

AVFM LIMITED

ACN 009 487 674

(ASX Code: AVU)

PROSPECTUS

For an issue of up to 41,953,167 ordinary fully paid Shares, 2,095,560 ordinary partly paid Shares and 1,284,606 Options (subject to adjustment for rounding down of any fractional entitlements) as consideration for the acquisition of shares and options of Prime Financial Group Ltd [ACN 084 777 739] ("the Offer").

This document is important and should be read in its entirety.

This Prospectus sets out the terms upon which AVFM offers to issue you shares and/or options in AVFM in exchange for your Prime Financial Group Ltd shares and/or options

This Prospectus is issued pursuant to Section 713 of the Corporations Act.

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay.

No account has been taken of your particular objectives, financial situation or needs. Because of this, you should have regard to your own objectives, financial situation and needs. You should make your own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision to acquire securities of the Company is made.

This Prospectus is dated 12 December 2006. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") the same date. Neither the ASIC nor its officers take any responsibility as to the contents of this Prospectus.

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CORPORATE DIRECTORY

Directors

Mr Peter Kennedy (Chairman)
Mr Nicholas Pike (Non Executive Director)
Mr Christopher Garnaut (Non Executive Director)
Mr Lee laFrate (Non Executive Director)
Mr Christopher Newman (Non Executive Director)
Mr Stuart James (Non Executive Director)

Secretary and Chief Operating Officer

Mr Campbell Kennedy

Registered Office

Level 16
90 Collins Street
Melbourne Victoria 3000
Telephone: (03) 9661 0470
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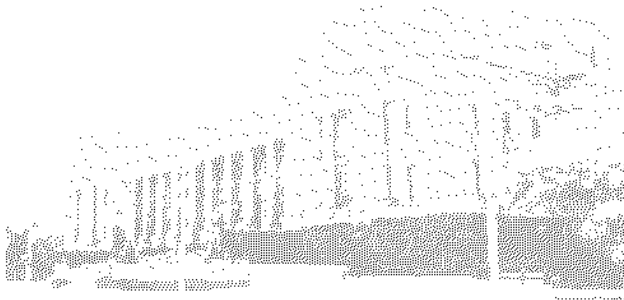
Share Registrar

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001

Details of the Company's Share Registrar is included for information only. The Share Registrar has not been involved in the preparation of, nor authorised the issue of, this Prospectus.

The Directors may, subject to any applicable laws or regulatory requirements, close the Offer at their discretion and subject to fulfilment or waiver of the conditions precedent described in this Prospectus act upon acceptances received after the Offer is closed.

No securities will be issued on the basis of this Prospectus after 11 December 2007, being the expiry date of this Prospectus, or if the conditions precedent described in this Prospectus are not fulfilled or waived.



AVFM Limited

AVFM Limited ("AVFM" or "the Company") seeks to acquire all the issued shares and options of Prime Financial Group Limited [ACN 084 777 739] ("Prime"). AVFM and Prime have entered into a Merger Implementation Agreement pursuant to which AVFM has agreed to offer to acquire Prime shares and options.

As consideration for the acquisition of Prime shares and options AVFM will issue ordinary shares and options to acquire ordinary shares as described in this Prospectus. Details of the number of AVFM shares and/or options offered to each Prime shareholder and/or option holder are set out in the personalised Acceptance Form which accompanies or is attached to this Prospectus. The acquisition of Prime shares and options by AVFM and proposed issue of AVFM shares and options to Prime shareholders and option holders are subject to the separate approvals of the Prime and AVFM shareholders.

AVFM is an Australian publicly listed company. AVFM was re-listed on the Australian Stock Exchange ("ASX") on 7th December 2004, after completion of a reconstruction of its activities in the 2003 and 2004 financial years.

AVFM is a diversified financial services holding company committed to providing returns for its clients and stakeholders. AVFM aims to produce returns for its shareholders by investing in businesses in the financial services sector.

The overall strategy of AVFM is to make investments in established businesses operating in this rapidly growing sector, and to capitalize upon aggregation opportunities as and when they become available.

Since re-listing, AVFM has completed three acquisitions, the most recent of which was a 45% interest in the business of Armytage Private Ltd, a boutique funds manager specialising in customised discretionary portfolio management for wholesale clients.

In addition, AVFM has also invested in a recently formed corporate advisory business, Balnave Corporate Ltd, which provides specialist capital raising and advisory services to the SME market. AVFM now holds a 30% interest in Balnave Corporate Ltd.

AVFM has also announced it has entered into a Heads of Agreement in respect of the acquisition of a 40% interest in the Lateral Thinking financial planning business ("Lateral"). It is anticipated that the acquisition of the interest of the Lateral Group will occur at or about the same time as the proposed acquisition of Prime, however neither acquisition is conditional upon the other.

If you are a Prime shareholder you will have recently received a Notice of General Meeting and accompanying Explanatory Memorandum and an expert's report from Prime for a general meeting to be held on 20 December 2006. The Prime Notice of General Meeting contains information for consideration by Prime shareholders in deciding how to vote on a proposed resolution which is a condition precedent to AVFM acquiring Prime shares and options. Further pre-conditions are set out in Section 1.3 of this Prospectus.

