



**AUTODOM**

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15 November 2010

Company Announcements Platform  
Australian Securities Exchange

### **Renounceable Offer – Dispatch of Prospectus**

Autodom Limited advises that the Entitlement Issue Prospectus is being distributed to eligible shareholders today in accordance with the timetable set out below.

A copy of the prospectus is attached to this announcement.

#### **TIMETABLE AND IMPORTANT DATES\***

Lodgment of Prospectus and Appendix 3B with ASIC	3 November 2010
Notice sent to Shareholders	4 November 2010
Ex Date	8 November 2010
Rights trading commences	8 November 2010
Record Date for determining Shareholder entitlements	12 November 2010
Prospectus dispatched to Shareholders	15 November 2010
Rights trading ceases	22 November 2010
Securities quoted on a deferred settlement basis	23 November 2010
Closing Date of Offer	29 November 2010
Notify ASX of under-subscriptions	2 December 2010
Despatch date/Shares entered into Shareholders' security holdings	6 December 2010

\*This timetable is prepared based on the minimum practical days in accordance with the Listing Rules.

#### **Enquiries**

If there are any enquiries please contact:

Peter Torre  
Company Secretary  
08 9287 4604

# AUTODOM LIMITED

## ACN 009 123 782

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### ENTITLEMENT ISSUE PROSPECTUS

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For a pro rata renounceable entitlement issue of 2 Shares for every 1 Share held by Shareholders at an issue price of 6 cents per Share to raise approximately \$6,521,556 (**Entitlement Issue**).

The Entitlement Issue is underwritten by Temorex Pty Ltd. Refer to section 8.5 for details regarding the terms of the Underwriting Agreement.

#### **IMPORTANT NOTICE**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.



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## 1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

### TIMETABLE AND IMPORTANT DATES\*

Lodgment of Prospectus and Appendix 3B	2 November 2010
Notice sent to Shareholders	4 November 2010
Ex Date	8 November 2010
Rights trading commences	8 November 2010
Record Date for determining Shareholder entitlements	12 November 2010
Prospectus dispatched to Shareholders	15 November 2010
Rights trading ceases	22 November 2010
Securities quoted on a deferred settlement basis	23 November 2010
Closing Date of Offer	29 November 2010
Notify ASX of under-subscriptions	2 December 2010
Despatch date/Shares entered into Shareholders' security holdings	6 December 2010

\* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

### IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 2 November 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 5.00pm (WST) on that date which is 13 months after this Prospectus is lodge with ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

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.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance

with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## **NEW ZEALAND SHAREHOLDERS**

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at section 3.7, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

## **ELECTRONIC PROSPECTUS**

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

## RISK FACTORS

As with any investment in securities, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in section 7 of this Prospectus. Before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

Risks that investors should consider include (but are not limited to) the following:

- **Future demand from the Car Companies**

The demand for the Company's products is materially impacted by the level of demand for product by the Car Companies (Toyota, Ford and Holden) which is in turn determined by the production volume of the Car Companies. Future demand is difficult to predict.

- **Legislative changes, Government policy and approvals**

Changes in government regulations and policies may adversely affect the financial performance of the Company.

The Company has received the following special grants and loans from governments between 1 July 2008 and the date of this Offer:

- AISAP Exceptional Circumstances Grant of \$3,000,000 received in February 2009 from the Australian Federal Government Department of Innovation, Industry, Science and Research. This grant was paid to assist the Company restructure in the face of the significant and sudden reduction in demand for automotive components during the period September 2008 to January 2009.
- Loan from the Government of South Australia of \$3,000,000 received in February 2009. This loan was made to assist the Company restructure in the face of the significant and sudden reduction in demand for automotive components during the period September 2008 to January 2009. The loan is interest free and is repayable in quarterly instalments. As of the date of this Offer the amount outstanding is \$1,950,000.
- AISAP Structural Adjustment Grant (**AISAP Grant**) of \$3,970,000 was received on 8 October 2010 as described in section 5 of this Prospectus.

It is possible that the Company will make further applications to the Federal Government for AISAP Structural Adjustment Grants in the event that it identifies a business combination(s) that qualifies for the grant and if that business combination is in the best interests of the Company. In the event that such grants are applied for there is no surety that they will be available or approved.

In addition to these special grants and loans, the Company has annually received income from the Australian Federal Government pursuant to the Automotive Competitiveness and Investment Scheme (**ACIS**). This income is intended to reimburse the Company for certain qualifying expenditure related to research and development. During year ended 30 June 2010 the Australian



Federal Government announced that ACIS will be replaced by the Automotive Transformation Scheme (**ATS**) commencing 1 January 2011. ATS will operate in a similar fashion to ACIS, ATS is intended to reimburse the Company for certain qualifying expenditure related to the improving the economic sustainability of participants in the automotive supply chain, improving environmental outcomes, and improving workforce skills.

During the year ending 30 June 2011 the Company is forecasting to receive approximately \$2.2m of income under the ACIS and ATS.

- **Future Capital Requirements**

There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

- **Reliance on Key Personnel and Employees**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

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## 2. CORPORATE DIRECTORY

### Directors

Robert Paul Martin  
Anthony John Dale  
Scott Angus Mutton

### Company Secretary

Peter Patrick Torre

### Registered Office

'Henry James Building'  
Suite 4  
8 Alvan Street  
SUBIACO WA 6008  
Telephone: (08) 9381 8888  
[www.autodom.com.au](http://www.autodom.com.au)

### Principal Place of Business

'Henry James Building'  
Suite 4  
8 Alvan Street  
SUBIACO WA 6008

### General Enquiries:

Contact the Company Secretary on:

Telephone: (08) 9381 8888  
Facsimile: (08) 9381 9888

### Underwriter

Temorex Pty Ltd  
Suite 4  
8 Alvan Street  
SUBIACO WA 6008

### Share Registry\*

Computershare  
Investor Services  
Level 2  
45 St Georges Terrace  
PERTH WA 6000

Telephone: (08) 9323 2000

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Building  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

RSMI Bird Cameron Partners  
8 St Georges Terrace,  
PERTH WA 6000

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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### **3. DETAILS OF THE OFFER**

#### **3.1 Offer**

By this Prospectus, the Company offers for subscription approximately 108,692,602 new Shares pursuant to a pro-rata renounceable entitlement issue to Shareholders of 2 new Shares for every 1 Shares held on the Record Date at an issue price of 6 cents per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 108,692,602. The Offer will raise approximately \$6,521,556. The purpose of the Offer and the use of funds raised are set out in section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 2,333,333 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

#### **3.2 Rights Trading**

Entitlements to Shares pursuant to the Offer are renounceable and accordingly, rights will be traded on ASX. Details on how to sell your rights are set out in section 3.3 below.

#### **3.3 How to Accept the Offer**

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full, either:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on the relevant Entitlement and Acceptance Form; or
  - (ii) pay the appropriate application monies through the BPay® facility described below. If you make your payment by BPay® you do not need to return the Entitlement and Acceptance Form.
- (b) if you only wish to accept part of your Entitlement, either:
  - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at \$0.06 per Share); or
  - (ii) pay the appropriate application monies through the BPay® facility described below. If you make your payment by BPay® you do not need to return the Entitlement and Acceptance Form.

- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Alternatively, you can trade your Entitlement rights as follows:

- (a) to sell any or all of your Entitlement you will need to instruct a stockbroker to sell the Entitlement rights which you wish to renounce. If you wish to do so you must instruct your stockbroker by completing the panel headed "Instructions to your Stockbroker" on the back of the Entitlement and Acceptance Form and lodge that form with your stockbroker. Your stockbroker must sell those rights before the rights trading ceases; or
- (b) if you wish to transfer all or part of your rights to another person other than on ASX you must forward a completed renunciation form (which you can obtain by contacting the Company) together with the Entitlement and Acceptance Form.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Autodom Limited – Entitlement issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date.

#### ***Payment by BPay®***

Payment by BPay® should be made according to the instructions set out on the Entitlement and Acceptance Form using the Entitlement number shown on that form next to the BPay® symbol. **If you make your payment by BPay® you do not need to return the Entitlement and Acceptance Form.**

The Entitlement number is used to identify your holding. If you have multiple holdings you will have multiple Entitlement numbers. You must use the Entitlement number shown on each Entitlement and Acceptance Form to pay for each holding separately. Failure to do so may result in an underpayment. If you pay by BPay® and do not pay for your full Entitlement, the remaining Entitlement will form part of the Shortfall.

