

# **RUSKIN INDUSTRIES LIMITED**

## **ACN 006 505 880**

### **PROSPECTUS**

For the issue of 15,000,000 Shares (full subscription and acceptance of oversubscriptions of up to an additional 10,000,000 Shares) with one (1) free attaching Option for every three (3) Shares issued at an issue price of 20 cents per Share to raise \$3,000,000 (and a maximum of \$5,000,000).



## CORPORATE DIRECTORY

### Directors

Mr Peter O'Mara  
Mr Finian MacCana (Chairman elect)  
Mr David Johnson

### Proposed Directors

Mrs Sam Andersen (Managing Director elect)  
Dr Anthony J Hanks  
Mr Raymond Fortescue

### Company Secretary

Mr David Johnson

### Registered Office

Level 37, Riverside Centre  
123 Eagle Street,  
Brisbane QLD 4000

Telephone: (07) 3236 0999  
Facsimile: (07) 3236 0443

### Auditor

Pitcher Partners  
Level 19,  
15 William Street  
Melbourne VIC 3000

### Corporate Adviser to Principal Vendors

Andersen & York Financial Consulting Pty Ltd  
42B Beach Road,  
Hampton, VIC 3191

### Independent Accountant

BDO Kendalls Corporate Finance (Vic) Pty Ltd  
Level 30, Rialto North Tower,  
525 Collins Street  
Melbourne VIC 3000

### Principal Business Address (Head Office)

131 Martin Street,  
Brighton VIC 3186

Telephone: (03) 9530 8188  
Facsimile: (03) 9530 8199  
Website: [www.eyecarepartners.com.au](http://www.eyecarepartners.com.au)

### Share Registry

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

General enquiries: 1300 730 836  
Overseas holders: +61 3 9415 4216  
Fax: +61 3 9473 2529  
Website: [www.computershare.com](http://www.computershare.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### Legal Adviser to the Company & the Offer

Minter Ellison  
Level 23, Rialto South Tower,  
525 Collins Street  
Melbourne VIC 3000

# TABLE OF CONTENTS

- CHAIRMAN’S LETTER..... 6
- SUMMARY INFORMATION ..... 8
- 1 INVESTMENT SUMMARY ..... 10
- 2 DETAILS OF THE OFFER ..... 17
- 3 COMPANY OVERVIEW ..... 23
- 4 INDUSTRY BACKGROUND ..... 32
- 5 DIRECTORS ..... 38
- 6 CORPORATE GOVERNANCE ..... 41
- 7 INVESTMENT RISKS..... 44
- 8 FINANCIAL INFORMATION..... 48
- 9 INDEPENDENT ACCOUNTANT’S REPORT ..... 63
- 10 ADDITIONAL INFORMATION..... 70
- 11 GLOSSARY..... 85



# IMPORTANT INFORMATION

## General

This Prospectus is dated 21 June 2007 and expires on 20 July 2008. No Shares will be transferred or issued on the basis of this Prospectus later than the expiry date of this Prospectus.

A copy of this Prospectus was lodged with ASIC on 21 June 2007. The Company will apply to ASX for the Shares to be re-admitted to Official Quotation on ASX within 7 days after the date of this Prospectus. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

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

Applicants should read this Prospectus in its entirety before deciding to participate in the Offer, as the information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares offered under this Prospectus. The Offer does not take into account the investment objectives, financial situation and particular needs of the investor. You should carefully consider the risks that impact on the Company in the context of your personal requirements (including your financial and taxation position) and seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to deciding whether to invest in the Company. Some of the risks that you should consider are set out in Section 7 of the Prospectus.

## Prospectus Availability

A copy of this Prospectus is available for investors on the following website - [www.eyecarepartners.com.au](http://www.eyecarepartners.com.au). During the Exposure Period (refer below), it does not include an application form and investors will not be able to apply for Shares by accessing the electronic version of this Prospectus in that period. After the Exposure Period, investors will be able to apply for Shares by downloading a copy of the application form attached to the electronic Prospectus.

The Offer pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person applying for Shares by use of the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus.

During the Offer Period, an investor may also obtain a hard copy of the Prospectus by contacting the Company (by email: [companysecretary@eyecarepartners.com.au](mailto:companysecretary@eyecarepartners.com.au); or telephone (61 (3) 9530 8188). Copies requested will be sent by way of paper copy and will be free of charge.