AVFM has also issued a Notice of Annual General Meeting to its shareholders which includes resolutions in respect of the proposed acquisition of Prime. A copy of the Notice of Annual General Meeting and the accompanying Explanatory Statement incorporating an expert's report has been lodged with ASIC and is taken to be included in this Prospectus by operation of section 712 of the *Corporations Act*. The Company will give a copy of that Notice of Annual General Meeting to any person who requests a copy of it during the Offer period of this Prospectus, free of charge.

If AVFM and Prime shareholders approve the acquisition of Prime shares and options by AVFM and AVFM acquires Prime shares and options under the Offer, AVFM will (subject to receipt of the approval by AVFM shareholders and Prime changing its name with the approval of its shareholders) change its name to "Prime Financial Group Limited".

Pursuant to the Merger Implementation Agreement between AVFM and Prime, AVFM has executed a Deed Poll in favour of all Prime shareholders who enter Sale Agreements and deliver them to AVFM or its solicitors by 15 December 2006 (5 business days before the AVFM Annual General Meeting). In the Deed Poll AVFM covenants in favour of those Prime shareholders to perform all of its obligations under the Merger Implementation Agreement including the obligation to issue AVFM Shares or Options (as applicable) in accordance with the Share Sale Agreement as consideration for acquiring Prime shares or options. A copy of the Deed Poll will be provided by AVFM free of charge to any Prime shareholder who requests a copy.

Receiving AVFM shares or options in exchange for Prime shares or options may have tax consequences for a person who accepts the Offer. For this reason, you should ensure that you are fully aware of your tax obligations and the consequences of accepting the Offer, including obtaining independent advice from a qualified advisor if you are not certain of your obligations.

How to accept the Offer

To accept AVFM's offer for your Prime shares and/or options:

1. complete and sign the personalised Acceptance Form;
2. execute the sale agreement ("the Sale Agreement") and transfer form (and, where applicable, the Restriction Agreement) to be provided by Prime in respect of your Prime shares or options;
3. return the completed Acceptance Form, Sale Agreement and transfer form (and, where applicable, the Restriction Agreement), together with your original Prime share or option certificate.

If your original share or option certificate(s) cannot be located, a lost certificate declaration (a statutory declaration confirming the loss or destruction of the certificate(s)) must be completed instead and returned to AVFM. The declaration needs to be signed in the presence of a person eligible to witness a statutory declaration.

On behalf of the AVFM Board, I look forward to welcoming you as a shareholder or option holder of AVFM.

Yours faithfully



Lee laFrate
Director

1. The Issue

1.1 Offer of AVFM Shares and AVFM Options

This Prospectus has been issued by AVFM Ltd [ACN 009 487 674] ("AVFM") for an offer of up to:

- 41,953,167 (forty one million nine hundred and fifty three thousand and one hundred and sixty seven) ordinary fully paid shares in the capital of AVFM at a deemed issue price of ninety cents (\$0.90) each ("AVFM Fully Paid Shares");
- 2,095,560 (two million and ninety five thousand five hundred and sixty) ordinary partly paid shares in the capital of AVFM (paid to nine-tenths of one cent (\$0.009) with the balance of eighty-nine and one-tenth cents (\$0.891) to pay) at a deemed issue price of nine-tenths of one cent (\$0.009) each ("AVFM Partly Paid Shares"); and
- 1,284,606 (one million two hundred and eighty four thousand six hundred and six) options (each to acquire one fully paid ordinary share in the capital the Company having an exercise price of fifty-six cents (\$0.56), a 12 month exercise period from 1 July 2008, and an expiry date of 30 June 2009) ("AVFM Options").

The offer of AVFM Fully Paid Shares, the AVFM Partly Paid Shares (collectively "AVFM Shares") and the AVFM Options (collectively "AVFM Securities") under this Prospectus is only capable of acceptance by holders of shares or options of Prime.

No funds will be raised under this Prospectus, as the consideration for the issue of the AVFM Securities will be the transfer of Prime shares and options.

1.2 Number AVFM Shares and AVFM Options offered for Prime Shares and Options

The number of AVFM Fully Paid Shares and/or AVFM Partly Paid Shares offered for each holding of fully paid Prime shares and/or partly paid Prime Shares, and/or AVFM Options offered for Prime options (as the case may be) is set out in the personalised Acceptance Form which accompanies or is attached to this Prospectus.

The following table sets out the ratio of AVFM Shares or AVFM Options offered for Prime shares or options, which is the basis upon which the number of AVFM Shares and AVFM Options in the personalised Acceptance Forms have been calculated.

For each fully paid Prime share	1.529293069 AVFM Fully Paid Shares
For each partly paid Prime share	1.211832147 AVFM Fully Paid Shares and 0.317460991 AVFM Partly Paid Shares
For each Prime option having an exercise price of eighty-six cents (\$0.86), a 12 month exercise period from 1 July 2008, and an expiry date of 30 June 2009	1.529293069 AVFM Options having an exercise price of fifty-six cents (\$0.56), a 12 month exercise period from 1 July 2008, and an expiry date of 30 June 2009

Note: Fractional entitlements will be rounded down.

