



Futuris Hybrids Prospectus

For the issue of Futuris Hybrids at \$100 each to raise \$100 million with up to \$50 million of oversubscriptions. Applications must be for a minimum of 50 Futuris Hybrids (\$5,000)

This is a replacement prospectus dated 28 February 2006. It replaces a prospectus dated 17 February 2006 and a supplementary prospectus dated 27 February 2006, both lodged by Futuris Corporation Limited with the Australian Securities and Investments Commission relating to the Offer of Futuris Hybrids.

The Futuris Hybrids Information Line is 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia.

The Futuris Hybrids are unsecured notes for the purposes of Section 283BH of the Corporations Act.

Futuris Corporation Limited ABN 34 004 336 636

**Bookrunner &
Lead Manager**



Co-Managers

Citigroup Wealth Advisors Pty Limited
Grange Securities Limited
Macquarie Equity Capital Markets Limited
National OnLine Trading Limited

Important information

Prospectus

This replacement prospectus is dated 28 February 2006 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The replacement prospectus replaces the original prospectus, dated 17 February 2006 (**Original Prospectus**) and the supplementary prospectus, dated 27 February 2006 (**Supplementary Prospectus**), which were lodged with ASIC on 17 February 2006 and 27 February 2006 respectively. The replacement prospectus includes details of the Initial Margin, which was determined following the Bookbuild process described in Section 2.4.9. References to the Prospectus are to this replacement prospectus. This Prospectus expires on 17 February 2007 (**Expiry Date**) and no Futuris Hybrids will be issued on the basis of this Prospectus after the Expiry Date. The offer contained in this Prospectus (**the Offer**) is made by Futuris Corporation Limited (**Futuris**).

You should read this Prospectus in its entirety before deciding whether to participate in the Offer, and, in particular, you should consider the risk factors that could affect the performance of Futuris Hybrids or Futuris, some of which are outlined in Section 5.

The information in this Prospectus is not financial product advice and does not take into account your individual investment objectives, financial situation or needs. You should carefully consider the whole of this Prospectus in light of your particular investment needs, objectives and financial situation (including your financial and taxation situation). If, after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, solicitor, accountant or other professional adviser. No cooling off rights apply to the issue of Futuris Hybrids.

Futuris will apply to Australian Stock Exchange Limited (**ASX**) for the Futuris Hybrids to be quoted on ASX.

ASIC and ASX take no responsibility for the content of this Prospectus.

Exposure Period

The Corporations Act prohibits the processing of Applications in the seven-day period after the date of lodgement of a prospectus (**Exposure Period**). This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable a prospectus to be examined by market participants prior to the raising of funds.

Applications received during the Exposure Period must not be processed until after the expiry of that period. No preference is to be conferred on Applications received during the Exposure Period.

The Exposure Period of the Original Prospectus has already ended. There was no Exposure Period for the Supplementary Prospectus and there is no Exposure Period for this Prospectus.

Foreign jurisdictions

The distribution of this Prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with these restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

In particular, Futuris Hybrids have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the benefit of, any "US Person" as defined in Regulation S under the US Securities Act.

Any offer, sale or resale of Futuris Hybrids in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made within 40 days of the Issue Date.

Prospectus availability

Investors can obtain a copy of this Prospectus during the period of the Offer by downloading from the Futuris website at www.futuris.com.au or by calling the Futuris Hybrids Information Line on 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia. The Offer constituted by this Prospectus in electronic form is only available to persons receiving this Prospectus in electronic form in Australia.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanied by a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Photographs and diagrams

Photographs and schematic drawings appearing in this Prospectus do not depict assets or equipment owned or used by Futuris or an activity conducted by Futuris unless otherwise indicated. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are explained in clause 19 of the Terms of Futuris Hybrids (see Section 7).

A reference to time in this Prospectus is to Australian Eastern Daylight Time (**AEDT**), unless otherwise stated.

The financial amounts in this Prospectus are expressed in Australian currency unless otherwise stated. A reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated.

Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, accountant or other professional adviser. If you have questions in relation to how to complete the Application Form, please call the Futuris Hybrids Information Line on 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia.

Privacy

Please read the privacy statement located at Section 2.6.2 of this Prospectus. By submitting the Application Form accompanying this Prospectus, you consent to the matters outlined in that statement.

Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by Futuris or any other person in connection with the Offer. Except as required by law, and only to the extent so required, neither Futuris nor any other person warrants or guarantees the future performance of Futuris or any return on any investment made pursuant to this Prospectus.



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Key Dates

Lodgement of Prospectus with ASIC	17 February 2006
Bookbuild Closing Date	27 February 2006
Offer Opens	28 February 2006
Priority Offer Closing Date	24 March 2006
General Offer Closing Date	31 March 2006
Broker Firm Offer Closing Date	3 April 2006
Issue Date	10 April 2006
Expected listing and commencement of deferred settlement trading on ASX	11 April 2006
Expected despatch of holding statements	13 April 2006
Expected commencement of normal trading on ASX	18 April 2006

* These dates are indicative only and are subject to change.

To find out more about Futuris Hybrids

- Call the Futuris Hybrids Information Line on 1300 782 135 for callers within Australia and +61 3 9415 4251 for callers outside Australia.
- Log on to www.futuris.com.au

If you have questions in relation to whether Futuris Hybrids are a suitable investment for you, you should consult with your professional advisers.

Letter from the Chairman

FUTURIS CORPORATION LIMITED

17 February 2006

Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to invest in Futuris Corporation Limited through an investment in Futuris Hybrids.

Futuris is issuing the Futuris Hybrids as part of its ongoing capital management strategy. The Futuris Hybrids will further strengthen Futuris' balance sheet and provide enhanced flexibility within its capital structure. The proceeds raised from the issue of the Futuris Hybrids will be used for debt repayment and general corporate purposes.

Futuris intends to issue the Futuris Hybrids at an Issue Price of \$100 each, to raise \$100 million with the right to accept up to \$50 million in oversubscriptions. The minimum investment size is 50 Futuris Hybrids, or \$5,000. A Futuris Hybrid is a perpetual, subordinated, convertible unsecured note with discretionary, non-cumulative distributions and is intended to be quoted on ASX. Those Australian residents who are Futuris Ordinary Shareholders or holders of existing Futuris Convertible Notes as at 17 February 2006 will be entitled to receive a priority allocation of the Futuris Hybrids over general retail public applicants.

This Prospectus contains full details of the Offer, the terms of the Futuris Hybrids and a description of some of the key risks associated with an investment in Futuris Hybrids. I urge you to read this Prospectus thoroughly.

To apply for Futuris Hybrids you will need to complete and return the Application Form attached to or accompanying this Prospectus during the Offer Period. Applications can only be made by Australian residents. If you have any questions regarding the Offer, please contact your stockbroker, accountant or other professional adviser, or call the Futuris Hybrids Information Line on 1300 782 135 within Australia or + 61 3 9415 4251 for callers outside of Australia (between 8.30am–5.00pm (AEDT) Monday to Friday).

The Offer is scheduled to open on 28 February 2006 and I encourage you to lodge your Application early.

On behalf of the Directors, I invite you to consider this investment opportunity.

Yours faithfully,



Stephen Gerlach
Chairman, Futuris Corporation Limited

Level 6, 27 Currie Street, Adelaide, SA 5000 GPO Box 551 Adelaide SA 5001 Telephone: (08) 8425 4999 Facsimile: (08) 8410 1597
Futuris Corporation Limited A.B.N. 34 004 336 636



Section 1

Description of the Futuris Hybrids

1 Description of the Futuris Hybrids

This Section is designed to provide a summary description of Futuris Hybrids. It is a summary only. The full Terms of Futuris Hybrids (including defined terms) are set out in Section 7. To the extent there is any inconsistency between this summary and the Terms of Futuris Hybrid, the Terms prevail.

1.1 Key features

GENERAL	
Issuer	Futuris Corporation Limited (Futuris).
Description	<p>A Futuris Hybrid is a perpetual, subordinated, convertible unsecured note which entitles the Holder to receive a Distribution each quarter, subject to the Futuris Directors resolving to pay a Distribution for that quarter.</p> <p>In certain circumstances a Futuris Hybrid may be Converted into Ordinary Shares in Futuris or sold by Futuris to third parties for cash.</p> <p>A trustee (Permanent Trustee Company Limited) has been appointed to enforce rights on behalf of Holders. A Futuris Hybrid is an unsecured note for the purposes of s.283BH of the Corporations Act.</p>
Issue Price	\$100 per Futuris Hybrid.
Term	Futuris Hybrids have no maturity date. A Holder has no right to have their Futuris Hybrids redeemed, cancelled or bought-back by Futuris for cash. Holders wishing to realise their investment need to sell their Futuris Hybrids on market.
Ranking	Upon a winding-up of Futuris the Holder of a Futuris Hybrid will be issued a Futuris Preference Share. A Futuris Preference Share together with the right to the Debt Portion under the Futuris Hybrid will entitle the Holder to be paid after all creditors, but ahead of Ordinary Shareholders an amount equal to \$100 plus any unpaid Distributions in the last 12 months.

DISTRIBUTIONS	
Distributions	<p>If the Board resolves to pay them, Distributions will be paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year. The first date for payment of a Distribution is 30 June 2006.</p> <p>Distributions are payable at the discretion of the Board of Futuris and, if not paid, are non-cumulative.</p> <p>If a Distribution is not paid, Futuris may not pay a dividend or other distribution to its Ordinary Shareholders. This restriction may be removed by Futuris in certain circumstances including by Futuris paying Holders an Optional Distribution of not less than the unpaid Distributions during the previous 12 months or by subsequently paying Distributions in full to Holders for a period of 12 months (see clause 3 of the Futuris Hybrid Terms on page 36).</p>
Distribution Rate	<p>Until 30 June 2011 (the first Remarketing Date) the Distribution Rate will be the 3 month bank bill swap rate plus a Margin of 2.20% p.a..</p> <p>Futuris may seek to vary the Margin and other terms as from a Remarketing Date as described below.</p>
Step-up in Distribution Rate	<p>If, in relation to a Remarketing Date, Futuris does not seek to vary the Margin or a Remarketing Process is not Successful:</p> <ul style="list-style-type: none"> the Margin will increase by a step-up of 2.50% p.a.; and the increased Margin will be applied to the higher of the 3 month bank bill swap rate and the 10 year swap rate at the commencement of each Distribution Period. <p>(See Section 1.2 below for more information on these swap rates.)</p>

DISTRIBUTIONS (Continued)

<p>Amount of Distributions</p>	<p>The amount of a Distribution is calculated using the formula: Distribution Amount = Distribution Rate x (1-T) x \$100 x n/365</p> <p>Where: T is the corporate tax rate (currently 0.3 or 30%); and n is the number of days in the relevant Distribution Period.</p> <p>Distributions are frankable and Futuris expects that Distributions will be fully franked. If not fully franked Distributions will be grossed up.</p> <p>For Holders who can fully utilise franking credits the formula for calculating Distributions will provide Holders with an annualised pre-tax return on their investment for each Distribution Period equal to the Distribution Rate.</p>								
<p>Example</p>	<p>Assume:</p> <ul style="list-style-type: none"> • 3 month bank bill swap rate of 5.65%; • a Margin of 2.20%; so that the Distribution Rate is 7.85% p.a.; and • the investor can fully utilise franking credits. <p>Distributions (fully franked) for a 12 month period will provide:</p> <table border="1" data-bbox="438 784 1396 985"> <tr> <td>Distribution Rate:</td> <td style="text-align: right;">7.85% p.a.</td> </tr> <tr> <td>Cash of:</td> <td style="text-align: right;">\$5.50</td> </tr> <tr> <td>Franking credits of:</td> <td style="text-align: right;">\$2.35</td> </tr> <tr> <td>For a total pre-tax return of: (to be included in the assessable income of the Holder)</td> <td style="text-align: right;">\$7.85</td> </tr> </table> <p>The value of franking credits to a Holder may differ depending on the Holder's particular tax circumstances (see Section 6 for more details).</p>	Distribution Rate:	7.85% p.a.	Cash of:	\$5.50	Franking credits of:	\$2.35	For a total pre-tax return of: (to be included in the assessable income of the Holder)	\$7.85
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For a total pre-tax return of: (to be included in the assessable income of the Holder)	\$7.85								

REMARKETING

<p>Remarketing Process</p>	<p>On a Remarketing Date, Futuris may initiate a process under which certain terms of the Futuris Hybrids can be changed and Holders may participate in setting a new Margin to apply from that Remarketing Date (Remarketing Process).</p> <p>The first Remarketing Date is 30 June 2011. A further Remarketing Date occurs every 5 years (unless a different Remarketing Date is set as part of the Remarketing Process).</p> <p>If Futuris decides to conduct a Remarketing Process it must send Holders a notice offering Holders a Margin range and any other new terms proposed to apply from the Remarketing Date. A list of the terms which may be varied as part of the Remarketing Process is set out in clause 4.1 of the Terms of the Futuris Hybrids.</p>
<p>Holders' response</p>	<p>Holders may respond to a Remarketing notice by giving:</p> <ul style="list-style-type: none"> • a Step-Up Notice: under this notice a Holder elects not to continue holding Futuris Hybrids unless the applicable rate is the higher of the 3 month bank bill swap rate and 10 year swap rate, and the Margin is stepped up by 2.50% p.a.; • a Hold Notice: under this notice a Holder elects to continue to hold Futuris Hybrids at whatever Margin is set by Futuris within the Margin range; or • a Bid Notice: under this notice Holders indicate a Margin (within the Margin range) at or above which they will continue to hold Futuris Hybrids. <p>If a Holder does not respond they will be deemed to have given a Hold Notice.</p>
<p>Setting of new Margin</p>	<p>If in respect of at least 25% of the Futuris Hybrids on issue, Holders give a Hold Notice (excluding deemed Hold Notices) or give a Bid Notice specifying a Margin equal to or less than the new Margin, the Remarketing Process is called Successful and the new Margin and any other new terms as proposed by Futuris will apply to all Futuris Hybrids until the next Remarketing Date.</p>
<p>Exiting Holders</p>	<p>Those Holders who gave a Step-Up Notice or a Bid Notice with a Margin higher than the new Margin will have their Futuris Hybrids Converted or Resold.</p>

REALISATION	
Conversion or Resale by Futuris	<p>Futuris has the right (but not the obligation) to Convert some or all of the Futuris Hybrids into Ordinary Shares in Futuris (see Conversion below) or cause the Futuris Hybrids to be sold to a third party (see Resale below):</p> <ul style="list-style-type: none"> • on the last Business Day before any Remarketing Date; • on the last Business Day before any Distribution Payment Date after a Remarketing Date (unless there has been a Successful Remarketing Process on that Remarketing Date); and • on or after the occurrence of an Accounting Event, Tax Event, Acquisition Event or Regulatory Event. <p>Futuris has the right (but not the obligation) to Convert or Resell all Futuris Hybrids if the aggregate Issue Price of all the Futuris Hybrids on issue is less than \$50 million.</p> <p>Futuris may elect to do any combination of Conversion or Resale.</p>
Request by Holder to be Converted or Resold	<p>Holders may require Futuris to Convert or Resell all of their Futuris Hybrids if:</p> <ul style="list-style-type: none"> • Futuris has breached any restriction on paying dividends or other distributions to Ordinary Shareholders (as described under “Distributions” above); or • the Directors of Futuris have recommended a takeover bid for Futuris or a scheme involving a change of control of Futuris.
Conversion	<p>If Futuris elects to Convert, Holders will receive Ordinary Shares in Futuris with an aggregate market value (based on a 2.5% discount to the volume weighted average price (VWAP) of Ordinary Shares in Futuris on ASX over the preceding 20 trading days) equal to the Issue Price of the Futuris Hybrids plus any unpaid Distributions during the preceding 12 months (see clause 7 of the Terms for details).</p> <p>The conversion rate may be adjusted if there is a takeover bid or scheme (see below).</p>
Resale	<p>If Futuris elects to Resell, Futuris may sell a Holder’s Futuris Hybrids to a third party and deliver to the Holder proceeds at least equal to \$100 plus any unpaid Distributions during the preceding 12 months.</p> <p>The amount of the proceeds of a Resale may be adjusted if there is a takeover bid or scheme (see below).</p>
Adjustment for takeover or scheme	<p>If the Conversion or Resale occurs as a result of a takeover bid for Futuris or as a result of certain schemes of arrangement involving a change of control of Futuris, the conversion rate or proceeds of Resale may be adjusted to provide Holders with some of the premium (if any) in the takeover or scheme price over the market price for Ordinary Shares which applied before announcement of the bid or scheme (see clause 7.1 and the adjustment mechanism in clause 7.2 of the Terms).</p>

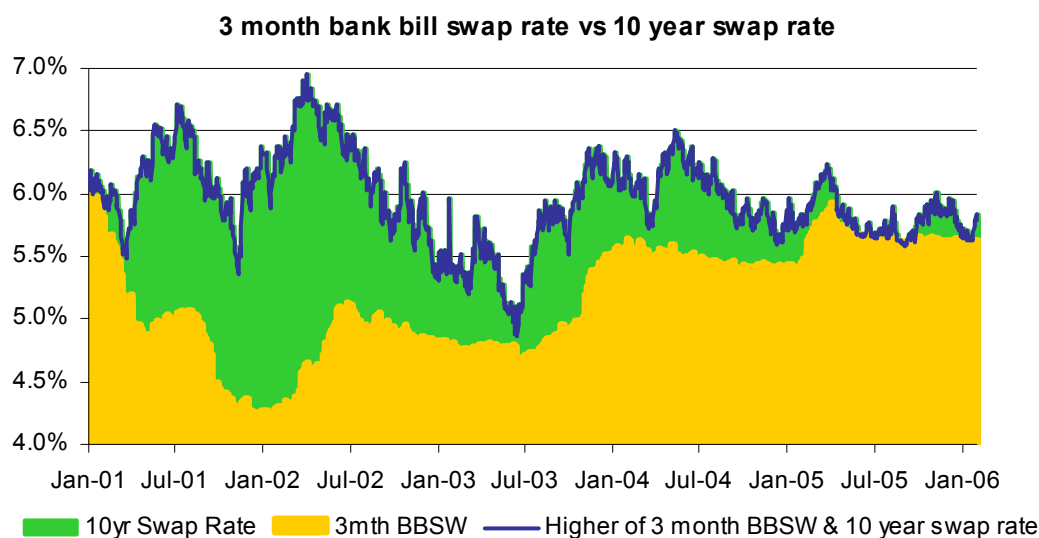
OTHER	
Credit Rating	The Futuris Hybrids are unrated.
Size of Offer	\$100 million with a right to accept up to \$50 million in oversubscriptions.
Use of Proceeds	Proceeds of the Offer will be used for debt repayment and general corporate purposes. The Futuris Hybrids will further strengthen Futuris’ balance sheet and provide enhanced flexibility within its capital structure.
Voting Rights	<p>Holders of Futuris Hybrids have no voting rights at meetings of members of Futuris. Holders can vote at meetings of Holders held under the Trust Deed.</p> <p>If a Futuris Hybrid is Converted, the Holder will become a holder of Ordinary Shares in Futuris and will have the voting rights attached to those shares (see Section 8.2).</p> <p>Upon the Holder being issued a Futuris Preference Share, the Holder will have the voting rights attached to those shares (see Section 7).</p>
Further Issues	Holders have no rights to participate in future issues of equity or debt. There is no restriction on Futuris issuing further equity or debt, including equity or debt which in a winding-up ranks for payment equally or in priority to the Futuris Hybrids or Futuris Preference Shares.
Trading code	Futuris Hybrids are expected to trade on the ASX as FCLPA.