## Foreign Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons who come into possession of this Prospectus should seek advice on and observe any restrictions on accepting an offer or distributing the Prospectus. Any failure to comply with restrictions may constitute a violation of applicable securities laws.

The Shares 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 US Persons (as defined in Regulation S under the US Securities Act).

## Exposure Period

This Prospectus will be made generally available during the Exposure Period by being posted on the following website - [www.eyecarepartners.com.au](http://www.eyecarepartners.com.au).

The Company will not accept Applications for Shares offered under this Prospectus during the Exposure Period. If the Exposure Period is extended, Applications will not be processed until after the expiry of the extended Exposure Period. No preference will be conferred on Applications received in the Exposure Period.

The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the raising of funds.

## Privacy Disclosure

If you apply for Shares, you will be required to provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide the facilities and services that you request and carry out appropriate administration.

All personal information will be collected in accordance with the 'National Privacy Principles' as set out under the Privacy Act 1988. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988:

- The Share Registrar in order to assess your Application and for ongoing administration of the register.
- The printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail.

The information may also be disclosed to the Company's related companies and/or to their agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by telephoning the Company on (+61) (3) 9530 8188 or by writing to the Company via the Share Registry.

## Terms and Abbreviations

Defined terms and abbreviations used in this Prospectus are set out in the Defined Terms in Section 11.

## Information about the Eyecare Businesses

This Prospectus contains certain information about the Eyecare Businesses, the Vendors and the Proposed Directors. To the extent that the Prospectus includes statements made by the Eyecare Businesses, Vendors, the Proposed Directors or ODMA or includes statements based on any statement of, or information provided by, the Eyecare Businesses, Vendors or the Proposed Directors, each of the Eyecare Businesses, the Vendors and the Proposed Directors consents to each such statement being included in the Prospectus in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of the Prospectus with ASIC.

## CHAIRMAN'S LETTER

19 June 2007

Dear Investor,

On behalf of my fellow Directors, I am pleased to provide you with an opportunity to become a shareholder in Ruskin Industries Limited (**Ruskin** or **Company**).

The Prospectus details the proposed restructure of the Company and the subsequent acquisition of 16 optometry practices located in New South Wales and Queensland (primarily in regional centres). The acquisitions are subject to completion of the capital raising under this Prospectus and the approval of a series of resolutions relating to the restructure, the acquisitions, the capital raising and other related matters at a general meeting of the shareholders of the Company to be held on 13 July 2007.

The optometry practices to be acquired by the Company are owned by Peter Rose, Mark Flanders, Anthony Hanks and Raymond Fortescue (**Principal Vendors**) and their partners. The Principal Vendors and their partners will continue to be involved in the practices after their acquisition by the Company. To the maximum extent practicable, the practices will remain as full-service independent optometry businesses. The Company intends to grow its newly acquired optometry business by increasing and improving services and through the acquisition of new practices.

On completion of the acquisitions, subject to the approval of the shareholders, the Company intends to change its name to 'Eyecare Partners Limited'. Similarly, as described in this Prospectus, the Board of the Company will also change to reflect the new direction and business of the Company.

Optometry is a \$1 billion industry in Australia. It is also an industry that is undergoing rapid changes. The once listed OPSM is now owned by the multinational frame manufacturer, Luxottica. Its European competitors, the Italian frame manufacturer, Safilo, and the successful retail chain, SpecSavers, are also acquiring a retail presence in Australia. Industry consolidation is occurring and the demographics of the optometry profession are changing.

Consistent with these industry changes, retail optometry is also changing. It is polarising into two different models; one driven by price and the other driven by service. Consumers are much more demanding and much more informed. The retail optometry businesses to be acquired by the Company have a business plan focused on helping the optometrists recommend and deliver the best solution for their patients' needs. Once the acquisitions are completed, the Company intends to maintain and improve the standing of these businesses as industry leaders in the provision of eye care.

This will involve the maintenance of strategic relationships with key suppliers in the industry; frame manufacturers, lens casters, contact lens and sunglass companies. The Company will ensure costs are kept to a minimum to fund growth and deliver profitability.

I am confident that the Company will become a major provider of eye care services in Australia. The acquisitions and other transactions described in this Prospectus will provide the Company with an exciting future and, if the transactions proceed as planned, they are expected to result in the Company's shares being re-admitted to official quotation on ASX.