1.3 Conditions to Issuing AVFM Shares and AVFM Options

The Offer, and the issue of AVFM Shares and AVFM Options in response to acceptances, are conditional upon the fulfilment or waiver of conditions including the following ("the Conditions Precedent") before 22 December 2006 or such later date as may be agreed between Prime and AVFM or as may be specified below:

- the holders of at least 90% of all Prime Shares accepting the Offer for all their Prime shares and/or options and entering corresponding Sale Agreements. (Note, partial acceptances will not be effective and will not result in AVFM Securities being issued),

- approval being given by shareholders of both Prime and AVFM, at separate general meetings, in respect of the acquisition of Prime shares by AVFM as provided for under the Offer,
- neither Prime or AVFM having, before the completion of the acquisition of Prime shares by AVFM, received notice of objection to the Merger from any regulatory authorities,
- Prime and AVFM having obtained all necessary third party consents,
- each of Prime and AVFM having satisfactorily completed their respective due diligence of the other; as provided for in the Merger Implementation Agreement between AVFM and Prime and
- the various warranties given by each to the other remain true and correct at the Effective Date,
- Prime is satisfied that AVFM has sufficient cash and/or facilities in place with financiers to enable Prime to complete certain business purchases by Prime in accordance with their agreed purchase arrangements without recourse to funds of Prime, and
- Simon Madder is employed as the Chief Executive Officer by AVFM and Peter Madder is employed by Prime with effect from the acquisition of Prime shares by AVFM.

If the above Conditions Precedent are not fulfilled or waived, any Acceptance Forms received will be of no effect, no AVFM Securities will be issued under this Prospectus, and the proposed acquisition of the Prime shares and options will not proceed. AVFM reserves the right to acquire Prime shares or options on a case by case basis from willing vendors, subject always to compliance with all applicable laws and regulatory requirements, if the Offer does not proceed. Conditions Precedent may only be waived by whichever of AVFM or Prime has the benefit of the Condition Precedent, however the requirements that holders of at least 90% of all Prime Shares accepting the Offer for all their Prime shares and/or options and entering corresponding Sale Agreements, or that shareholders of AVFM and Prime give the requisite approvals in respect of the acquisition of Prime shares by AVFM as provided for under the Offer are conditions of the Offer which cannot be waived. Therefore no AVFM shares or options will be issued under this Prospectus (or Prime shares or options required to be transferred to AVFM) if those conditions are not fulfilled.

2. Purpose Of The Issue

The purpose of the Offer is to seek to acquire all the issued shares and options of Prime.

If offers for all Prime shares are accepted, upon settlement of the relevant Sale Agreements, Prime will become a 100% owned and controlled subsidiary of AVFM. If acceptances for fewer than all Prime Shares are received, but the Conditions Precedent are nonetheless met, Prime will remain partly owned by persons and entities other than AVFM, although AVFM would hold the controlling interest in Prime.

If Prime does not, upon settlement of the Sale Agreements, hold all the issued shares and options of Prime, AVFM will review its obligations or entitlement to proceed with compulsory acquisition of any outstanding Prime shares or options under the relevant provisions of the Corporations Act.

3. Prime Shares and Options

AVFM's Offer under this Prospectus relates to:

- all the issued fully paid ordinary shares of Prime (up to 22,202,326 shares);
- all the issued partly paid ordinary shares of Prime (each partly paid to \$0.0029 (0.29 cents) with \$0.2829 (28.29 cents) to pay) (up to 6,601,000 shares); and
- all the issued Prime options (each to acquire one fully paid ordinary Prime share, an exercise price of eighty-six cents (\$0.86) a 12 month exercise period from 1 July 2008, and an expiry date of 30 June 2009) (up to 840,000 options).

Note: The above includes shares and/or options which Prime, with the consent of AVFM, may issue to complete certain acquisitions details of which it has previously made available to its shareholders.

Prime's shares and options are unlisted, making them relatively illiquid. There is no ready market for Prime shares and options that can be referred to for the purposes of assessing their value. Similarly, there is no history of significant numbers of arms length trades of Prime shares and/or options that can readily be used for determining value. As a result, for the purposes of the Corporations Act, only a fair estimate of the value Prime shares and/or options which AVFM is offering to acquire can be included in this Prospectus.

The number of AVFM Securities offered as consideration for the Prime shares and/or options was agreed after substantial negotiations between AVFM and Prime over a period of time. Those negotiations took account of the price of fully paid ordinary AVFM shares traded on ASX leading up to and during the negotiations. The quantity of AVFM Securities ultimately offered for Prime shares and options reflects the outcome of those negotiations and hence an imputed value for the acquisition of Prime shares and options. However it should be noted that the price an individual holder of Prime shares or options may be able to obtain for the sale of part or all of their holding may differ from that resulting from the negotiations between AVFM and Prime.