Please note that all payments using the Bpay payment option must be made by 3.00pm (WST) on the Closing Date.

### **3.4 Minimum Subscription**

The minimum subscription in respect of this Offer is approximately \$6,521,556 (being the full subscription).

### **3.5 Underwriting**

The Offer is underwritten by Temorex Pty Ltd.

Temorex Pty Ltd is associated with Robert Martin, a director of the Company.

Refer to section 8.5 of this Prospectus for further details of the terms of the underwriting.

The Underwriter, together with its associates, currently has a relevant interest in 9,850,618 Shares, with voting power in the Company of 18.13%. Please refer to section 8.6 of this Prospectus for further details in relation to the current voting power of the Underwriter, and the potential effects of the underwriting agreement on the voting power of the Underwriter.

### **3.6 Shortfall**

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Shareholders who wish to apply for Shares above their Entitlement can complete the Shortfall Application Form attached to the back of this Prospectus and return it, together with a cheque for the value of those Shortfall Shares (at \$0.06 per Share) to the Company.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Shares offered pursuant to the Shortfall Offer shall be 6 cents being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Company. The Company reserves the right to allot to an applicant a lesser number of Shortfall Shares than the number for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall.

It is intended that existing Shareholders who apply for Shortfall Shares will be given preferential treatment in any allocation. The balance of the Shortfall will be placed to the Underwriter.

### **3.7 Australian Securities Exchange Listing**

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

### **3.8 Allotment of Shares**

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

### **3.9 Overseas Shareholders**

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.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this Prospectus should seek advice on and observe any restrictions of the relevant jurisdiction. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares the subject of this Prospectus or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

### **3.10 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

### **3.11 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### **3.12 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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#### 4. PURPOSE AND EFFECT OF THE OFFER

##### 4.1 Introduction

The purpose of this Offer is to raise \$6,521,556 (before expenses) to partially contribute to the repayment of loans provided to the Company, to part fund the Acquisition and to provide working capital for Autodom's expanded, post-Acquisition business.

On 31 August 2010, Autodom, (via its two wholly owned subsidiaries aiDAIR Dandenong Pty Ltd and aiDAIR New Gisborne Pty Ltd), entered into a Business Purchase Agreement (**BPA**) with David Fraser, DAIR Industries Pty Ltd and DAIR Industries (Vic) Pty Ltd (**the Vendors**) and thereby acquired the automotive component manufacturing business (including the plant and equipment, inventory and the obligations of employee benefit provisions) owned by DAIR Industries Pty Ltd and DAIR Industries (Vic) Pty Ltd (**the DAIR Business**).

Pursuant to the BPA, an amount of \$11,101,870 was paid to the Vendors on 31 August 2010, as follows:

Cash payment (inclusive of payments to extinguish liabilities under certain commercial hire purchase agreements on certain plant and equipment)	\$5,571,870
Vendor Finance Tranche 1	\$2,900,000
Vendor Finance Tranche 2	\$2,630,000
<b>Total payment to the Vendors</b>	<b>\$11,101,870</b>

The cash payment to the Vendors including payments to extinguish liabilities under certain commercial hire purchase agreements on certain plant and equipment was funded as follows:

Director Loan (refer to section 8.3 for details relating to the Director Loan)	\$5,000,000
Working capital	\$571,870

<b>Total cash payment to the Vendors on 31 August 2010 (including payments to extinguish liabilities under certain commercial hire purchase agreements on certain plant and equipment)</b>	<b>\$5,571,870</b>
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The Acquisition has been determined an eligible structural adjustment of participants in the Australian automotive components manufacturing industry in accordance with AISAP. As such, the Federal Government approved payment of the AISAP Grant on 27 September 2010. The proceeds of the AISAP Grant were received by the Company on 8 October 2010.

The assets being acquired and the liabilities being assumed pursuant the BPA are summarised in the table below:

<b>DAIR Business assets being acquired and liabilities being assumed</b>	<b>Estimated fair values as of 31 August 2010</b>
	<b>\$</b>
Plant and Equipment (at valuation 20 July 2010)	7,825,810
Inventory	3,800,000
Receivable under Automotive Competitiveness and Investment Scheme (ACIS)	1,360,000
Goodwill	2,352,133
	15,337,943
<b>Liabilities being assumed:</b>	
Employee leave provisions	(4,236,072)
Total payments under BPA	<b>11,101,871</b>
Consideration paid to direct to Vendors	<b>10,056,000</b>
Consideration paid to direct lessors	<b>1,045,871</b>
	<b>11,101,871</b>

**Table 1 DAIR business being acquired and liabilities being assumed**

In accordance with the BPA, the final consideration to be paid directly to the Vendors is subject to adjustment based on the final value of inventory. If, following a physical count of the inventory, the inventory value is greater than \$3,800,000 then the amount due under Vendor Finance Tranche 2 will be increased on a dollar-for-dollar basis. If, following a physical count of the inventory, the inventory value is less than \$3,800,000 then the amount due under Vendor Finance Tranche 2 will be reduced on a dollar-for-dollar basis.

#### **4.2 Purpose of the Offer**

The purpose of the Offer is to raise approximately \$6,521,556 (before expenses).

The specific allocation of the proceeds of the Offer is described in the table below:



<b>Proceeds of the Offer</b>	<b>\$</b>
Repayment of Director Loan (see note 1)	5,000,000
Working capital	1,100,000
Expenses of the Offer (see note 2)	421,556
<b>Total</b>	<b>\$6,521,556</b>

**Notes:**

1. Refer to section 8.3 of this Prospectus for a summary of terms relating to the Director Loan.
2. Refer to section 8.11 of this Prospectus for further details relating to the estimated expenses of the Offer.

**4.3 Effect of the Offer and Pro Forma Consolidated Balance Sheet**

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$6,100,000 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 54,346,301, to approximately 163,038,903 Shares following completion of the Offer; and

The audited Balance Sheet as at 30 June 2010, the Pro Forma Balance Sheet as at 30 June 2010 showing the effect of the Offer and the effect on the Company of the Acquisition are set out in section 5.7 of this Prospectus.

**4.4 Effect on Capital Structure**

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

**Shares**

	<b>Number</b>
Shares on issue at date of Prospectus	54, 346, 301
Shares offered pursuant to the Offer	108,692,602
<b>Total Shares on issue after completion of the Offer</b>	<b>163,038,903</b>

## Options

	<b>Number</b>
Unlisted options exercisable at \$0.45 on or before 30 June 2012	500,000
Unlisted options exercisable at \$0.54 on or before 30 June 2012	500,000
Unlisted Options exercisable at \$0.75 on or before 30 May 2012	1,333,333
<b>Total Options on issue after completion of the Offer</b>	<b>2,333,333</b>

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## 5. FINANCIAL INFORMATION

### 5.1 Introduction

This section contains the summary of the Company's historical financial information, the proforma historical information, the proforma consolidated balance sheet and the Directors forecasts (collectively the **Financial Information**).

In this section the Autodom Business refers to the existing business owned by the Company including the DAIR business that has been acquired by the Company from the Vendors.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures that that are usually provided in an annual report prepared in accordance with the Corporations Act 2001.

The Financial Information has been prepared in accordance with the recognition and measurement principles of applicable Australian Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Review Board including Australian interpretations).

Significant accounting policies upon which the Financial Information is based are included in section 5.8 of this Prospectus

Information supporting the proforma balance sheet is included in section 5.7.

#### **Historical Financial Information**

The historical financial information includes the Company's consolidated balance sheet at 30 June 2010.

The historical consolidated balance sheet at 30 June 2010 has been derived from the audited financial statements for the year ending 30 June 2010. These financial statements were audited by RSMI Bird Cameron and a qualified audit report was issued dated 28 September 2010.

