Write off of Intercompany loan		-	-	-	120,000
Rental Expense on operating lease		19,617	6,600	19,617	6,600

NOTE 5: INCOME TAX

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) The components of tax expense:					
Current tax		338,320	42,304	-	-
Deferred tax		67,500	(252)	67,500	(252)
Under (over) provision in prior years		(2,232)	-	-	-
Total Income tax expense		<u>403,588</u>	<u>42,052</u>	<u>67,500</u>	<u>(252)</u>
(b) The prima facie tax on profit differs from the income tax provided in the financial statements as follows:					
Total profit before income tax		<u>2,307,853</u>	610,780	<u>642,966</u>	<u>(23,610)</u>
At the statutory income tax rate of 30% (2005: 30%)		692,355	183,234	192,890	(7,083)
Add: Tax effect of:					
- Dividends received from associates		230,250	-	69,075	-
- Other non-allowable items		7,427	5,912	91,402	41,911
- Taxable profit of associated partnership		422,296	102,704	-	-
Less: Tax effect of:					
- Accounting profit of associates		(660,641)	(154,318)	-	-
- Other allowable deductions		(35,621)	(32,395)	(35,621)	(32,395)
- Recoupment of prior year tax losses not previously brought to account		-	(63,085)	-	(2,685)
- Imputation credits received		(250,246)	-	(250,246)	-
Under (over) provision in prior years		<u>(2,232)</u>	-	-	-
Income tax expense/ (benefit) attributable to ordinary activities		<u>403,588</u>	<u>42,052</u>	<u>67,500</u>	<u>(252)</u>
Tax assets and liabilities					
Current tax payable		<u>338,320</u>	42,304	<u>338,320</u>	42,304
Deferred tax liability					
- Accrued interest		1,740	4,476	1,740	4,476
- ASOF – Unrealised gains		66,524	-	66,524	-
- ASOF – Tax-deferred amount		7,004	-	7,004	-
		<u>75,268</u>	<u>4,476</u>	<u>75,268</u>	<u>4,476</u>

NOTE 5: INCOME TAX (CONTINUED)

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Deferred tax assets					
- Superannuation paid		799	855	799	855
- Provision for annual leave		1,536	513	1,536	513
- Provision for audit fees		5,684	3,359	5,684	3,359
- Capital raising costs		88,316	-	88,316	-
		96,335	4,727	96,335	4,727

Note: The deferred tax asset in relation to the capital raising costs were not recorded in 2005 as it was not considered probable that future earnings would offset the deferred tax asset.

Deferred tax assets brought to account:

Deferred tax assets not recognised as an asset because recovery is not probable

Operating losses	-	3,112,914	-	81,134
Capital losses	-	1,815,873	-	1,815,873
Capital raising costs	-	112,989	-	112,989
	-	5,041,776	-	2,009,996

This deferred tax asset will only be obtained if:

- (a) Future assessable income is derived of a nature and of an amount sufficient to enable the asset to be realised;
- (b) The conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

NOTE 6: DIVIDENDS ON ORDINARY SHARES

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) Dividends paid during the year					
(i) Current year interim		409,342	-	409,342	-
Fully franked dividend (0.5 cents per share)					
(ii) Previous year final		386,442	-	386,442	-
Fully franked dividend (0.5 cents per share)					
		795,784	-	795,784	-
(b) Dividends proposed and not recognised as a liability *					
Fully franked dividend (1.0 cent per share)		856,183	386,442	856,183	386,442

NOTE 6: DIVIDENDS ON ORDINARY SHARES (CONTINUED)

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(c) Franking credit balance					
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends:		2,375,984	2,152,847	2,375,984	4,840
Impact on the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end		(366,936)	-	(366,936)	-
		2,009,048	2,152,847	2,009,048	4,840

* Calculated based on the ordinary shares on issue as at 30 June 2006

NOTE 7: CASH AND CASH EQUIVALENTS

CURRENT

Cash at bank		170,450	3,113,714	170,450	3,113,714
Cash on deposit		3,436,596	697,230	3,436,596	697,230
		3,607,046	3,810,944	3,607,046	3,810,944

NOTE 8: RECEIVABLES

CURRENT

Accrued distribution		136,740	-	136,740	-
Accrued interest		5,800	14,921	5,800	14,921
Loans to related entities		24,107	-	24,107	-
Loan to executive	(a)	135,590	-	135,590	-
Tax related loan		-	-	378,391	42,304
GST receivable		-	3,530	-	3,530
		302,237	18,451	680,628	60,755

NON-CURRENT

Related party receivables					
Wholly owned group					
– Controlled entity	26	-	-	5,496,666	6,486,051
Deferred Costs		52,623	-	52,623	-
		52,623	-	5,549,289	6,486,051

(a) 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 (refer to note 26).