The Prospectus explains the Company's current and proposed future business. It also details the present and forecast financial position. You should read it carefully before making a decision to invest in the Shares of the Company.

The Offer provides an opportunity for investors to participate in the consolidation expected to take place in the optometry sector. On behalf of the Board, I recommend this investment to you and look forward to welcoming you as a shareholder of the Company.

Yours sincerely

**Peter O'Mara**  
Chairman



## SUMMARY INFORMATION

### Key Offer Statistics

Offer Price	\$0.20 per share
Number of Shares to be offered (full subscription)	15,000,000
Free attaching Options (to be issued to investors)	5,000,000 (1 for each 3 Shares)
Shares on issue on completion of the Offers (assuming the Acquisitions are completed, no Options exercised and no over-subscriptions)	108,719,045
Market Capitalisation (based on the Offer Price of \$0.20)	\$21.7 million

**Note:** The Company has reserved the right to accept over-subscriptions of up to a further \$2,000,000 (or 10,000,000 Shares). If it accepts over-subscriptions, the Company will also issue up to a further 3,333,334 Options (on a 1 for 3 basis for each further Share issued).

### Financial information

The Company currently has no business and a net assets deficiency. By comparison, the Eyecare Businesses to be acquired by the Company are profitable. Details of the relevant historical and forecast financial information of the Company (pre and post the Acquisitions) are set out in section 8 of the Prospectus. That section also details the assumptions on which the forecast financial information is based.

For the financial year ending 30 June 2008, assuming completion of the Acquisitions with an effective date of 1 July 2007, the Company is forecasting the following:

Gross revenues**	\$13.2 million
Earnings before interest, tax, depreciation and amortisation**	\$2.4 million
Net profit after tax**	\$1.6 million
Earnings (after tax) per Share (assuming the Acquisitions are completed and no Options exercised)**	\$0.015

\*\*Note: The actual results that the Company will report for the financial year ended 30 June 2008 will differ from the above if the effective date of the acquisitions is not 1 July 2007. Further, investors should be aware that timing of events and their impact may differ to that assumed in the preparation of the forecast financial information, and these differences may have a material effect, positive or negative, on the future financial results of the Company. For full details of the relevant financial information concerning the Company, investors should refer to section 8 of this Prospectus.

**Investment Highlights (on completion of the Acquisitions)**

If the Acquisitions are completed, the Company will become a participant in the healthcare sector, and in particular, in the provision of optometry services and the dispensing of optical appliances, such as spectacles and contact lenses.

For the Company, the key benefits of the Acquisitions (of the Eyecare Businesses) are:

- the Eyecare Businesses are presently profitable – the Company will acquire an immediate earnings stream;
- the Eyecare Businesses have a history of profitability and of profit growth;
- the Principal Vendors, who will continue to be involved in the Eyecare Businesses after the Acquisitions are completed, are experienced and respected members of the optometry industry in Australia;
- economies of scale can be derived from consolidation of the Eyecare Businesses under common ownership; and
- the opportunities for participation in industry consolidation and growth by acquisition.

**Offer Timetable**

Offer Opening date	29 June 2007
Offer Closing Date	23 July 2007
Completion of Acquisitions	27 July 2007
Expected Despatch of Holding Statements	31 July 2007

The dates listed above remain subject to the right of the Company to either close the Offer at an earlier time and date or to extend the Closing Date without prior notice.



# 1 INVESTMENT SUMMARY

*This section is not intended to provide full information for investors considering an investment in the Company. The Prospectus should be read and considered in its entirety.*

## 1.1 Background

The Company was first admitted to the Official List of ASX (on the Second Board of Australian Stock Exchange (Melbourne) Limited) on 21 August 1987. It was initially listed as 'Charlotte Securities Limited' and was principally involved in investment in listed securities. On 6 April 1992, the Company entered into an agreement with Plastipak Consolidated Industries Pty Ltd for the acquisition of a plastic manufacturing business. The Company continued to be involved in plastics manufacturing until 22 June 2001. On that date, the financial circumstances of the Company resulted in the appointment by the Directors of a voluntary administrator. The Company entered into a Deed of Company Arrangement on 26 September 2001. The Deed was terminated on 17 September 2003 and the Company returned to the control of its Directors.