The auditor's report contained the following qualification:

*"Recoverability of Deferred Tax Balances"*

*The Company and the consolidated entity have recognised deferred tax assets in respect of unused tax losses and temporary differences of \$1,494,372 and \$4,717,845 in the balance sheet. Under Australian Accounting Standard AASB 112 Income Taxes a deferred tax asset can only be recognised if it is probable that future taxable profits will be available against which the balance can be utilised. The recoverability of the deferred tax asset is dependent on the Company and the consolidated entity generating future taxable profits. We have not been able to obtain sufficient appropriate evidence to determine whether it is probable that the Company and the consolidated entity will be able to generate adequate profits to utilise the deferred tax asset. We are therefore unable to determine whether recognition of the net deferred tax asset is in accordance with the requirements of Australian Accounting Standards"*

In addition to the above qualification, the auditor's report contained the following additional information:

*"Material Uncertainty Regarding Continuation as a Going Concern"*

*Without further qualifying our opinion expressed above, we draw attention to Note 1 in the financial report which indicates the Company and the consolidated entity recorded a net loss attributable to members of \$1,009,531 and \$1,618,829 respectively. At balance date, the Company and the consolidated entity's current liabilities exceeded its current assets by \$116,601 and \$8,941,559. In addition, during the year, the consolidated entity did not meet its banker's loan covenants, resulting in the bank's loan facility being subject to review and possible repayment at its discretion. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report"*

Further information as to the status of the above matters as at the date of the auditor's report is provided in section 5.4.2 of this Prospectus.

#### **Proforma Historical Financial Information**

The Company's proforma historical financial information includes the following:

- (a) proforma consolidated income statements for the years ended 30 June 2010 and 30 June 2009; and
- (b) audited balance sheet as at 30 June 2010

The proforma consolidated income statements for the years ended 30 June 2010 and 30 June 2009 have been prepared in order to disclose the operating results of the Company had it acquired the DAIR business from the Vendors on 1 July 2008.

The proforma consolidated income statements for the years ended 30 June 2010 and 30 June 2009 have been derived from the Company's audited financial statements for the years ended 30 June 2010 and 30 June 2009, and the unaudited management accounts of the Vendors for the year ended 30 June 2010 and 30 June 2009.

The audited balance sheet of the Company as at 30 June 2010 has been extracted from the audited financial statements at that date.

#### **Proforma Consolidated Balance Sheet**

The Company's proforma consolidated balance sheet has been derived from the following:

- (a) the Company's audited balance sheet as at 30 June 2010;
- (b) the terms of the BPA;
- (c) the expected proceeds of the Offer;

- (d) the letter dated 27 September 2010 from the Minister of Innovation, Industry, Science and Research that approved payment of the AISAP Grant;
- (e) the repayment of Vendor Finance Tranche 1 made on 9 October 2010 following receipt of the proceeds of the AISAP Grant; and
- (f) the letter from the NAB dated 20 October 2010 detailing the New Loan Agreement.

### **Directors' forecasts**

The Directors forecasts comprise the following:

- (a) proforma consolidated income statement for the year ending 30 June 2011 (**the FY11 Proforma Forecast**)
- (b) proforma consolidated income statement for the 10 months ending 30 June 2011 (**the FY11 Statutory Forecast**)

The FY11 Proforma Forecast has been provided to disclose the full year impact of the Acquisition. The FY11 Statutory Forecast has been provided to disclose the expected result for the year ending 30 June 2011 based on the 31 August 2010 Acquisition date.

The Directors' forecasts are based on a number of estimates and assumptions concerning future events including the general and specific best estimate assumptions set out in section 5.4. The Directors forecasts also include estimates and assumptions concerning future events including the general and specific best estimate assumptions set out in section 5.4.

The Directors believe that they have prepared their forecasts with due care and attention, and consider all best-estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the actual financial results are likely to vary from the Directors' forecasts and any variation may be materially positive or negative. The Directors' estimates and the best estimate assumptions on which they are based are, by their very nature subject to significant uncertainties, contingencies, and to a number of economic and competitive risks which are outside the control of the Company and the Directors.

Accordingly neither the Company, the Directors or any other person can give any assurance that the Directors' forecasts or any other prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the Directors' forecasts or other predictions made in this Prospectus.

The Directors' forecasts should be read together with the assumptions underlying their preparation set out in section 5.4, the sensitivity analysis set out in section 5.4.3, the significant accounting policies set out in section 5.8, the risk factors set out in section 7 and other information contained in this Prospectus.

## **5.2 Summary Income Statements Historical and Forecast**

Table 3 summarises the historical proforma income statements of Autodom for the years ended 30 June 2009 and 30 June 2010 and the forecast statutory income statement for the year ending 30 June 2011.

Consolidated Statement of Historical and Forecast Income

	Year ending 30 June 2011 Forecast Statutory consolidation	Year ending 30 June 2011 Forecast Proforma consolidation	Year ended 30 June 2010 proforma consolidation	Year ended 30 June 2009 proforma consolidation
<b>Revenue</b>	111,757,098	119,418,793	121,781,306	113,314,110
Other income (excluding grants under AISAP program)	2,164,054	2,164,054	2,634,016	2,580,524
Changes in inventories of finished goods and work in progress	(960,000)	(960,000)	(780,220)	(2,232,280)
Raw materials and consumables used	(78,145,341)	(85,549,857)	(86,727,984)	(81,519,808)
Employee benefits expense	(18,752,057)	(17,858,287)	(20,767,003)	(21,483,926)
Other expenses	(9,441,801)	(10,090,536)	(10,552,792)	(7,595,274)
	<u>(105,135,146)</u>	<u>(112,294,627)</u>	<u>(116,193,984)</u>	<u>(110,250,764)</u>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	6,621,952	7,124,167	5,587,322	3,063,346
Finance costs - net	(971,494)	(971,494)	(759,614)	(972,370)
<b>Earnings before depreciation and amortisation (cash from operations excluding working capital movements)</b>	5,650,458	6,152,673	4,827,708	2,090,976
Depreciation, net of amortisation of deferred AISAP grant income	(2,474,929)	(2,604,027)	(3,161,011)	(4,487,609)
<b>Profit/(loss) before income tax expense</b>	<b>3,175,529</b>	<b>3,548,646</b>	<b>1,666,698</b>	<b>(2,396,633)</b>
Income tax benefit/(expense)	(982,659)	(1,100,594)	(530,009)	688,990
<b>Profit/(loss) for the period</b>	<b><u>2,192,870</u></b>	<b><u>2,448,052</u></b>	<b><u>1,136,688</u></b>	<b><u>(1,707,643)</u></b>
Basic earnings per share (Cents)	1.35	1.51	0.70	N/A
Dividends per share (Cents)	0.50	N/A	N/A	N/A

The above income statement should be read in conjunction with the accompanying notes.

Table 2 - Historical and Forecast Proforma Income Statements

Notes

1. The proforma consolidated income statements for the years ended 30 June 2009 and 30 June 2010 have been prepared in order to disclose the operating results of Autodom had it acquired the business from the Vendors on 1 July 2008. The proforma consolidated income statements for the years ended 30 June 2009 and 30 June 2010 have been derived from the audited financial statements of Autodom for the years ended 30 June 2009 and 30 June 2010 and the unaudited management accounts of the Vendors for the year ended 30 June 2009 and 30 June 2010.
2. Depreciation expense for the year ended 30 June 2009 does not include any retrospective adjustment for the increase in residual values and increase in the useful lives of plant and equipment held by Autodom that was brought to account effective 1 July 2009 (as disclosed in the audited financial statements for the year ended 30 June 2010)
3. Earnings per share is calculated as profit after income tax divided by the total number of shares on issue following the Offer
4. The projected dividend per share is calculated as profit after income tax divided by the total number of shares on issue following the Offer
5. Year ending 30 June 2011 Statutory has been provided to disclose the expected result for the year ending 30 June 2011 having regard to the fact that the Acquisition took place on 31 August 2010
6. While there is an income tax expense forecast for FY11, no income tax will be payable due the availability of carry forward losses.

7. The proforma consolidation for the year ended 30 June 2009 excludes the impact of grants received from the Australian Federal Government under the AISAP Exceptional Circumstances program.