NOTE 9: OTHER CURRENT ASSETS

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Prepayments		4,212	18,681	4,212	18,681
		<u>4,212</u>	<u>18,681</u>	<u>4,212</u>	<u>18,681</u>

NOTE 10: OTHER FINANCIAL ASSETS

NON-CURRENT

Investments at cost comprise:

- Associates - unlisted	-	-	4,917,209	2,475,609
	<u>-</u>	<u>-</u>	<u>4,917,209</u>	<u>2,475,609</u>

NOTE 11: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

NON-CURRENT

Investments at fair value through profit and loss:

- Investment in ASOF	3,221,746	-	3,221,746	-
	<u>3,221,746</u>	<u>-</u>	<u>3,221,746</u>	<u>-</u>

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Notes	Consolidated Entity	
		2006	2005
		\$	\$
Carroll, Pike & Piercy Pty Ltd	12(a)	5,177,475	2,670,565
Garnaut Private Client Advisers	12(a)	7,226,486	6,805,485
Balnavue Corporate Ltd	12(a)	189,190	-
		<u>12,593,151</u>	<u>9,476,050</u>

**NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)**

	Notes	Consolidated Entity	
		2006	2005
		\$	\$
		Ownership Interest held by consolidated entity	
(a) Interest In Associate			
Carroll, Pike & Piercy Pty Ltd	12(b)	49%	28%
Garnaut Private Client Advisers	12(c)	40%	40%
Balnave Corporate Ltd	12(d)	30%	-
(b)			
(i)	Carroll, Pike & Piercy is a financial planning company in Australia.		
(ii)	On 17 th January 2005, AVFM Ltd acquired a 28% stake in Carroll, Pike & Piercy. AVFM Ltd acquired an additional 11% and 10% on 25 th October 2005 and 31 st January 2006 respectively.		
(iii)	Share of associate's profit		
	Share of associate's:		
- net profit before income tax		1,038,017	279,383
- income tax expense attributable to net profit		(319,157)	(84,425)
Share of associate's net profit		718,860	194,958
(iv)	Share of associate's revenues	2,506,816	1,179,975
(v)	Carrying amount of investment in associate		
	Balance at the beginning of the financial year	2,670,565	-
	- New investment during the financial year	2,325,300	2,475,607
	- share of associate's net profit for the financial year	718,860	194,958
	- dividends received from associate	(537,250)	-
Carrying amount of investment in associate at the end of the financial year		5,177,475	2,670,565
(vi)	Share of associate's assets and liabilities		
	Current assets	1,390,628	396,529
	Non-current assets	81,889	28,543
	Current liabilities	(402,923)	(172,102)
	Non-current liabilities	(539,000)	-
Net assets		530,594	252,970

**NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)**

(c)

- (i) Garnaut Private Client Advisers (“GPCA”) is a partnership with a financial interest in a financial planning company, Garnaut Private Client Advisers Pty Ltd, in Australia.
- (ii) On 22 April 2005, AVFM Ltd acquired a 40% stake in Garnaut Private Client Advisers, through its wholly owned subsidiary Beksan Pty Ltd.

	Notes	Consolidated Entity	
		2006	2005
		\$	\$
(iii) Share of partnership profit			
Share of partnership’s:			
- net profit before income tax		1,410,384	319,434
- income tax expense attributable to net profit		-	-
Share of partnership’s net profit		1,410,384	319,434
(iv) Share of associate’s revenues		2,867,436	2,814,915
(v) Carrying amount of investment in partnership			
Balance at the beginning of the financial year		6,805,485	-
- New investment during the financial year		-	6,486,051
- share of partnership’s net profit for the financial year		1,410,384	319,434
- distributions received from partnership		(990,399)	-
- formation costs		1,016	-
Carrying amount of investment in partnership at the end of the financial year		7,226,486	6,805,485
(vi) Share of partnership’s assets and liabilities			
Current assets		838,145	1,153,717
Non-current assets		101,671	87,318
Current liabilities		(974,331)	(921,601)
Net assets/ (liabilities)		(34,515)	319,434

(d)

- (i) Balnave Corporate Ltd is a Corporate Advisory company in Australia.
- (ii) On 4th July 2005, AVFM Ltd acquired a 30% stake in Balnave.