1.2 Further information on market rates

Prior to 30 June 2011, Distributions will be calculated by applying the Margin to the 3 month bank bill swap rate calculated at the beginning of each Distribution Period.

Unless there is a Successful Remarketing Process at a Remarketing Date, the Margin will be stepped-up by 2.50% p.a. and applied to the higher of the 3 month bank bill swap rate and the 10 year swap rate, calculated at the beginning of each Distribution Period.

A chart of the 3 month bank bill swap rate and the 10 year swap rate over the last 5 years is set out below.



1.3 Risks

The risks associated with investing in Futuris Hybrids include:

- Distributions are at the discretion of the Directors. If not paid, Distributions are not cumulative;
- Distributions are expected to be fully franked, but may not be. The value of franked Distributions depends on the investor being able to utilise franking credits;
- the Futuris Hybrids are perpetual and have no fixed maturity date. Holders who wish to realise their investment need to sell their Futuris Hybrids which exposes them to the risks of price fluctuations and lack of liquidity in the market. No stamp duty is payable on a sale, but brokerage may be payable if sold through a broker;
- if Futuris is wound up, Holders rank for payment behind all creditors;
- changes in tax laws or their interpretation or administration can impact on Holders. Futuris has not obtained a class ruling or a private ruling from the Australian Taxation Office in relation to the Futuris Hybrids.

Please refer to Section 5 of the Prospectus where additional risks associated with investing in Futuris Hybrids are set out.

Risks are set out in greater detail in Section 5.

1.4 Quotation

Quotation on ASX and Trading your Futuris Hybrids

Application will be made to ASX within seven days after the date of this Prospectus for official quotation of the Futuris Hybrids. It is expected that trading of Futuris Hybrids on ASX will commence on or about 11 April 2006 on a deferred settlement basis and that holding statements will be despatched on or about 13 April 2006.

If quotation approval is not granted by ASX, the Futuris Hybrids will not be issued and Application monies will be refunded to applicants without interest.

Futuris Hybrids are expected to trade on ASX as FCLPA.

1.5 Enquiries

Who can you call if you have any other questions?

If after reading this Prospectus, you have any further questions, please call the Futuris Hybrids Information Line on 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia between 8.30am and 5.00pm (AEDT) Monday to Friday. If you have questions in relation to whether the Futuris Hybrids are a suitable investment for you, then you should consult your stockbroker, accountant or other professional adviser.

Where can you get more information about the Futuris Hybrids?

You can obtain a number of relevant documents free of charge from Futuris during the Offer Period. See Section 3.4 for a list of these documents and how you can get copies.

Section 2

Details of the Offer

2 Details of the Offer

This Section sets out what you must do if you wish to apply for Futuris Hybrids, including:

- who may apply for Futuris Hybrids;
- when you can apply and key dates;
- how to apply;
- how you pay for Futuris Hybrids;
- how to complete your Application Forms; and
- where to send Application Forms and Application monies.

2.1 Who may apply?

You may apply for Futuris Hybrids if you are:

- an Australian resident retail investor – through the General Offer;
- an Australian resident retail client of the Lead Manager, a Co-Manager or a Broker who is participating in the Broker Firm Offer (**Participating Broker**) (each a **Syndicate Broker**) – through the Broker Firm Offer; or
- an institution – through the Institutional Offer via the Lead Manager.

Australian resident Ordinary Shareholders and holders of existing Futuris Convertible Notes on the register on 17 February 2006 will be given priority under the General Offer (see Section 2.3).

No action has been, or will be, taken to register or qualify the Futuris Hybrids or otherwise permit a public offering of Futuris Hybrids in any jurisdiction outside Australia. Futuris Hybrids may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws in that jurisdiction.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form in Australia.

2.2 When to apply and key dates

You can apply during the Offer Period, which is expected to begin on 28 February 2006. All Applications must be received by the applicable Closing Date. The Closing Date for:

- the Priority Offer for Ordinary Shareholders and holders of existing Futuris Convertible Notes is expected to be 5.00pm (AEDT) on 24 March 2006;
- the General Offer is expected to be 5.00pm (AEDT) on 31 March 2006; and
- the Broker Firm Offer is expected to be 10.00am (AEDT) on 3 April 2006. However, Application Forms and Application monies must be received by the Lead Manager and Syndicate Brokers by 5.00pm on 31 March 2006 in accordance with arrangements made between them and their clients. Application procedures for Institutional Investors will be advised by the Lead Manager.

Futuris, in consultation with the Lead Manager, may close the Offer early, extend any Closing Date or withdraw the Offer without notice. You are encouraged to submit your Application Forms and Application monies as soon as possible after the Opening Date. If the Closing Dates are varied, subsequent dates may also be varied accordingly.

KEY DATES	
Lodgement of Prospectus with ASIC	17 February 2006
Bookbuild Closing Date	27 February 2006
Offer Opens	28 February 2006
Priority Offer Closing Date	24 March 2006
General Offer Closing Date	31 March 2006
Broker Firm Offer Closing Date	3 April 2006
Issue Date	10 April 2006
Expected listing and commencement of deferred settlement trading on ASX	11 April 2006
Expected despatch of holding statements	13 April 2006
Expected commencement of normal trading on ASX	18 April 2006

* These dates are indicative only and are subject to change.

2.3 How can you apply?

2.3.1 General and Priority Applicants

If you are an Australian resident retail investor, an Ordinary Shareholder or a holder of existing Futuris Convertible Notes as at 17 February 2006 and want to apply for Futuris Hybrids, you must complete the Application Form accompanying this Prospectus according to the instructions set out in the back of this Prospectus. You can also obtain a copy of this Prospectus and an Application Form at the Futuris website at www.futuris.com.au. Your completed Application Form and Application monies should be returned to the addresses set out in Section 2.6.3.

Australian resident Ordinary Shareholders and holders of existing Futuris Convertible Notes on the register as at 17 February 2006, who provide their Holder Identification Number (**HIN**) or Shareholder Reference Number (**SRN**) and postcode when requesting a prospectus (either online or via the information line) will receive a personalised priority Application Form with the prospectus which will identify them as Priority Applicants. Ordinary Shareholders and holders of existing Futuris Convertible Notes can also apply under the Priority Offer using the Application Form at the back of the prospectus by including their HIN/SRN in the space provided.

2.3.2 Broker Firm Applicants

If you are a Broker Firm Applicant, which means you have received a firm allocation of Futuris Hybrids from a Syndicate Broker, you should contact your Syndicate Broker for information about how to submit an Application Form and Application monies.

The process of applying for Futuris Hybrids for Broker Firm Applicants differs in two important respects from the process described for Applicants under the General and Priority Offer:

- the Application monies must be made payable to the Syndicate Broker (not to the “Futuris Hybrids Offer”); and
- the completed Application Form and Application monies must be delivered to the Syndicate Broker directly (not to the Registry).

These differences and any other requirements can be explained to Broker Firm Applicants in further detail by a Syndicate Broker.

2.4 How do you pay for Futuris Hybrids?

2.4.1 Minimum Application amount

The Issue Price of each Futuris Hybrid is \$100. Applications must be for a minimum of 50 Futuris Hybrids (\$5,000). If your Application is for more than 50 Futuris Hybrids, you must apply in incremental multiples of 10 Futuris Hybrids – that is, for incremental multiples of at least \$1,000.

2.4.2 Application monies

If you are an Australian resident retail investor applying under the General Offer or Priority Offer, your completed Application Form(s) must be accompanied by a cheque(s) and/or money order(s) (or both) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed ‘not negotiable’ and made payable to ‘Futuris Corporation Limited - Futuris Hybrid Offer’. Cash payments will not be accepted.

If you are a Broker Firm Applicant, you should pay your Application monies in accordance with arrangements made between you and a Syndicate Broker.

All Application monies received before the Futuris Hybrids are issued will be held by Futuris on trust in an account established solely for the purpose of depositing Application monies received. Any interest that accrues will be retained by Futuris.

2.4.3 Brokerage and stamp duty

You do not have to pay brokerage or stamp duty on your Application. Under current law, you will not have to pay stamp duty if you transfer your Futuris Hybrids on ASX at a later date. However, you may have to pay brokerage on later transfers of Futuris Hybrids.

2.4.4 Refunds

If you are an Applicant under the General Offer, who is not allocated any Futuris Hybrids or you are an Applicant under the General Offer or Priority Offer who is allocated fewer Futuris Hybrids than the number that you applied for, including being allocated less than the minimum Application of 50 Futuris Hybrids, you will receive a refund cheque for the amount of your Application monies (without interest) that was not used to pay for Futuris Hybrids as soon as practicable.

In addition, if the Offer does not proceed for any reason, all Applicants will have their Application monies refunded to them (without interest) as soon as practicable.

2.4.5 Withdrawal and early close of the Futuris Hybrid Offer

Futuris, in consultation with the Lead Manager, may close the Offer early or withdraw the Offer without notice. You are encouraged to submit your Application Forms and Application monies as soon as possible after the Opening Date. If the Closing Dates are varied, subsequent dates may also be varied accordingly.

2.4.6 CHESS and provision of holding statements

Futuris will apply for the Futuris Hybrids to participate in CHESS and, if official quotation is granted by ASX, no certificates will be issued. Each Holder will be provided with a statement of holding which sets out the number of Futuris Hybrids held.

Holding statements for the Futuris Hybrids issued pursuant to this Prospectus are expected to be despatched on or about 13 April 2006. On admission to CHESS, the Futuris Hybrids must be held in either the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister. These two subregisters will make up the register. It is the responsibility of each Applicant to confirm their allocation of Futuris Hybrids before trading in Futuris Hybrids. Any person who sells Futuris Hybrids before receiving confirmation of their allocation in the form of their holding statement will do so at their own risk. Futuris and the Lead Manager disclaim all liability, in negligence or otherwise, to any person who trades Futuris Hybrids before receiving their Holding Statement, whether on the basis of a confirmed allocation provided by Futuris or otherwise.

2.4.7 Allotment

Futuris intends to issue up to 1 million Futuris Hybrids at an Issue Price of \$100 each, to raise \$100 million – with the ability to accept oversubscriptions for up to \$50 million (or up to a further 500,000 Futuris Hybrids).

Futuris will not allot any Futuris Hybrids until all proceeds from accepted Applications have been received by Futuris and ASX has granted permission for Futuris Hybrids to be quoted on ASX. Futuris expects that Futuris Hybrids will be allotted on 10 April 2006. Futuris and the Lead Manager may change the Closing Date and the Issue Date or may withdraw the Offer at any time before Allotment.

Futuris reserves the right to issue less than 1 million Futuris Hybrids.

2.4.8 Allotment Policy

The allotment policy for:

- Institutional Investors and Syndicate Brokers will be determined during the Bookbuild; and
- Australian resident Ordinary Shareholders and holders of existing Futuris Convertible Notes as at 17 February 2006 and members of the general public will be determined after the Closing Date for the General Offer when all Applications have been received and the Priority Allocation can be determined.

Futuris (after consultation with the Lead Manager) has the absolute discretion to determine the method and extent of the Priority Allocation to Ordinary Shareholders and holders of existing Futuris Convertible Notes. In determining the Allocation Policy, Futuris and the Lead Manager will act fairly and equitably, and will aim to achieve an orderly and successful secondary market and a wide distribution of Futuris Hybrids.

2.4.9 Bookbuild

In the period after lodgement of this Prospectus and before the Opening Date, the Lead Manager has conducted a Bookbuild in accordance with the terms and conditions agreed by Futuris and the Lead Manager. As part of the Bookbuild, certain Institutional Investors and Syndicate Brokers have been invited to lodge bids for a maximum number of Futuris Hybrids within an indicative range for the Initial Margin. On the basis of those bids, Futuris and the Lead Manager have determined the Initial Margin and the firm allocations of the Futuris Hybrids to Institutional Investors and Syndicate Brokers. The Futuris Hybrids allocated during the Bookbuild will be issued pursuant to this Prospectus.

The Initial Margin determined on the basis of the outcome of the Bookbuild Application is 2.20% and settlement procedures for the Bookbuild will be notified to Institutional Investors and Syndicate Brokers by the Lead Manager.

2.4.10 Broker firm allocations

The distribution of each broker firm allocation to Broker Firm Applicants by a Syndicate Broker will be at the discretion of that Syndicate Broker. That distribution will be subject to the terms and conditions of the Bookbuild and the offer made to that Syndicate Broker by the Lead Manager on behalf of Futuris.

2.4.11 Ordinary Shareholders, holders of existing Futuris Convertible Notes and members of the general public

If there is excess demand for Futuris Hybrids, Futuris (in consultation with the Lead Manager) will consider scaling back Applications.

If Applications are scaled back, Applicants who are Australian resident Ordinary Shareholders or holders of existing Futuris Convertible Notes on the register on 17 February 2006 will still receive a priority allocation. This means that those Applicants will receive a preference over Applicants who are members of the general public. The method and extent of the priority allocation will be determined by Futuris in consultation with the Lead Manager in their absolute discretion. Despite the priority allocation, Ordinary Shareholders and holders of existing Futuris

Convertible Notes may receive fewer Futuris Hybrids than they applied for, including fewer than the minimum Application of 50 Futuris Hybrids.

If Applications are scaled back, Applicants who are not Ordinary Shareholders or holders of existing Futuris Convertible Notes may be allotted fewer Futuris Hybrids than they applied for – possibly even fewer than the minimum Application of 50 Futuris Hybrids or even no Futuris Hybrids.

2.5 Deferred Settlement Trading

It is expected that Futuris Hybrids will be quoted on ASX on or about 11 April 2006 initially on a deferred settlement basis.

Trading will initially be on a deferred settlement basis until Futuris has advised ASX that holding statements have been despatched to Holders. Normal delivery trading is expected to commence on or about 18 April 2006.

Applicants will also be able to call the Futuris Hybrids Information Line on 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia to find out or confirm their allocations.

It is the responsibility of each Applicant to confirm their holding before trading in Futuris Hybrids. Applicants who sell Futuris Hybrids before they receive a holding statement do so at their own risk. Futuris, the Registry the Lead Manager and each Syndicate Broker disclaim all liability, whether in negligence or otherwise, to persons who sell Futuris Hybrids before receiving their holding statements, whether on the basis of a confirmation of allocation provided by any of them or by the Futuris Hybrids Information Line.

2.6 How do you complete Application Forms?

An Application Form and a guide on how to complete the Application Form accompanies this Prospectus.

2.6.1 Provision of Tax File Number and/or Australian Business Number

If you are allocated Futuris Hybrids, the Registry will provide you with a form when your holding statement is despatched to you that will request your tax file number (TFN) and/or Australian Business Number (ABN). You do not have to provide your TFN or ABN. However, Futuris may be required to withhold Australian tax at the maximum marginal tax rate (currently 48.5% including the Medicare Levy) on the amount of any unfranked Distributions unless one of the following is provided:

- TFN; or
- TFN exemption details (if applicable).

Institutional investors who do not have a registered address in Australia with the Registry may be subject to Australian withholding tax on the amount of any Distributions paid.

2.6.2 Acknowledgment and privacy statement

The Application Form requires you to provide personal information to Futuris and the Registry. Futuris and the Registry will collect, hold and use personal information in order to assess your Application, service your needs as an investor, administer your holding of Futuris Hybrids and provide you with information of future issues of securities by Futuris (or by any other entity in connection with Futuris' funding requirements) and to comply with legislative and regulatory requirements, including crime prevention and investigation.

By submitting an Application Form, you agree that Futuris may use the information provided by you on the Application Form for the purposes set out in this privacy statement and may disclose it for those purposes to the Lead Manager (or your broker), the Registry, Futuris' related entities, agents, contractors and third party services providers (including mail houses and professional advisers), the ASX, other regulatory authorities and in any case, where disclosure is required or allowed by law or where you have consented.

If you become a Holder, the Corporations Act requires Futuris to include information about Holders (including name, address and details of the securities held) in its public register (**Register**). The information contained in the Register must be retained, even if you cease to be a Holder. Information contained in the Register is also used to facilitate payments including Distributions and corporate communications (including Futuris' financial results, annual reports and other information that Futuris wishes to communicate to Holders) and to ensure compliance by Futuris with legal and regulatory requirements.

If you do not provide the information required on the Application Form, Futuris may not be able to accept or process your Application.

Under the *Privacy Act 1988* (as amended), you may request access to your personal information held by or on behalf of Futuris, subject to certain exemptions under law. A fee may be charged for access. You can request access to your personal information or obtain further information about Futuris' privacy management practices by contacting the Registry or Futuris. Access requests must be made in writing to Futuris' registered office, Level 6, 27 Currie Street, Adelaide, South Australia 5000, or to the Registry at the address provided on the reverse of the Application Form or email privacy@computershare.com.au. If the Registry's record of your personal information is incorrect or out of date, it is important that you contact Futuris or the Registry so that your records can be corrected.

Futuris' privacy statement is available on the Futuris website, www.futuris.com.au or by contacting Futuris.

2.6.3 Where do you send completed Application Forms?

Applicants under the General Offer (including Futuris Ordinary Shareholders and holders of existing Futuris Convertible Notes) should forward their completed Application Forms and Application monies to:

By mail:

Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001

or

hand deliver to:

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Application Forms and Application monies for the above mentioned types of Applicants will not be accepted at any other address (including Futuris' registered office or any other Futuris office) or by any other means.

Broker Firm Applicants should return completed Application Forms and Application monies in accordance with arrangements made between them and a Syndicate Broker.

2.7 Enquiries

If you require assistance to complete the Application Form or additional copies of this Prospectus you should call the **Futuris Hybrids Information Line** on 1300 782 135 for callers within Australia and + 61 3 9415 4251 for callers outside Australia Monday to Friday 8.30am – 5.00pm (AEDT).

If you are unclear in relation to any matter or are uncertain if the Futuris Hybrids are a suitable investment, you should contact your stockbroker, accountant or other professional adviser. If you are a Broker Firm Applicant and you are in any doubt what action you should take, you should immediately contact your Syndicate Broker.

Section 3

Overview of Futuris

3 Overview of Futuris

3.1 Information about Futuris






Futuris is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Futuris prepares both annual and half yearly financial statements and a report on the operations of Futuris during the relevant accounting period together with an audit or review report by Futuris' auditor. Copies of these and other documents are lodged with ASIC and may be obtained from or inspected at an ASIC office and on the Futuris website at www.futuris.com.au.

Futuris must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to investors on ASX. Futuris has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

There is no information about Futuris which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules which is required to be set out in this Prospectus.

3.2 Company Overview and History

	Agribusiness			Automotive	Property
					
		(54% shareholding)	(43% shareholding)		
EBIT** share %	65%	15%	n/a*	22%	(2)%
Core activities	Integrated rural service delivery including: <ul style="list-style-type: none"> • sale and supply of farm inputs • marketing of farm outputs • feedlot operation • wool export, handling and processing • real estate • banking • insurance 	Hardwood timber plantation operation and marketing. Sustainable harvesting and processing of hardwood timber	Beef production	Tier One supplier of interior systems for passenger vehicles and heating, ventilation and cooling units for public transport vehicles	Development of residential, commercial and industrial property
Key client and customer sectors	Australian rural sector. Buyers of Australian agricultural produce	Managed Investment Scheme (MIS) investors, woodfibre buyers. Hardwood timber users	Beef consumers	Automobile, train and bus manufacturers	Private and commercial property users
Key business drivers	Production, prices and demand for Australian agricultural produce	Demand for plantation grown woodfibre. MIS investment in timber. Building & construction activity	Beef demand and prices	Demand for passenger car, rail and bus vehicles	Property demand in relevant sectors
Regions of operation	Australia New Zealand Indonesia China Philippines Germany Turkey Italy Korea	Australia	Australia	Australia Malaysia Thailand United Kingdom China United States	Western Australia South Australia New South Wales

* n/a = not applicable. Futuris' share of AACo's financial results is equity accounted within the Elders result.