### **5.3 Management discussion and analysis of historical and forecast financial performance**

The DAIR Business was established in the 1990's by David Fraser to manufacture automotive components, mainly metal pressings and assemblies. In November 2008 it acquired the automotive components manufacturing business owned by Kozma Industries Pty Ltd (**Kozma**) located in Bayswater Victoria. The results of the DAIR business for the years ended 30 June 2009 and 30 June 2010 (and the proforma consolidated result for the year ended 30 June 2009 and 30 June 2010 in Table 3) therefore include 8 months and 12 months respectively of operations of the Kozma business. In August 2009 the DAIR business acquired the automotive cables and plastics manufacturing business of Flexdrive Australia Pty Ltd (**Flexdrive**). The results of the DAIR business for the year ended 30 June 2010 (and the proforma consolidated result for the year ended 30 June 2010 in Table 3) therefore include 11 months of operations of the Flexdrive business. The major customers of the DAIR Business are Toyota and Ford.

Over this same period, from 1 July 2008 and the date of this Offer, Autodom has not acquired, or disposed of, any operating businesses. It has operated throughout this period as an automotive components manufacturer supplying product mainly to Holden and Ford.

The major items that comprise the increase in EBITDA forecast for FY11 compared with proforma FY10 and the increase in FY10 over FY09 are summarised in the table below. It is important to note that the forecast for FY11 does not include any estimates of the savings from the integration of the DAIR business into the Autodom business and does not include any of the costs of such integration. Some savings are forecast however within the DAIR Business associated with the integration of the Kozma and Flexdrive businesses that was substantially completed during FY10.

	<b>FY11 and FY10 \$</b>	<b>FY10 and FY09 \$</b>
Increase in EBITDA	<u><b>1,536,845</b></u>	<u><b>2,523,889</b></u>
Attributable to the following:		
Lower production costs, operating costs and productivity improvements	532,356	3,825,162
Impact of the the acquisition by the DAIR business of the Kozma business in August 2008 and the Flexdrive business in November 2009 (synergistics savings only in FY11)	329,351	3,718,080
Non recurring inventory write offs and obsolescence provisions in FY10 net of sundry income	1,023,036	(1,023,036)
Reduction sales in FY11 and reduction in sales in FY10 caused in core businesses associated with lower demand for vehicles during from September 2008 (so called "Global Financial Crisis") and lower demand forecast in FY11 for certain aftermarket parts	(199,001)	(4,339,001)
Other items	(148,898)	342,684
	<u><b>1,536,845</b></u>	<u><b>2,523,889</b></u>

**Table 3 - EBITDA changes FY09 to FY10 and to FY11**

#### **5.4 Assumptions in relation to the Directors' Forecasts**

The Directors believe that they have prepared the Directors' forecasts with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and it is not intended to be a representation that the assumptions will occur.

##### **5.4.1. General Assumptions**

No significant change in economic conditions prevailing in Australia, in particular those that historically impact motor vehicle sales;

- (a) No material industrial strikes or other disturbances or legal claims;
- (b) No significant change in the legislative regimes (including in relation to income tax) and regulatory environments in which Autodom and its key customers operate which will materially impact on the Directors' forecasts;
- (c) Retention of key personnel;



- (d) The continuation of vehicle assembly operations in Australia by Autodom's key customers;
- (e) No material acquisitions or disposals with the exception of the acquisition of the Vendors' business;
- (f) No changes in accounting standards or other mandatory professional reporting requirements or the Corporations Act which would have a material effect on Autodom's financial performance, cash flows or financial position;
- (g) No material beneficial or adverse effects arising from the actions of competitors;
- (h) No change in Company's capital structure other than as set out in, or contemplated by, this Prospectus; and
- (i) No material amendment to any material agreement or arrangement relating to Autodom's business. The parties to those agreements and arrangements are assumed to comply with the terms of all material agreements and arrangements.

#### 5.4.2. Specific Assumptions

##### (a) **Going concern and the New Loan Agreement**

Throughout the financial years ended 30 June 2009 and 30 June 2010 and up to the date of this Offer, Autodom did not meet loan covenants specified under its loan agreement with its bankers (**Loan Agreement**). As a result, the amounts due under the Loan Agreement (\$10,000,000 as of 30 June 2010) are subject to review and possible repayment should the bank choose to exercise this option.

This matter has been described in Note 1 to the audited financial statements for the year ended 30 June 2010 as follows:

*"Basis of Preparation and Going concern*

*The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.*

*Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.*

*As disclosed in the financial statements, the consolidated entity recorded for the year ended 30 June 2010, a loss attributable to members of \$1,618,829 (30 June 2009: profit \$1,261,769 inclusive of a non-recurring government grant of \$3,000,000) and at balance sheet date recorded net current liabilities of \$8,941,559 (30 June 2009: net current liabilities of*

*\$6,853,617) due to the classification of loans from its banker of \$10,330,808 (30 June 2009: \$11,324,300) as a current liability. The current classification was required because the consolidated entity did not meet the bank's loan covenants, resulting in the loan facilities being subject to review and possible repayment at the bank's discretion.*

*While the above factors indicate a material uncertainty as to the consolidated entity's ability to continue as a going concern, the directors are of the opinion the consolidated entity will continue as a going concern because of the following reasons: (i) The result for the year ended 30 June 2010 was comparable with the year ended 30 June 2009 after allowing for the effect of the \$3,000,000 non-recurring grant, and was achieved despite a 15% fall in sales compared with the year ended 30 June 2009. The result for the year ended 30 June 2010 was achieved through reductions in the costs of the business; (ii) Cash flow from operations increased from an outflow of \$459,514 for the year ended 30 June 2009 to an inflow of \$1,857,016; (iii) Subject to difficulties associated with predicting future demand arising from the global automotive industry, for the twelve month period from the date of this financial report, the group is budgeting to continue to generate positive cash flows from trading operations; (iv) As described in note 28 "Events after the balance sheet date", on 31 August 2010 the Company acquired the automotive component manufacturing business owned by DAIR Industries Pty Ltd and DAIR Industries (Vic) Pty Ltd ("the DAIR Business"). As this acquisition will be funded substantially by a structural adjustment grant under the Australian Federal Government's Automotive Industry Structural Adjustment Program ("AISAP") and, ultimately, by a fully underwritten rights issue to shareholders, the Directors believe that the DAIR Business will improve the group's profitability and cash flows for the twelve month period from the date of this financial report; and (v) The consolidated entity's banker has not exercised its review discretion referred to above.*

*The financial report has also been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities."*

This situation necessitated the classification of the \$10m due under the Loan Agreement as a current liability on Autodom's balance sheet at 30 June 2010. In turn this has caused a deficiency in current assets compared with current liabilities. This deficiency was the basis of the "emphasis of matter" on the ability of the business to continue as a going concern included in the 28 September 2010 Auditors Report.

In accordance with its letter to Autodom dated 31 August 2010, Autodom's bankers have agreed not to exercise its review discretion to require repayment immediately and, subject to certain conditions, and will continue to support Autodom until the New Loan Agreement becomes effective.

In accordance with the letter dated 20 October 2010 from Autodom's bankers, the New Loan Agreement will become effective on the receipt of the proceeds of this Offer and the repayment of the Director Loan.

Once the New Loan Agreement is effective the Directors believe that Autodom will meet all the requirements of the New Loan Agreement. This will allow the reclassification of the Loan as follows:

- (i) a portion of the Loan owing pursuant to the Loan Agreement (and currently due for repayment) will be paid within that period that is 12 months from 30 June 2010; and
- (ii) the remaining \$8,000,000 Loan amount will be reallocated as a non-current liability.

As this reallocation ensures that the current assets of Autodom will exceed its current liabilities, the proforma consolidated balance sheet at 30 June 2010 has therefore been prepared on a going concern basis.

**(b) Deferred Tax Asset and accounting for AISAP Grant**

The 30 June 2010 Balance Sheet includes a deferred tax asset relating to timing differences between the recognition of expenses for accounting and income tax and to carry forward tax losses. The deferred tax asset has been brought to account because the Directors believe that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

The proforma consolidated balance sheet at 30 June 2010 also includes the deferred tax asset because the Directors believe that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. The Directors also note that the probability of future taxable profit is materially enhanced, not only by the expected earnings from the DAIR Business but also by the fact that the AISAP Grant, recognised as a reduction in the value of plant and equipment for accounting, is taxable income in the year ending 30 June 2011 that will reduce carry forward losses. The proforma consolidated balance sheet at 30 June 2010 therefore contains a reduction in the deferred tax asset of \$1.191m compared with the 30 June 2010 Balance Sheet.