(iii) Share of associate’s profit

Share of associate’s:			
- net profit before income tax		104,705	-
- income tax expense attributable to net profit		(31,815)	-
Share of associate’s net profit		72,890	-

**NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)**

	Notes	Consolidated Entity	
		2006	2005
		\$	\$
(iv) Share of associate's revenues		166,805	-
(v) Carrying amount of investment in associate			
Balance at the beginning of the financial year		-	-
- New investment during the financial year		116,300	-
- share of associate's net profit for the financial year		72,890	-
Carrying amount of investment in associate at the end of the financial year		189,190	-
(vi) Share of associate's assets and liabilities			
Current assets		223,258	-
Non-current assets		11,616	-
Current liabilities		(45,614)	-
Net assets		189,260	-

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Computer Equipment					
At cost	13(a)	17,890	5,879	17,890	5,879
Accumulated depreciation		(6,459)	(1,113)	(6,459)	(1,113)
		11,431	4,766	11,431	4,766
Office equipment					
At cost		7,457	6,143	7,457	6,143
Accumulated depreciation		(1,284)	(168)	(1,284)	(168)
	13(a)	6,173	5,975	6,173	5,975
Total equipment		25,347	12,022	25,347	12,022
Total equipment					
At cost		25,347	12,022	25,347	12,022
Accumulated depreciation		(7,743)	(1,281)	(7,743)	(1,281)
Total written down amount		17,604	10,741	17,604	10,741

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
Computer equipment					
Carrying amount at beginning		4,766	-	4,766	-
Additions		12,011	5,879	12,011	5,879
Depreciation expense		(5,346)	(1,113)	(5,346)	(1,113)
		<u>11,431</u>	<u>4,766</u>	<u>11,431</u>	<u>4,766</u>
Office equipment					
Carrying amount at beginning		5,975	-	5,975	-
Additions		1,314	6,143	1,314	6,143
Depreciation expense		(1,116)	(168)	(1,116)	(168)
		<u>6,173</u>	<u>5,975</u>	<u>6,173</u>	<u>5,975</u>

NOTE 14: PAYABLES

CURRENT

Trade creditors	78,057	34,411	78,057	34,411
Other creditors and accruals	36,711	32,350	36,711	32,350
GST Payables	406	-	406	-
	<u>115,174</u>	<u>66,761</u>	<u>115,174</u>	<u>66,761</u>

NOTE 15: PROVISIONS

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Employee entitlements		5,119	1,711	5,119	1,711
(a) Aggregate employee entitlements liability		<u>5,119</u>	<u>1,711</u>	<u>5,119</u>	<u>1,711</u>
(b) Number of employees at year end		<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

Movements in provisions other than employee benefit

Employee entitlements					
- Carrying amount at the beginning of the year		1,711	-	1,711	-
- Additional provisions recognised		3,408	1,711	3,408	1,711
Carrying amount at the end of the year		<u>5,119</u>	<u>1,711</u>	<u>5,119</u>	<u>1,711</u>

NOTE 16: CONTRIBUTED EQUITY

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) Issued and paid up capital					
Ordinary shares fully paid		<u>23,985,922</u>	18,957,672	<u>23,985,922</u>	18,957,672
		<u>23,985,922</u>	18,957,672	<u>23,985,922</u>	18,957,672

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	Parent Entity 2006		Parent Entity 2005	
	No of shares	\$	No of shares	\$
Beginning of the financial year	66,342,558	18,957,672	14,443,606	6,849,724
Issued during the year				
- Public equity raising	-	-	24,000,000	6,000,000
- Shares issued upon exercise of options in the company	13,340,775	2,633,557	11,997,300	2,434,180
- Shares issued for acquisition in associates	2,185,000	830,300	13,401,536	3,917,051
- Other shares issued	3,750,000	1,500,000	2,500,116	200,211
- Capital raising costs	-	(23,923)	-	(434,664)
- Sale of unmarketable parcels costs	-	-	-	(8,830)
- Deferred tax asset – capital raising costs	-	88,316	-	-
End of the financial year	<u>85,618,333</u>	<u>23,985,922</u>	<u>66,342,558</u>	<u>18,957,672</u>

NOTE 17: RESERVES AND RETAINED PROFITS

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
General Reserve	17(a)	400,715	400,715	214,100	214,100
Capital Profits Reserve	17(b)	<u>1,233,552</u>	1,233,552	-	-
		<u>1,634,267</u>	<u>1,634,267</u>	<u>214,100</u>	<u>214,100</u>
Accumulated Losses	17(c)	<u>(6,259,116)</u>	(7,367,597)	<u>(6,639,834)</u>	(6,419,516)

(a) General Reserve

(i) Nature and purpose of reserve

The general reserve contains amounts of retained profits that have been set aside by directors for the purpose of funding specific projects that may be announced from time to time.