** Based on the half year ended 31 December 2005. Excludes contribution from Investment and Other segment. Underlying earnings before interest and tax (EBIT) does not include net proceeds from asset sales.

Futuris is a leading Australian diversified industrial company with a market capitalisation of approximately A\$1.4 billion, annual revenue of approximately A\$3.2 billion and approximately 6,600 employees. Headquartered in Adelaide, South Australia, Futuris is a member of the S&P/ASX100 index with operations in Australia, New Zealand, Asia, the US and Europe.

Futuris was incorporated in 1955. After an initial focus on manufacturing, Futuris now manages a portfolio of businesses, which has a growing emphasis on rural services and primary production. The Company's three key business segments are Agribusiness, Automotive and Property.

3.3 Business Segments

3.3.1 Agribusiness

The Agribusiness division mainly comprise the Elders business and its associates and joint ventures as well as Australian Agricultural Company and Integrated Tree Cropping Group. Combined, the Agribusiness division contributed 80% of Futuris' underlying EBIT for the 6 months ended December 2005.

Elders

Elders is a market leader in the provision of agricultural services to rural and regional Australia. Through a network of over 230 branches, Elders provides Australian farmers with an integrated service, offering the supply of financial services and farm inputs and the marketing and sale of farm outputs.

Elders is Futuris' main business accounting for 65% of underlying EBIT for the 6 months ended December 2005, offering rural producers a broad range of products and services including merchandise, livestock, wool, financial services, real estate and grain.

Elders also has various investments and joint ventures in a number of businesses including:

- **Elders Rural Bank:** Elders Rural Bank is a 50/50 joint venture between Futuris and Bendigo Bank, committed to providing financial services specifically geared to the needs of primary and rural customers through a combination of rural distribution networks.
- **Hi-Fert:** ELF Australia, a 50/50 joint venture between Elders and Landmark Rural Holdings Limited, owns Hi-Fert, one of the largest fertiliser manufacturers and distributors in Australia with an extensive network covering eastern Australia.
- **Webster:** Elders owns 22% of Webster, one of Australia's leading horticultural producers focused on supply chain management and brand development.
- **Equity Trustees:** Elders has a 15% shareholding in Equity Trustees, a financial services company, to support the development of Elder's wealth management business.
- **Bremer Woll K ammerei AG (BWK) and Australian Wool Handlers (AWH):** BWK and AWH are leading wool operations that provide services such as wool export, handling and processing.

Australian Agricultural Company

Futuris owns 43% of Australian Agricultural Company Limited (**AACo**), which is the largest beef production company in Australia. AACo supplies cattle to both the Australian and international livestock and processed meat markets involving a herd in excess of 550,000 cattle spread across 24 properties, with a total area of 8 million hectares and two feedlots. AACo is listed on ASX.

AACo operates its cattle properties under an integrated system where the natural features of different locations are utilised for breeding, growing and finishing activities. AACo produces superior quality livestock and maintains quality assurance accreditation throughout its operations.

Integrated Tree Cropping

Futuris currently holds a 54% interest in Integrated Tree Cropping Limited (**ITC**), which provided 15% of Futuris' underlying EBIT for the 6 months ended December 2005. ITC is an integrated hardwood timber plantation and processing company. ITC is one of Australia's largest hardwood plantation managers, as measured by estate size, managing over 140,000 hectares of hardwood estate, spread across plantations in Western Australia, Victoria, South Australia and Queensland. ITC is listed on ASX.

In July 2004, ITC merged with Neville Smith Group (**NSG**), Australia's largest privately owned hardwood processing business. NSG's operations facilitated ITC's evolution into a timber group engaged in the full spectrum of activities along the timber value chain. NSG is also a 50% interest holder in the Tasmanian Fibre Project, a woodfibre production facility in Bell Bay with capacity of 300,000 tonnes per annum.

3.3.2 Automotive

Air International Group is one of the largest suppliers to the Australian motor vehicle manufacturing industry, accounting for 22% of Futuris' underlying EBIT for the 6 months ended December 2005. It supplies interior systems components to GM Holden, Ford and Mitsubishi. With plants located in South Australia and Victoria, Air International Group produces and supplies components such as seats, seat tracks, window regulators, pedal boxes, steering columns and carpets.

In addition to interior systems, Air International Group also has two other operations:

- **Global Thermal Systems:** a 35% interest in Air International Thermal Systems, a supplier of thermal systems to the Australian, North American and Chinese automotive sectors. Prior to January 2005, Air International owned 100% of Global Thermal Systems, 65% of which was subsequently divested based on an enterprise value of \$275 million.
- **Rail and Bus:** is a supplier of mass transit thermal systems with a presence in Australia, UK, Malaysia and Thailand.

3.3.3 Property

Futuris conducts limited property development through its wholly owned subsidiary Caversham Property Development. Caversham Property Development is engaged in the identification, development and marketing of properties, with particular focus on retirement villages, residential developments and commercial property assets in the Western Australian, South Australian and New South Wales markets. Caversham's current projects include the City Central commercial re-development in the Adelaide CBD and retirement village developments on the eastern seaboard.

3.4 Availability of documents

Futuris will provide a copy of any of the following documents free of charge to any prospective investor who requests a copy:

- the Annual Report for the year ended 30 June 2005 and Half Year Report for the 6 months ended 31 December 2005;
- any other continuous disclosure notices given by Futuris in the period after the despatch of the annual report for the year ended 30 June 2005 and before lodgement of this Prospectus with ASIC;
- the Trust Deed; and
- the Futuris Constitution.

All requests for copies of the above documents should be addressed to:

The Company Secretary
Futuris Corporation Limited
Level 6
27 Currie Street, Adelaide
South Australia 5000

These documents are also available from the Futuris website at www.futuris.com.au. In accordance with the ASX Listing Rules, a copy of the Trust Deed has been given to ASX.

Section 4

Summary financial information

4 Summary financial information

This Section sets out summary financial information about Futuris and the effect of the issue of Futuris Hybrids on Futuris.

4.1 Basis of preparation

The pro forma financial information is based on the reviewed consolidated financial statements of Futuris as at 31 December 2005 – adjusted for the effect of the issue of Futuris Hybrids.

The pro forma financial information does not include all of the information normally included within the annual or half-year financial reports and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as these documents.

The accounting policies used to determine the financial information presented for the half-year period ended 31 December 2005 (prepared under Australian equivalents to International Financial Reporting Standards (**AIFRS**)) and the full-year period ended 30 June 2005 (prepared under Australian Generally Accepted Accounting Principles (**AGAAP**)) are available in the respective reviewed and audited financial reports for those periods. These reports have been lodged with ASIC and are also available from www.futuris.com.au or directly from Futuris on request (please refer to Section 3.4 for details).

4.2 Income statement

The following table sets out an income statement based on Futuris' consolidated reviewed income statement for the half year ended 31 December 2005 (prepared under AIFRS). The income statement for the year ended 30 June 2005 (prepared under AGAAP) and a reconciliation of net profit under AGAAP to that under AIFRS is also shown.

	12 months ended 30 June 05 \$ million AGAAP	6 months ended 31 December 05 \$ million AIFRS
Revenue and expenses from ordinary activities		
Sales revenue	3,176.1	1,559.5
Other revenues (including share of profits of associates)	63.7	53.8
Total revenue	3,239.8	1,613.3
Expenses from ordinary activities	(3,142.5)	(1,554.3)
Net profit from sale of non current assets sold	81.8	5.8
Profit/(loss) from ordinary activities before net borrowing costs and income tax expense	179.1	64.8
Net borrowing costs	(25.5)	(19.7)
Profit/(loss) from ordinary activities before income tax expense	153.6	45.1
Income tax expense relating to ordinary activities	(50.9)	(9.7)
Profit/(loss) from ordinary activities after income tax expenses	102.7	35.4
Net profit attributable to outside equity interest	(11.7)	(4.2)
Net profit/(loss) attributable to members of the parent entity	91.0	31.2

Reconciliation of Net Profit under AGAAP to that under AIFRS

As a result of the transition of AGAAP to AIFRS, the following is a reconciliation of the results reported for the year ended 30 June 2005 under AGAAP to that under AIFRS. The net profit under AIFRS includes a number of initial adjustments on transition to AIFRS that are expected to have minimal impact on net profit going forward. Details of each adjustment are described below:

	30 June 05 \$ million
Net Profit As Reported Under AGAAP	91.0
Expensing of employee share options (1)	(1.4)
Expensing of employee share plan (1)	(2.5)
Write off capitalised research costs (2)	(5.1)
Write off capitalised other costs (2)	(1.3)
Amortisation of deferred research (2)	3.1
Amortisation of other capitalised costs (2)	0.6
Amortisation of goodwill (3)	10.5
Impairment losses recognised – goodwill (4)	(9.3)
Impairment losses recognised – other assets (4)	(24.5)
Redundancy provision (5)	(5.2)
Lease restoration provision (6)	(0.6)
Restated profit on divestment of Thermal division (7)	2.8
Income recognition under Forestry MIS Scheme (8)	(1.4)
Adjustment to income tax expense (9)	2.2
Effect on outside equity interests (10)	(0.1)
Net profit under AIFRS	58.8

Notes:

1. Share based payment costs are charged to the income statement under AASB 2 "Share Based Payment" but not under AGAAP.
2. Research costs and certain other costs are not allowed to be capitalised under AASB 138 "Intangible Assets" but were capitalised under AGAAP where future benefits were expected beyond reasonable doubt.
3. Goodwill is not amortised under AASB 3 "Business Combinations" but was amortised under AGAAP.
4. AASB 136 "Impairment of Assets" requires the recoverable amount of an asset to be determined as the higher of its fair value less costs to sell and value in use. The Group's assets were tested for impairment as part of the cash generating unit to which they belong and impairment losses were recognised under AIFRS.
5. A restructuring provision is recognised under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" but not under AGAAP.
6. Under AIFRS at the commencement of a lease or operation, the present value of restoration obligations is recognised as a non current liability and the cost of future restoration is capitalised as part of the asset. The capitalised cost is depreciated over the life of the lease or project and the provision is decreased as the discounting of the liability unwinds.
7. As a result of AIFRS adjustments to research costs capitalised, the profit on the sale of the Thermal Operation in 2005 under AGAAP had to be restated. This resulted in an additional \$2.8m increase to AIFRS profit for that year.
8. Income from managed investment schemes (**MIS**) is recognised in each reporting period in accordance with the amount of work done during that period. Under AIFRS, certain costs incurred are excluded from the calculation of work done, as they are not directly attributable to the revenue earned. This has resulted in a reduction in the amount of income recognised in prior periods.
9. Tax effect of AIFRS adjustments.
10. Some of the AIFRS adjustments result from adjustments made in partially owned subsidiaries. The effect on minority interests is an increase of \$0.1m.

4.3 Pro forma balance sheet and pro forma summary net debt position

The following table sets out pro forma balance sheets based on Futuris' reviewed consolidated balance sheet as at 31 December 2005 – adjusted as if the issue of the Futuris Hybrids was completed on 31 December 2005 and the net monies received were used solely for the reduction of interest bearing liabilities.

4.3.1 Pro forma balance sheet

The pro forma adjustments assume the issue of Futuris Hybrids was completed on 31 December 2005:

	31 December 05 \$ million	\$100m Futuris Hybrid Issue \$ million	Pro forma 31 December 05 \$ million	\$150m Futuris Hybrid Issue \$ million	Pro forma 31 December 05 \$ million
Assets					
Current assets	1,571.4		1,571.4		1,571.4
Non current assets	1,354.9		1,354.9		1,354.9
Total Assets	2,926.3		2,926.3		2,926.3
Liabilities					
Interest bearing liabilities	98.2		98.2		98.2
Other current liabilities	988.9		988.9		988.9
Total Current Liabilities	1,087.1		1,087.1		1,087.1
Interest bearing liabilities	624.7	(96.5)	528.2	(145.1)	479.6
Other non current liabilities	116.4		116.4		116.4
Total Non Current Liabilities	741.1	(96.5)	644.6	(145.1)	596.0
Total Liabilities	1,828.2	(96.5)	1,731.7	(145.1)	1,683.1
Net Assets	1,098.1	96.5	1,194.6	145.1	1,243.2
Equity					
Parent entity interest	456.0		456.0		456.0
Hybrid capital	-	96.5	96.5	145.1	145.1
Convertible notes	54.6		54.6		54.6
Reserves	65.9		65.9		65.9
Retained profits	376.4		376.4		376.4
Parent Entity Interest in Equity	952.9	96.5	1,049.4	145.1	1,098.0
Outside equity interest	145.2		145.2		145.2
Total Equity	1,098.1	96.5	1,194.6	145.1	1,243.2

Notes:

1. Hybrid capital is derived after netting off issue costs from the proceeds received.
2. Contingent liabilities and assets
 - (a) Tax

Futuris has previously advised of a review by the Australian Taxation Office (ATO) of the tax treatment of the sale of its Building Products Division in October 1997, for which assessments of \$47m have been received, inclusive of penalties and interest.

Futuris has sought independent professional advice in relation to the issues involved and is objecting to the further amended assessment. At 31 December 2005 the provision for taxation is sufficient to cover any anticipated payment under the assessment, should Futuris be unsuccessful in its objection.

Futuris is also currently under audit of tax returns covering the 2002 and 2003 tax years. No amended assessment has been received.
 - (b) Other

Included in receivables at 31 December 2005 are rebates of \$7.65m, which are currently the subject of litigation. Independent legal opinion obtained by Futuris supports eventual recovery.

4.3.2 Pro forma net debt position

The following table sets out a pro forma net debt position based on Futuris' consolidated reviewed balance sheet as at 31 December 2005 – adjusted as if the issue of Futuris Hybrids was completed on 31 December 2005.

	31 December 05 \$ million	\$100m Futuris Hybrid Issue \$ million	Pro forma 31 December 05 \$ million	\$150m Futuris Hybrid Issue \$ million	Pro forma 31 December 05 \$ million
Interest bearing liabilities	722.9	(96.5)	626.4	(145.1)	577.8
Less: Cash asset	334.6		334.6		334.6
Net Debt	388.3	(96.5)	291.8	(145.1)	243.2

4.4 Effect of issuing the Futuris Hybrids on selected financial ratios

4.4.1 Selected financial ratios - reported results

The following table sets out the effect of issuing the Futuris Hybrids on selected financial ratios using reported EBITDA and EBIT for the full year to 31 December 2005.

	12 months ended 31 December 05 ¹	Pro forma 31 December 05 ²	
		\$100m Futuris Hybrid Issue	\$150m Futuris Hybrid Issue
Net debt / EBITDA ³	3.0x	2.3x	1.9x
EBITDA / net interest ³	3.4x	4.1x	4.6x
EBIT / net interest ³	2.4x	2.9x	3.2x
EBITDA / (net interest + distribution) ³	3.4x	3.5x	3.5x
EBIT / (net interest + distribution) ³	2.4x	2.4x	2.4x
Net debt / equity * 100	35.4%	24.4%	19.6%
Net debt / (equity + net debt) * 100	26.1%	19.6%	16.4%

Notes:

- Derived from Futuris reviewed results for the half year ended 31 December 2005 and audited results for the year ended 30 June 2005.
- Pro forma calculations assume proceeds from the Futuris Hybrids used to repay debt.
- Full year data to 31 December 2005 has been used to calculate these ratios. Reported EBITDA of \$128.6m and Reported EBIT of \$88.9m have been used in these ratios.

4.4.2 Selected financial ratios - adjusted results

The selected financial ratios presented above have been prepared on a Reported Basis and include all non-recurring items. To further assist investors in their assessment of the underlying credit quality of Futuris, the table below shows what the key ratios of Futuris would be if they were adjusted to remove:

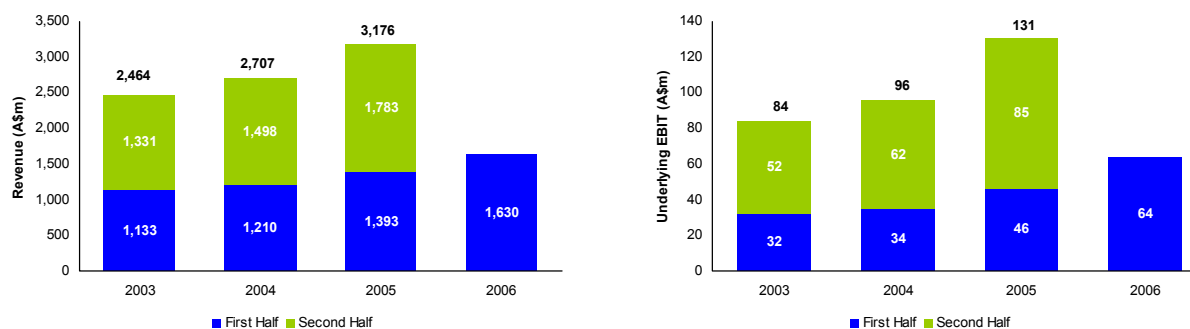
- The negative impact of non-recurring items of \$24.1m, which were largely attributable to writedown and expenses associated with the retirement of a livestock carrier vessel and costs associated with the exit of the Middle Eastern livestock business;
- Further non-recurring adjustments under AIFRS of \$36.2m relating to the recognition of Impairment Losses, raising of a Redundancy Provision and the restatement of the profit on the divestment of Thermal division.

	12 months ended 31 December 05 ¹	Pro forma 31 December 05 ²	
		\$100m Futuris Hybrid Issue	\$150m Futuris Hybrid Issue
Net debt / EBITDA ³	2.1x	1.5x	1.3x
EBITDA / net interest ³	5.1x	6.1x	6.8x
EBIT / net interest ³	4.0x	4.8x	5.3x
EBITDA / (net interest + distribution) ³	5.1x	5.2x	5.2x
EBIT / (net interest + distribution) ³	4.0x	4.1x	4.1x

Notes:

1. Derived from Futuris reviewed results for the half year ended 31 December 2005 and audited results for the year ended 30 June 2005.
2. Pro forma calculations assume proceeds from the Futuris Hybrids used to repay debt.
3. Full year data to 31 December 2005 has been used to calculate these ratios. Adjusted EBITDA of \$188.9m and Adjusted EBIT of \$149.2m have been used in these ratios.

4.5 Historical revenue and EBIT



Note: Historical total revenue and underlying EBIT are based on AGAAP except for 2006 which is based on AIFRS.

Section 5

Risk factors

5 Risk factors

Before applying for Futuris Hybrids, Applicants should consider whether Futuris Hybrids are a suitable investment. Applicants should be aware that there are risks associated with an investment in Futuris Hybrids and Futuris generally, many of which are outside the control of Futuris and its Directors.

The summary of risks below is not exhaustive. Investors should read this Prospectus in its entirety and consult their stockbroker, accountant, solicitor or other professional adviser before deciding whether to apply for Futuris Hybrids.

5.1 Risks associated with Futuris Hybrids

Set out below are the general risks associated with an investment in Futuris Hybrids. In particular, these risks arise from the nature of the Futuris Hybrids and their Terms.