**(c) Revenue for OE production**

Approximately 84% of forecast revenue for the year ending 30 June 2011 (FY11) is ultimately drawn from sales of components for the production of certain models of passenger motor vehicle (generally referred to as original equipment or **OE** production) in Australia by General Motors Holden's Limited (**Holden**), Ford Motor Corporation Australia (**Ford**) and Toyota Motor Corporation Australia (**Toyota**) (collectively called **the Car Companies**). Autodom's revenue is therefore directly linked to the production volumes of the Car Companies which is in turn determined by demand for the relevant models of vehicles produced by the Car Companies. Future demand for individual models of vehicles produced by the Car Companies is difficult to predict. Included in the Specific Risks section (section 7.3 of this Prospectus) is information on the historic variability in production volumes of the Car Companies. The revenue included in the Directors forecasts for FY11 has been based on vehicle production by the Car Companies as described in the table below.

<b>Car Company</b>	<b>Estimated vehicle production (relevant models) in FY11</b>	<b>Actual vehicle production (relevant models) in FY10</b>
Holden	71,000	70,599
Ford	60,000	63,000

Toyota	113,000	109,000
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- (i) The estimated vehicle production in FY11 has been determined by the Directors based on historic trends, limited information from the Car Companies and managements assessments. The Directors have assumed that there will be no material change in these assumptions.
- (ii) While demand by the Car Companies ultimately determines the demand for Autodom's products in some cases it supplies the subassembly products to other Tier 1 suppliers which in turn include those sub assemblies in larger assemblies for sale to the Car Companies.
- (iii) Prices for product sold are based on various blanket orders and customer contracts that are in place.

(d) **Revenue excluding OE production**

Approximately 16% of Autodom's revenue for FY11 is expected to be drawn from sources other than sales of components to the Car Companies for OE manufacture. The composition of this revenue and the assumptions used in the preparation of the Directors' forecasts is described in the table below

Type of revenue excluding OE production	Approximate share of total FY11 revenue	Key assumption
Australian produced passenger vehicle spares	8%*	Spares sales to Holden and Toyota based on modelling of historic demand compared with the age of the model of vehicle for which the spares are produced
Optional components for imported vehicles and aftermarket components	4%	Based on historic customer demand and discussions with customers
Sales of pressed metal components into the non-automotive markets and sales of scrap metal	4%	Based on historic customer demand and discussions with customers. The FY11 sales include an increase of approximately 1% point for new business
<b>Total</b>	<b>16%*</b>	
*This amount and the allocation of this amount between the three categories of revenue excluding OE production has changed by an amount of 1% between FY10 and FY11 as a result of the inclusion of \$2m of revenue in the FY11 forecast for new business.		

(e) **Raw materials costs and consumables**

Raw material costs have been forecast based on historical relationships between product sale volumes and material costs.

(f) **Employee Costs**

Headcount has been determined having regard to forecast production levels using levels using the standard products bills of materials and to expected levels of productivity.

Labour costs are based on current employee contracts and on current Australian Workplace Agreements and have been escalated in accordance with those agreements.

(g) **Depreciation**

Depreciation of the assets currently owned by the Company has been calculated using straight line rate of between 7.5% and 40% on a straight line basis after deducting a residual value at the end of the asset's useful life. For the plant and equipment assets included in the DAIR Business a straight line rate of 12.5% has been used on the depreciable amount. The depreciable amount of the plant and equipment included in the DAIR Business has been reduced by the after tax proceeds from the AISAP Grant. This treatment is consistent with the requirements of Australian Accounting Standards.

(h) **Financing costs**

Interest is forecast based on existing funding arrangements which include a penalty interest rate due to the breach of loan covenants. Some savings in interest have been forecast as a result of Autodom entering the New Loan Agreement (as described in 5.4.2). The average interest rate on the bank debt is 9.5%.

(i) **Tax expense**

In calculating the income tax expense, the corporate tax rate of 30% has been applied and adjusted for known permanent differences.

(j) **Other expenses**

After allowing for costs incurred by Autodom in FY10 associated with the Acquisition, no material change is expected in the level of other expenses in FY11 compared with FY10

(k) **Savings** from integration of the DAIR business into Autodom and **associated** integration costs

The FY11 forecasts do not include any savings arising from the integration of the DAIR Business into the Autodom Business. Conversely, the costs associated with such integration have also been excluded. While the Directors have a view that there are savings that can be achieved in FY11 and beyond, they are of the view that the savings and costs of integration cannot be reasonably estimated until the completion of a detailed plan in December 2010.

### **5.4.3. Sensitivity Analysis**

The major assumption in the FY11 forecasts surrounds the assumptions concerning the volume of vehicle production by the Car Companies. The Directors estimate that a 5% change up or down in the volume of vehicle production impacts profit after tax by approximately \$950,000.

### **5.5 Consolidated Balance Sheets**

The historical and proforma consolidated balance sheets shown in table 4 have been derived from the reviewed financial statements for the year ended 30 December 2009 and the audited financial statements for the year ended 30 June 2010. The proforma consolidated 30 June 2010 balance sheet has been prepared based on the DAIR Business Acquisition Adjustments described in section 5.6.

	<b>Proforma 30 June 2010 consolidated with DAIR</b>	<b>30 June 2010 (audited)</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	1,282,868	-
Trade and other receivables	12,404,826	12,404,826
Inventories	10,158,418	6,358,418
Other assets	2,782,986	1,887,986
<b>Total Current Assets</b>	<b>26,629,098</b>	<b>20,651,230</b>
<b>Non-Current Assets</b>		
Receivables	4,135,682	4,135,682
Property, Plant and Equipment	18,353,879	10,528,069
Deferred AISAP Grant Income	(2,779,000)	-
Deferred Tax Assets	3,526,845	4,717,845
Intangible Assets	7,710,422	5,358,289
Other Assets	917,098	452,098
<b>Total Non-Current Assets</b>	<b>31,864,926</b>	<b>25,191,983</b>
<b>Total Assets</b>	<b>58,494,024</b>	<b>45,843,213</b>
<b>Current Liabilities</b>		
Trade and other payables	14,761,522	14,761,522
Loan from Vendor	1,342,000	-
Borrowings	3,150,000	12,380,808
Provisions	4,822,658	2,450,458
<b>Total Current Liabilities</b>	<b>24,076,180</b>	<b>29,592,788</b>
<b>Non-Current Liabilities</b>		
Borrowings	8,915,545	-
Loan from Vendor	1,288,000	-
Deferred Tax Liabilities	1,016,212	1,016,212
Provisions	2,883,143	1,019,271
<b>Total Non-Current Liabilities</b>	<b>14,102,900</b>	<b>2,035,483</b>
<b>Total Liabilities</b>	<b>38,179,080</b>	<b>31,628,271</b>
<b>Net Assets</b>	<b>20,314,943</b>	<b>14,214,942</b>
<b>Equity</b>		
Contributed Equity	24,016,201	17,916,201
Reserves	440,858	440,858
Accumulated Losses	(8,277,701)	(8,277,701)
<b>Capital and reserves attributable to the owners of Autodom Limited</b>	<b>16,179,358</b>	<b>10,079,358</b>
Non-controlling interests	4,135,584	4,135,584
<b>Total Equity</b>	<b>20,314,942</b>	<b>14,214,942</b>

*The above balance sheet should be read in conjunction with the accompanying notes on Selected Significant Accounting Policies*

**Table 4 - Consolidated Historic and Proforma Balance Sheets**

## 5.6 DAIR Business Acquisition Adjustments

The proforma consolidated 30 June 2010 balance sheet has been prepared based on the following adjustments:

- (a) The receipt of proceeds from this Offer;
- (b) The settlement of the Acquisition on 31 August 2010 and the payment of the consideration to the Vendors on 31 August 2010 in accordance with the BPA, including the following:
  - (i) acquisition of assets;
  - (ii) assumption of employee benefit provisions;
  - (iii) establishment of Vendor Finance Tranche 1; and
  - (iv) establishment of Vendor Finance Tranche 2
- (c) The receipt of proceeds of the Director Loan and the repayment of that loan with the proceeds from the Offer;
- (d) The receipt of the AISAP Grant from the Commonwealth of Australia and the repayment of Vendor Finance Tranche 2;
- (e) The reclassification of a certain portion of the bank debt from current to non-current liabilities as expected under the New Loan Agreement; and
- (f) The reclassification of a certain portion of the debt due to the State of South Australia from current to non-current liabilities in accordance with a letter agreement with the State of South Australia.