For information about the deemed issue prices of the AVFM Securities offered under this Prospectus, refer to Section 1 of this Prospectus.

The price of fully paid listed AVFM ordinary shares traded on ASX between 1 January 2006 and the commencement of trading halt which was in place when AVFM announced the proposed acquisition of Prime and the 40% interest in Lateral varied between a low of \$0.355 in March 2006 and a high of \$1.25 on the last day of that period, 20 October 2006. On the basis of the twenty day volume weighted average market (closing) price ("VWAP") of AVFM's fully paid ordinary shares on ASX for the five days on which sales were recorded up to and including 20 October 2006, being \$1.02 per AVFM Share, the following are inferred from the outcome of the negotiations between AVFM and Prime as representative of a fair estimate of the value of Prime shares and options.

	Approximate value
Fully paid Prime shares	\$1.56
Partly paid Prime shares	\$1.2779*
Prime options	\$0.70*

** Calculated by deducting the unpaid amount per Prime partly paid share or exercise price per Prime option from the approximate value indicated above for fully paid Prime shares.*

The closing price of AVFM fully paid ordinary shares on ASX on 11 December 2006 (the trading day before the lodgement of this Prospectus with ASIC) was \$1.23. The trading price of AVFM's shares may rise or fall according to a wide range of factors and no guarantee is provided that in the future AVFM's shares will trade at a particular price or at all.

DMR Corporate Pty Ltd, in the expert's report which accompanied AVFM's Notice of Annual General Meeting, concluded that valuing Prime on a net assets basis resulted in a value of \$6,266,000 and on a capitalisation of earnings basis resulted in a value of \$45 million to \$47.9 million. The expert's report, which can be obtained by requesting a copy of AVFM's Notice of Annual General Meeting, considers the capitalisation of earnings basis was the appropriate method of assessing the value of Prime. The report contains detail regarding the assumptions underlying, and methods used to arrive at, those valuations of Prime, particularly in section 10 of that report. On the capitalisation of earnings basis, each Prime fully paid share would be valued at between approximately \$2.02 and \$2.15. On the net assets basis, the value (ie net asset backing per share) would be approximately \$0.28. Partly paid shares and options would have a lesser value as the requirement to pay the unpaid balance or the exercise price would need to be taken into account.

Prime shareholders and option holders should also have regard to the assessment of the respective values of AVFM and Prime in the expert's report which accompanied Prime's Notice of the General Meeting.

It should be noted that the issue of AVFM shares and /or in return for Prime shares and options under this Prospectus is subject to fulfilment or waiver of the Conditions Precedent which include Prime shareholders in general meeting approving a resolution which would permit AVFM to acquire Prime shares.

4. Continuous Disclosure Obligations

This Prospectus is issued by AVFM in accordance with the provisions of the Corporations Act 2001 ("the Act") applicable to a prospectus for continuously quoted securities.

Section 713 of the Act enables a company to issue special prospectus where the securities or options offered to acquire securities under that prospectus are continuously quoted securities within the meaning of the Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 12 months before the date of this Prospectus and, as

such, the issuing company was subject to the continuous disclosure regime provided for under the Act and the Listing Rules of ASX.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company, and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquiries as are reasonable, AVFM believes that it has complied with the general and specific requirements of ASX Limited and the prescribed financial market operated by ASX Limited or its subsidiary as applicable from time to time throughout the 12 months before the date of this Prospectus which required AVFM to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the prescribed financial market conducted by ASX.

AVFM, as a disclosing entity under the Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to AVFM may be obtained from, or inspected at, the offices of ASIC; and
- (c) any person may request, and AVFM will provide free of charge, a copy of each of the following documents during the application period of this Prospectus:
 - o the financial statements of AVFM for the financial year ended 30 June 2006, being the most recent annual financial report of the Company lodged with ASIC before the lodgement of this Prospectus with ASIC; and
 - o any continuous disclosure notices given by AVFM since the lodgement of the annual financial report referred to in (a) above, and before lodgement of this Prospectus. Continuous disclosure notices given by AVFM since the lodgement of the most recent annual financial report to the date of this Prospectus are listed in Section 10 of this Prospectus.

The AVFM Shares offered for subscription pursuant to this Prospectus are in class of securities that have been continuously quoted on the ASX (being the prescribed financial market operated by ASX Limited or its subsidiary for a period in excess of 12 months. ASX Limited and its subsidiaries take no responsibility for the contents of this Prospectus.

AVFM is a disclosing entity and may be required to release information to the market during the offer period of this Prospectus. Announcements by AVFM which may provide updates about various matters will be available on the ASX's website at www.asx.com.au and can also be obtained from AVFM's website, www.avfm.com.au.

5. Effect of the Offer on AVFM

5.1 Pro-forma Balance Sheet

The effect of the Offer on AVFM is described in the unaudited pro-forma balance sheet set out below. The Offer will also alter the capital structure of AVFM (as described in Section 5.2 below).

