



Prime Financial Group Ltd (formerly AVFM Ltd) & Controlled Entities

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2006**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2006

Prime Financial Group Ltd

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Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2006**

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Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Prime Financial Group Ltd (formerly AVFM Ltd) and the entities it controlled, for the half-year ended 31 December 2006 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 directors in office at any time during or since the end of the half-year are:

<u>Name</u>	<u>Period of directorship</u>
P. Kennedy	48 months (resigned 2 Jan 2007)
L. laFrate	48 months
A. Darbyshire	33 months (resigned 9 Nov 2006)
N. Pike	24 months
C. Garnaut	20 months (resigned 2 Jan 2007)
S. James	8 months (appointed 12 Apr 2006)
C. Newman	3 months (appointed 25 Oct 2006)
S. Madder	1 month (appointed 2 Jan 2007)
S. Bennett	1 month (appointed 2 Jan 2007)
P. Madder	1 month (appointed 2 Jan 2007)

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

Review of Operations

The consolidated profit of the company for the half-year after providing for income tax amounted to \$1,337,835 (\$2005: \$913,064).

During the period the Company established its funds management capacity with the purchase of a 45% stake in Armytage private Ltd. Further expansion was made in this field with Armytage private Ltd acquiring a 51% stake in the private equity funds manager Ceres Asset Management Pty Ltd.

A brief review of the operations of Prime Financial Group Ltd (formerly AVFM Ltd), its controlled entities and its investee companies for the half year under review are contained in the report to the ASX dated 22 February 2007.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence 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 (C. Newman)

Dated: 22nd day of February 2007

AUDITOR'S INDEPENDENCE DECLARATION**TO THE DIRECTORS OF PRIME FINANCIAL GROUP LTD (FORMERLY AVFM LTD)**

In relation to the half-year independent review for the six months to 31 December 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**

Dated on 22 February 2007
Melbourne

B J BRITTEN
Partner

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Half-year	
	2006	2005
	\$	\$
Revenue		
Revenue from ordinary activities	629,246	193,662
Other income	80,302	68,163
	709,548	261,825
Accounting & Audit expenses	(21,683)	(13,864)
Employee benefits expense	(96,753)	(48,216)
Contractor expense	(84,212)	(36,300)
Depreciation expense	(6,932)	(2,452)
Directors Fees	(69,705)	(47,850)
Legal Fees	(27,186)	(5,390)
Management, Registry Maintenance & Listing Costs	(39,643)	(37,381)
Rent	(18,503)	(9,710)
Other expenses	(29,795)	(11,772)
	(394,412)	(212,935)
Share of profits of associates and joint ventures accounted for using the equity method	1,262,706	1,052,877
Profit before income tax	1,577,842	1,101,767
Income tax expense	(240,007)	(188,703)
Profit for the half-year	1,337,835	913,064
Profit attributable to minority interests	-	-
Profit attributable to the members of the parent	1,337,835	913,064
Basic earnings per share (cents)	1.56	1.22
Diluted earnings per share (cents)	1.40	1.07

The accompanying notes form part of these financial statements

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities
**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	31 Dec 2006	30 June 2006
CURRENT ASSETS	\$	\$
Cash and cash equivalents	2,346,087	3,607,046
Receivables	216,078	302,237
Current tax receivable	46,738	-
Other current assets	10,943	4,212
TOTAL CURRENT ASSETS	2,619,846	3,913,495
NON-CURRENT ASSETS		
Receivables	90,137	52,623
Property, plant and equipment	31,953	17,604
Financial assets at fair value through profit and loss	3,812,469	3,221,746
Investments accounted for using the equity method	15,851,485	12,593,151
Deferred tax assets	80,247	96,335
TOTAL NON-CURRENT ASSETS	19,866,291	15,981,459
TOTAL ASSETS	22,486,137	19,894,954
CURRENT LIABILITIES		
Payables	1,202,102	115,174
Current tax payable	-	338,320
Short-term provisions	8,272	5,119
TOTAL CURRENT LIABILITIES	1,210,374	458,613
NON-CURRENT LIABILITIES		
Payables	1,000,000	-
Deferred tax liabilities	251,809	75,268
TOTAL NON-CURRENT LIABILITIES	1,251,809	75,268
TOTAL LIABILITIES	2,462,183	533,881
NET ASSETS	20,023,954	19,361,073
EQUITY		
Contributed equity	24,167,149	23,985,922
Reserves	1,634,267	1,634,267
Accumulated Losses	(5,777,462)	(6,259,116)
TOTAL EQUITY	20,023,954	19,361,073

The accompanying notes form part of these financial statements

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Half-year	
	2006	2005
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	19,361,073	13,224,342
Profit for the half year	1,337,835	913,064
Total recognised income and expense for the period	20,698,908	14,137,406
Transactions with equity holders in their capacity as equity holders:		
Contributions	200,000	2,631,376
Dividends provided for or paid	(856,183)	(386,442)
Issue of shares for acquisition	-	830,300
Capital raising costs	(4,050)	(17,819)
Deferred tax asset – capital raising costs	(14,721)	-
	(674,954)	3,057,415
TOTAL EQUITY AT THE END OF THE HALF-YEAR	20,023,954	17,194,821