## 5.7 Notes to the Proforma Consolidated Balance Sheet

- (a) Inventories

	<b>Proforma 30 June 2010 consolidated</b>	<b>30 June 2010 (audited)</b>
<b>Inventories</b>		
Raw material, work in progress and finished goods inventories - at cost	12,937,155	9,137,155
Provision for impairment losses	(2,778,737)	(2,778,737)
	<u>10,158,418</u>	<u>6,358,418</u>

- (b) Borrowings



	<b>Proforma 30 June 2010 consolidated</b>	<b>30 June 2010 (audited)</b>
<b>Borrowings - current</b>		
Bank overdraft	-	315,261
Loan from State of South Australia	1,150,000	2,050,000
Amounts owing to bankers under Loan Agreement	-	10,015,547
Amounts owing to bankers under New Loan Agreement	2,000,000	-
	<u>3,150,000</u>	<u>12,380,808</u>
<b>Borrowings - non current</b>		
Amounts owing to bankers under New Loan Agreement	8,015,547	-
Loan from State of South Australia	900,000	-
	<u>8,915,547</u>	<u>-</u>

The reclassification of the amounts owing to bankers under the Loan Agreement and the New Loan Agreement from current in the 30 June 2010 balance sheet to non-current in the proforma 30 June 2010 consolidated balance sheet has been done pursuant to the assumption and explanation at 5.4.2 a).

The reclassification of the loan from the State of South Australia from current in the 30 June 2010 balance sheet to non-current in the proforma 30 June 2010 consolidated balance sheet has been done pursuant to an agreement from the State of South Australia.

(c) Loan from Vendor

	<b>Proforma 30 June 2010 consolidated</b>	<b>30 June 2010 (audited)</b>
<b>Loan from Vendor (secured)</b>		
Current	1,342,000	-
Non Current	1,288,000	-
	<u>2,630,000</u>	<u>-</u>

The loan from the Vendor relates to Vendor Finance Tranche 2 which was established pursuant to the BPA. It is repayable in 20 instalments over a period of 20 months from 31 August 2010. The loan is interest free. The loan is secured by a fixed and floating charge over the assets and business of aiDAIR New Gisborne Pty Ltd.

## 5.8 Selected Significant Accounting Policies

In this section the significant accounting policies that have been used for the preparation of the Consolidated Balance Sheet at 30 June 2010 and the proforma consolidated balance sheet at 30 June 2010 (**the Balance Sheets**) are described.

(a) Basis of Preparation and Going Concern

The Balance Sheets have been prepared on a going concern basis even though, in the Consolidated Balance Sheet at 30 June 2010, the value of current liabilities materially exceeds the value of current assets. The directors believe that it is appropriate that the going concern basis of accounting be adopted in the preparation of the Balance Sheets for the reasons described in section 5.4.2 a) of this Offer.

(b) Principles of Consolidation

A controlled entity is any entity over which Autodom has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at 30 June 2010, the assets and liabilities of all controlled entities have been incorporated into the Balance Sheets. All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the Balance Sheets.

(c) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

(d) Income Tax

Autodom and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised

pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and Equipment	7.5% - 40.0%
Leased Plant and Equipment	10.0% - 20.0%
Leasehold Improvements	10.0% - 15.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Impairment of assets

At each reporting date, including 30 June 2010, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of impairment at each reporting date.

#### (h) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### (i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

#### (j) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

#### (k) Significant Accounting Judgements

#### *Recovery Of Deferred Tax Assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

#### *Impairment of Non-Financial Assets other than Goodwill*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management considers that the triggers for impairment testing have been significant enough and as such all assets have been tested for impairment in this financial period.

#### *Taxation*

The Group's accounting policy for taxation requires management's judgement as to types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

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## **6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES**

### **6.1 Terms of Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **6.2 General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

### **6.3 Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

### **6.4 Dividend Rights**

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any

dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

## **6.5 Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

## **6.6 Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

## **6.7 Future Increase in Capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

## **6.8 Variation of Rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

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## **7. RISK FACTORS**

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **7.1 General Risks**

The value of the Company's Securities are affected by a number of general factors which are beyond the control of the Company and its Directors.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment.

The Company's share price can be afflicted by these factors which are beyond the control of the Directors.

#### **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

#### **Market conditions**

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

#### **Security Investments**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market may experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

### **7.2 Operating Risks**

The current and future operations of the Company, may be affected by a range of factors, including:

- (a) mechanical failure of operating plant and equipment;
- (b) industrial and environmental accidents, industrial disputes and other force majeure events;
- (c) unexpected shortages or increases in the costs of labour, consumables, parts, plant and equipment;
- (d) inability to obtain necessary consents or approvals; and



- (e) production volumes of the Car Companies.

### **Forecast Risk**

The Directors consider that it is not possible to accurately predict the future profitability of the Company beyond the 2011 financial year. The Company has made a number of assumptions in preparing its forecasts. The growth rates forecast in this Prospectus are dependent upon a number of factors as explained in section 5.4 of this Prospectus. Many of these factors are outside the control of the Company. Should any of these factors not materialise, the Company may not achieve its forecasts (including forecast net profit) as set out in section 5.3 of this Prospectus.

### **Legislative changes, Government policy and approvals**

Changes in government regulations and policies may adversely affect the financial performance of the Company.

Autodom has received the following grants and loans from governments between 1 July 2008 and the date of this Offer:

- (a) AISAP Exceptional Circumstances Grant of \$3,000,000 received in February 2009 from the Australian Federal Government Department of Innovation, Industry, Science and Research. This grant was paid to assist the Company restructure in the face of the significant and sudden reduction in demand for automotive components during the period September 2008 to January 2009.
- (b) Loan from the Government of South Australia of \$3,000,000 received in February 2009. This loan was made to assist the Company restructure in the face of the significant and sudden reduction in demand for automotive components during the period September 2008 to January 2009. The loan is interest free and is repayable in quarterly instalments. As of the date of this Offer the amount outstanding is \$1,950,000.
- (c) AISAP Structural Adjustment Grant of \$3,970,000 was received on 8 October 2010 as described in section 4 of this Prospectus.

It is possible that the Company will make further applications to the Federal Government for AISAP Structural Adjustment Grants in the event that it identifies a business combination(s) that qualifies for the grant and if that business combination is in the best interests of the Company. In the event that such grants are applied for there is no surety that they will be available or approved.

In addition to these special grants and loans the Company has annually received income from the Australian Federal Government pursuant to the Automotive Competitiveness and Investment Scheme (**ACIS**). This income is intended to reimburse the Company for certain qualifying expenditure related to research and development. During year ended 30 June 2010 the Australian Federal Government announced that that ACIS will be replaced by the Automotive Transformation Scheme (**ATS**) commencing 1 January 2011. ATS will operate in a similar fashion to ACIS, ATS is intended to reimburse the Company for certain qualifying expenditure related to the improving the economic sustainability of participants in the automotive supply chain, improving environmental outcomes, and improving workforce skills.

During the year ending 30 June 2011 the Company is forecasting to receive approximately \$2.2m of income under ACIS and ATS.

### **Future Capital Requirements**

There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

### **Reliance on Key Personnel and Employees**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

### **Integration and Consolidation Risk**

Growth through acquisition entails numerous operational and financial risks. These risks include, but are not limited to, poor integration of the acquired businesses, , and loss of managerial focus on existing businesses. These risks may have an adverse impact on the Company's financial performance. This risk will be mitigated by allocating resources to planning and by using expert advice where applicable.

### **Environmental Risks and Regulations**

The Company's projects are subject to Commonwealth and State laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards.

## **7.3 Specific Risks**

In addition to the general risks outlined above, there are specific risks associated with the Company's existing and proposed business operations. These include:

### **Future demand from the Car Companies**

The demand for the Company's products is materially impacted by the level of demand for product by the Car Companies (Toyota, Ford and Holden) which is

in turn determined by the production volume of the Car Companies. Future demand is difficult to predict.