5.1.1 Financial market conditions

The market price of the Futuris Hybrids will fluctuate due to various factors, including general movements in interest rates, the Australian and international investment and capital markets, international economic conditions, global geopolitical events and hostilities, investor perceptions and other factors that may affect Futuris' financial performance and position.

Futuris Hybrids may be Converted by Futuris into Ordinary Shares in certain circumstances. The value of an investment in the Futuris Hybrids after the Conversion will be the then market price of those Ordinary Shares.

5.1.2 Market price and liquidity of Futuris Hybrids

Futuris is not able to predict the market price or liquidity of Futuris Hybrids. The market price of the Futuris Hybrids may be more sensitive than Ordinary Shares due to changes in interest rates, and the Futuris Hybrids could trade on ASX at a price below their Issue Price. The market for the Futuris Hybrids may be less liquid than the market for Ordinary Shares.

5.1.3 Distributions

Distributions are at the discretion of the Directors of Futuris and also subject to the availability of Distributable Profits. Distributions are non-cumulative and if a Distribution is not paid in any period, it need not be made up in any subsequent period. Distributions are expected to be fully franked, but may not be. If a Distribution is not fully franked, the Distribution will be grossed-up (see clause 2.3 of the Terms). The value of franked Distributions depends on the investor being able to utilise franking credits.

5.1.4 Distribution Rate

The Distribution Rate is calculated for each Distribution Period on the basis of a floating rate plus a fixed Margin.

A floating rate may be influenced by a number of factors and may fluctuate over time causing the Distribution Rate to fluctuate with a movement in the relevant floating Market Rate.

There is no guarantee that the Margin will be increased by a fixed step-up of 2.50% per annum at a Remarketing Date as Futuris may conduct a Remarketing Process. Under the Remarketing Process, Futuris could determine a new Margin which may be considered less attractive to Holders. If a Margin other than 2.50% per annum is set under a Remarketing Process, Holders who indicate that they are not prepared to continue holding Futuris Hybrids, if the Margin is set at the new level, will have their Futuris Hybrids Converted or Resold on the relevant Remarketing Date.

5.1.5 Conversion or Resale at Futuris' option

Futuris has the right, at its election, to Convert or Resell some or all of a Holder's Futuris Hybrids in the circumstances described in clauses 5 and 6 of the Terms. The timing or occurrence of a Conversion or Resale may not accord with the preference of the individual Holder and may also be disadvantageous in light of market conditions or individual circumstances.

Upon Conversion, the Holder would be subject to risks associated with holding Ordinary Shares. A summary of these risks is provided below in Section 5.2.

5.1.6 Limited right for Holder to require Conversion or Resale

Holders have no right to require redemption of their Futuris Hybrids. Only in limited circumstances set out in clause 5 of the Terms, do Holders have the right to request Futuris to Convert or Resell Futuris Hybrids, but the decision as to which one of Conversion or Resale or what combination is chosen lies with Futuris. In other circumstances, Futuris Hybrids can only be realised by a sale on ASX. Holders who wish to sell their Futuris Hybrids may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for Futuris Hybrids.

5.1.7 Conversion or Resale where a takeover or scheme

In certain circumstances the Conversion ratio or amount of Resale proceeds is adjusted to provide Holders whose Futuris Hybrids are Converted or Resold as a result of a takeover bid or scheme of arrangement with a portion of the

premium which may be payable to Ordinary Shareholders under that takeover or scheme. However, there may be no premium and the adjustment mechanism does not apply to all takeover bids or schemes.

5.1.8 Ability to vary Terms

If a Remarketing Process is Successful, Futuris may, in addition to resetting the Margin, reset other important terms of the Futuris Hybrids including the Market Rate, Step-up Margin, Discount Factor, the timing of the next Remarketing Date, the frequency and timing of Distribution Periods and the frequency and timing of Distribution Payment Dates. These changes may not suit the needs or preferences of Holders.

5.1.9 Rights of Futuris Hybrids in a winding-up

If a Winding-Up Event occurs in relation to Futuris, Holders are entitled to be:

- issued a fully paid Futuris Preference Share (with the right in a winding-up to receive a Liquidation Amount of \$99.99 plus any unpaid Distributions in the previous 12 months); and
- repaid \$0.01.

The right to be repaid \$0.01 under the Futuris Hybrids ranks in a winding-up of Futuris behind all other creditors, but ahead of all shareholders in Futuris.

In the event of a shortfall of funds on a Winding-Up Event, there is a risk that Holders will not receive full payment of \$0.01 or a full return of the Liquidation Amount.

5.1.10 Future incurring of liabilities and future issuance of securities by Futuris

Futuris may issue debt whether secured or unsecured, or equity. Such debt or equity may rank for payment in a winding-up in priority to, equal with or after the Futuris Hybrids. Holder approval is not required for Futuris to issue further debt or equity.

5.1.11 Taxation implications

A summary of the potential taxation implications for Holders is set out in the taxation report in Section 6. This Section is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, you should seek independent advice in relation to your own individual taxation circumstances.

You should be aware that future changes in Australian taxation law including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in the Futuris Hybrids or Ordinary Shares, or the holding and disposal of the Futuris Hybrids or Ordinary Shares. This may provide grounds for Futuris to Convert or Resell.

Futuris has not obtained a class ruling or a private ruling from the Australian Taxation Office in relation to the Futuris Hybrids.

5.1.12 Other risks

The above risks are not exhaustive of the risks faced by potential investors in the Futuris Hybrids. The risks outlined above and other risks may materially affect the future value and performance of the Futuris Hybrids. Accordingly, no assurances or guarantees of future performance, profitability, Distributions or return of capital are given by Futuris in respect of the Futuris Hybrids.

5.2 Risks associated with Futuris

Set out below are examples of risks associated with Futuris. It is not intended to be an exhaustive list. These risks are relevant to the decision to invest in the Futuris Hybrids as they may affect the level and volatility of the profits of Futuris and therefore its ability to meet its obligations in respect of the Futuris Hybrids (including its ability to pay Distributions).

In relation to the rural activities, Futuris' financial performance will be dependent upon conditions in the rural economy. In turn such conditions are largely influenced by levels of demand and prices in world commodity markets and seasonal conditions. Specific risks include:

- possible adverse climatic conditions or exposure to other natural events (for example flood, pestilence and fire) reducing output of relevant agricultural products;
- movements in international commodity prices, exchange rates and a decrease in the volume of Australian rural production;
- subsidies given to foreign rural producers which affect the competitive position of Australian rural outputs;
- the effects that any of the above factors may have on the ability of borrowers to service rural loans which may affect the value of securities held against rural loans with a consequent effect on the carrying value of the investment in Elders Rural Bank Limited and the return from this investment;
- threats to the health and safety of livestock (for example BSE in respect of cattle); and
- changes in Australian tax law in relation to MIS plantations investments.

In relation to the automotive activities, Futuris is particularly subject to:

- the level of passenger vehicle registrations;
- the degree of competition from imports; and

- exchange rate fluctuations.

Other risks that may arise in relation to Futuris include, but are not limited to:

- unforeseen capital expenditure requirements that would increase Futuris' funding costs;
- unforeseen environmental issues which may affect Futuris' assets or projects;
- risks associated with refinancing Futuris' debt portfolio. It may not be possible to refinance debt at all or on the same terms as currently exist;
- Futuris' expenses being greater or revenues being less than anticipated, reducing the amount available for Distributions; and
- audit of Futuris' tax returns, amended assessments and adjustments thereon.

There is also a risk that Futuris may breach its obligations under other funding facilities, which may result in the acceleration of the scheduled time for payment under those facilities. Creditors under those facilities will rank for payment ahead of Holders of Futuris Hybrids. Futuris has received legal advice that the issue of the Futuris Hybrids will not of itself breach its other funding facilities.

5.3 Risks associated with economic factors and regulatory changes

Set out below are risks associated with investments in Futuris and securities issued by it such as the Futuris Hybrids. These risks may impact the financial performance and prospects of Futuris and the demand for its securities.

5.3.1 Changes in economic, financial and insurance market conditions

Movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for, and price of the Futuris Hybrids and Ordinary Shares. Investors should be aware that there are risks associated with any investment in securities and that the prices of securities can go down as well as up.

5.3.2 Changes in laws and government policy

Changes in government legislation and policy in those jurisdictions in which Futuris operates, in particular changes to taxation laws, may affect the future earnings, asset values and the relative attractiveness of investing in the Futuris Hybrids or Ordinary Shares.

5.3.3 Changes in accounting standards

Changes in accounting or financial reporting standards may adversely impact the financial performance reported by Futuris. For reporting periods beginning on or after 1 January 2005, Futuris must comply with AIFRS as issued by the Australian Accounting Standards Board. Regulatory bodies that promulgate AGAAP and AIFRS have significant ongoing projects that could affect the differences between AGAAP and AIFRS and impact Futuris' financial statements in the future.

5.3.4 Other external factors

Other external factors which may impact on Futuris' performance include changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war or insurrection.

Section 6

Taxation implications

6 Taxation implications

6.1 Introduction

The following is a summary of a report dated 16 February 2006, prepared by KPMG for Futuris. The report sets out the Australian income tax implications for investors acquiring, holding and disposing of Futuris Hybrids to be acquired under this Prospectus. The income tax implications can vary depending on the nature and characteristics of each particular investor and their specific circumstances.

Each prospective investor should consult his or her own tax adviser as to the taxation implications of investing in Futuris Hybrids. This report is intended as a guide only and is not intended to be an authoritative or exhaustive statement of the legislation applicable to all investors. This summary should not be relied on by prospective investors as a substitute for obtaining detailed advice in relation to the investor's specific circumstances. The views expressed in this report are open to challenge by the Commissioner of Taxation.

This report is based on the law as enacted at 16 February 2006 and has been prepared on the basis that Futuris has not obtained a class ruling or a private ruling from the Australian Taxation Office in relation to the Futuris Hybrids. During the term of Futuris Hybrids, the taxation laws in Australia and/or their interpretation may be subject to change. Except as expressly stated, the report does not describe nor take into account tax reform proposals or legislation that has been introduced but not passed by both Houses of Federal Parliament, nor will it be updated for subsequent changes to case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities.

The terms used in this report are as defined in the Prospectus. References to the Tax Act in this report are references to the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997*, collectively.

On 16 December 2005, the Government Released an Exposure Draft on the Taxation of Financial Arrangements, which if enacted, will introduce a general framework for the taxation of financial arrangements. These provisions are generally not intended to apply to financial arrangements that are characterised as equity interests by the issuer. This is a matter that investors should monitor with their tax advisers.

This report has been prepared on the following basis:

- Investors are individuals, complying superannuation funds or companies;
- Investors are residents of Australia for tax purposes;
- Investors are not exempt from Australian income tax; and
- Investors do not invest in Futuris Hybrids as an ordinary part of their business or otherwise as part of a profit-making undertaking or scheme.

6.2 Characterisation of the Futuris Hybrids

Division 974 of the Tax Act provides a basis to distinguish between debt and equity interests for taxation purposes.

On the basis of the Terms of the Futuris Hybrids outlined in this Prospectus, the Futuris Hybrids should be an equity interest for income tax purposes. This is because Futuris will not have an "effectively non-contingent obligation" to provide any "financial benefits" in respect of the Futuris Hybrids for the purposes of the Tax Act. The Futuris Hybrids will be treated as "non share equity" for tax purposes.

6.3 Taxation treatment of Distributions on the Futuris Hybrids

For convenience references to 'Distributions' includes both Distributions and Optional Distributions. Investors should include in their assessable income any cash Distribution received in respect of the Futuris Hybrids.

Investors will also include in their assessable income the amount of the franking credit attached to the Distribution. The investors will receive a tax offset equal to the amount of the franking credit attached to the Distribution, subject to the "holding period" rule noted below.

6.3.1 Individual and complying superannuation fund investors

An individual or complying superannuation fund investor is able to receive a tax refund in a particular year if the franking credits attached to the Distribution exceed the tax payable on the investor's taxable income.

6.3.2 Corporate investors

For a corporate investor, if the franking credits exceed the tax payable on its taxable income, it may give rise to a tax loss which can be carried forward to future years (subject to the company satisfying certain loss carry forward rules).

The corporate investor will also be entitled to a credit in its franking account equal to the amount of franking credits attached to the Distribution.

6.3.3 Holding period

The Tax Act previously contained rules requiring a taxpayer to hold a share (or non share equity) 'at risk' for 45 days for the taxpayer to obtain the benefit of the franking credits and tax offset. The legislation containing these rules has been

repealed as at 1 July 2002 and the Government has announced it will be reviewing the 'at risk' period. However, at the date of this report no further announcements have been made and the Commissioner is administering the law on the basis that the 45 holding period rule continues to apply (or 90 days for preference shares). It is assumed that the new "at risk" rules will apply from 1 July 2002 when enacted, however investors should monitor these developments as they arise.

6.4 Realisation of the Futuris Hybrids

Each Futuris Hybrid is a security for tax purposes given that it is treated as a debenture under the Corporations Act.

The taxation of the Futuris Hybrids depends on whether they are treated as "traditional" or "qualifying" securities for tax purposes. Given the contingent nature of the returns on the Futuris Hybrids and the unique equity characteristics, the better view is that the securities are "traditional securities" for tax purposes.

Under the 'traditional securities' rules gains on the realisation of the Futuris Hybrids should be assessable as revenue amounts rather than capital gains (which also means any gains made by individual and complying superannuation fund investors do not qualify for the Capital Gains Tax discount). Any loss made on the disposal of the securities during the ordinary course of trading on the ASX should likewise be an allowable deduction.

This view is consistent with various explanatory materials on the intended policy treatment for traditional securities, which is to tax gains and losses in value attributable to movements in interest rates or other market adjustments on revenue account.

As set out in the Prospectus, in certain circumstances the Futuris Hybrids can be Converted or Resold. It is also possible that the Debt Portion is repayable and a Preference Share is issued in a winding-up situation. The tax implications for investors for each of these realisation events are set out below.

6.4.1 Conversion

In certain circumstances, Futuris may Convert the Futuris Hybrids into Ordinary Shares. Under the Conversion mechanism in the Terms of the Futuris Hybrids, the investor is taken to have received proceeds equal to the Issue Price plus any unpaid Distribution during the preceding 12 months and, subsequently, to have immediately applied those proceeds in subscribing for Ordinary Shares. The investor will be issued the requisite number of Ordinary Shares calculated in accordance with the formula contained in the Terms of the Futuris Hybrids.

Any gain or loss on the Conversion of the Futuris Hybrids into Ordinary Shares is effectively ignored for tax purposes. The investor's cost base for the Futuris Hybrids should become their capital gains tax (CGT) cost base for the Ordinary Shares. The unpaid Distribution amount should be taxable as a Distribution (see Section 6.3 above) and will form part of the cost base of the Ordinary Shares.

If the Ordinary Shares are subsequently disposed, the disposal will be a CGT event. Where the amount that the investor receives on disposal of the Ordinary Shares exceeds the cost base of the Ordinary Shares, a capital gain will arise. Conversely, a capital loss should arise where the amount received on disposal is less than the reduced cost base of the Ordinary Shares.

Individual and complying superannuation fund investors who hold the Ordinary Shares for longer than 12 months *after the date of Conversion* should be entitled to a reduction in the taxable capital gains (after applying any capital losses of the investor) resulting from the sale of the Ordinary Shares. The current CGT discount for individuals is 50% and for complying superannuation funds is 33 1/3%. No CGT discount is available to companies.

6.4.2 Resale

Futuris may elect to resell the investor's Futuris Hybrids to a third party for an amount not less than \$100 plus any unpaid Distributions during the preceding 12 months. This will constitute a disposal of the Futuris Hybrids and any gain (including any unpaid Distributions) on disposal should be assessable as ordinary income. There is unlikely to be a loss for investors who invested in the Futuris Hybrids on issue given that they will be sold for no less than the issue price.

6.4.3 Winding-Up Event

If a Winding-Up Event occurs (as defined in the Terms of the Futuris Hybrids) then investors will be entitled:

- To be issued with a Futuris Preference Share that will entitle the Preference Share Holder an amount equal to the Liquidation Amount (being \$99.99 plus any amount of unpaid Distributions in the 12 months prior to commencing the winding-up); and
- To be repaid \$0.01 in respect of the Debt Portion.

Generally any losses incurred that arise from a disposal that takes place in the ordinary course of trading on a securities market (e.g. the ASX) should be allowable as deduction on revenue account.

However, in the case where the disposal did not take place in the ordinary course of trading on a securities market it may be treated on capital account and non deductible where there is a belief or apprehension that the Issuer would be unable or unwilling to meet its payment obligations under the security. A CGT loss may be available to investors in these circumstances.

6.4.4 Remarketing Process

The resetting of the Margin and terms of the Futuris Hybrids under the Remarketing Process should not, of itself, have any income tax or capital gains tax consequences for investors.

However, where the terms are altered sufficiently on a Remarketing Date such that there is a 'material change', the resetting of the terms may result in the Futuris Hybrids being recharacterised under the Debt/Equity rules. Investors should obtain taxation advice at the time that the terms are reset to ensure that the Futuris Hybrids, and returns on the Futuris Hybrids, are appropriately understood for income tax purposes.

6.5 Deductibility of borrowing costs

In general, investors should be entitled to a deduction for interest incurred on borrowings used to purchase Futuris Hybrids. However, in circumstances where the interest cost is disproportionate to the income derived from the Futuris Hybrids, or where the investor is in breach of their thin capitalisation limits, the interest costs allowable as a deduction may be reduced, in whole or part.

6.6 Quotation of a Tax File Number (TFN) or Australian Business Number (ABN)

An investor need not quote a TFN when applying for the Futuris Hybrids. However, if a TFN is not quoted, or no appropriate exemption information is provided, tax may be deducted by Futuris at the highest marginal rate (currently 47%) plus Medicare Levy from any unfranked portion of the Distribution.

Alternatively, where the investor holds the Futuris Hybrids in the course or furtherance of an enterprise carried on by it, the investor may quote its ABN.

6.7 Goods and Services Tax (GST)

The GST implications for investors in Futuris Hybrids are dependent on the GST position of the investor.

There are no GST implications for an investor that is not registered or required to be registered for GST as there is no GST on the supplies that the investor makes and no entitlement to input tax credits on acquisitions by the investor.

For an investor that is registered or required to be registered for GST, generally, there should be no GST on the supplies made by the investor and there may be no entitlement to input tax credits on any acquisitions relating to the subscription for the Futuris Hybrids. Further, no GST will generally be payable on the following transactions:

- the investment of cash in Futuris Hybrids;
- the receipt of cash proceeds on the sale of Futuris Hybrids to a third party; or
- the Conversion of Futuris Hybrids into Ordinary Shares.

However, the specific GST implications for an investor will depend on the nature of the supply, the nature of the acquisition and the investor's position with regard to the Financial Acquisitions Threshold (which is determined by reference to Division 189 of *A New Tax System (Goods and Services Tax) Act 1999*).

Section 7

Terms of the Futuris Hybrids and Terms of the Futuris Preference Shares

7 Terms of the Futuris Hybrids

1 Terms and issue

1.1 Terms

These Terms set out the general terms and conditions of the Hybrids and of the Preference Shares which may be issued to Holders. Defined terms are explained in clause 19.

1.2 Trust Deed

Holders are entitled to the benefit of and are bound by the provisions of the Trust Deed.

1.3 Issue

The Issuer may issue Hybrids at any time to any person. Each Hybrid has an issue price of \$100.

