



# AVFM Limited

**Level 16, 90 Collins Street  
Melbourne VIC 3000  
Ph: (03) 9661 0470  
Fax: (03) 9639 0311  
ACN 009 487 674**

**20<sup>th</sup> December 2006**

## **CHAIRMAN'S ADDRESS DECEMBER 2006 AGM**

Firstly I wish to thank shareholders for their attendance today.

Approximately two years ago the company listed its securities on the ASX after completing a capital raising of \$6 million. Shareholders were advised that the company was to develop itself, into a diversified financial services company. At the conclusion of this AGM and after the approval of today's resolutions, the board is pleased that the company has significantly achieved its business objectives.

The company recently announced to the ASX, that the company intended to merge with the Prime Financial Group Ltd ("Prime"). The merger is subject to shareholder approval today, but as stated previously the AVFM board supports the proposed merger and believes it will provide synergies to enable the company to further grow.

Currently executed Share Sale Agreements in respect of 94.7% of Prime shares have been received. The company can also announce that the Prime shareholders have voted in favour of the transaction at the Prime general meeting. Therefore, the merger with Prime will proceed if AVFM shareholders vote in favour of the transaction today.

The company also announced at the same time as the potential Prime merger that it intended to acquire a 40% stake in the three financial planning businesses owned by Lateral.

Once settlement has concluded during January 2007 regarding the merger with Prime and acquisition of Lateral our company will have a market capitalisation nearing \$175 million.

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.

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

### **Update of Company’s Affairs**

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

During the 2006 calendar year the company was active in constructing its financial services model. AVFM increased its stake in Carroll, Pike & Piercy to 49%. During July 2006, AVFM established its funds management capacity with the purchase of a 45% stake in Armytage Private. Further expansion was made in this field with Armytage Private acquiring a 51% stake in the private equity funds manager “Ceres Asset Management”.

The success of the current model coupled with the work of the board has seen the share price increase from \$0.38 this time last year to its current levels of approx. \$1.30.

The company and its controlled entities made a full year net profit after tax of \$1,904,265, which compares to a full year result of \$568,728 in the preceding financial year. As a result the board resolved to declare a final fully franked dividend of 1.0 cent 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 Company has made a strong start to the current financial year, with all investments of the Company trading at or above budget for the first five months. Subject to shareholder vote and upon the merger coming into effect in the second half of the 2007 financial year, the Company is anticipating a significant lift to earnings. The board is anticipating that the merged entity will deliver a net profit after tax of at least 80% greater than AVFM's 2006 net profit after tax. The merged entity will be in a strong financial and profitable position, to further develop and deliver significant returns for all our shareholders.

From an operational perspective, all of the Company's investments are currently performing well and should make an increased contribution on a full year basis.

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.

Similarly, our initial investment in the recently formed corporate advisory business of Balnave Corporate Ltd ("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 "Armytage Strategic Opportunities Fund", in which the Company was a cornerstone investor, is tracking well in terms of its year to date performance, and is showing some impressive (unrealised) gains on several of its portfolio investments.

Recently acquired "Armytage private Limited", in which the Company holds a 45% stake has shown strong performance for the first five months of the 2007 financial year. The board believe that the move into funds management considerably enhances the Company's business model, and provides scope to capitalize upon the group's distribution and corporate advisory capacity.

The Company is on track to produce a robust first half result. We are expecting the half year result to come in higher than the corresponding 2006 half year result.

As previously advised, the Company's 2006 results in effect was our first full twelve months of full operations (post listing), however, did not include any contribution from Armytage private Ltd or Armytages' 51% owned Private Equity subsidiary Ceres Asset Management Pty Ltd.

Finally, I would like to thank the AVFM board for their work during the year and especially Andrew Darbyshire and Chris Garnaut for their efforts and contribution. If the AVFM shareholders vote in favour of the merger today, we will see a new Prime board put in place in early January 2007 and I wish the new board all the best going forward.

The merged entity will be well positioned to become one of Australia's leading diversified financial services company. The national presence provides the platform for a fully integrated company, being able to provide services and products for our many clients.

Peter Kennedy  
Chairman