The pro-forma balance sheet assumes AVFM acquires 100% of the shares of Prime. If AVFM acquires 100% of the shares of Prime, AVFM will gain full control of Prime. If only the minimum acceptance of 90% of the issued shares of Prime (on a fully diluted basis as if all Prime Options had been issued) is achieved, AVFM will control Prime.

PRO FORMA CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006 (unaudited)

\$

CURRENT ASSETS

Cash and cash equivalents	
Receivables	1,388,977
Other current assets	161,933
TOTAL CURRENT ASSETS	<u>1,550,910</u>

NON-CURRENT ASSETS

Receivables	52,623
Property, plant and equipment	114,667
Financial assets at fair value through profit and loss	3,221,746
Investments accounted for using the equity method	36,795,954
Goodwill	27,906,217
Deferred tax asset	96,335
TOTAL NON-CURRENT ASSETS	<u>68,187,542</u>

TOTAL ASSETS	<u><u>69,738,452</u></u>
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CURRENT LIABILITIES

Bank overdraft	60,792
Payables	813,093
Current tax payable	221,225
Short-term provisions	96,854
TOTAL CURRENT LIABILITIES	<u>1,191,964</u>

NON-CURRENT LIABILITIES

Bank loan	5,300,000
Deferred tax liabilities	75,268
TOTAL NON-CURRENT LIABILITIES	<u>5,375,268</u>

TOTAL LIABILITIES	<u><u>6,567,232</u></u>
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NET ASSETS	<u><u>63,171,220</u></u>
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EQUITY

Contributed equity	67,185,922
Reserves	1,634,267
Accumulated losses	(5,648,969)
TOTAL EQUITY	<u><u>63,171,220</u></u>

Funding anticipated to be required for the completion of proposed acquisitions by Prime after the acquisition of Prime by AVFM, to satisfy the applicable Condition Precedent, has been included in the non-current

liabilities above. Those funds will not be applied to acquiring shares or options of Prime and do not form part of the consideration for the acquisition of Prime by AVFM.

The above pro-forma balance sheet includes the anticipated effect of the proposed acquisition of a 40% interest in the Lateral Group announced by the Company but assumes there will be no shares issued pursuant to an exercise of any options prior to 31 December 2006. The acquisition of the interest in the Lateral Group is not a condition of, or conditional upon, the acquisition of Prime.

5.2 Capital Structure

The issued shares of AVFM and contributed capital are set out in the table below. The table also takes into account AVFM Shares proposed to be issued in connection with the proposed acquisition of Prime shares and options if the Offer is fully accepted.

Number		<u>Ordinary Shares</u>	\$
85,618,333	Existing fully paid ordinary AVFM Shares		24,365,023
41,953,167	AVFM Fully Paid Shares offered as consideration for Prime shares ⁽¹⁾⁽²⁾		37,757,850
127,571,500	Total AVFM Fully Paid Shares ⁽¹⁾⁽²⁾		62,122,873
2,095,560	AVFM Partly Paid Shares offered as consideration for partly paid Prime shares ⁽¹⁾⁽²⁾		18,860
129,667,060	Total⁽³⁾		62,141,733

Number		<u>Options</u>
219,407	Exercise price 20 cents, expiring 30 June 2007	
10,000,000	Exercise price 20 cents, expiring 31 December 2009	
10,219,407	Total existing AVFM options	
1,284,606	AVFM Options offered as consideration for Prime options ⁽¹⁾⁽²⁾	
11,504,013	Total⁽⁴⁾	

Notes:

1. The table assumes all offers for Prime shares and options are accepted. If only the minimum level of acceptance by holders of 90% of the issued shares of Prime (calculated on a fully diluted basis as if all Prime options had been exercised), 40.8 million AVFM Shares will be issued and the total number of AVFM Fully Paid Shares on issue will be 126,418,333 (\$61,085,023). There is no minimum issue of AVFM options.
2. The above includes AVFM Shares or Options shares which may be issued to acquire shares or options that Prime, with the consent of AVFM, may issue to complete certain acquisitions the details of which it has previously made available to its shareholders. The above therefore represents the maximum number of AVFM Shares and Options which may be issued under this Prospectus.
3. If the proposed acquisition of a 40% interest in the Lateral Group as announced by the Company proceeds, the Company will issue an additional 3,005,639 fully paid ordinary shares.
4. The table does not include any options (up to 5% of the then current number of issued shares of AVFM) which may be issued under the employee incentive plan which is proposed for approval at the 2006 Annual General Meeting, or any shares which would be issued in exercise of those options.

6. Rights And Obligations Attaching to the AVFM Securities

6.1 AVFM Shares

The rights attaching to the AVFM Shares are set out in AVFM's constitution ("the Constitution"). The Constitution contains provisions common for listed public companies in Australia. The Constitution has been lodged with ASIC and is taken to be included in this Prospectus by operation of section

712 of the *Corporations Act*. The Company will give a copy of the Constitution to any person who requests a copy of it during the Offer period of this Prospectus, free of charge.

The AVFM Fully Paid Shares offered under this Prospectus are of the same class as and rank equally with the existing issued ordinary shares of the Company.