1.4 Debt Portion and Preference Share Subscription Price

For each Hybrid:

- (a) an amount equal to \$0.01 of the Issue Price (**Debt Portion**) constitutes a loan by the subscriber to the Issuer which is repayable by the Issuer in accordance with clause 10; and
- (b) the balance of the Issue Price (**Preference Share Subscription Price**) is consideration for the issue of a fully-paid Preference Share on the occurrence of a Winding-Up Event in accordance with clause 9. The Preference Share Subscription Price is not a loan and is not repayable by the Issuer in any circumstances. A Holder has no rights in respect of the Preference Share Subscription Price other than its right to receive a Preference Share in accordance with clause 9.

2 Distributions

2.1 Distribution entitlement

Subject to these Terms, a Hybrid entitles the Holder on a Record Date to receive a distribution (**Distribution**) on the Distribution Payment Date equal to the Distribution Amount for the relevant Distribution Period.

2.2 Distribution Amount

The Distribution Amount for each Hybrid for a Distribution Period is the amount determined in accordance with the following formula:

$$\text{Distribution Amount} = \frac{\text{DR} \times (1 - T) \times 100 \times N}{365}$$

where:

DR means the Distribution Rate for the Distribution Period, expressed as a percentage per annum and determined in accordance with the following formula:

$$\text{Distribution Rate} = (\text{Market Rate} + \text{Margin})$$

where:

Market Rate means:

- (a) for each Distribution Period commencing on a date before the First Remarketing Date, the Bank Bill Rate for the Distribution Period, expressed as a percentage per annum; and
- (b) for each Distribution Period commencing on a date on or after the First Remarketing Date, the Remarketing Market Rate determined as at the first Banking Day of the Distribution Period, expressed as a percentage per annum.

Margin means:

- (a) for each Distribution Period commencing on a date before the First Remarketing Date, the Initial Margin, expressed as a percentage per annum; and
- (b) for each Distribution Period commencing on a date on or after the First Remarketing Date, the Remarketing Margin determined as at the first Banking Day of the Distribution Period, expressed as a percentage per annum.

T means the Australian corporate tax rate applicable to the franking account of the Issuer as at the relevant Distribution Payment Date, expressed as a decimal.

N means the number of days from (and including) the first day of the Distribution Period to (but excluding) the last day of the Distribution Period.

2.3 Franking credit gross-up

If any Distribution or Optional Distribution is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Distribution Amount or Optional Distribution Amount will be calculated in accordance with the following formula (rounded to the nearest four decimal places):

$$\frac{D}{1 - [T \times (1 - f)]}$$

where:

D means the Distribution Amount calculated under clause 2.2 or Optional Distribution Amount calculated under clause 3.1(a) (as applicable);

T has the same meaning as in clause 2.2; and

f means the applicable franking percentage (within the meaning of Part 3-6 of the Tax Act) of D (as defined above), expressed as a decimal to four decimal places.

2.4 Payment of Distributions and Optional Distributions

Payment of a Distribution or an Optional Distribution by the Issuer is subject to:

- (a) the Directors, in their discretion, resolving to pay that Distribution or Optional Distribution (as applicable); and
- (b) there being sufficient Distributable Profits for the payment of the Distribution or Optional Distribution (as applicable) by the Issuer.

If the Distribution Amount or Optional Distribution Amount (as applicable) exceeds the Distributable Profits, the Directors in their discretion may resolve to pay Distribution or Optional Distribution (as applicable) equal to the amount of the Distributable Profits (if any).

If the Issuer elects not to, or determines that it will not have sufficient Distributable Profits to, make a Distribution equal to the full amount of a Distribution Amount calculated under clause 2.2 and, to the extent applicable, clause 2.3, on the relevant Distribution Payment Date, the Issuer must provide written notice of that position to the Holders and publish a notice in an Australian national newspaper, as soon as practicable thereafter.

2.5 Non-cumulative Distributions

If and to the extent that all or any part of a Distribution Amount or Optional Distribution Amount is not paid in full by the Issuer because of the provisions of clause 2.4, no entitlement accrues in respect of any part of that unpaid Distribution Amount or Optional Distribution Amount and the Issuer will have no liability to pay any such unpaid Distribution Amount or Optional Distribution Amount.

For the avoidance of doubt, a Holder may nonetheless participate in an Optional Distribution that may reflect Distribution Amounts which have not been paid to the Holder if an Optional Distribution is resolved to be paid by the Directors under clause 2.4.

2.6 Distribution Payment Date

Subject to clause 2.4, Distributions will be paid to Holders on the relevant Distribution Payment Date.

2.7 Record Dates

A Hybrid Distribution is only payable to those persons registered as Holders on the Record Date for that Hybrid Distribution.

2.8 Deduction

- (a) The Issuer must deduct from any Hybrid Distribution the amount of any withholding or other Tax required by any law, treaty, regulation or official administrative pronouncement to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Issuer to the relevant Government Agency and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder will be deemed to have been duly paid and satisfied by the Issuer.
- (b) The Issuer must pay the full amount required to be deducted to the relevant Government Agency within the time allowed for such payment without incurring penalty under the applicable law or otherwise and must, if required by any Holder, deliver to that Holder a copy of the relevant receipt issued by the Government Agency without unreasonable delay after the original receipt is received by the Issuer.

2.9 Gross-up for deductions

If (and to the extent that):

- (a) a law of the Commonwealth of Australia or any State or Territory of Australia requires the Issuer to make a withholding or deduction from a Hybrid Distribution on account of Tax so that a Holder would not actually receive for its own benefit on the payment date the full amount which is so payable; and
- (b) the relevant withholding or deduction is required to be made on a basis other than the Holder:

- (i) having some connection with Australia or any State or Territory of Australia other than the mere holding of a Hybrid or receipt of a payment in respect of it;
- (ii) the Holder:
 - (A) not having provided relevant information to the Issuer; or
 - (B) not having made a declaration or similar claim; or
 - (C) not having satisfied a reporting requirement,
 which, if provided, made or satisfied would exempt the payment from the withholding or deduction; or
- (iii) on account of stamp duty, estate duty or other similar transaction duty,

the amount of the Hybrid Distribution that is payable will be increased so that, after making the relevant withholding or deduction, and withholdings or deductions applicable to increases in the amount of the Hybrid Distribution payable pursuant to this clause 2.9, the Holder receives the amount that the Holder would have received if no such withholding or deduction had been required.

3 Restrictions in case of non-payment

3.1 Dividend and distribution restriction

Subject to clause 3.2, where a Distribution has not been paid in full within 20 Banking Days of the Distribution Payment Date, the Issuer must not pay any interest, declare or pay any dividends or distribution from the income or capital of the Issuer, return any capital or undertake any buy-backs, redemptions or repurchases in relation to any Equal or Junior Ranking Securities unless and until:

- (a) the Issuer has paid to Holders a Distribution (**Optional Distribution**) of not less than the unpaid amount (if any) of the Distribution Amounts for the Distribution Payment Dates which occurred in the 12 months prior to the date of the Optional Distribution; or
- (b) the Issuer has subsequently paid the Distribution for each Distribution Date occurring in a 12-month period; or
- (c) a Special Resolution authorising the payment, dividend, distribution, capital return, buy-back, redemption or repurchase is approved; or
- (d) no Hybrids remain on issue.

3.2 Exceptions

Clause 3.1 does not apply to:

- (a) a distribution made pro rata on Hybrids and Equal Ranking Securities in relation to that distribution;
- (b) repurchases, redemptions or other acquisitions of shares in the Issuer in connection with:
 - (i) any employment contract, benefit plan or similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Issuer or its related bodies corporate; or
 - (ii) the issue of shares in the Issuer, or securities convertible into or exercisable for shares in the Issuer, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a distribution on the relevant Distribution Payment Date;
- (c) a conversion or redemption of any class or series of the Issuer's shares, or any shares of a subsidiary of the Issuer, for any class or series of the Issuer's shares, or of any class or series of the Issuer's indebtedness for any class or series of the Issuer's shares;
- (d) the purchase of fractional interests in shares in the Issuer under the conversion provisions of the shares or the security being converted;
- (e) any declaration of a dividend in connection with any shareholder's rights plan, or the issue of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (f) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

4 Remarketing Process

4.1 Issuer may adjust certain terms

The Issuer may adjust or specify (as the case may be) the following terms for the Hybrids with effect from (and including) any Remarketing Date:

- (a) the Remarketing Margin;
- (b) the Remarketing Market Rate, which may be calculated on a different basis (such as fixed rather than floating or floating rather than fixed) to the Market Rate;
- (c) the Step-Up Margin;
- (d) the Discount Factor;

- (e) the timing of the next Remarketing Date (which must be at least 12 months after the Remarketing Date in question and coincide with the beginning of a Distribution Period);
- (f) the frequency and timing of Distribution Periods;
- (g) the frequency and timing of Distribution Payment Dates and Record Dates; and
- (h) minor and technical terms to facilitate the adjusted terms.

4.2 Remarketing Process Invitation

If the Issuer wants to adjust any terms of the Hybrids on a Remarketing Date or specify a Remarketing Margin or Remarketing Market Rate on a Remarketing Date in accordance with clause 4.1, the Issuer must give a Remarketing Process Invitation to each Holder:

- (a) no earlier than six months before; and
- (b) no later than 45 Business Days before,

the Remarketing Date.

The Issuer must also issue a market release to ASX describing the Remarketing Process Invitation.

4.3 Content of Remarketing Process Invitation

A Remarketing Process Invitation for a Remarketing Date must set out:

- (a) a range of Remarketing Margins; and
- (b) a Remarketing Market Rate; and
- (c) any other terms of the Hybrids that are to be adjusted with effect from the Remarketing Date in accordance with clause 4.1.

In any Remarketing Process Invitation:

- (i) the range of Remarketing Margins may be the same as or include the Margin which applies at the date of the notice; and
- (ii) the Remarketing Market Rate may be the same as the Market Rate which applies at the date of the notice.

4.4 No Remarketing Process Invitation

If the Issuer does not issue a Remarketing Process Invitation for any Remarketing Date within the period prescribed by clause 4.2, then with effect from (and including) that Remarketing Date:

- (a) the Remarketing Market Rate is equal to the Base Rate; and
- (b) the Remarketing Margin is equal to the Step-Up Margin,

but no other terms of the Hybrids will be adjusted in accordance with this clause 4.

4.5 Holder response to Remarketing Process

Holders may within 20 Business Days after the issue of a Remarketing Process Invitation or such longer time period (ending not less than 25 Business Days before the Remarketing Date) which the Issuer nominates, give one of the following types of written notice to the Issuer in response to a Remarketing Process Invitation for a Remarketing Date:

- (a) a notice stating that they do not wish to continue to hold any Hybrids unless the Remarketing Market Rate is equal to the Base Rate and the Remarketing Margin is equal to the Step-Up Margin, in each case with effect from the Remarketing Date until the next Remarketing Date on which there is a Successful Remarketing Process (**Step-Up Notice**);
- (b) a notice stating that they do not wish to continue to hold any Hybrids unless the Remarketing Margin is at least equal to a margin specified by the Holder (which margin must be within the range of Remarketing Margins set out in the Remarketing Process Invitation) with effect from the Remarketing Date until the next Remarketing Date (**Bid Notice**); or
- (c) a notice stating that they wish to continue to hold Hybrid irrespective of the Remarketing Margin which applies with effect from the Remarketing Date until the next Remarketing Date (**Hold Notice**).

If a Holder does not respond within 20 Business Days, or the longer period nominated by the Issuer, the Holder is deemed to have given a Hold Notice (**Deemed Hold Notice**).

4.6 Remarketing Margin

If the Issuer has issued a Remarketing Process Invitation for a Remarketing Date, it may elect (in its absolute discretion) whether or not to set a Remarketing Margin with effect from the Remarketing Date. The Issuer must make that election within five Business Days after the last date for receipt of responses from Holders under clause 4.5.

However, the Issuer may only set a Remarketing Margin under this clause 4.6 if Holders gave:

- (a) Hold Notices (and for the purposes of this clause 4.6, a Deemed Hold Notice must not be counted); or
- (b) Bid Notices specifying a margin equal to or less than the Remarketing Margin,

and cumulatively those notices were given in respect of at least 25% of Hybrids on issue at the time that the Remarketing Process Invitation was issued.

4.7 Successful Remarketing Process

If the Remarketing Process is a Successful Remarketing Process, then:

- (a) with effect from (and including) the Remarketing Date until the next Remarketing Date:
 - (i) the Remarketing Margin is equal to the margin set by the Issuer under clause 4.6; and
 - (ii) the Remarketing Market Rate is equal to the rate so specified in the Remarketing Process Invitation, and the other terms of the Hybrids are adjusted in accordance with the Remarketing Process Invitation; and
- (b) the Issuer must give an Issuer Realisation Notice in respect of all Hybrids held by Exiting Holders in accordance with clause 6.1(a).

4.8 Unsuccessful Remarketing Process

If the Remarketing Process is not a Successful Remarketing Process, then:

- (a) with effect from (and including) the Remarketing Date until the next Remarketing Date on which there is a Successful Remarketing Process:
 - (i) the Remarketing Market Rate is equal to the Base Rate; and
 - (ii) the Remarketing Margin is equal to the Step-Up Margin, but no other terms of Hybrids are adjusted; and
- (b) the Issuer may or may not give an Issuer Realisation Notice in respect of all or some Hybrids in accordance with clause 6.1(b) or clause 6.1(c).

5 Realisation of Hybrids by Holders

5.1 Holder Request

A Holder may, by notice to the Issuer (**Holder Request**), request that the Issuer Realise all of the Hybrids held by that Holder if:

- (a) the Issuer breaches clause 3; or
- (b) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by Directors; or
- (c) the Directors recommend a scheme of arrangement for the Issuer where a person would obtain a relevant interest in greater than 50% of the Ordinary Shares,

(each a **Trigger Event**).

In order to be valid, a Holder Request must be given no later than 15 Business Days after the Issuer gives a Trigger Event Notice.

5.2 Trigger Event Notice

The Issuer must, as soon as practicable but no later than 5 Business Days after becoming aware of the occurrence of a Trigger Event, give notice of its occurrence to all Holders by:

- (a) issuing a market release to ASX describing the particular Trigger Event and sending a copy of the market release to each Holder on the Register on the day the market release is made; and
- (b) publishing a notice in The Australian Financial Review or any other daily financial newspaper in Australia of national circulation which describes the particular Trigger Event.

A market release and notice given under this clause 5.2 must specify the date on which Realisation of Hybrids under clause 5.1 will take place (being a date not later than 50 Business Days after the market release and notice are issued by the Issuer).

5.3 Issuer may elect Realisation mechanism

On receipt of a valid Holder Request given under clause 5.1, the Issuer must Convert or Resell the Hybrids specified in the Holder Request by such method or combination of methods as the Issuer in its discretion elects.

In determining which mechanism or combination of mechanisms is to apply, the Issuer must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.

5.4 Response to Holder Request

The Issuer must give a notice to each Holder that has submitted a Holder Request not less than 20 Business Days before the Realisation Date for the Holder Request. The notice must state which mechanism or combination of mechanisms the Issuer has chosen for the Realisation.

6 Realisation of Hybrids by Issuer

6.1 Issuer Realisation Notice

- (a) The Issuer must Realise on the applicable Realisation Date all Hybrids held by Exiting Holders in the circumstances described in clause 4.7. The Issuer must give a notice of Realisation to each Exiting Holder within five Business Days after the last date for receipt of responses under clause 4.5.
- (b) The Issuer may, subject to this clause 6.1, by notice to each Holder, elect to Realise on the applicable Realisation Date some or all of the Hybrids in the following circumstances:
- if the Remarketing Market Rate and Remarketing Margin for a Remarketing Date are equal to the Base Rate and Step-up Margin respectively, in which case the Issuer must give the notice no later than 25 Business Days before the last day of any Distribution Period following the Remarketing Date;
 - prior to a Remarketing Date, in which case the Issuer must give the notice no earlier than three months before and no later than 15 Business Days before a Remarketing Date;
 - if an Acquisition Event occurs, in which case the Issuer must give the notice within 10 Business Days after the occurrence of the Acquisition Event; or
 - if an Accounting Event, Tax Event or Regulatory Event occurs, in which case the Issuer may give the notice at any time after the Accounting Event, Tax Event or Regulatory Event occurs.
- (c) The Issuer may, subject to this clause 6.1, by notice to each Holder, elect to Realise on the applicable Realisation Date all (but not some) of the Hybrids if the aggregate Issue Price for all Hybrids on issue is less than \$50 million, in which case the Issuer may give the notice at any time.

6.2 Content of Issuer Realisation Notice

An Issuer Realisation Notice to a Holder must specify:

- how many Hybrids held by the Holder will be Realised;
- which mechanism or combination of mechanism the Issuer has chosen for Realisation; and
- the Realisation Date.

If the Issuer elects to Realise any Hybrids pursuant to clause 6.1(b)(iii) or clause 6.1(b)(iv), the Issuer must also include in the Issuer Realisation Notice the details of the relevant Acquisition Event, Accounting Event, Tax Event or Regulatory Event.

7 Conversion

7.1 Conversion Number

The number of Ordinary Shares to be issued for each Hybrid which is Converted on a Realisation Date is calculated in accordance with the following formula:

$$\text{Conversion Number} = \frac{RA}{VWAP \times (1 - DF)}$$

where:

RA is the Realisation Amount for the Hybrid; and

DF is the Discount Factor; and

VWAP is VWAP for the period of 20 Business Days immediately preceding the Realisation Date for the Hybrid.

7.2 Adjustments for takeover or scheme of arrangement

If a Hybrid is Converted pursuant to:

- an Issuer Realisation Notice given in respect of an Acquisition Event; or
- a Holder Request given in respect of a Trigger Event under clause 5.1(b) or clause 5.1(c),

(each a **Relevant Event**), then the denominator in the formula in clause 7.1 for the Hybrid is equal to the lesser of:

- 97.5% of the offer price under the takeover bid or the consideration under the scheme of arrangement the subject of the Relevant Event; and
- the VWAP (expressed as a dollar value) calculated in respect of the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but excluding) the announcement of the takeover bid or the scheme of arrangement the subject of the Relevant Event, plus 50% of the amount calculated by subtracting that VWAP from the offer price under the takeover bid or the consideration under the scheme of arrangement the subject of the Relevant Event.

In the case of non-cash consideration, the calculations under this clause 7.2 will be performed using the value of the offer price or the consideration as reasonably determined by the Issuer. The Issuer may rely on the advice of an investment bank, accounting firm or other professional financial adviser in this regard.

7.3 Number of Ordinary Shares

If the total number of Ordinary Shares to be issued to a Holder in respect of their aggregate holding of Hybrids being Converted includes a fraction of an Ordinary Share, that fraction will be disregarded.

7.4 Adjustments to VWAP

For the purposes of calculating VWAP for a period (**Reference Period**) under clause 7.1 or clause 7.2:

- (a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement and the Hybrids will convert into Ordinary Shares after that date (or a Hybrid Distribution is to be satisfied in Ordinary Shares after that date) and those Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted *cum* dividend or *cum* entitlement shall be reduced by an amount (**Cum Value**) equal to:
 - (i) in the case of a dividend or other cash distribution, the amount of that dividend or cash distribution;
 - (ii) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement not traded on ASX during the Reference Period or a non-cash distribution, the value of the entitlement or non-cash distribution as reasonably determined by the Directors; and
- (b) where on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and the Hybrids will be converted into Ordinary Shares (or a Hybrid Distribution is to be satisfied in Ordinary Shares) which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and
- (c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during the Reference Period (as the case may be), the VWAP shall be adjusted by the Issuer as it considers appropriate to ensure that the Holders are in an economic position in relation to their Hybrids that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by the Issuer will constitute an alteration of these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

7.5 Conversion actions

On the Realisation Date for a Hybrid that is to be Converted, the Issuer must:

- (a) redeem the Hybrid for \$100 and apply the whole of the redemption proceeds in subscribing, on behalf of the Holder, for the Conversion Number of Ordinary Shares; and
- (b) issue to the Holder the Conversion Number of Ordinary Shares and any such issue will have effect on and from, and be deemed to have been made on, the Realisation Date.