Balance at beginning and end of year		<u>400,715</u>	400,715	<u>214,100</u>	214,100
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NOTE 17: RESERVES AND RETAINED PROFITS (CONTINUED)

(b) Capital Profits Reserve

(i) Nature and purpose of reserve

This capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Balance at beginning and end of year		<u>1,233,552</u>	<u>1,233,552</u>	-	-

(c) Retained earnings

Balance at the beginning of year	(7,367,597)	(7,936,325)	(6,419,516)	(6,396,158)
Net profit attributable to members of the Company	<u>1,904,265</u>	<u>568,728</u>	<u>575,466</u>	<u>(23,358)</u>
Total available for appropriation	(5,463,332)	(7,367,597)	(5,844,050)	(6,419,516)
Dividends paid	(795,784)	-	(795,784)	-
Balance at end of year	<u>(6,259,116)</u>	<u>(7,367,597)</u>	<u>(6,639,834)</u>	<u>(6,419,516)</u>

NOTE 18: CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Reconciliation of the net profit after tax to the net cash flows from operations:				
Net profit	1,904,265	568,728	575,466	(23,358)
Non-Cash Items				
Depreciation	6,462	1,281	6,462	1,281
Equity accounted profit after tax net of dividends received	(675,497)	(514,392)	-	-
Unrealised gains on investment	(221,746)	-	(221,746)	-
Changes in assets and liabilities				
(Increase)/decrease in current receivables	(127,619)	(11,407)	525,681	108,592
(Increase)/decrease in other assets and receivables	(38,154)	(18,681)	(38,154)	(18,681)
(Increase)/decrease in inventory	-	135,147	-	135,147
Increase/ (decrease) in payables and GST	51,943	27,244	51,943	27,242
(Decrease)/increase in provisions	3,408	1,711	3,408	1,711
(Decrease)/increase in deferred tax	67,500	(252)	67,500	(252)
(Decrease)/increase in tax payable	296,016	42,303	296,016	-
Net cash flow from operating activities	<u>1,266,578</u>	<u>231,683</u>	<u>1,266,578</u>	<u>231,683</u>
(b) Reconciliation of cash				
Cash balance comprises:				
– Cash at bank	170,450	3,113,714	170,450	3,113,714
– Cash on deposit	<u>3,436,596</u>	<u>697,230</u>	<u>3,436,596</u>	<u>697,230</u>
Closing cash balance	<u>3,607,046</u>	<u>3,810,944</u>	<u>3,607,046</u>	<u>3,810,944</u>

NOTE 18: CASH FLOW INFORMATION (CONTINUED)

(c) Acquisition of entities

(i) On 4th July 2005, AVFM Ltd acquired a 30% stake in Balnave. Details of this transaction are:

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	
Purchase Consideration	116,300	-	116,300	-
Represented by:				
Cash Consideration	116,300	-	116,300	-

(ii) On 25th October 2005, AVFM Ltd acquired a further 11% stake in CPP. Details of this transaction are:

Purchase Consideration	1,225,300	-	1,225,300	-
Represented by:				
Cash Consideration	395,000	-	395,000	-
Issue of shares	830,300	-	830,300	-
	1,225,300	-	1,225,300	-

(i) On 31st January 2006, AVFM Ltd acquired a further 10% stake in CPP. Details of this transaction are:

Purchase Consideration	1,100,000	-	1,100,000	-
Represented by:				
Cash Consideration	1,100,000	-	1,100,000	-

(d) Financing facilities available

At reporting date, the Company did not have any financing facilities available, as the directors have not deemed it necessary to put any such facilities in place at this time.

NOTE 19: EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

There was no capital expenditure contracted for at reporting date.

(b) Lease expenditure commitments

There were no operating or financing lease commitments at reporting date. The Company's premises are leased on their behalf by Carroll, Pike & Piercy Pty Ltd (associated company).