AVFM Partly Paid Shares will be paid to nine-tenths of one cent (\$0.009) with the balance of eighty-nine and one-tenth cents (\$0.891) to pay. The following terms will apply to the AVFM Partly Paid Shares:

- (i) any unpaid amount to be called by AVFM and due for payment 36 months after AVFM issues shares to acquire at least 90% of the issued shares of Prime (calculated on a fully diluted basis as if all Prime options had been exercised);
- (ii) any or all of the AVFM Partly Paid Shares may be paid in full or in part at the election of the holder at any earlier time; and
- (iii) AVFM Partly Paid Shares will confer fractional voting rights and dividend entitlements in accordance with and subject to the Listing Rules of ASX.

6.2 **AVFM Options**

Each AVFM Option entitles the option holder to, upon the exercise of the option, receive one fully paid ordinary AVFM share, on the following terms:

- (i) Vesting: All options vest immediately on grant and are not subject to any performance or other hurdle except as detailed in these terms.
- (ii) Exercise Period: Each option must be exercised within 12 months from 30 June 2008. If the option is not exercised during that period it will automatically lapse.
- (iii) Manner of Exercise: Each option may be exercised by written notice delivered to the Company at the registered office of the Company specifying the number of options being exercised. Each option is convertible into one ordinary share in the Company subject to these terms. The notice must be accompanied by an amount of money equal to the exercise price for the number of shares specified in the notice and be accompanied by the option certificate.
- (iv) Issue of shares: Within 14 days after receipt of the exercise notice and the payment of the exercise price, the Company must allot the number of shares specified in the exercise notice, cancel the option certificate relating to the options exercised and, if applicable, issue a new option certificate for the balance.
- (v) Exercise Price: The consideration per share, payable by the option holder for the issue of shares which are the subject of the options, is fifty-six cents (\$0.56) per share.
- (vi) Forfeiture Conditions: All unexercised options will lapse upon the liquidation of the Company. In addition if the option holder ceases to be employed by the Company (or an associate [as defined in the *Corporations Act 2001*] of the Company) for any reason, all unexercised options will immediately lapse, will not be capable of being exercised and will be deemed immediately cancelled by the Company.
- (vii) Other Terms: Otherwise on the terms and conditions of the Company's Employee Share Option Plan.
- (viii) Reconstructions: If prior to the exercise of an option, there is a re-organisation of the Company (including consolidation, subdivision, reduction, return or cancellation of the issued capital of the Company), then the exercise price or the number of outstanding options (or both) must be adjusted by the Company's board of directors in accordance with the Listing Rules applying at the time of the reconstruction to the extent necessary so as not to materially prejudice the option holder as between him and the holders of ordinary shares in the capital of the Company.

- (ix) Disposal Restrictions: The options may not be sold or transferred.
- (x) New Issues: An option does not confer the right to participate in new issues of capital offered to holders of ordinary shares of the Company without exercising the option.
- (xi) On exercise: The shares issuing upon the exercise of an option will rank equally in all respects with all other issued fully paid ordinary shares of the Company from the date of the issue of those shares.
- (xii) Application of ASX Listing Rules: The options and any shares issued on exercise of these options are subject always to the provisions of the Company's Constitution and where the Company had been admitted to the official list of the ASX, the ASX Listing Rules (as amended) and to the extent of any inconsistency between these terms, the Company's Constitution and the ASX Listing Rules, the ASX Listing Rules prevail.

7. Dividends

The AVFM Fully Paid Shares to be issued pursuant to this Prospectus will rank *pari passu*, in all respects, with the AVFM's existing fully paid ordinary shares on issue.

AVFM Partly Paid Shares will confer fractional dividend entitlements in accordance with and subject to the Listing Rules of ASX.

8. Acceptance Instructions

To accept AVFM's offer for your Prime shares or options:

1. complete and sign the personalised Acceptance Form which accompanies or is attached to this Prospectus;
2. execute the sale agreement and transfer from (and, where applicable, the Restriction Agreement) which will be provided by Prime in respect of your Prime shares or options ("the Sale Agreement"); and
3. return the completed Acceptance Form, Sale Agreement and transfer form (and, where applicable, the Restriction Agreement), together with your original Prime share or option certificate.

If your original share or option certificate(s) cannot be located, a lost certificate declaration (a statutory declaration confirming the loss or destruction of the certificate(s)) must be completed instead and returned to AVFM. The declaration needs to be signed in the presence of a person eligible to witness a statutory declaration.

All acceptances must be made on the personalised Acceptance Form accompanying or attached to this Prospectus, or in such other form as AVFM may at its discretion accept. Copies may only be used if they are a complete and unaltered copy of the personalised Acceptance Form. Any Prime shareholder or option holder who requires a further copy of the personalised Acceptance Form may request one by contacting Mr Campbell Kennedy of AVFM.

If details in the personalised Acceptance Form have changed or are incorrect, or if any of the shares or options referred to on the personalised Acceptance Form have been transferred in whole or in part to another person, please contact Mr Campbell Kennedy of AVFM with the updated details so that, subject to Prime confirming the change of details or transfer, arrangements can be made for a replacement form to be issued.