Each Holder irrevocably and unconditionally:

- (i) acknowledges that the application of the redemption proceeds in that manner is in full and final satisfaction of all distributions and principal payable by the Issuer in respect of the Hybrid that is Converted; and
- (ii) consents to be a member of the Issuer and agrees to be bound by the Constitution.

8 Resale

8.1 Resale actions

If the Issuer elects to Resell a Hybrid, the Issuer must procure the acquisition by a third party on the Realisation Date of the Hybrid.

On the Realisation Date for a Hybrid which is to be Resold, the Issuer must sell the Hybrid on behalf of the relevant Holder to the third party for an amount such that the net proceeds of sale payable by the third party to the Holder (together with any other amounts paid by the Issuer to the Holder in connection with the Resale) are at least equal to the Realisation Amount.

For the purpose of facilitating the Resale of a Hybrid, each Holder is irrevocably taken to offer to sell the Hybrid to the relevant third party or parties if the Issuer elects to Resell under this clause 8.1.

8.2 Failure to Resell

If the Resale of a Hybrid is not completed in accordance with clause 8.1 by reason of the default of the Issuer or a third party, the Holder's claim on that account is limited to the amount (if any) by which the Realisation Amount exceeds the value of the Hybrid at the Realisation Date.

9 Issue of Preference Shares

9.1 Issue

On the occurrence of a Winding-Up Event, the Issuer must issue to each Holder one fully paid Preference Share for each Hybrid held by that Holder. Any such issue has effect from, and is taken to have been made on, the date of the Winding-Up Event.

Each Holder consents to becoming a member of the Issuer upon the issue of Preference Shares under this clause 9.1 and agrees to be thereupon bound by the Constitution.

9.2 Effect of issue

Upon the issue of a Preference Share in respect of a Hybrid, the Issuer will have no further liability to the Holder in respect of the Hybrid other than in accordance with clause 10.

9.3 Failure to issue

If the Issuer fails to issue a Preference Share in respect of Hybrid on the occurrence of a Winding-Up Event in accordance with clause 9.1, the Holder's only recourse to the Issuer in respect of the Hybrid is for breach of the Issuer's obligation under clause 9.1. The Holder's claim for any such failure is limited to an amount per Hybrid equal to the Liquidation Amount. This clause 9.3 does not affect the Issuer's obligation to issue the Preference Share.

10 Redemption of Debt Portion

10.1 Redemption

On the occurrence of a Winding-Up Event, the Issuer must pay to each Holder the Debt Portion for each Hybrid held by that Holder.

10.2 No other redemption

Hybrids are not redeemable except to the extent of the Debt Portion. The Debt Portion of a Hybrid is only redeemable in accordance with this clause 10.

11 Payment

11.1 Calculation of payments

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of Hybrids, any fraction of a cent will be disregarded.

11.2 Method of payment

The Issuer must pay any amount which is payable to a Holder in respect of a Hybrid by direct credit to a bank account at an Australian financial institution nominated by the Holder, unless otherwise agreed by the Issuer and the Holder.

If a Holder fails to nominate such an account, the Issuer may deposit any amount which is payable to the Holder in a bank account in the Issuer's name established for that purpose and held by the Issuer until the Holder nominates an account. An amount deposited under this clause 11.2 is taken to have been duly paid to the Holder and does not bear interest. The Issuer is entitled to retain any interest accruing on the account.

11.3 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

12 Notices of events

12.1 Effectiveness of requests and realisation notices

- (a) A Holder Request, an Issuer Realisation Notice and a Response to Holder Request, once given, is irrevocable.
- (b) Once a Holder has given a Holder Request, that Holder must not deal with, transfer, dispose of or otherwise encumber a Hybrid the subject of the Holder Request.
- (c) An Issuer Realisation Notice prevails over any Holder Request in respect of the same Hybrid to the extent of any inconsistency, regardless of which notice is given first.
- (d) If an Issuer Realisation Notice or Holder Request is given in respect of a Hybrid after a Remarketing Process Invitation has been issued by the Issuer but before the Issuer announces the outcome of the Remarketing Process, then the Remarketing Process will be suspended in relation to the Hybrid the subject of the notice and the Issuer Realisation Notice or Holder Request will be acted on by the Issuer in accordance with these Terms.

12.2 Form of Holder Request

A form of Holder Request which may be used by Holders must be made available by the Issuer upon request.

12.3 Multiple Realisation Dates

Where more than one event results in more than one Realisation Date for a Hybrid, the Issuer will be required to effect the Realisation of the Hybrid on the earliest Realisation Date only and shall have no obligation with respect to the Hybrid on all such other Realisation Dates.

12.4 Irregularity

Where the Issuer is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice does not affect the validity of that act, matter or determination.

13 Rights of Holders

13.1 Unsecured obligations

A Hybrid constitutes an unsecured obligation of the Issuer to pay the Debt Portion and to pay Distributions and other amounts in accordance with these Terms and to issue a Preference Share in accordance with these Terms. The obligations of the Issuer to pay any amount are subordinated in accordance with clause 13.2 and clause 13.3.

13.2 Ranking

Each Hybrid ranks:

- (a) behind all Existing Futuris Convertible Notes; and
- (b) equally with all other Hybrids; and
- (c) ahead of all shares issued by the Issuer,

in respect of the payment of Distributions.

13.3 Ranking and subordination in winding-up

In a winding-up of the Issuer, Holders rank:

- (a) for payment of any Preference Share Damages Amount, *pari passu* with the claims of holders of Preference Shares and any other liabilities or obligations of the Issuer that are expressed to rank in a winding-up equally with the Preference Shares. For this purpose, Holders are treated as if they had been issued with a fully paid Preference Share. The Holders waive, to the fullest extent permitted by law, any right to prove in any such winding-up of the Issuer as a creditor ranking for payment ahead of any holders of Preference Shares or any such creditors; and
- (b) for payment of any other amount under or in connection with the Hybrid Terms, subordinate to the claims of all other creditors of the Issuer (other than Junior Subordinated Creditors) but ahead of all shareholders of the Issuer. The Holders waive, to the fullest extent permitted by law, any right to prove in any such winding-up of the Issuer as a creditor ranking for payment equally with any other such creditors.

13.4 Participation in surplus assets

A Hybrid does not confer on its Holder any right to participate in the profits or surplus assets of the Issuer except as set out in these Terms.

14 Meetings and voting rights

14.1 Meetings

Holders have the same rights as holders of Ordinary Shares to receive reports, accounts and notices of meetings in relation to the Issuer and to attend meetings of the Issuer's members.

14.2 Voting rights

Except as required by the Corporations Act, Holders do not have any right to vote at general meetings of the Issuer.

15 Amendment to Hybrid Terms

15.1 Amendments without approval

Subject to complying with all applicable laws, the Issuer may without the authority, assent or approval of Holders, amend or add to the Hybrid Terms if such amendment or addition is, in the opinion of the Issuer:

- (a) made to correct a manifest error;

- (b) of a formal, minor or technical nature;
- (c) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer proposes from time to time to seek quotation of the Hybrids;
- (d) convenient for the purpose of obtaining or maintaining the listing or quotation of the Hybrids; or
- (e) is not, and is not likely to become, materially prejudicial to Holders generally.

15.2 Other amendments

Except for amendments under clause 15.1, the Issuer may only vary the Hybrid Terms with the consent of a Special Resolution of Holders.

15.3 Notice of amendment

If the Issuer proposes to amend the Hybrid Terms in a manner requiring the consent of a Special Resolution of Holders under clause 15.2, the Issuer must:

- (a) notify the Holders of the proposed variation in accordance with the Constitution; and
- (b) give the Holders not less than 28 days' notice of the meeting at which the Special Resolution relating to the proposed variation is to be proposed (exclusive of the day on which the notice is given and the meeting is held), specifying the terms of the proposed variation, and the day, time and place of the meeting.

The accidental omission to give notice to, or the non-receipt of notice by, any Holder does not invalidate the proceedings at any meeting of Holders.

15.4 Voting on amendments

A Holder may appoint a proxy to attend and vote at any meeting of Holders at which a Special Resolution relating to a proposed variation of the Hybrid Terms is to be proposed. Each Holder has one vote for each Hybrid held by them on the date 11 Business Days (or such other period determined under the ASX Listing Rules from time to time) prior to the date of the meeting.

15.5 Effect of amendment

Any variation to the Hybrid Terms made in accordance with this clause 15 is binding on all Holders.

16 General

16.1 Power of attorney

Each Holder irrevocably appoints the Issuer and each of its Authorised Officers (each an **Appointed Person**) severally to be the attorney and agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents or transfers as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to record or perfect any Conversion or Resale of a Hybrid in accordance with clauses 7 and 8.

16.2 No set-off

A Holder may not exercise or seek to exercise or take any proceedings for the exercising of any right of set-off or counterclaim against the Issuer in respect of any claim by the Issuer against that Holder.

16.3 Participation in new issues

A Hybrid confers no rights to subscribe for new securities in the Issuer, or to participate in any bonus issues.

16.4 Further issues

The Issuer may incur any other debt obligation which ranks junior to, equally with or senior to a Hybrid in respect of interest, dividends or distributions of capital in a winding-up without approval by Special Resolutions of Holders.

16.5 Warranty

Each Holder is deemed, when Hybrid registered in its name is Realised, to warrant and represent to the Issuer that:

- (a) it owns the Hybrid;
- (b) the Hybrid is free and unencumbered; and
- (c) it has not sold, alienated, donated or otherwise disposed of the Hybrid.

16.6 Indemnity

Whenever in consequence of:

- (a) the death of a Holder;
- (b) the non-payment of any income tax or other tax payable by a Holder;

- (c) the non-payment of any stamp duty or other duty by the legal personal representative of a Holder or its estate; or
- (d) any other thing in relation to a Hybrid or a Holder,

any law for the time being of any country or place, imposes or purports to impose any liability of any nature whatever on the Issuer to make any payment to any Governmental Agency, the Issuer will, if it suffers a loss in respect of that liability, be indemnified by that Holder and its legal personal representative and any monies paid by the Issuer in respect of that liability may be recovered from that Holder and/or the Holder's legal personal representative as a debt due to the Issuer which will have a lien in respect of those monies upon the Hybrids held by that Holder or its legal personal representative and upon any monies payable in relation to such Hybrids.

Nothing in this clause 16.6 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Issuer.

16.7 Ownership Requests

The Issuer may at any time (but no more than once a year) by notice in writing (**Ownership Request**) request a Holder or a person identified in a response to an Ownership Request (each a **Relevant Person**) to give the Issuer the following information:

- (a) whether the Relevant Person is the beneficial owner of the Hybrids registered in the name of the Holder; and
- (b) if not the beneficial owner, then to the best of the Relevant Person's knowledge after making due enquiry:
 - (i) the names and addresses of the person or persons who are the beneficial owners of the Hybrid (or on whose behalf the Relevant Person holds those Hybrids or an interest in those Hybrids); and
 - (ii) for each person identified in paragraph (i), the number of Hybrids in which the person holds a beneficial interest (or which are held on behalf of the person).

A Relevant Person must provide the Issuer with the information requested in an Ownership Request as soon as practicable, and in any event within 3 Business Days of receipt by the Relevant Person of the Ownership Request.

Failure to provide information under this clause 16.7 does not affect the Holder's rights under these Terms.

17 Quotation and Foreign Holders

17.1 Quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to apply for, at its own expense, Official Quotation of the Hybrids within seven Business Days of the initial issue of the Hybrids and to maintain that Official Quotation whilst any Hybrids are outstanding.

17.2 Foreign Holders

Where Hybrids held by a Foreign Holder are to be Converted, unless the Issuer is satisfied that the laws of the Foreign Holder's country of residence (as shown in the Register) permit the issue of Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Holder.

18 Governing law

These Terms are governed by law in force in the State of South Australia, Australia.

19 Definitions and interpretation

19.1 Definitions

In these Terms (including the schedule), unless the context otherwise requires, the following expressions have the following meanings:

Accounting Event means a determination by the Directors following the receipt of advice from a reputable accountant experienced in such matters, including but not limited to the auditor of the Issuer, that any change in Australian Generally Accepted Accounting Principles, their interpretation or implementation may have the effect that the any part of the Hybrids would be treated as anything other than equity of the Issuer.

Acquisition Event means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and either:

- (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
- (ii) the Directors issue a statement recommending acceptance of the offer; or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either:
 - (i) the members of the Issuer pass a resolution approving the scheme; or
 - (ii) an independent expert issues a report indicating that the proposals in connection with the scheme are in the best interests of the holders of the Ordinary Shares.

AEDT means Australian Eastern Daylight Time or, when not applicable, Eastern Standard Time.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX and any other rules of ASX which are applicable while the Issuer is admitted to the official list of ASX, each as amended or replaced, except to the extent of any written waiver granted by ASX.

ASX Market Rules means the market rules of ASX or any other rules of ASX which are applicable while the Issuer is admitted to the official list of ASX, each as amended or replaced, except to the extent of any written waiver granted to ASX.

Australian Generally Accepted Accounting Principles means the accounting standards under the Corporations Act or, if not inconsistent with those standards, accounting principles and practices generally accepted in Australia.

Authorised Officer means each director and secretary of the Issuer and any person delegated on the authority of the board of directors of the Issuer to exercise the power of attorney conferred by clause 16.1.

Bank Bill Rate means, for a Distribution Period, the average mid-rate for bills of a term of 3 months (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated "BBSW" (or any page which replaces that page) on the first Banking Day of the Distribution Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (AEDT) on that date, the rate specified in good faith by the Issuer at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of that term or for funds of that tenor, at or around the same time (including, without limitation, the sets of bid and offer rates for bills of that tenor displayed on that page "BBSW" at that time on that date); or
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Banking Day means a day on which banks are open for general banking business in South Australia (not being a Saturday, Sunday or public holiday in that place).

Base Rate means, for any day, the higher of the Bank Bill Rate and the Swap Rate on that day.

Bid Notice has the meaning given in clause 4.5.

Business Day has the meaning given to that term in the ASX Market Rules.

Capital Security means any equity, hybrid or subordinated debt security issued by the Issuer or its subsidiaries other than a Hybrid.

Citigroup means Citigroup Global Markets Australia Pty Limited, Bookrunner and Lead Manager.

Constitution means the constitution of the Issuer.

Conversion Number has the meaning given in clause 7.1.

Convert means to convert a Hybrid under clause 7 (including to issue Ordinary Shares to the Holder under clause 7.5) and **Converted** and **Conversion** have corresponding meanings.

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

Debt Portion has the meaning given in clause 1.4.

Deemed Hold Notice has the meaning given in clause 4.5.

Directors means the directors of the Issuer acting as a board or a committee of the board.

Discount Factor means 0.025, as adjusted under any Remarketing Process.

Distributable Profits means, on any Distribution Payment Date, the amount calculated in accordance with the following formula:

$$\text{Distributable Profits} = (A + B) - (C + D)$$

where:

A is the retained earnings of the Issuer and its controlled entities at the immediately preceding semi-annual balance date (**Reporting Date**);

B is the Distribution or Optional Distribution (if any) which are included as an expense yet to be paid in the Issuer's financial reports at the Reporting Date;

C is the dividends on the Issuer's outstanding share capital (to the extent that those dividends were not provided for in the Issuer's financial reports at the Reporting Date) or Distribution (if any) paid by the Issuer between the Reporting Date and the Distribution Payment Date; and

D is the Optional Distribution (if any) paid between the Reporting Date and the Distribution Payment Date (including any Optional Distribution payable on the Distribution Payment Date) which was not included in the Issuer's financial reports at the Reporting Date.

Distribution has the meaning given in clause 2.1.

Distribution Amount means, in relation to a Distribution Period, the amount calculated in accordance with clause 2.2 and, if applicable, clause 2.3 for the Distribution Period.

Distribution Payment Date means each of:

- (a) 31 March, 30 June, 30 September and 31 December in each year; and
- (b) the Realisation Date.

Distribution Period means each of:

- (a) the period from (and including) the Issue Date to (but excluding) the next Distribution Payment Date; and
- (b) each period from (and including) a Distribution Payment Date to (but excluding) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 2.2.

Equal or Junior Ranking Security means:

- (a) in relation to the payment of any interest or dividends or any distributions by the Issuer (other than a distribution to which paragraph (b) applies), a Capital Security which ranks equally with or junior to the Hybrid in respect of the payment of Distributions; and
- (b) in relation to any return of capital or any buy-back, redemption or repurchase by the Issuer, a Capital Security which ranks equally with or junior to the Hybrids in a winding-up of the Issuer.

Equal Ranking Security means:

- (a) in relation to the payment of any interest or dividends or any distributions by the Issuer (other than a distribution to which paragraph (b) applies), a Capital Security which ranks equally with the Hybrids in respect of the payment of Distributions; and
- (b) in relation to any return of capital or any buy-back, redemption or repurchase by the Issuer, a Capital Security which ranks equally with the Hybrids in a winding-up of the Issuer.

Existing Futuris Convertible Notes means the unsecured subordinated redeemable existing convertible notes issued under the Existing Futuris Convertible Note Trust Deed on the terms set out in schedule 3 to the Existing Futuris Convertible Note Trust Deed.

Existing Futuris Convertible Note Trust Deed means the 1999 Unsecured Note Trust Deed dated 11 August 1999 between the Issuer, the Initial Guarantors (as defined in that deed) and Permanent Nominees (Aust.) Limited, as varied by an assumption deed dated 6 April 2001, a deed of release dated 16 April 2002, an assumption deed dated 16 April 2002, a deed of release dated 19 November 2002, a deed of release and accession dated 17 December 2003 and a deed of accession and amendment 1 dated 10 August 2005.

Exiting Holder means, for a Remarketing Date, a Holder who gives either:

- (a) a Step-Up Notice; or
- (b) a Bid Notice which specifies a margin which is higher than the Remarketing Margin which applies from (and including) the Remarketing Date.

Financial Year means each period of 12 months ending on 30 June.

First Remarketing Date means 30 June 2011.

Foreign Holder means a Holder whose address in the register is a place outside Australia and its external territories.

Government Agency means any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, bureau, tribunal, agency or entity in any part of the world.

Holder means a person registered as the holder of a Hybrid.

Holder Request has the meaning given in clause 5.1.

Hold Notice has the meaning given in clause 4.5.

Hybrid means a perpetual, subordinated, convertible note having the rights, powers and privileges set out in these Terms.

Hybrid Distribution means a Distribution or Optional Distribution.

Hybrid Terms means these Terms other than the Preference Share Terms.

Initial Dividend has the meaning given in clause 2.2 of the Preference Share Terms.

Initial Margin means the margin determined by the Issuer and Citigroup in accordance with the Offer Management Agreement between the Issuer and Citigroup dated on or about the date of the Trust Deed.

Issue Date means the date on which Hybrids are issued.

Issue Price means \$100.

Issuer means Futuris Corporation Limited (ABN 34 004 336 636).

Issuer Realisation Notice means a notice given by the Issuer to Holders under clause 6.1.