NOTE 20: COMMITMENTS AND CONTINGENCIES

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, CPP. The Company has provided the security deposit on their behalf.

As at the date of this financial report, a contingent liability existed for GPCA (an associate company). This contingent liability relates to potential client claims for investments in the Westpoint Group. A contingent liability of \$150,000 has been disclosed as a potential contingency in GPCA's accounts, AVFM's portion equates to \$60,000. The contingent liability is in anticipation of possible legal action, based upon the maximum insurance deductible (excess) under its policy (applying relevant aggregation principles).

As at the date of this financial report, a commitment existed for the Company to acquire an initial 50.1% of Armytage. As part of the intended re-alignment of ownership of Armytage, the Company will retain a 45% interest in Armytage, with a 10% interest to be acquired by interests associated with Armytage's investment director, Mr Campbell McComb, on commercial terms, with effect from 11 July 2006. Armytage has, in turn, recently announced the acquisition of a 51% interest in Ceres Asset Management Pty Ltd ("Ceres").

NOTE 21: EARNINGS PER SHARE

	2006	2005
	\$	\$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	1,904,265	575,466
Earnings used in calculating basic and diluted earnings per share	1,904,265	575,466
	2006	2005
	No of shares	No of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	79,020,025	38,118,646
Effect of dilutive securities:		
Share options	10,219,407	24,548,381
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	89,239,432	62,667,027
Basic Earnings Per Share	2.4	1.5
Diluted Earnings Per Share	2.1	0.9

NOTE 22: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

(a) Details of Key Management Personnel

(i) Directors – Parent Entity

Mr Peter Kennedy	Chairman – Non-Executive
Mr Lee IaFrate	Director – Non Executive
Mr Andrew Darbyshire	Director – Executive
Mr Nicholas Pike	Director – Non Executive
Mr Christopher Garnaut	Director – Non-Executive
Mr Stuart James	Director – Non-Executive (commenced 16/5/06)
Mr Christopher Newman (alternate)	Director – Non-Executive (commenced 16/5/06)

(ii) Specified Executives

Mr Campbell Kennedy	Chief Operating Officer and Company Secretary
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(b) Compensation of Key Management Personnel

(i) Principles of compensation

The Board and the Remuneration Committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The board policy for determining the nature and amount of remuneration of directors is agreed by the board of directors as a whole. Remuneration for executives is determined by the Board's Remuneration Committee. The Board and its Remuneration Committee has the right to obtain professional advice, where necessary.

The Company had one full time (non-director) executive employee during the financial year, being Mr Campbell Kennedy - Company Secretary and Chief Operating Officer.

**NOTE 22: DIRECTORS' AND EXECUTIVES' COMPENSATIONS
(CONTINUED)**

(ii) Directors' Compensation:

2006	Short-Term			Post employment		Long-term	Share-based payments	Total	Total Performance Related
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits	Incentive plans	Options		
	\$	\$	\$	\$	\$		\$	%	
Mr P Kennedy	20,900	-	-	-	-	-	-	20,900	-
Mr L IaFrate	18,700	-	-	-	-	-	-	18,700	-
Mr A Darbyshire	158,400	-	-	-	-	-	-	158,400	-
Mr N Pike	19,800	-	-	-	-	-	-	19,800	-
Mr C Garnaut	16,500	-	-	-	-	-	-	16,500	-
Mr S James	1,913	-	-	-	-	-	-	1,913	-
Mr C Newman	-	-	-	-	-	-	-	-	-
	236,213	-	-	-	-	-	-	236,213	-

2005	Short-Term			Post employment		Long-term	Share-based payments	Total	Total Performance Related
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits	Incentive plans	Options		
	\$	\$	\$	\$	\$		\$	%	
Mr P Kennedy	-	-	-	-	-	-	-	-	-
Mr L IaFrate	-	-	-	-	-	-	-	-	-
Mr A Darbyshire	102,500	-	-	-	-	-	-	102,500	-
Mr N Pike	-	-	-	-	-	-	-	-	-
Mr C Garnaut	-	-	-	-	-	-	-	-	-
	102,500	-	-	-	-	-	-	102,500	-

* The above includes contracted management services provided by Mr A Darbyshire (refer note 26 for further details).