Subsequently, and continuing to the present date, despite the Company remaining admitted to the Official List of ASX, its Shares have been suspended from trading. The Company, in effect, has remained dormant. As demonstrated by the most recent financial information for the 6 months to 31 December 2006 lodged by the Company with ASX, the Company has no business or assets. Its continued existence is due solely to the support of its major shareholder and creditor, which continues to be interests associated with Peter O'Mara (a Director).

On 20 April 2007, the Company announced that it had agreed to acquire 16 optometry practices (the **Eyecare Businesses**) and change its name to 'Eyecare Partners Limited'. The optometry practices to be acquired by the Company will provide the base platform for a significant Australian owned competitor to the industry leaders in the optometry field.

The Eyecare Businesses comprise 16 optometry practices located in eastern New South Wales and Queensland, primarily in regional centres. The practices are owned by Tony Hanks, Mark Flanders, Ray Fortescue and Peter Rose (**Principal Vendors**) and their partners. Each of the Principal Vendors is a licensee and shareholder of a marketing and buying group, Eyecare Plus Limited. Eyecare Plus provides territory specific business development support in marketing and advertising materials, workshops and training, purchasing and patient information and owns the registered trade marks Eyecare Plus<sup>®</sup>, Loox Optical<sup>®</sup> and a clear choice<sup>®</sup>. Eyecare Plus is the second largest business support group for optometrists in Australia with some 130 practices.

On completion of the Acquisitions, the Board will change to reflect the new direction for the Company. Mr Finian MacCana, who is a shareholder in a group of twelve optometry practices in Tasmania, will become the Chairman. He will be joined on the Board by two of the Principal Vendors, Dr Anthony Hanks and Raymond Fortescue. Mr Peter O'Mara will continue as a Director (with David Johnson as his alternate). In addition, the Managing Director elect, Sandra (Sam) Andersen will join the Board.

The purchase price of each practice is based on an agreed formula (4.5 times future maintainable earnings). The purchase price will be satisfied by the issue of Shares. On completion of the Acquisitions, the Company will issue of 78,591,646 Shares to the Vendors (**Consideration Shares**). On completion of all Offers, the Consideration Shares will comprise approximately 72% of the issued shares of the Company (assuming a full subscription).

The Vendors include:

- (i) Dr Anthony Hanks; and
- (ii) Mr Peter Rose,

each of whom (together with entities associated with them) will hold in excess of 20% of the issued capital of the Company (on completion of the Acquisitions). Accordingly, Dr Anthony Hanks and Peter Rose will become the major shareholders of the Company (post Completion).

Completion of the Acquisitions (and the other transactions dependent on Completion) is subject to, among other conditions, the approval of the Shareholders by ordinary resolution at the General Meeting of Capital Reorganisation, the change in the scale of the activities of the Company, the Acquisitions and the Share/Option issues to the Lenders, O'Mara Management Pty Ltd and the Capital Raising. Further details of the agreements relating to the Acquisitions and the issues of Shares and Options under the Offers are set out in section 10.

The Directors believe that the acquisition of the Eyecare businesses will transform the financial and business position of the Company.

## **1.2 Description of the Offers**

This Prospectus provides information on each of the Offers of Shares and Options (as the case requires) made under this Prospectus. Importantly, if the Shareholders of the Company do not approve the Acquisitions and the issue of the Shares and Options under each of the respective Offers at the General Meeting (to be convened on 13 July 2007) or at any subsequent adjournment of that meeting, neither the Acquisitions nor any of the Offers made under this Prospectus will proceed.

### ***Public Offer***

Up to 15,000,000 Shares are offered to the Existing Shareholders and the public for subscription at an issue price of \$0.20 per Share to raise a total of \$3,000,000. The minimum subscription for the Public Offer is \$3,000,000.

### ***Vendor Offer***

Subject to completion of the Acquisitions, 78,591,646 Shares will be issued under the Prospectus to the Vendors (as part of completion under the Acquisition Agreements). The Consideration Shares will be issued only to the Vendors. No payment will be required to be made by a Vendor lodging a Vendor Offer Acceptance Form. The Consideration Shares will be subject to voluntary escrow – refer section 1.10.