The accompanying notes form part of these financial statements

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Half-year	
	2006	2005
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(308,276)	(255,597)
Dividends received	1,214,840	538,346
Interest received	84,479	71,179
Income tax paid	(447,158)	-
Net cash provided by operating activities	543,885	353,928
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for equity accounted investments	(1,116,154)	(440,000)
Payment for other investments	-	(3,000,000)
Payment for property, plant and equipment	(40,202)	(14,433)
Loans to other entities	3,000	(129,841)
Net cash used in investing activities	(1,153,356)	(3,584,274)
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from share issue	200,000	2,610,930
Dividends paid	(851,488)	(386,442)
Net cash (used in) / provided by financing activities	(651,488)	2,224,488
Net decrease in cash and cash equivalents	(1,260,959)	(1,005,858)
Cash and cash equivalents at beginning of half year	3,607,046	3,810,944
Cash and cash equivalents at end of the half-year	2,346,087	2,805,086

The accompanying notes form part of these financial statements

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2006

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

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 2006 and any public announcements made by Prime Financial Group Ltd (formerly AVFM Ltd) 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 general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The half year 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 of assets as described in the accounting policies.

(b) Summary of the significant accounting policies:

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

(c) 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 Prime Financial Group Ltd (formerly AVFM Ltd) controlled from time to time during the half year.

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.

(d) 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. Distributions 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).

(e) 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.

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2006**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

(f) Property, plant and equipment

All classes of property, plant and equipment are measured 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

(g) 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.

(h) 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 amortization 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.

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2006**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

(i) Taxes

Current income tax expense 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.

(j) 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.

(k) Investments

Associated Entities and Partnerships

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

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2006**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

(l) 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.

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.

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2006

NOTE 2: SUBSEQUENT EVENTS

The shareholders of the Company approved the merger with Prime Development Fund Ltd (formerly Prime Financial Group Ltd) at the Company's Annual General Meeting on the 20th December 2006. The merger took effect on the 2nd January 2007, and on the same day the Company changed its name from AVFM Ltd to Prime Financial Group Ltd.

In connection with the merger and on the date the merger took effect, Mr Simon Madder, Mr Stephen Bennett and Mr Peter Madder joined the board of the Company.

On 2nd January 2007, the company acquired 100% of the share capital of Prime Development Fund Ltd (formerly Prime Financial Group Ltd).

Consideration given to Prime Development Fund Ltd (formerly Prime Financial Group Ltd) was 45,333,333 shares and options in Prime Financial Group Ltd, consisting of:

- 42,009,893 fully paid ordinary shares
- 2,095,560 partly paid ordinary shares (partly paid to \$0.009)
- 1,227,880 options (exercisable at \$0.56)

The cost of the acquisition and the fair value of the assets and liabilities acquired is currently being determined. For further information regarding the acquisition, users of the financial report can refer to the independent Experts Report attached to the Explanatory Notes of the AGM held on 20 December 2006.

NOTE 3: SIGNIFICANT ITEMS

During July 2006, the Company finalised the acquisition of an initial 50.1% of Armytage private Ltd, the consideration was \$3.0m, payable in three equal annual instalments. Mr Simon Madder has been appointed as the Company's representative on the board of Armytage private Ltd.

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

NOTE 4: REVISIONS OF ACCOUNTING ESTIMATES

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

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2006

NOTE 5: ACCUMULATED LOSSES

	Half-year	
	2006	2005
	\$	\$
Total Accumulated Losses at the beginning of the half-year	(6,259,114)	(7,367,595)
Profit for the half-year	1,337,835	913,064
Dividends provided for or paid	<u>(856,183)</u>	<u>(386,442)</u>
Total Accumulated Losses at the end of the half-year	<u>(5,777,462)</u>	<u>(6,840,973)</u>

NOTE 6: DIVIDENDS

	Half-year	
	2006	2005
	\$	\$
Dividends provided for or paid during the half-year:		
Ordinary Shares	<u>856,183</u>	<u>386,442</u>
Proposed dividends not recognised at the end of the half-year	<u>649,902</u>	<u>409,342</u>

NOTE 7: SEGMENT INFORMATION

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

NOTE 8: ISSUANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

During the half year the Company issued a total of 1,000,000 ordinary shares as a result of the exercise of options to acquire shares at 20 cents per share.

NOTES 9: CONTINGENT ASSET

As at 31 December 2006, a contingent asset existed in respect to the performance fee owing to Armytage private Ltd. Prime Financial Group Ltd's (formerly AVFM Ltd) portion equates to \$428,900. The contingent asset may reduce if the level of performance does not continue due to market conditions.

Prime Financial Group Ltd (formerly AVFM Ltd) & Contolled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2006

NOTE 10: 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, CPP. The Company has provided the security deposit on their behalf.

As at the date of this financial report, a contingent liability existed in respect to a security deposit for \$62,000 for the leased premises at Level 16, 90 Collins St Melbourne. The premises are leased by the Company.

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, Prime'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).

Prime Financial Group Ltd (formerly AVFM Ltd)

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 5 to 15 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 2006 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 Prime Financial Group Ltd (formerly 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.



Christopher Newman
Director

Melbourne
Date 22 February 2007



**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF PRIME FINANCIAL GROUP LTD (FORMERLY AVFM LTD)**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prime Financial Group Ltd (formerly AVFM Ltd), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Prime Financial Group Ltd's (formerly AVFM Ltd) financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Financial Group Ltd (formerly AVFM Ltd), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF PRIME FINANCIAL GROUP LTD (FORMERLY AVFM LTD)**

Conclusion

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 Prime Financial Group Ltd (formerly AVFM Ltd) is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Prime Financial Group Ltd's (formerly AVFM Ltd) financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PITCHER PARTNERS

**Dated on 22 February 2007
Melbourne**

**B J BRITTEN
Partner**