(iii) Executives' Remuneration:

2006	Short-Term			Post employment		Long-term	Share-based payments	Total	Total Performance Related
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits	Incentive plans	Options		
	\$	\$	\$	\$	%	\$		\$	%
Mr C Kennedy	77,982	-	-	7,018	-	-	-	85,000	-
	77,982	-	-	7,018	-	-	-	85,000	-
2005 Mr C Kennedy	24,847	-	-	2,236	-	-	-	27,083	-
	24,847	-	-	2,236	-	-	-	27,083	-

**NOTE 22: DIRECTORS' AND EXECUTIVES' COMPENSATIONS
(CONTINUED)**

(iv) Compensation by category

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Short-term employment benefits					
Post employment benefits		321,213	129,583	321,213	129,583
Other long-term benefits		-	-	-	-
Termination benefits		-	-	-	-
Share-based payments		-	-	-	-
Total		321,213	129,583	321,213	129,583

NOTE 23: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

**(a) Number of options held by Key Directors/ Management Personnel
(consolidated):**

	Balance 01/07/05	Granted as remun- eration	Options exercise -ed	Balance 30/06/06	Total vested 30/6/06	Total Exercis- -able 30/6/06	Total Unexerci- -sable 30/6/06
Directors							
Mr P Kennedy	3,333,333	-	-	3,333,333	-	-	-
Mr L IaFrate	3,333,333	-	-	3,333,333	-	-	-
Mr A Darbyshire	3,333,334	-	-	3,333,334	-	-	-
Total	10,000,000	-	-	10,000,000	-	-	-

(b) Number of shares held by Key Management Personnel:

	Balance 1/07/05	Received as Remuneration	Options Exercised	Net change Other	Balance 30/06/06
Directors					
Mr P Kennedy	1,001,666	-	131,250	-	1,132,916
Mr L IaFrate	981,667	-	250,000	-	1,231,667
Mr A Darbyshire	856,750	-	251,588	-	1,108,338
Mr N Pike	1,385,490	-	460,000	-	1,845,490
Mr C Garnaut	11,333,333	-	-	(3,000,000)	8,333,333
Mr S James	-	-	-	3,750,000	3,750,000
Mr C Newman	443,000	-	-	-	443,000
Executives					
Mr C Kennedy	60,000	-	-	250,000	310,000
Total	16,061,906	-	1,092,838	1,000,000	18,154,744

**NOTE 23: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS
(CONTINUED)**

Explanation of Net Change

Mr C Garnaut – During the year, Mr Garnaut transferred 3,000,000 shares to key staff members of Garnaut Private Client Advisers ('GPCA'), as part of a retention plan. The shares were transferred at the same deemed value upon which the Company issued the shares to Mr Garnaut, as part of its 40% acquisition of GPCA.

Mr S James – During the year the Company issued 3,750,000 new shares (at a value of \$0.40 cents per share) to interests associated with Mr James, by way of a private placement.

Mr C Kennedy – During the financial year, the Company acquired 300,000 shares (on market) on behalf of Mr Kennedy (refer to note 24). During the financial year, Mr Kennedy also disposed of 50,000 shares.

NOTE 24: LOANS TO KEY MANAGEMENT PERSONNEL (CONSOLIDATED)

The Company made an advance of \$129,841 to Mr C Kennedy, 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. Interest of \$7,942 accrued for the period to 30th June 2006. Repayments of \$2,193 were made by Mr Kennedy during the same period.

NOTE 25: AUDITOR'S REMUNERATION

	Notes	Consolidated Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Amounts received or due and receivable by Pitcher Partners for:					
An audit or review of the financial report of the entity and any other entity in the consolidated entity		32,604	26,950	32,604	26,950
Amounts received or due and receivable by MCG Partners for:					
– An audit or review of the financial report of the entity and any other entity in the consolidated entity		-	2,860	-	2,860
– Tax compliance and general accounting		-	6,477	-	6,477
		<u>32,604</u>	<u>36,287</u>	<u>32,604</u>	<u>36,287</u>

NOTE 26: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of AVFM Ltd and its controlled entities listed below:

	Country Of Incorporation	Percentage Owned	
		2006	2005
Parent Entity:			
AVFM Ltd	Australia		
Subsidiaries of AVFM Ltd			
AVFM Investor Portfolio Services Pty Ltd	Australia	100%	100%
Australian Value Funds Management Pty Ltd (formerly AVFM Wealth Management Pty Ltd)	Australia	100%	100%
Beksan Pty Ltd	Australia	100%	100%

(b) The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Transactions with entities with joint control or significant influence over the entity

The Company advanced of \$1.1m on the 30th January 2006 to provide short term funding for the CPP Staff Unit Fund, whilst external funding was being approved. The short term funding was repaid to the Company by the CPP Staff Unit Fund on the 22nd February 2006. Interest was paid on the loan, on normal commercial terms.