### **Competition**

The Company's current and future potential competitors include companies with substantially greater resources to develop similar and competing products. There is no assurance that competitors will not succeed in developing services and products that have higher customer appeal.

There can be no guarantee that the increased commercialisation of the Company's products will occur, revenue growth will be stimulated or that the Company will operate profitably in the short term or at all.

### **Manufacturing Risks and Processes**

Failures of equipment and machinery may result in production delays and lead to an inability of the Company to maintain supply which may have a negative impact on the Company's future operations, cash flows and viability.

### **Contractors and Service Providers**

The Directors are unable to predict the risk of financial failure, default, insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

### **Strategic Alliances**

The Company may in the future seek to enter into strategic alliances with other parties, some of which may be corporations much larger than the Company. There is a risk in managing strategic alliances and partnerships with large corporations.

Should other participants in any strategic alliance not act in the best interests of the Company, this may have a material adverse effect on the Company's operations.

The Directors are unable to predict the risk of financial failure or default by a participant in any strategic alliance to which the Company may become a party.

### **Development**

The Company will continue product development and research new processes and technologies. There is a risk that development of new products will require costs beyond those budgeted and even if developed there is no guarantee that the products can be successfully commercialised and exploited.

### **Inability to Meet Customer Demand**

For any number of reasons the Company may not, from time to time, have an adequate supply of products to meet customer demand which may cause it to be unable to fill orders or to lose sales. Such inability to meet customer demand from time to time may arise if the Company's sales growth accelerates substantially or in the event that its distribution and retail network grows substantially.

The Company anticipates that it will be in a better position to manage and mitigate this risk upon successful completion of the Offer.

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## **8. ADDITIONAL INFORMATION**

### **8.1 Continuous Disclosure Obligations**

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights 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.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

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

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a

financial year, of the Company lodged with the ASIC before the issue of this Prospectus;

- (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the year ended 30 June 2010 lodged with ASIC before the issue of this Prospectus; and
- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has not lodged any announcements with ASX since the lodgement of the 2010 audited financial statements.

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.autodom.com.au](http://www.autodom.com.au).

## 8.2 Material Contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

## 8.3 Director Loan

On 26 August 2010 the Company (through its wholly owned subsidiary) entered into a loan agreement with Temorex Pty Ltd (**Temorex**) to obtain partial funding of the first payment pursuant to the BPA (**Director Loan Agreement**).

As set out in section 8.5, Temorex is a company associated with Mr Robert Martin, a director of the Company.

Pursuant to the Director Loan Agreement and a subsequent letter of variation on 28 October 2010, Temorex provided an unsecured \$5,000,000 loan (**Director Loan**) to the Company to be paid on or before the earlier of the 15 December 2010 or that date which is seven (7) days after the closure of the Offer. If the Director Loan is repaid by the relevant due date, the Director Loan will be interest free.

If payable, the interest rate on the Director Loan will be 3% above the National Australia Bank's day-to-day base rate. The Company has already paid to Temorex an establishment fee of \$200,000.

The Company is limited from incurring any additional indebtedness during the term of the Director Loan over the amount of \$10,000, with the exception of unsecured working capital loans up to the amount of \$750,000.

The Director Loan Agreement also contains a number of indemnities, undertakings, representations and warranties from the Company to Temorex that are considered standard for an agreement of this type.

#### **8.4 Loan Agreement and New Loan Agreement**

On 31 December 2009 the Company entered into a loan agreement with National Australia Bank (**NAB**) for the provision of a debt facility (**Loan Agreement**). The Loan Agreement contained various covenants that are standard in facilities of this nature.

As set out in section 5.4(a), throughout the financial years ended 30 June 2009 and 30 June 2010 and up to the date of the Offer, the Company did not meet covenants specified under the Loan Agreement and as a result, the amounts due under the Loan Agreement (\$10,000,000 as of 30 June 2010) were subject to review.

On 31 August 2010 the Company received a letter from NAB confirming that, while NAB does not waive, or relinquish any of its rights in relation to the breach of covenants in the Loan Agreement, they would not be taking any action in relation to the breaches at the time of the letter.

The Company has received a letter of offer from National Australia Bank, dated 20 October 2010, detailing a new loan arrangement (**New Loan Agreement**). The New Loan Agreement is contemplated to replace the previous Loan Agreement. The letter specifies that the New Loan Agreement will be effective on the receipt of the proceeds from this Offer and the repayment of the Director Loan. The New Loan Agreement provides a debt facility for the Company that expires on 30 June 2011.

The Company reasonably expects that the business will meet the requirements of the New Loan Agreement (which include meeting financial performance covenants, making \$1.5m of debt repayments between the date of this Offer and 30 June 2011 and meeting the market-based interest payments) and thereby be in a position to renew the debt facility on 30 June 2011.

#### **8.5 Underwriting Agreement**

By an agreement between Temorex Pty Ltd (**Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter has agreed to underwrite the Offer for up to 108,692,602 Shares (being the full number of Shares issued pursuant to the Offer) (**Underwritten Securities**).

Mr Robert Martin, who is a Director of the Company, has a 50% interest in the issued capital of the Underwriter. Mr Martin is also the sole director of the Underwriter.

The Underwriter, together with its associates, currently has a relevant interest in 9,850,618 Shares, and accordingly, the Underwriter has existing voting power in the Company of 18.13%. The underwriting of the Offer by the Underwriter may result in a change to the Underwriter's voting power. Details of the potential control effects of the Underwriting Agreement in relation to the Company are set out in section 8.6 of this Prospectus.

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting commission equal to 5% of the total amount raised under the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to certain standard events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **ASX listing:** ASX does not give approval for the Underwritten Securities to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
- (b) **Index changes:** the S&P / ASX All Ordinaries Index (ASX Code: XAO) falls more than 10% from the close of business on the Business Day before the date of the Underwriting Agreement;
- (c) **indictable offence:** a director of the Company or any Related Corporation is charged with an indictable offence;
- (d) **return of capital or financial assistance:** the Company or a Related Corporation takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
- (e) **banking facilities:** the Company's bankers terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
- (f) **change in laws:** any of the following occurs:
  - (i) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia;
  - (ii) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
  - (iii) the adoption by the ASIC, its delegates, ASX, the Reserve Bank of Australia or any other regulatory authority of any regulations or policy, which does or is likely to prohibit, restrict or regulate the principal business of the Company, the Entitlements Issue or the operation of stock markets generally;
- (g) **failure to comply:** the Company or any Related Corporation fails to comply with any of the following:
  - (i) a provision of its constitution;
  - (ii) any statute;
  - (iii) a requirement, order or request, made by or on behalf of the ASIC or any governmental agency; or
  - (iv) any material agreement entered into by it;

- (h) **alteration of capital structure or constitution:** except as described in this Prospectus, the Company alters its capital structure or its Constitution without the prior written consent of the Underwriter;
- (i) **hostilities:** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, Philippines, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq or any Arab country (being a country the majority of whose inhabitants are of Arab ethnicity);
- (j) **extended Force Majeure:** a Force Majeure (as defined in the Underwriting Agreement), which prevents or delays an obligation under the Underwriting Agreement, lasting in excess of 2 weeks occurs;
- (k) **default:** the Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement;
- (l) **adverse change:** any adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company or a Related Corporation (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or a Related Corporation);
- (m) **investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a Related Corporation;
- (n) **Prescribed Occurrence:** a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in this Prospectus;
- (o) **Suspension of debt payments:** the Company suspends payment of its debts generally;
- (p) **Litigation:** litigation, arbitration, administrative or industrial proceedings are **after the** date of this Agreement commenced against the Company or any Related Corporation;
- (q) **Board and senior management composition:** there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Shortfall Shares without the prior written consent of the Underwriter;
- (r) **Breach of Material Contracts:** any material contract to which the Company or a Related Corporation is a party is terminated or substantially modified;
- (s) **Market Price:** the price of the Company's Shares, as quoted on ASX, is at any time after the date of this Agreement, the same as or below the Offer Price for a period of two consecutive days;



- (f) **Event of Insolvency:** an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a Related Corporation; or
- (u) **Judgment against a Related Corporation:** a judgment in an amount exceeding \$50,000 is obtained against the Company or a Related Corporation and is not set aside or satisfied within 7 days.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

## 8.6 Effect to voting power of the Underwriter

The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Shareholders take up all of the Entitlement under the Offer, the percentage interest in the Shares of the Company held by the Underwriter (and any other major Shareholders) would not change and there would not be any effect on the control of the Company; and
- (b) if some or all of the Shareholders do not take up their Entitlement under the Offer, and there is a Shortfall, then the issue of Shares to the Underwriter may have an effect on the control of the Company as detailed below.

