



AVFM Limited

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Australian Stock Exchange
Continuous Disclosure Area

- 1) **AVFM Ltd ('AVFM') and Prime Financial Group Ltd ('Prime') to merge.**
- 2) **AVFM Ltd ('AVFM') to acquire 40% of the Lateral Thinking financial planning businesses ('Lateral').**

Merger Summary

- AVFM to offer Prime shareholders one new AVFM share for 0.65 Prime shares, approximately.
- The merger is subject to a number of conditions including execution of merger implementation agreement, shareholder approvals, and completion of mutual due diligence which is in advanced stages.
- Boards have indicated support for the proposal.
- The merged group is to be named Prime Financial Group Ltd.

Acquisition Summary

- AVFM to issue AVFM shares and cash to shareholders of Lateral.
- AVFM will have a 40% ownership interest in the three financial planning businesses owned by Lateral.
- The Lateral businesses have a combined funds under administration and advice of \$1.1b and a client list of approximately 6,000.

AVFM and Prime today announced that the two companies intend to merge. The merger will be implemented by way of a private treaty by AVFM.

The merged entity will be 34% owned by Prime shareholders and 66% owned by existing AVFM shareholders.

Simon Madder will assume the position of CEO of the merged entity supported by AVFM's Campbell Kennedy as CFO and Company Secretary.

Prime CEO Simon Madder said "This merger proposal represents enhanced business scale and increases our financial services offering to include, financial advice, distribution, funds management, corporate advisory, and private equity, all under the one umbrella."

Mr. Paul Huggins Managing Director of Lateral said "the acquisition by the merged entity provides an unprecedented opportunity to expand the Lateral businesses. The services and products available under this three way proposal should provide for some really exciting growth opportunities for Lateral and its partners."

Strategic Benefits

The synergies of the merger and the acquisition:

- Earnings per share positive
- Funds under management, administration and advice will exceed \$3b.
- Revenue growth from our expanded, diversified financial services and advisory group now incorporates 33 businesses Australia wide.
- Highly experienced board with key management across all investee businesses, with proven track record.
- Merged entity to have over 40 licensed advisers nationally.
- Merged group will have a market capitalization of approximately \$150m.

AVFM's board stated that the business opportunities that exist under these complimentary deals will lead to a significant broadening of the services and products available to all our clients. The bringing together of a national advisory group, coupled with funds management capacity, builds on the foundation of a strong diversified financial services and advisory group.

Both the "Prime" and "Lateral" deals have similarities which are in keeping with AVFM's business philosophy.

- Very well established business models
- Experienced and proven management
- Very strong financial position
- Consistent and strong profitability

It is proposed the board going forward will consist of three Prime representatives including Prime co-founder Peter Madder and four from AVFM with Mr. C. Newman to become the Chairman.

Due to the substantial nature of work to be completed regarding these transactions the AVFM AGM has been rescheduled for the 20 December 2006. This extension is intended to provide the parties sufficient time to complete all the conditions prior to AVFM seeking requisite shareholder approvals at its AGM.

Conditions – Timing

The merger is subject to a number of conditions including all relevant legal documentation. Shareholder approval is required by the respective shareholders of AVFM and Prime.

The meeting for AVFM shareholder approval is set for the 20th December 2006.

Key conditions

- Relevant shareholder approvals
- All relevant statutory and ASX requirements being met.
- Independent expert to conclude that the proposals are in the best interest of shareholders.
- Finalization of mutual due diligence.
- No material adverse changes in AVFM, Prime or Lateral.

The company's due diligence in respect of these acquisitions is continuing. A further announcement regarding the transactions including the details of the shares and other consideration to be paid will be included in the notice of AGM.

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