The parent entity has an outstanding loan receivable from Beksan Pty Ltd of \$5,496,666 as at 30 June 2006.

As at 30 June 2006, the Company has outstanding loan receivables from CPP of \$13,265 and Balnave of \$5,280, relating to day to day operations of the businesses.

Transactions with key management personnel of the entity or its parent and their personally-related entities

Refer note 24 in relation to advances made to Mr C Kennedy to acquire 300,000 shares (on market) in the Company.

Other transactions with director and/or specified executives and their personally-related entities

- (i) Madgwicks Lawyers, of which Peter Kennedy is a senior partner, received \$16,630 (inclusive of GST) for the provision of legal services during the financial year. Services have been provided by Madgwicks on terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

NOTE 26: RELATED PARTY DISCLOSURES (CONTINUED)

- (ii) Mr Lee IaFrate is the Executive Chairman of, and shareholder in, Armytage. Armytage manages ASOF, in which the Company invested \$3m cash. Armytage derives fees as manager of the ASOF fund. Interests associated with Mr IaFrate are also a founding shareholder in Balnave, an associated investment of the Company. The basis upon which interests associated with Mr IaFrate and the Company subscribed for shares in Balnave were the same.
- (iii) Interests associated with Mr Andrew Darbyshire received \$138,600 (inclusive of GST) for executive services provided to the Company and its associates, during the financial year. Services provided were on terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.
- (iv) Interests associated with Mr Stuart James are a shareholder in Balnave, an associated investment of the Company. This interest was acquired during the year, prior to Mr James appointment of the Company, on normal arms length terms. Mr James is also a director of Balnave.
- (v) Interests associated with Mr Chris Newman (alternative director for Mr James) are a founding shareholder in Balnave, an associated investment of the Company. The basis upon which interests associated with Mr Newman and the Company subscribed for shares in Balnave were the same. Mr Newman is also the Chairman of Balnave.

NOTE 27: SEGMENT INFORMATION

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

NOTE 28: FINANCIAL INSTRUMENTS

Financial Instruments	Fixed interest rate maturing in 1 year or less		Non-interest bearing		Total Carrying amount as per Balance Sheet		Weighted average effective interest rate	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 %	2005	2006 %	2005 %
(i) Financial assets								
Cash	3,607,046	3,810,944	-	-	3,607,046	3,810,944	5.8%	5.4%
Receivables	135,590	-	170,859	33,602	306,449	33,602	8.0%	-
Other Financial Assets	-	-	3,221,746	-	3,221,746	-	-	-
Total financial assets	3,742,636	3,810,944	3,392,605	33,602	7,135,241	3,844,546	-	-
(ii) Financial liabilities								
Payables	-	-	115,174	63,231	115,174	62,231	-	-
Total financial liabilities	-	-	115,174	63,231	115,174	62,231	-	-

(a) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in Balance Sheet and Notes to the Financial Statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity apart from \$3,221,746 investment held by Armytage private Ltd and \$3,607,046 held with Westpac.

(b) Fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in Balance Sheet and Notes to the financial statements. The Company did not directly hold any listed shares and equities at 30 June 2006.

NOTE 29: ECONOMIC DEPENDENCY

The consolidated entity is not economically dependent upon another entity for revenue or financial support.

NOTE 30: SUBSEQUENT EVENTS

During July 2006, the Company finalised the acquisition of an initial 50.1% of Armytage, the consideration was \$3m, payable in three equal annual instalments. Mr James has been appointed as the Company's representative on the board of Armytage.

As part of the intended re-alignment of ownership of Armytage, the Company will retain a 45% interest in Armytage, with a 10% interest to be acquired by interests associated with Armytage's investment director, Mr Campbell McComb, on commercial terms, with effect 11 July 2006. Armytage has, in turn, recently announced the acquisition of a 51% interest in Ceres Asset Management Pty Ltd, an established boutique corporate investment/ private equity business.