### ***Option Offer***

Subject to completion of the Acquisitions, up to 29,593,612 Options will be issued under the Prospectus to the Principal Vendors. These Options have performance benchmarks attaching to them – refer section 8.12 of the Prospectus). In addition, 2,800,000 Options are to be issued to the senior management team of the Company - Mr Finian MacCana (the Chairman elect), Sandra (Sam) Andersen (the Managing Director elect) and the incoming chief financial officer, and 470,306 to AYFC. It is important to note that the Option Offer is only open to the Principal Vendors and the above noted members of the senior management team of the Company. No payment will be required by any person on acceptance of the Option Offer.

### ***Unsecured Loan Offer***

Each of the Lenders and O'Mara Management Pty Ltd is an unsecured creditor of the Company. In the case of O'Mara Management Pty Ltd, it has funded the Company on a continuing basis since the termination of the Deed of Company Arrangement in September 2003. By the date of Completion, it is expected that the Company will owe O'Mara Management Pty Ltd approximately \$375,000. In the case of the Lenders, they have provided funding of \$1,000,000 to the Company to facilitate the Company undertaking the Transaction.

Each of the Lenders and O'Mara Management Pty Ltd has entered into an agreement with the Company that will facilitate the Company satisfy its obligation to repay the unsecured loans by the issue of Shares and Options. Up to a maximum of 9,166,667 Shares (and an equivalent number of Options) will be offered to the Lenders and O'Mara Management Pty Ltd under the Unsecured Loan Offer. The Unsecured Loan Offer is only open for acceptance by the Lenders and O'Mara Management Pty Ltd.

### **1.3 Purpose of the Offers**

The key purposes of each of the Offers are:

#### ***Public Offer***

- Establishment of corporate and administration facilities;
- Financing the costs of completing the Acquisitions;
- Financing the costs associated with this Offer;
- Providing on-going working capital requirements; and
- to increase the shareholder spread in the Company.

#### ***Vendor Offer and Option Offer***

1. To issue the Consideration Shares to the Vendors; and
2. To offer Options to the Principal Vendors, to members of the senior management team of the Company and AYFC.

#### ***Unsecured Loan Offer***

To offer Shares and Options to the unsecured creditors of the Company (i.e. the Lenders and O'Mara Management Pty Ltd).

### **1.4 The Eyecare Businesses**

Optometrists conduct eye and vision examinations, prescribe spectacles and contact lenses and provide various treatment options for ocular and vision disorders. They do not perform surgery, but may use drugs to treat eye diseases in some States and may also dispense optical appliances, such as spectacles and contact lenses from their own practice. An increasing proportion of the services provided relate to eye disease and conditions which affect the way in which the eyes work together (binocular vision). Approximately 75% of primary eye care in Australia is performed by optometrists.

The market value of the sector is estimated at \$960 million or close to \$1.4 billion if sunglasses are included, and has been growing at approximately 4% per annum. The industry is dominated by one major group, OPSM (which has approximately 22% of the outlets and 31% of the value of the sector) and one licensed buying group, Provision (which was established in 1989 and has approximately 15% of the market measured by outlets). The balance of the market is highly fragmented, consisting of individual practices and small practice groups.

The Eyecare Businesses (which are members of the Eyecare Plus Group) are located in New South Wales and Queensland (primarily in regional areas). The Eyecare Businesses generated turnover in excess of \$11.4 million in the financial year ended 30 June 2006 and an EBITDA, on an amalgamated basis, of more than \$3.0 million for that year.

The table below summarises the historical and forecast income statements of the Eyecare Businesses:

A\$ ,000's	Pro Forma	Pro Forma	Forecast
	2006	2007	2008
Revenue	11,418	12,364	13,161
Cost of Good Sold	3,518	3,683	3,990
<b>Gross Margin</b>	<b>7,900</b>	<b>8,681</b>	<b>9,171</b>
Expenses			
Sales & Marketing	282	302	325
Personnel	3,453	3,650	3,840
General Administration	1,097	1,422	1,427
<b>General Expenses</b>	<b>4,832</b>	<b>5,374</b>	<b>5,592</b>
<b>EBITDA</b>	<b>3,068</b>	<b>3,307</b>	<b>3,579</b>

It is intended that the Company will grow its optometry business both organically and by acquisitions. The Company has already received enquiries from a number of owners of optometry practices concerning future sale of those practices to the Company. The Company is currently investigating a number of those acquisition opportunities. While no agreements or arrangements have been entered into for the acquisition of any of those practices, it is likely that the Company will enter into agreements to buy further optometry practices in the near future.