To comply with the requirement to fully disclose the Underwriter's potential voting power in the Company, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any). Investors should note that the Underwriter's potential voting power will also be reduced to the extent that any Shortfall is applied for, and allocated, to the other Shareholders of the Company.

The potential maximum increase in the voting power of the Underwriter is set out below (based on a 100% Shortfall) and will only occur if no Shareholders take up their Entitlement under the Offer and no Shareholders apply for, or are allocated, Shares pursuant to the Shortfall Offer. Investors should note that this will not be the case, as the current Directors have indicated that they will apply for their Entitlement pursuant to the Offer. As the change in the potential voting power of the Underwriter is residual in the event the Directors take up their Entitlements, the Company has decided it is appropriate to set out the voting power of the Underwriter as if 100% of the Shortfall is taken up.

In the table below, it is assumed that the Underwriter and its associates will take up their full Entitlement as Shareholders under the Offer, and that no Options are exercised prior to the Record Date.

Event/Date	Number of Shares held by Underwriter and its associates	Voting Power of Underwriter
Date of Prospectus	9,850,618	18.13%
After issue of Shares assuming 25% Shortfall to the Underwriter	51,799,696	31.77%
After issue of Shares assuming 50% Shortfall to the Underwriter	74,047,537	45.42%

After issue of Shares assuming 75% Shortfall to the Underwriter	96,295,379	59.06%
After issue of Shares assuming 100% Shortfall to the Underwriter	118,543,220	72.71%

## 8.7 Intentions of the Underwriter

The Underwriter has indicated that its intentions mentioned in this section are based on the facts and information regarding the Company and the general business environment which are known to it as at the date of this Prospectus. Any future decisions will, of course, be reached by the Underwriter based on all material information and circumstances at the relevant time. Accordingly, if circumstances change or new information becomes available in the future, the Underwriter's intentions could change.

The Underwriter has informed the Company that on the facts and circumstances presently known to it, it is supportive of the Company's current direction. The Underwriter has indicated that it is presently willing to consider any proposals the Company's Board and management may put forward as to how the Underwriter could support and assist the Company towards its objectives.

The Underwriter has advised the Company that since it is presently supportive of the Company's current direction, the Underwriter does not currently intend to make any major changes to the direction and objectives of the Company, and that other than as disclosed in this Prospectus, the Underwriter:

- (a) does not currently intend to make any significant changes to the existing businesses of the Company;
- (b) does not currently intend to inject further capital into the Company other than participating in the Offer and underwriting the Offer;
- (c) does not currently intend to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;
- (d) does not currently intend for any property be transferred between the Company and the Underwriter or any person associated with the Underwriter;
- (e) does not currently intend to redeploy the fixed assets of the Company; and
- (f) does not currently intend to change the Company's existing financial or dividend policies.

The requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and "related party" transactions will apply in the event that the Underwriter is considered a related party of the Company.

The Underwriter will make decisions on its course of action in light of material facts and circumstances at the relevant times and after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

The statements reflect current intentions only as at the date hereof which may change as new information becomes available or circumstances change or with the passage of time.

## 8.8 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus and remuneration for the year ended 30 June 2010 are:

Name	Shares	Options	Entitlement	Remuneration (\$)
Robert Martin	9,850,618 <sup>2</sup>	Nil	19,701,236	43,600
Anthony Dale	1,144,576	1,666,666	2,289,152	321,762
Scott Mutton	Nil	Nil	Nil	43,600

### Notes:

1. Each of the Directors has indicated that it is their present intention to subscribe for their full Entitlement under the Offer.
2. Temorex Pty Ltd, a company associated with Mr Robert Martin, is also underwriting the Offer. See section 8.5 and 8.6 for further information.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in a general meeting, to be divided among the Directors and in default of agreement then in equal shares.

The Company paid to the Directors (inclusive of superannuation) a total of \$440,196 the year ended 30 June 2009 and \$408,962 for the year ended 30 June 2010. In addition to the above, the Directors have been paid fees totalling \$26,700 from the end of the previous financial year until the date of this Prospectus.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

## **8.9 Interests and Consents of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Temorex Pty Ltd has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. Temorex Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Temorex Pty Ltd (including its related entities) is an associate of Mr Robert Martin, a director of the Company. Temorex Pty Ltd will be paid an underwriting fee of approximately \$326,100 in respect of this Offer. Please refer to section 8.5 of this Prospectus for details relating to the Underwriting Agreement.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$25,000 for services in relation to this Prospectus.

## 8.10 Legal Proceedings

Other than as previously disclosed by the Company, there is no material litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

## 8.11 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,068
ASX fees	13,428
Underwriting fees	326,100
Legal expenses	25,000
Accountants Review	30,000
Printing and other expenses	24,960
<b>Total</b>	<b>421,556</b>

## 8.12 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: 7.9 cents on 7 October 2010

Lowest: 4 cents on 28 July 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 6.5 cents on 1 November 2010.

## 8.13 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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**9. AUTHORITY OF DIRECTORS**

**9.1 Directors' Consent**

Each of the Directors of Autodom Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 2<sup>nd</sup> day of November 2010

A handwritten signature in black ink, appearing to be 'A Dale', written over a diagonal line that extends from the bottom left towards the signature.

**Mr Anthony Dale  
Managing Director  
Signed for and on behalf of  
Autodom Limited**

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## 10. DEFINITIONS

**Acquisition** means the acquisition of the DAIR business by the Company pursuant to the terms of the BPA.

**Applicant** means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

**AISAP** means the Australian Federal Government's Automotive Industry Structural Adjustment Program.

**AISAP Grant** means the grant of \$3,970,000 received by the Company on 8 October 2010 pursuant to AISAP.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC Settlement Rules** means the settlement rules of the securities clearing house which operates CHES.

**ASX** means the ASX Limited (ACN 008 624 691).

**BPA** means the Business Purchase Agreement dated 31 August 2010 between the Company (via its two wholly owned subsidiaries aiDAIR Dandenong Pty Ltd and aiDAIR New Gisborne Pty Ltd) as Purchaser and David Fraser, DAIR Industries Pty Ltd and DAIR Industries (Vic) Pty Ltd as the Vendors.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Closing Date** means the closing date of the Offer, being 5.00pm (WST) on 29 November 2010 (unless extended).

**Company** means Autodom Limited (ACN 009 123 782).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001*(Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Director Loan** means the loan of \$5,000,000, made pursuant to the loan agreement between the Company and Temorex dated 26 August 2010.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form, either attached to or accompanying this Prospectus.

**Issue** means the issue of Shares offered by this Prospectus.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of the ASX.

**Loan Agreement** means the agreement between the Company and NAB dated 31 December 2009 for the provision of the Company's debt facility.

**NAB** means the National Australia Bank.

**New Loan Agreement** means the agreement between the Company and NAB dated 20 October 2010 for the provision of the Company's debt facility.

**Offer** means the renounceable entitlement offer pursuant to the Prospectus of 2 new Shares for every 1 Share held by a Shareholder on the Record Date to raise approximately \$6,521,556.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 5.00pm (WST) on 12 November 2010.

**Related Corporation** has the meaning given to that term in the Corporations Act.

**Securities** means Shares.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shortfall** means those Securities under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Application Form** means the shortfall application form attached to or accompanying this Prospectus.

**Temorex** means Temorex Pty Ltd (ACN 061 621 896).

**Underwriter** means Temorex Pty Ltd (ACN 061 621 896).

**Vendors** means the vendors pursuant to the BPA, being David Fraser, DAIR Industries Pty Ltd and DAIR Industries (Vic) Pty Ltd.

**Vendor Finance Tranche 1** means the loan of \$2,900,000 from the Vendors to the Company established pursuant to the BPA.

**Vendor Finance Tranche 2** means the loan of from the Vendors to the Company established pursuant to the BPA, repayable in 20 instalments over a period of 20 months from 31 August 2010.

**WST** means Western Standard Time.