The instructions for completing and returning the Acceptance Form are as set out in this Prospectus and the form.

As the Offer will not raise any funds, no payment is required to accompany the Acceptance Form.

Once lodged, unless otherwise provided for in this Prospectus or by law, an Acceptance Form cannot be withdrawn without the consent of AVFM

No offer is made to persons resident in countries outside Australia. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

9. Allotments

The Directors will allot and issue AVFM Securities on settlement of the Sale Agreements which, subject to satisfaction of the Conditions Precedent, is anticipated to take effect for each respective Prime shareholder or option holder on the later of 1 January 2007 or following receipt of their Acceptance Form, Sale Agreement, transfer form and original certificate(s) (or lost certificate declaration).

Application will be made to ASX Limited within seven days after the date of issue of this Prospectus for quotation of the AVFM Fully Paid Shares offered under this Prospectus. ASX Limited and its subsidiaries and their respective officers take no responsibility for the contents of this Prospectus. The fact that ASX Limited may admit the securities of the Company to Official Quotation is not to be taken in any way as an indication of the merits of the Company or the Shares offered under this Prospectus. If AVFM Fully Paid Shares offered under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, AVFM will not allot or issue any AVFM Securities and will not acquire the Prime shares and options the subject of returned Acceptance Forms or (subject to any necessary ASIC or ASX waivers and consents being obtained) issue a supplementary or replacement prospectus and allow Prime shareholders and option holders one month to withdraw their Acceptance. It is the responsibility of persons accepting the Offer to determine that their acceptance has been received and processed and the AVFM Shares issued before trading in AVFM Shares. Persons trading AVFM Shares before receiving their statement of shareholding will do so at their own risk.

The AVFM Partly Paid Shares and AVFM Options offered under this Prospectus will not be quoted, and AVFM Options are not capable of being transferred, however AVFM will apply for quotation of:

- the shares which are currently partly paid shares within seven (7) business days of those shares becoming fully paid shares (i.e. upon the payment of the unpaid balance); and
- the shares which are to be issued upon exercise of the AVFM Options.

The Directors reserve the right not to issue any AVFM Securities under this Prospectus (in which case no Prime shares or options shall be transferred). This Offer may be withdrawn by AVFM by sending a withdrawal document to each holder of Prime shares or options at their address shown on the personalised Acceptance Form or any other address notified to AVFM.

If the Offer is accepted by a person to whom an issue of AVFM Securities would necessitate obtaining shareholder approval under the ASX Listing Rules or the Corporations Act, the proposed issue of AVFM Securities to that person will be postponed and not proceed unless and until shareholder approval has been obtained or a waiver of requirement has been obtained. In such a case, shareholder approval or waiver of the requirement will be deemed to be a condition of the offer of AVFM Securities to that person, and of any acceptance by the person.

10. ASX Announcements

The following announcements (continuous disclosure notices) have been made by AVFM to ASX since 30 August 2006, being the date of lodgement of AVFM's 2006 Annual Report incorporating AVFM's Annual Financial Statements for the year ended 30 June 2006:

Date	Headline
24/11/2006	Release of Securities from Escrow
20/11/2006	Notice of Annual General Meeting
09/11/2006	Final Director's Interest Notice
09/11/2006	Director Resignation
25/10/2006	Appointment of Director
24/10/2006	Merger and Acquisition
23/10/2006	Trading Halt
20/10/2006	Commitments Test Entity – First Quarter Report
22/09/2006	Change of Director's Interest Notice

Date	Headline
19/09/2006	Change of Director's Interest Notice
11/09/2006	Change of Director's Interest Notice
04/09/2006	Change of Registered Office Address
30/08/2006	Report to Shareholders – Full Year Results

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

11. Directors' Interests

As at the date of this Prospectus, the direct and indirect interests of Directors of AVFM in shares and options of AVFM are as follows:

<u>Director</u>	<u>AVFM</u>	
	<u>Shares</u>	<u>Options</u>
Mr Peter Kennedy	1,132,916	3,333,333
Mr Nicholas Pike	1,665,490	-
Mr Christopher Garnaut	8,333,333	-
Mr Lee laFrate	1,231,667	3,333,333
Mr Christopher Newman	443,000	-
Mr Stuart James	3,900,000	-

None of the above Directors hold Prime shares or options and none of the above Directors are entitled to accept the Offer made under this Prospectus.

Directors of AVFM are entitled to receive directors' fees and other remuneration (which may include consulting fees) from AVFM in relation to services provided to the Company. In the past two years, the following remuneration and other amounts have been paid to the Directors as:

<u>Director:</u>	<u>\$</u>
Mr Peter Kennedy	20,900
Mr Nicholas Pike	19,800
Mr Christopher Garnaut	16,500
Mr Lee laFrate	18,700
Mr Christopher Newman	Nil
Mr Stuart James	1,913

12. Interests of Non-Directors

AVFM has paid or agreed to pay DMR Corporate Pty Ltd the sum of \$40,000 (plus GST and disbursements) for the preparation of its expert's report included in the AVFM Notice of Annual General Meeting.