Junior Subordinated Creditor means any person, including a Holder, who has a claim against the Issuer which is subordinated in a winding-up of the Issuer in any manner (other than by statute) to the claims of any unsecured and subordinated creditor of the Issuer.

Liquidation Amount means, for a Preference Share, an amount equal to the Preference Share Subscription Price plus the amount (if any) of the Initial Dividend which remains unpaid.

Margin has the meaning given to it in clause 2.2.

Market Rate has the meaning given to it in clause 2.2.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX of the Hybrid and **Officially Quoted** has a corresponding meaning.

Optional Distribution has the meaning given to it in clause 3.1(a).

Optional Distribution Amount means, for an Optional Distribution, the amount of the Optional Distribution.

Ordinary Share means a fully paid ordinary share in the capital of the Issuer.

Ownership Request has the meaning given to it in clause 16.7.

Preference Share means a fully paid preference share in the Issuer issued on the Preference Share Terms.

Preference Share Damages Amount means, for a Holder, the amount of any claim by the Holder against the Issuer under clause 9.3 in connection with a failure by the Issuer to issue any Preference Share to the Holder in accordance with clause 9.1.

Preference Share Holder means a person registered as the holder of a Preference Share.

Preference Share Subscription Price has the meaning given in clause 1.4.

Preference Share Terms means the terms of issue of the Preference Shares set out in the schedule.

Realisation Amount means, in relation to Realisation of a Hybrid on a Realisation Date:

- (a) in the case of a Resale of the Hybrid pursuant to:
 - (i) an Issuer Realisation Notice given in respect of an Acquisition Event; or
 - (ii) a Holder Request given in respect of a Trigger Event under clause 5.1(b) or clause 5.1(c),
an amount equal to:
 - (A) the number of Ordinary Shares that would have been issued on Conversion of the Hybrid on the Realisation Date,
multiplied by:
 - (B) the offer price under the takeover bid or the consideration under the scheme of arrangement (as applicable); and
- (b) otherwise, an amount equal to the Issue Price plus the unpaid amount (if any) of the Distribution Amounts for the Distribution Payment Dates which occurred in the 12 months prior to the Realisation Date.

Realisation Date means:

- (a) in relation to a Holder Request, the Business Day so specified by the Issuer in the relevant Trigger Event Notice in accordance with clause 5.2;
- (b) in relation to an Issuer Realisation Notice under clause 6.1(a), the last Business Day prior to the relevant Remarketing Date;
- (c) in relation to an Issuer Realisation Notice under clause 6.1(b)(i), the last Business Day of the Distribution Period in which the Issuer gives that Issuer Realisation Notice;
- (d) in relation to an Issuer Realisation Notice under clause 6.1(b)(ii), the last Business Day prior to the relevant Remarketing Date;
- (e) in relation to an Issuer Realisation Notice under clauses 6.1(b)(iii), 6.1(b)(iv) or 6.1(c), the Business Day which is 25 Business Days after the date of the Issuer Realisation Notice.

Realise means, in relation to a Hybrid, to Convert or Resell that Hybrid and **Realised** and **Realisation** have corresponding meanings.

Record Date means:

- (a) for payment of a Distribution, the day which is 11 Business Days before the Distribution Payment Date for that Distribution or such other date as Issuer determines in its absolute discretion and notifies to Holders by a market release to ASX not less than 6 Business Days before the specified record date; and
- (b) for payment of an Optional Distribution, the day prior to the payment of the Optional Distribution that is determined by Issuer in its absolute discretion and which the Issuer notifies to Holders by a market release to ASX not less than 6 Business Days before the specified record date,

or, in each case, such other date as may be required by ASX.

Regulatory Event means the receipt by the Issuer of advice from a reputable legal counsel that any amendment to, clarification of, or change (including any announcement of a prospective change) in, any law or regulation thereunder affecting securities laws of Australia, or the ASX Listing Rules, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Issue Date, has occurred and the Directors, as a result of that advice, determine that additional costs or requirements would be imposed on the Issuer, and that these costs and requirements are unacceptable.

Relevant Holders means:

- (a) prior to the issue of the Preference Shares, the Holders; and
- (b) otherwise, the Preference Share Holders.

Remarketing Date means each of:

- (a) the First Remarketing Date; and
- (b) the date specified as a result of a Remarketing Process or, if none is specified, the fifth anniversary of the most recent Remarketing Date.

Remarketing Margin means, for a Remarketing Date, the margin which will apply with effect from that Remarketing Date in accordance with clause 4.

Remarketing Market Rate means, for a Remarketing Date, the market rate which will apply with effect from that Remarketing Date in accordance with clause 4.

Remarketing Process means the process described in clause 4.

Remarketing Process Invitation means a notice in writing from the Issuer which satisfies the requirements in clause 4.3.

Resell means to resell a Hybrid in accordance with clause 8 and **Resold** and **Resale** have corresponding meanings.

Response to Holder Request means a notice given by the Issuer in accordance with clause 5.4.

Special Resolution means, in respect of Relevant Holders, a resolution approved by not less than 75% of all votes cast by the Relevant Holders present and entitled to vote on the resolution.

Step-Up Margin means a rate which is equal to 2.50% plus the Margin.

Step-Up Notice has the meaning given in clause 4.5.

Successful Remarketing Process means a Remarketing Process which results in the Issuer setting Remarketing Margin under clause 4.6.

Swap Rate means, on any day, the rate expressed as a percentage per annum calculated as the average of the mid-point of the quoted average swap reference rate with a term of ten years, calculated at or around 10.00am (AEDT) on Reuters page IRSW 10AM (or any page which replaces that page) on that day.

Tax means any tax, levy, impost, charge or duty (including stamp and transaction duties) imposed by any Government Agency.

Tax Act means the *Income Tax Assessment Act 1936 (Cwlth)* or the *Income Tax Assessment Act 1997 (Cwlth)*, as the case may be.

Tax Event means the receipt by the Issuer of an opinion from a reputable legal counsel or other tax adviser, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of any jurisdiction or any political sub-division or taxing authority thereof or therein affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change (including any announced prospective change) in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position,

(in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change (including any announced prospective change) or Administrative Action is made known), which amendment, clarification, change (including any announced prospective change) or Administrative Action is effective or such pronouncement or decision is announced on or after the Issue Date, and there is a material risk that:

- (d) the Issuer would be exposed to more than a *de minimis* increase in its costs (including grossing-up for withholding tax) in relation to the Hybrids, or any Holder would be similarly exposed to such an increase;
- (e) there would be more than a *de minimis* increase in the taxes, duties or government charges imposed on the Issuer in respect of the Hybrids, or imposed on any Holders; or
- (f) any distribution under Hybrids will not be franked or Holders no longer are entitled to franking credits,

and the Directors determine that there is such a material risk.

Terms means these terms of issue.

Trigger Event has the meaning given in clause 5.1.

Trigger Event Notice means a notice given by the Issuer in accordance with clause 5.2.

Trust Deed means the Trust Deed dated on or about 16 February 2006 between Permanent Trustee Company Limited (ABN 21 000 000 993) and the Issuer.

Unpaid Hybrid Distribution Amount means, for a Preference Share, the unpaid amount (if any) of the Distribution Amounts for the Distribution Payment Dates which occurred in the 12 months prior to the Winding-Up Date.

VWAP means, for a period, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during that period but does not include any transaction defined in the ASX Market Rules as "special" crossings prior to the commencement of normal trading, crossings during the after hours adjust phase, crossings during the closing phrase, overnight crossings, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

Winding-Up Date means the date on which a Winding-Up Event occurs.

Winding-Up Event means an order is made or an effective resolution is passed for the winding-up of the Issuer.

19.2 Interpretation

Unless the context otherwise requires:

- (a) a reference to a clause in these Terms is a reference to a clause in these Terms;
- (b) headings and boldings are for convenience only and do not affect the interpretation of these Terms;
- (c) words importing the singular include the plural and vice versa;
- (d) words importing a gender include any gender;
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (f) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (h) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next succeeding Business Day;
- (i) a reference to cash includes cheques and bank cheques;
- (j) a reference to a body including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (k) references to sums of money are to amounts in Australian dollars;
- (l) a reference to a thing or things after the words "include" or "including" or similar expressions is not limited to that thing or those things;
- (m) a reference to a rate expressed as a percentage is to the relevant percentage or the equivalent fraction (for example, a reference to a rate which is equal to 15% is a reference to 15% or 0.15 and is not a reference to 15).

Schedule - Preference Share Terms

1 Terms and issue

1.1 Preference Share Terms

These Preference Share Terms set out the general terms and conditions of the Preference Shares. The rights attached to the Preference Shares will be governed by these Preference Share Terms and the Constitution.

1.2 Issue price

The issue price for each Preference Share is an amount equal to the Preference Share Subscription Price. The issue price for a Preference Share will have been paid in full by a Holder on payment by the Holder of the Issue Price in accordance with the Hybrid Terms. The amount paid up on a Preference Share is the Preference Share Subscription Price.

1.3 Issue

Each Preference Share will be issued on the Winding-Up Date.

2 Dividends

2.1 Dividend entitlements

A Preference Share entitles the Preference Share Holder to the Initial Dividend in accordance with clause 2.2, but otherwise the dividend rate is zero.

2.2 Initial Dividend

A Preference Share entitles the Preference Share Holder to receive a dividend (**Initial Dividend**) on the Winding-Up Date equal to the Unpaid Hybrid Distribution Amount. The Initial Dividend is cumulative and does not cease to be payable if it is not paid on the Winding-Up Date.

2.3 Ranking for payment of Initial Dividend

Preference Share Holders will rank for payment of the Initial Dividend:

- (a) in priority to the payment of any dividend on any other class of shares in the capital of the Issuer; and
- (b) *pari passu* amongst themselves; and
- (c) *pari passu* with any other securities and instruments which the Issuer has issued or may issue that, by their terms, rank equally with respect to priority of payment of dividends, distributions or similar payments otherwise than in a winding-up.

2.4 Deduction

- (a) The Issuer must deduct from the Initial Dividend the amount of any withholding or other Tax required by any law, treaty, regulation or official administrative pronouncement to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Issuer to the relevant Government Agency and the balance of the amount payable has been paid to the Preference Share Holder concerned, then the full amount payable to such Preference Share Holder is taken to have been duly paid and satisfied by the Issuer.
- (b) The Issuer must pay the full amount required to be deducted to the relevant Government Agency within the time allowed for such payment without incurring penalty under the applicable law or otherwise and must, if required by any Preference Share Holder, deliver to that Preference Share Holder a copy of the relevant receipt issued by the Government Agency without unreasonable delay after the original receipt is received by the Issuer.

2.5 Gross-up for deductions

If (and to the extent that):

- (a) a law of the Commonwealth of Australia or any State or Territory of Australia requires the Issuer to make a withholding or deduction from the Initial Dividend on account of Tax so that a Preference Share Holder would not actually receive for its own benefit on the payment date the full amount which is so payable; and
- (b) the relevant withholding or deduction is required to be made on a basis other than the Preference Share Holder:
 - (i) having some connection with Australia or any State or Territory of Australia other than the mere holding of a Preference Share or receipt of a payment in respect of it;
 - (ii) the Preference Share Holder:
 - (A) not having provided relevant information to the Issuer; or

(B) not having made a declaration or similar claim; or
(C) not having satisfied a reporting requirement,
which, if provided, made or satisfied would exempt the payment from the withholding or deduction; or

(iii) on account of stamp duty, estate duty or other similar transaction duty,

the amount of the Initial Dividend that is payable will be increased so that, after making the relevant withholding or deduction, and withholdings or deductions applicable to increases in the amount of the Initial Dividend payable pursuant to this clause 2.5, the Preference Share Holder receives the amount that the Preference Share Holder would have received if no such withholding or deduction had been required.

3 No redemption

The Preference Shares are not redeemable.

4 Transfer

There are no restrictions on the transfer of Preference Shares.

5 Payment

5.1 Calculation of payments

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Preference Share Holder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

5.2 Method of payment

The Issuer must pay any amount which is payable to a Preference Share Holder in respect of a Preference Share by direct credit to a bank account at an Australian financial institution nominated by the Preference Share Holder, unless otherwise agreed by the Issuer and the Preference Share Holder.

If a Preference Share Holder fails to nominate such an account, the Issuer may deposit any amount which is payable to the Preference Share Holder in a bank account in the Issuer's name established for that purpose and held by the Issuer until the Preference Share Holder nominates an account. An amount deposited under this clause 5.2 is taken to have been duly paid to the Preference Share Holder and does not bear interest. The Issuer is entitled to retain any interest accruing on the account.

5.3 Payment to joint Preference Share Holders

A payment to any one of joint Preference Share Holders will discharge the Issuer's liability in respect of the payment.

6 Rights on a winding-up

6.1 Rights of Preference Share Holders

In a winding-up of the Issuer, a Preference Share confers on its Preference Share Holder the right to payment in cash of the Liquidation Amount out of the surplus (if any) available for distribution to shareholders. However, a Preference Share does not confer on its Preference Share Holder any other right to participate in the assets of the Issuer or a return of capital in the winding-up.

6.2 Ranking for payment

Preference Share Holders will rank for payment of the Liquidation Amount in a winding-up of the Issuer:

- (a) ahead of holders of Ordinary Shares and any other class of shares; and
- (b) *pari passu* amongst themselves; and
- (c) *pari passu* with any securities or other instruments that are expressed to rank in a winding-up equally with the Preference Shares; and
- (d) behind all creditors of the Issuer.

7 Meetings and voting rights

7.1 Meetings

A Preference Share Holder has the same right as the holder of an Ordinary Share to receive notice of and to attend a general meeting of the Issuer and to receive a copy of any documents to be laid before that meeting.

7.2 Voting rights

A Preference Share does not entitle its Preference Share Holder to vote at any general meeting of the Issuer except in the following circumstances:

- (a) on a proposal:
 - (i) to reduce the share capital of the Issuer; or
 - (ii) that affects rights attached to the Preference Share; or
 - (iii) to wind up the Issuer; or
 - (iv) for the disposal of the whole of the property, business and undertaking of the Issuer; or
- (b) on a resolution to approve the terms of a buy back agreement; or
- (c) during a period in which a dividend or part of a dividend on the Preference Share is in arrears; or
- (d) during the winding-up of the Issuer.

7.3 Number of votes

On a show of hands, a Preference Share Holder has one vote. On a poll, a Preference Share Holder has one vote for each Preference Share held by that Preference Share Holder.

8 Variation of rights

8.1 Certain issues permitted

The issue of preference shares, or the conversion of existing shares into preference shares, ranking junior to, *pari passu* with or senior to the Preference Shares then on issue in respect of dividends or in respect of payments in a winding-up (and whether entitled to cumulative or non-cumulative dividends) is expressly permitted and authorised by these Preference Share Terms and will not constitute a modification or variation of the rights or privileges attached to the Preference Shares then on issue.

8.2 Variation of rights

The rights attached to the Preference Shares may not be varied or abrogated except with:

- (a) the approval of a resolution passed at a meeting of Preference Share Holders by the affirmative vote of at least 75% of the votes cast by Preference Share Holders entitled to vote at that meeting on the resolution; or
- (b) if a quorum for a meeting of Preference Share Holders is not obtained or if an approving resolution is not carried at a meeting of Preference Share Holders, the consent in writing of Preference Share Holders holding at least 75% of the Preference Shares then on issue.

9 Amendment to Preference Share Terms

9.1 Amendments without approval

Subject to complying with all applicable laws, the Issuer may, without the authority, assent or approval of Relevant Holders, amend or add to these Preference Share Terms if the amendment or addition is, in the opinion of the Issuer:

- (a) made to correct a manifest error; or
- (b) of a formal, minor or technical nature; or
- (c) made to comply with any law or the ASX Listing Rules; or
- (d) is not, and is not likely to become, materially prejudicial to Relevant Holders generally.

9.2 Other amendments

Except for amendment under clause 9.1, the Issuer may only vary these Preference Share Terms with the consent of a Special Resolution of Relevant Holders.

9.3 Notice of amendment

If the Issuer proposes to amend these Preference Share Terms in a manner requiring the consent of a Special Resolution of Relevant Holders under clause 9.2, the Issuer must:

- (a) notify the Relevant Holders of the proposed variation in accordance with the Constitution; and
- (b) give the Relevant Holders not less than 28 days' notice of the meeting at which a Special Resolution relating to the proposed variation is to be proposed (exclusive of the day on which the notice is given and the meeting is held), specifying the terms of the proposed variation, and the day, time and place of the meeting.

The accidental omission to give notice to, or the non-receipt of notice by, any Relevant Holder does not invalidate the proceedings at any meeting of Relevant Holders.

9.4 Voting on amendments

A Relevant Holder may appoint a proxy to attend and vote at any meeting of Relevant Holders at which a Special Resolution relating to a proposed variation of these Preference Share Terms is to be proposed. Each Relevant Holder has one vote for each Preference Share or Hybrid (as applicable) held by them on the date 11 Business Days (or such other period determined under the ASX Listing Rules from time to time) prior to the date of the meeting.

9.5 Effect of amendment

Any variation to these Preference Share Terms made in accordance with this clause 9 is binding on all Relevant Holders.

10 General

10.1 No set-off

A Preference Share Holder may not exercise or seek to exercise or take any proceedings for the exercising of any right of set-off or counterclaim against the Issuer in respect of any claim by the Issuer against that Preference Share Holder.

10.2 Participation in new issues

A Preference Share confers no rights to subscribe for new securities in the Issuer, or to participate in any bonus issues.

10.3 Indemnity

Whenever in consequence of:

- (a) the death of a Preference Share Holder;
- (b) the non-payment of any income tax or other tax payable by a Preference Share Holder;
- (c) the non-payment of any stamp duty or other duty by the legal personal representative of a Preference Share Holder or its estate; or
- (d) any other thing in relation to the Preference Shares or a Preference Share Holder,

any law for the time being of any country or place, imposes or purports to impose any liability of any nature whatever on the Issuer to make any payment to any Governmental Agency, the Issuer will, if it suffers a loss in respect of that liability, be indemnified by that Preference Share Holder and its legal personal representative and any monies paid by the Issuer in respect of that liability may be recovered from that Preference Share Holder and/or the Preference Share Holder's legal personal representative as a debt due to the Issuer which will have a lien in respect of those monies upon the Preference Shares held by that Preference Share Holder or its legal personal representative and upon any monies payable in relation to such Preference Shares.

Nothing in this clause 10.3 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Issuer.

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Section 8

Additional information

8 Additional information

8.1 Overview

Prospective investors should be aware of a number of other matters that have not been disclosed in detail elsewhere in the Prospectus. These include:

- The rights and liabilities attaching to Ordinary Shares;
- Summary of material contracts;
- Consents to being named in the Prospectus;
- Interests of experts and advisers;
- Expenses of the Offer;
- Interests of Directors;
- ASX waivers and confirmations; and
- Consents to lodgement.

Prospective investors should read this Section in detail before making a decision to invest in the Futuris Hybrids. This Prospectus is a “transaction-specific” prospectus issued under Section 713 of the Corporations Act.

Section 713 allows the issue of a short-form prospectus in relation to offers of securities where those securities are of a class which has been continuously quoted for 12 months prior to the date of that prospectus. ASIC Class Order 00/195 extends the operation of that provision to offers of convertible securities (which are not themselves continuously quoted securities) if the securities underlying the convertible securities are continuously quoted securities. As the securities underlying Futuris Hybrids are Ordinary Shares (a class of securities which is continuously quoted), Futuris may issue a transaction-specific prospectus in respect of the Futuris Hybrids.

