



AUTODOM

AUTODOM LIMITED
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23 March 2011

Mr Jenny Cutri
 Australian Securities Exchange

By Facsimile: 9221 2020

Dear Jenny

AUTODOM LIMITED - RESPONSE TO ASX QUERY

Further to your letter dated 18 March 2011, we advise as follows:

1. The Company will generate sufficient cash to fund its current activities. The Company reported a positive cash flow from operations of approximately \$705k and an overall positive cash flow from operating, financing and investing activities of approximately \$1million in its Half Year Financial Report lodged on the ASX on 28 February 2011. The Company also notes the following disclosure made in its recent Half Yearly Financial Report in respect to its ability to adopt the going concern basis of accounting:
 - The acquisition of the DAIR business (as announced on 1 September 2010) not only provides additional earnings but also provides the company with an expanded and more diverse customer base;
 - The Company's financiers have not exercised their review discretion and continue to be supportive of the Company;
 - Subject to the difficulties associated with predicting future demand from the global automotive industry, for the 12 month period from the date of the financial report, the Company is forecasting to generate positive trading cash flows from operations; and
 - A successful fully underwritten share entitlements issue completed on 25 February 2011 raising an additional \$3,643,366.

In addition the Company advises the following:

- In the second half of the 2010/2011 fiscal year, the DAIR business will contribute 6 months of earnings as compared to 4 months in the first half of the year.
- A restructure of the management team, which included a change in the CEO announced on 1 March 2011, will reduce costs for the remainder of the fiscal year and beyond.
- Continuation of efforts to improve working capital through improved inventory management;
- Forecast reduction in interest expense for the second half of the 2010/2011 fiscal year following the repayment of short-term loans incurred in the first half of the fiscal year to acquire the DAIR business.
- As announced on 1 February 2011, the Company expects further consolidation in the automotive component-manufacturing sector and is positioning itself to be an active participant in the consolidation process.

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- The Company announced on 1 February 2011 that there would be a decline in the earnings for the financial year ended 30 June 2011 but still forecasts a positive earnings result for the period.
- 2. The Company expects to have positive operating cash flows in the second half of the financial year.
- 3. The Company's financial position is adequate to warrant the continued quotation of its securities and its continued listing.
- 4. The Company has formed the view in respect to point 3 above for the reasons stated at point 1. In addition, the Company has demonstrated the ability to raise funds through the recently completed underwritten entitlement issue and procurement of loan funding from a major shareholder (as announced on 1 September 2010).

The Company's strategy to be a continuing participant in the consolidation occurring in the industry will, in the view of the Board of Autodom Limited, place the Company in a unique position in the coming periods.

- 5. The Company is in compliance with the ASX Listing Rules, in particular listing rule 3.1 and 12.2.

If there is any further information you require, please advise and we will provide accordingly.

Yours faithfully



Peter Torre
Company Secretary

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18 March 2011

Mr Peter Torre
 Company Secretary
 Autodom Ltd
 Suite 4 Henry James Building
 8 Alvan Street
 SUBIACO WA 6008

By e-mail: peter@torrecorporate.com.au

Dear Peter

Autodom Limited (the "Company")

We refer to the Company's half-year financial report for the half-year ended 31 December 2010, released to ASX Limited ("ASX") on 28 February 2011 (the "Half-Year Report").

ASX notes that the Half-Year Report provides:

Basis for Qualified Conclusion

The consolidated entity has recognised a deferred tax asset, in respect of unused tax losses and temporary differences of \$3,949,144, 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 consolidated entity generating future taxable profits. We have not been able to obtain sufficient appropriate evidence to determine whether it is probable that 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 deferred tax asset is in accordance with the requirements of the Australian Accounting Standards.

Qualified Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Autodom Ltd is not accordance with the Corporations Act 2011, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and*
- (ii) complying with Accounting Standard AASB134 Interim Financial Reporting and Corporations Regulations 2001.*

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Material Uncertainty Regarding Continuation as a Going Concern

Without further qualifying our conclusion expressed above, we draw attention to Note 1 in the financial report which indicates the consolidated entity incurred a net loss of \$577,847 during the half year ended 31 December 2010. At balance date, the consolidated entity had net current liabilities of \$11,743,124. In addition, during the half year review period, 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 doubt about the 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.

RELEVANT LISTING RULES AND GUIDANCE

We also refer to the following:

1. Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3 One or more of the following applies.

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret."*

2. Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
3. Listing rule 19.11A, which requires an entity to give ASX accounts, prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.
4. Listing Rule 19.2, which requires an entity to comply with the listing rules as interpreted, in accordance with their spirit, intention and purpose; by looking beyond form to substance; and in a way that best promotes the principles on which the listing rules are based.

QUESTIONS FOR RESPONSE

In light of the information contained in the Half Year Report and having regard to the listing rules referred to above, please respond (including the specific reasons and any previous disclosures made to the market the Company considers relevant to the matters outlined in the Half Year Report) to the following:

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the half-year indicated by the Half-year Report, the Company may not have sufficient cash to fund its activities in the near term. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Half-year Report and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. Is the Company of the view that the financial condition of the Company would be sufficient to warrant continued quotation of its securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2?
4. If the answer to question 3 is "Yes", please explain why the Company has formed the conclusion that the financial condition of the Company would be sufficient to warrant continued quotation of its securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2.
5. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later 5:00pm WST on Wednesday 23 March 2011**.

If you have any queries, please contact me on (08) 9224 0003.

Yours sincerely



Jenny Cutri
Assistant Manager, Listings (Perth)