NOTE 31: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF CONSOLIDATED EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS

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

	AGAAP	Adjustment	AIFRS
	\$	\$	\$
CURRENT ASSETS			
Cash assets	511,999	-	511,999
Receivables	7,044	-	7,044
Other financial assets	118,822	16,325	135,147
Total current assets	637,865	16,325	654,190
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	637,865	-	654,190
CURRENT LIABILITIES			
Payables	20,719	-	20,719
Provisions	85,805	-	85,805
TOTAL CURRENT LIABILITIES	106,524	-	106,524
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	106,524	-	106,524
NET ASSETS	531,342	16,325	547,666
EQUITY			
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)
TOTAL EQUITY	531,342	16,325	547,666

There are no AIFRS reconciliation adjustments for the parent entity.

NOTE 31: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF CONSOLIDATED EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS (CONTINUED)

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

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

There are no AIFRS reconciliation adjustments for the parent entity.

NOTE 32: FIRST-ADOPTION OF AIFRS - RECONCILIATION OF CONSOLIDATED PROFIT REPORTED UNDER AGAAP TO PROFIT UNDER AIFRS

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

	AGAAP	Adjustment	AIFRS
	\$		\$
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)
Contractor expense	(44,792)		(44,792)
Employee Benefits	(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
Profit before income tax	<u>627,105</u>	<u>(16,325)</u>	<u>610,780</u>
Income tax expense (income tax benefit)	(42,052)	-	(42,052)
Profit for the year	<u>585,053</u>	<u>(16,325)</u>	<u>568,728</u>
Profit attributable to minority interests	-		-
Profit attributable to the members of the entity	<u>585,053</u>	<u>(16,325)</u>	<u>568,728</u>

There are no AIFRS reconciliation adjustments for the parent entity.

**NOTE 33: 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 and foreign currency exchange provisions.

(c) Changes to fair value of investments

In accordance with AASB139, trading securities and equities have been classified as 'fair value through profit and loss' and are measured at fair value. These instruments are now recognised at fair value based on 'bid' prices and this resulted in a change to the net gain recorded on disposal of these assets during the year ended 30 June 2005.

AVFM LIMITED
DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 22 to 53 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2006 and of its performance as represented by the results of its operations and its cash flows, for the 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 has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2006.

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



Peter Kennedy
Director

Melbourne
30 August 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AVFM LTD

Scope

We have audited the financial report of AVFM Ltd and controlled entities for the financial year ended 30 June 2006 comprising the Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.


Audit Opinion

In our opinion, the financial report of AVFM Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (c) other mandatory professional requirements in Australia.



PITCHER PARTNERS



M W PRINGLE
Partner

Dated at Melbourne on 30 August 2006

ASX Additional Information

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows: The information is current as at 22 August 2006.

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

Category (size of holding)	Ordinary Shares	
	Number of Holders	Number of Holders
1 – 1,000	106	46,758
1,001 – 5,000	362	1,008,854
5,001 – 10,000	210	1,725,417
10,001 – 100,000	697	27,836,235
100,001 and over	<u>126</u>	<u>55,001,069</u>
	<u>1,501</u>	<u>85,618,333</u>

(b) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Name	Listed Ordinary Shares	
	Number of Shares	Percentage of ordinary shares
1. Garnfam Pty Ltd	8,333,333	9.7%
2. UBS Wealth Management Aust Nominees Pty Ltd	4,360,000	5.1%
3. RBC Dexia Investor Services Aust Nominees Pty Ltd	4,188,960	4.9%
4. Australian Executor Trustees Ltd	2,612,906	3.1%
5. Hamco Nominees Pty Ltd	2,185,000	2.6%
6. Twenty-Ninth Marsupial Pty Ltd	1,122,916	1.3%
7. Ms Christine Brown	1,000,000	1.2%
8. Ms Susanne Maas	1,000,000	1.2%
9. Mr G Schubert & Mrs S Schubert	1,000,000	1.2%
10. ANZ Nominees Ltd	988,750	1.2%
11. Dromore Finance Pty Ltd	915,454	1.1%
12. Hamco Nominees Pty Ltd	811,765	1.0%
13. Papl Ebsco Pty Ltd	750,000	0.9%
14. Mr Lee IaFrate	731,000	0.9%
15. Nicaro Pty Ltd	665,490	0.8%
16. Mr R Reeves & Mrs M Reeves	619,250	0.7%
17. Phillip Securities Pty Ltd	609,001	0.7%
18. Ifan Pty Ltd	590,417	0.7%
19. Shepherd's Gate Holdings Pty Ltd	583,338	0.7%

20. Asia Pacific Project & Advisory Pty Ltd	550,000	0.6%
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(c) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.