8.2 Rights and liabilities attaching to Ordinary Shares

The Ordinary Shares issued to Holders upon Conversion of the Futuris Hybrids will be issued as fully paid and will rank equally with Ordinary Shares already on issue in all respects. The rights and liabilities attaching to Ordinary Shares are set out in the Constitution and regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law. Please refer to Section 3.4 (Availability of documents) on how to obtain a copy of the Constitution. The following is a summary of the rights and liabilities attaching to Ordinary Shares pursuant to the Constitution.

8.2.1 Voting

An Ordinary Shareholder may vote in person, or may appoint a representative, proxy or attorney to vote on their behalf at a general meeting of Futuris. Each Ordinary Shareholder present at a general meeting in person or by proxy, attorney or representative has one vote on a show of hands. Where voting is to be done on a poll, each Ordinary Shareholder present has one vote for each fully paid share held by that Ordinary Shareholder and in respect of which that Ordinary Shareholder is entitled to vote.

8.2.2 Dividends

The Board may determine that any interim or final dividend is payable to Ordinary Shareholders and fix the amount, time for payment and method of payment.

Subject to any special rights or restrictions attached to any Ordinary Shares, dividends are payable to all Ordinary Shareholders in proportion to the number of Ordinary Shares held by them.

8.2.3 Rights on a winding-up

Subject to law, in a winding-up of Futuris, the liquidator may, with the sanction of a special resolution, divide among the Ordinary Shareholders the whole or any part of the property of Futuris and determine how the division is to be carried out as between the Ordinary Shareholders.

8.2.4 Transfer of Ordinary Shares

Subject to any rights or restrictions attached to any Ordinary Shares, a transfer may be effected as provided by the ASTC Settlement Rules or by a written transfer in the usual way or in any form that the Board may prescribe, properly stamped (if necessary) and delivered to Futuris.

8.2.5 General meetings

Futuris may, by resolution of the Board, call a general meeting, to be convened at the time and place(s) and in the manner determined by the Board. An Ordinary Shareholder may only convene a general meeting if that Ordinary Shareholder is entitled to do so under law. Where Futuris has called a general meeting, notice of the meeting must be given within the time limits prescribed by the Corporations Act and in accordance with the Constitution.

Two Ordinary Shareholders present at a general meeting constitute a quorum for that meeting. If a quorum is not present within 30 minutes after the time appointed for that meeting, where the meeting was convened upon the requisition of Ordinary Shareholders, the meeting must be dissolved. In any other case, the meeting stands adjourned to a date, time and place determined by the Board, or if no determination is made, to the same day in the next week at the same time and place. No business may be transacted at any general meeting (except the election of a chairperson and adjournment of the meeting) unless a quorum is present.

8.3 Summary of material contracts

8.3.1 Summary of Trust Deed

Futuris has entered into a Trust Deed constituted under South Australian law, with Permanent Trustee Company Limited (**Trustee**). The Terms are set out as a schedule to the Trust Deed. Futuris will provide a copy of the Trust Deed upon request free of charge to potential investors during the Offer Period and thereafter to Holders of Futuris Hybrids. The following is a summary only of the principal provisions of the Trust Deed.

Appointment of trustee

The Trustee holds on trust for the Holders:

- the right to enforce Futuris' duty to repay the Debt Portion of the Futuris Hybrids;
- any charge or security for repayment; and
- the right to enforce all other obligations of Futuris under the Terms, the provisions of the Trust Deed and chapter 2L of the Corporations Act.

Undertakings

Futuris has undertaken to the Trustee to:

- pay any amounts owing in respect of the Futuris Hybrids; and
- comply with its obligations under the Corporations Act (including chapter 2L and Section 318).

Default

The Trustee may take proceedings to enforce the obligations of Futuris under the Trust Deed if:

- Futuris does not pay any amount when it is due under the Trust Deed and the Terms;
- Futuris does not comply with any other obligation under the Trust Deed or the Terms;
- any representation made by Futuris in connection with the Trust Deed or the Terms is incorrect or misleading; or
- an insolvency event occurs in relation to Futuris.

Futuris also appoints the Trustee as its attorney to perform the obligations of Futuris under the Trust Deed and the Terms after a default occurs and while a default is continuing. However, the Trustee may not accelerate any of the amounts owing in respect of the Futuris Hybrids so that they become due earlier than as provided in the Terms.

After payment of the Trustee's costs, amounts received by the Trustee will be distributed to Holders in payment of any Distributions and other unpaid amounts in that order.

Liability

The Trustee is not liable to Futuris, the Holders or any other person in any capacity other than as Trustee of the Trust.

The Trustee's liability is further limited, but only to the extent permitted by the Corporations Act and only to the extent that the conduct of the Trustee does not amount to fraud, gross negligence or wilful misconduct in respect of its obligations under the Trust Deed and the Terms.

Fees and expenses

Futuris will pay the Trustee an annual fee of \$30,000 (excluding GST), indexed each year for CPI. Futuris will also pay the Trustee's reasonable costs, charges and expenses in connection with the Trust Deed and the Terms as well as additional fees for any enforcement action that the Trustee takes in relation to the Trust Deed or the Terms.

Retirement and removal

The Trustee may retire by giving notice to Futuris at least 6 months before the date it wants to retire.

Holders may remove the Trustee by special resolution passed by at least 75% of the Holders. Unless Futuris is in default under the Trust Deed, Futuris may remove the Trustee at any time on or after 16 February 2011 by giving notice to the Trustee at least 6 months before the date that Futuris wants to remove the Trustee. The Trustee may also be removed by Futuris if, amongst other things:

- the Trustee materially breaches the Trust Deed and has not rectified the breach within 10 Business Days of receiving a notice from Futuris to rectify the breach;
- an insolvency event occurs in relation to the Trustee; or

- the Trustee is no longer permitted to act as trustee under the Corporations Act or Futuris is otherwise required to remove the Trustee under the Corporation Act.

The removal or retirement of the Trustee does not take effect until the appointment of a new trustee is effective. A new trustee must be approved by special resolution passed by at least 75% of the Holders.

Meetings

A meeting of Holders has the power, by special resolution passed by at least 75% of the Holders, to:

- approve any amendment to the Trust Deed or the Terms;
- give directions to the Trustee as to the performance of its duties under the Trust Deed and the Terms;
- authorise, ratify or confirm anything the Trustee has done or omitted to do; and
- remove the Trustee.

Each Holder is entitled to one vote on a show of hands. On a poll, each Holder is entitled to one vote for each Futuris Hybrid that the person holds.

8.3.2 Summary of Offer Management Agreement (OMA)

Futuris has entered into an OMA with Citigroup Global Markets Australia Pty Limited as bookrunner and lead manager. Under the OMA, the Lead Manager has agreed to conduct a Bookbuild for the purpose, amongst other things, of establishing the Initial Margin with the agreement of Futuris and determining the allocation of Futuris Hybrids to Institutional Investors and Syndicate Brokers in consultation with Futuris. The following is a summary only of the principal provisions of the OMA.

Fees

The fees payable to the Lead Manager are set out in Section 8.5.

Whether or not the Offer succeeds, Futuris must pay or reimburse the Lead Manager for all reasonable costs incurred by it in respect of the Offer.

Representations, warranties and undertakings

Under the OMA, Futuris makes various representations and warranties and undertakings in relation to this Prospectus and its compliance with the Corporations Act and conducting the Offer in accordance with the Corporations Act, the ASX Listing Rules, this Prospectus and the OMA.

Futuris has undertaken not to make any further issues of debt securities or equity securities or convertible securities for a period of 3 months after the end of the Offer Period without the consent of the Lead Manager (such consent not to be unreasonably withheld) other than under dividend reinvestment plans, employee and director share or option plans or directors' entitlements.

Termination Events

The Lead Manager may terminate the OMA if any one or more of the following events (non-exhaustive list) occurs prior to the Issue Date:

- any private credit rating is downgraded or withdrawn or placed on credit watch negative;
- the All Ordinaries Index, the S&P/ASX 200 Index or the Dow Jones Industrial Average falls by 10% below its level at the date of the OMA;
- the price of existing Futuris Convertible Notes falls by 10% below its level at the date of the OMA;
- the 3 month bank bill swap rate or the 10 year Commonwealth Bank Rate is 1% or more above its level at the date of the OMA;
- ASIC issues a stop order or similar proceeding in relation to this Prospectus;
- ASX does not give approval for official quotation of the Futuris Hybrid or withdraws such approval;
- any person whose consent to the issue of this Prospectus is required by Section 716 or section 720 of the Corporations Act refuses to give their consent or withdraws their consent;
- Futuris withdraws this Prospectus;
- trading in any securities of Futuris is suspended for at least 2 Business Days or cease to be quoted;
- the Existing Futuris Convertible Notes or the U.S. Private Placement Note Purchase Agreements are terminated or become liable to be terminated or are amended in any material respect without the Lead Manager's consent;
- a change in law which prohibits or is likely to prohibit the issue or sale of the Futuris Hybrids or materially adversely affect the taxation treatment of the Futuris Hybrids.

In addition, the Lead Manager may terminate the OMA if one or more of the following events occurs and in the reasonable opinion of the Lead Manager the event has or is likely to have a material adverse effect on:

- the financial condition, financial position or financial prospects of Futuris or the Futuris group of companies;
- the market price of the Futuris Hybrids, Ordinary Shares or the existing Futuris Convertible Notes;
- the success, marketing or settlement of the Offer,

or leads or is likely to lead to the Lead Manager contravening applicable law or incurring a liability under applicable law:

- the Trust Deed is terminated;
- the OMA is terminated
- this Prospectus does not comply with the Corporations Act;
- breach of a representation or warranty in the OMA;
- alteration of Futuris' constitution, capital or the Trust Deed in a material respect without the Lead Manager's consent;
- breach by Futuris or a member of the Futuris group of companies contravenes its constitution, the Corporations Act, the ASX Listing Rules or applicable law;
- breach of the Trust Deed;
- breach of the OMA;
- trading on ASX, NYSE or LSE is suspended or limited;
- hostilities commence in certain countries or a major terrorist act occurs in a financial centre in those countries;
- a director of Futuris is charged with an indictable offence or is disqualified from managing a corporation;
- there is a change in senior management or the board of Futuris;
- an adverse change in the assets, liabilities, profits, losses, financial position or prospects of the Futuris group of companies occurs.

Indemnity

Futuris indemnifies the Lead Manager and its related bodies corporate and each of their directors, officers, advisers and employees against liabilities in connection with its appointment under the OMA except to the extent those liabilities arise from fraud, negligence or wilful misconduct or from the Lead Manager's breach of the OMA.

8.4 The Futuris Hybrids Consents

Each of the parties referred to as consenting parties who are named below:

- (a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- (b) has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in paragraph (d) below;
- (c) makes no representation as to the performance of the Futuris Hybrids, the maintenance of capital or any particular rate of return and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that person as specified in paragraph (d); and
- (d) in the case of KPMG, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent for the inclusion of Section 6 in the form and context in which it appears in this Prospectus.

Role	Consenting parties
Bookrunner and Lead Manager	Citigroup Global Markets Australia Pty Limited
Co-Managers	Citigroup Wealth Advisors Pty Limited Grange Securities Limited Macquarie Equity Capital Markets Limited National OnLine Trading Limited*
Registry	Computershare Investor Services Pty Limited
Legal adviser	Mallesons Stephen Jaques
Auditor	Ernst & Young
Tax adviser	KPMG
Trustee	Permanent Trustee Company Limited

*National Online Trading Limited is a wholly owned subsidiary of National Australia Bank Limited, but National Australia Bank Limited does not guarantee the obligations or performance of its subsidiary or the services it offers.

8.5 Interests of experts and advisers

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, a promoter of Futuris or broker to the Offer:

- (a) holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
- the formation or promotion of Futuris;
 - the Offer; or
 - any property acquired or proposed to be acquired by Futuris in connection with the formation or promotion of Futuris or the Offer.
- (b) has paid or agreed to pay any amount, and no one has given or agreed to give any benefit for services provided by that person in connection with the formation or promotion of Futuris or the Offer.

Citigroup is acting as the Bookrunner and Lead Manager to the Offer, in respect of which they will receive a settlement underwriting fee of 2.75% of the gross proceeds of the Offer. Citigroup is also entitled to be reimbursed for any out-of-pocket expenses and all other reasonable costs, expenses and disbursements incurred by Citigroup in relation to the Offer.

Ernst & Young has acted as the auditor and performed professional services to assist Futuris' management in its due diligence enquiries and disclosure of financial information in the Prospectus. In relation to the Offer, Futuris will pay approximately \$30,000 (excluding disbursements and GST) to Ernst & Young. Further amounts may be paid to Ernst & Young in accordance with time based charges.

KPMG has acted as tax and accounting adviser to Futuris and has provided opinions on the taxation and accounting treatment of the Futuris Hybrid. In respect of this work, Futuris will pay approximately \$80,000 (excluding disbursements and GST) to KPMG. Further amounts may be paid to KPMG in accordance with time based charges.

Mallesons Stephen Jaques has acted as legal adviser to Futuris in relation to the Offer and has performed work in relation to preparing the due diligence and verification program, and performing due diligence required on legal matters. In respect of this work, Futuris will pay approximately \$230,000 (excluding disbursements and GST) to Mallesons Stephen Jaques for work up to the date of this Prospectus. Further amounts may be paid to Mallesons Stephen Jaques in accordance with time based charges.

The Trustee has been engaged by Futuris to provide trustee services in respect of the offer of the Futuris Hybrids, in accordance with Chapter 2L of the Corporations Act. Futuris will pay an annual fee to the Trustee of \$30,000 (excluding disbursements and GST), indexed each year for CPI. Further amounts may be paid to the Trustee as set out in the Trust Deed (please refer to Section 8.3).

8.6 Expenses of the Offer

The total expenses of the Offer including advisory, legal, accounting, tax, marketing and administrative fees as well as printing, advertising and other expenses relating to this Prospectus and the Offer are expected to be approximately 3.25% to 3.50% of Offer proceeds. These expenses will be borne by Futuris.

8.7 Interests of Directors

8.7.1 Directors Interests

Other than as set out in this Prospectus, no Director or proposed Director of Futuris holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Futuris;
- the Offer; or
- any property acquired or proposed to be acquired by Futuris in connection with the formation or promotion of Futuris or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director of Futuris:

- to induce that person to become, or qualify as, a Director of Futuris; or
- for services provided by that person in connection with the formation or promotion of Futuris or the Offer.

8.7.2 Directors' shareholdings

The relevant interests of each Director in issued securities of Futuris as at the date of this prospectus is as follows:

Futuris Directors	Beneficial holding			Non-beneficial holding	
	Ordinary Shares	Options over Ordinary Shares*	Notes convertible into Ordinary Shares	Ordinary Shares	Notes convertible into Ordinary Shares
Charles Bright	103,492	-	-	-	-
James Fox	26,765	-	-	-	-
Stephen Gerlach	378,491	-	-	-	-
Raymond Grigg	20,000	-	-	-	-
Walter Johnson	2,000	-	-	23,546,181	-
Alan Newman	6,353,327	-	-	-	-
Anthoni Salim	32,920,578	-	-	-	-
Graham Walters	21,000	-	-	-	-
Leslie Wozniczka	3,229,569	5,000,000	37,000	8,470	12,600
Total	43,055,222	5,000,000	37,000	23,554,651	12,600

*These options can be broken down into the following tranches:

- 2,000,000 options issued in October 2003, exercisable at \$1.37 each expiring in July 2013;
- 1,500,000 options issued in October 2005 exercisable at \$2.06 each expiring in October 2015;
- 1,500,000 options approved to be issued in October 2006 exercisable at \$2.06 each expiring in October 2015.

8.7.3 Directors' fees

The Futuris Constitution provides that the directors will be entitled to remuneration out of the funds of Futuris as determined by the Directors but the remuneration of non executive directors may not exceed in aggregate in any year the amount fixed by Ordinary Shareholders in general meeting for that purpose. The amount last fixed by Ordinary Shareholders in general meeting was \$1.3 million.

8.7.4 Participation in the Issue

Directors of Futuris (and their related parties) may participate in the issue of Futuris Hybrids up to a maximum per director of 0.02% or up to a maximum collectively of 0.2% of the total number of Futuris Hybrids issued under the Offer.

8.8 ASX waivers and confirmations

ASX has classified the Futuris Hybrids as 'equity securities' for the purposes of the Listing Rules and has confirmed that:

- the Terms of the Futuris Hybrids are appropriate and equitable for the purpose of Listing Rule 6.1;
- Listing Rule 6.10 does not apply to the Terms of the Futuris Hybrids, which provide Futuris with the ability to change the date and rate of distributions and other specified terms on the Remarketing Date;
- Listing Rule 6.12 does not apply to the Terms of the Futuris Hybrids, which provide for the Conversion or Resale of the Futuris Hybrids;
- Futuris may calculate the maximum number of Ordinary Shares into which the Futuris Hybrids can be converted in accordance with Listing Rules 7.1 and 7.1.4 by notionally converting the Futuris Hybrids at the volume weighted average price of Ordinary Shares for the preceding 20 business days before announcement of the Offer;
- provided that Futuris' issue of the Futuris Hybrids falls within its issuing capacity under Listing Rule 7.1, Futuris is entitled to rely on Exception 4 in Listing Rule 7.2 in respect of the issue of Ordinary Shares on Conversion of the Futuris Hybrids; and
- Listing Rule 10.11 has been waived to permit directors of Futuris (and their related parties) to participate in the Offer, without shareholder approval, on condition that either:
 - each director (and his or her related parties) is restricted to applying for no more than 0.02% of the total number of Futuris Hybrids issued under the Offer; or
 - the directors (and their related parties) are collectively restricted to applying for no more than 0.2% of the total number of Futuris Hybrids issued under the Offer.

ASX has also agreed to allow the Futuris Hybrids to trade on a deferred settlement basis for a short time following allotment and quotation of the Futuris Hybrids.

8.9 Consents to lodgement

Each director of Futuris has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC.

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Application Form

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Corporate Directory

Registered and Head Office

Futuris Corporation Limited
Level 6, 27 Currie Street
Adelaide
South Australia 5000

Bookrunner and Lead Manager

Citigroup Global Markets Australia Pty Limited
Level 40, Citigroup Centre
2 Park Street
Sydney
New South Wales 2000

Co-Managers

Citigroup Wealth Advisors Pty Limited
Level 20, Citigroup Centre
2 Park Street
Sydney
New South Wales 2000

Grange Securities Limited
Level 33, 264 George Street
Sydney
New South Wales 2000

Macquarie Equity Capital Markets Limited
Level 23, 101 Collins Street
Melbourne
Victoria 3000

National OnLine Trading Limited
A National Australia Bank Company
c/-Level 26, 255 George Street
Sydney
New South Wales 2000

Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney
New South Wales 2000

Legal Adviser

Mallesons Stephen Jaques
Level 50, Bourke Place
600 Bourke Street
Melbourne
Victoria 3000

Tax Adviser

KPMG
KPMG House
115 Grenfell Street
Adelaide
South Australia 5000

Auditor

Ernst & Young
91 King William Street
Adelaide
South Australia 5000

Trustee

Permanent Trustee Company Limited
151 Rathdowne Street
Carlton South
Victoria 3053

Futuris Hybrids Information Line

1300 782 135 - for callers within Australia
+ 61 3 9415 4251 - for callers outside Australia

Corporate Website

www.futuris.com.au

FUTURIS

CORPORATION LIMITED

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