13. Tax

Receiving AVFM Shares or AVFM Options in exchange for Prime shares or options may have tax consequences for a person who accepts the Offer. For this reason, you should ensure that you are fully aware of your tax obligations and the consequences of accepting the Offer, including obtaining independent advice from a qualified advisor if you are not certain of your obligations.

14. Costs of the Offer

The estimated costs of AVFM associated with the Offer (legal, printing, postage and dispatch costs) are approximately \$20,000.

15. Consents

Prime Financial Group Ltd has consented to the inclusion of references to its Notice of General Meeting for the meeting of Prime shareholders proposed to be held on 20 December 2006 and to the Explanatory Memorandum which accompanied and formed part of its Notice of General Meeting.

DMR Corporate Pty Ltd has consented to being named in this Prospectus as the author of the expert's report dated 9 November 2006 which was included in the Explanatory Statement which accompanied and formed part of AVFM's Notice of Annual General Meeting for 2006, which is taken to be incorporated in this Prospectus, and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC, and to the inclusion of that report in this Prospectus (by the incorporation of the Notice of Annual General Meeting), and to the inclusion in this Prospectus of the references to or statements based upon that report.

Computershare Investor Services Pty Limited has consented to being named in this Prospectus in its capacity as AVFM's share registrar and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC.

16. Privacy

Personal information is collected on the Acceptance Form(s) by Computershare Investor Services Pty Ltd, as registrar for AVFM, for maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your Acceptance Form might not be processed efficiently, or at all, if the information requested is not provided. Your personal information may be disclosed to external service providers such as print or mail service providers as required or permitted by law. If you would like details of your personal information held by our registrar, or you would like to correct information that is incorrect or out of date, please contact Computershare Investor Services Pty Ltd. In accordance with the Corporations Act, you may be sent material (including marketing material) in addition to general corporate communications. You may elect not to receive marketing material by contacting Computershare Investor Services Pty Ltd using the details provided on the front of the Acceptance Form or at website www.computershare.com.au. You can also request access to or corrections of your personal information held by AVFM by writing to AVFM.

17. Directors' Authorisation

The Directors of the Company have authorised the lodgement of this Prospectus with the Australian Securities and Investments Commission.



Lee laFrate
Director

AVFM LIMITED
[ACN 009 487 674]
ACCEPTANCE FORM
[EXAMPLE]

To: [name and address]

This Acceptance is subject to and must be read in conjunction with the prospectus issued by AVFM Limited ("AVFM" or "the Company") dated 12 December 2006 and lodged with the Australian Securities & Investments Commission on that date ("the Prospectus"). Words and phrases having a specific meaning in the Prospectus have the same meaning in this Acceptance Form.

Holding in Prime Financial Group Ltd ("Prime") (to be transferred to AVFM Ltd)		AVFM Ltd [Shares] [Options] Offered under the Prospectus (to be issued by AVFM)	
Number	Type	Number	Type
[]	[Fully Paid Prime Ordinary Shares] [Partly Paid Prime Ordinary Shares] [Prime Options]	[]	[AVFM Fully Paid Shares] [AVFM Partly Paid Shares] [AVFM Options]

ACCEPTANCE

I/We, being the registered holder of the Prime shares and/or options specified above, accept the Offer. I/We hereby make application for the AVFM shares or options specified above and agree to transfer to AVFM **all** of shares and/or options in Prime Financial Group Ltd held in my/our name(s) (as detailed above). I/We confirm that upon issue of shares and/or options to me by AVFM (as applicable) pursuant to the Offer, AVFM shall be entitled to be registered as the holder of my Prime shares and/or options.

Signed _____

If you intend to apply for the AVFM Shares or AVFM Options offered on and subject to the provisions contained in the Prospectus and as set out in this Acceptance Form, please send the following documents to the address set out below:

- (a) this Acceptance Form;
- (b) the Sale Agreement and transfer form (and, where applicable, the Restriction Agreement) to be provided by Prime, signed by you; and,
- (c) **either** the original share or option certificate(s) that were provided to you by Prime in relation your Prime shares or options **or** if you are unable to locate your original share or option certificate(s), a lost certificate declaration which must be signed in the presence of a person eligible to witness a statutory declaration.

Send To: AVFM Ltd
c/ Oakley Thompson & Co Pty Ltd
Attn: AVFM Prospectus Offer
Level 19, 500 Collins Street
Melbourne Vic 3000

If the above are received before 5.00 pm (Melbourne time) on 19 December 2006 and all Conditions Precedent are fulfilled or waived (as the case may be), it is anticipated AVFM Shares and Options will be issued with effect on 1 January 2007.

Acceptance Forms and the above documents received after that time but before expiry of the Prospectus will be processed later following receipt, subject to the Conditions Precedent having been fulfilled or waived (as the case may be).

No payment is required to accept the Offer. Do not enclose cash or cheques.