In undertaking further acquisitions, the Company will be seeking to increase the geographic spread of its business and to expand further into major city and suburban areas.

## 1.5 Utilisation of Funds

The funds raised under the Offer (assuming no over-subscriptions) will be applied as follows:

	\$
Establishment Costs	85,000
Acquisition Costs	1,063,227
Costs payable under the Offer	335,360
Unallocated Working Capital	1,516,413
<b>TOTAL</b>	<b>\$3,000,000</b>

## 1.6 Working Capital Adequacy

The Directors are of the opinion that on completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.

## 1.7 Capital Structure

The pro forma capital structure of the Company is set out below for illustrative purposes to reflect the issued and paid up capital structure of the Company on completion of the Offers (assuming a full subscription of 15,000,000 Shares).

Shares	Number	%	\$
Opening Balance Shares (pre Capital Reorganisation)	<u>77,976,693</u>		
Opening Balance Capital			16,188,389
Share Forfeiture Reserve			243,600
Capital Reconstruction			(16,400,000)
Share Consolidation 1 for 16	4,873,543	5%	-
Subscription for Shares by the Lenders at \$0.15	6,666,667	6%	1,000,000
Repayment of Director's Loan and Subscription for Shares at \$0.15	2,500,000	2%	375,000
Issue of Shares to Vendors	78,591,646	72%	15,718,329
Issue of Shares pursuant to Prospectus (no over-subscriptions)	15,000,000	14%	3,000,000
Fees payable to adviser – AYFC (to be paid in Shares)	1,087,190	1%	217,438
Capital Raising Costs (being cash \$335,360 and Shares & Options \$97,021)			<u>(432,381)</u>
	<u>108,719,046</u>		<u>19,910,375</u>

OPTIONS	Number '000
Options currently on issue	-
Options (Lenders & O'Mara Management Pty Ltd)	9,166,667
Principal Vendor Options	29,593,612
Options – Capital Raising	5,000,000
AYFC Options	470,306
Senior Executive Options	<u>2,800,000</u>
Options on Completion of all Offers	<u>47,030,585</u>

Notes:

- Some of the Shares and Options issued as part of the Transaction may be subject to ASX escrow provisions restricting their transferability. In addition, the Company will enter into voluntary escrow arrangements with the Vendors under which the Shares held by them will be subject to transfer restrictions for part of their holding for a maximum period of 36 months from the date of issue of those Shares.
- The Options are to be listed. All Options will have an exercise price of \$0.20 and a final exercise date of 30 September 2010. Other terms and conditions of these Options are summarized in Sections 8.12 (notes 6a and 6b) and 10.4 of this Prospectus.
- The rights attaching to the Shares are summarized in Section 10.3 of this Prospectus.
- Oversubscriptions of up to \$2,000,000 (10,000,000 Shares) may be accepted.
- Further details of the Company's capital structure are set out in the Independent Accountant's Report in Section 9 of this Prospectus.

## **1.8 Dividend policy**

The Directors envisage that the Company will be profitable from the date of the completion of the Acquisitions and that company tax will be payable for the foreseeable future. The policy of the Directors is that, subject to identified funding needs, fully franked dividends will be paid to the extent supported by the Company's franking account. The current policy is for the payment of 40% - 80% of the Company's net profit after tax in dividends.

The Company intends to implement a dividend re-investment plan.

Ultimately, the payment of dividends will depend on the successful performance of the Company. In determining the optimum dividend policy and specific dividends to be paid at the relevant time, the Directors will take into account various factors affecting the Company including its internal funding needs.

No assurance as to future dividends can be given, as it is dependent on the future earnings of the Company. Other factors beyond the control of the Directors, such as market conditions, may also affect profitability and therefore the ability of the Company to pay dividends. Consequently, the Directors can give no assurance to investors concerning the future payment of dividends.

## **1.9 Risk Factors**

Prospective investors in the Company should be aware that subscribing for Shares in the Company involves a number of risks. These are set out in detail throughout this Prospectus, including section 7 of this Prospectus. Investors are advised to consider these risk factors carefully before deciding whether to invest in the Company.

## **1.10 Restricted Security Provisions**

The Vendors have entered into voluntary escrow arrangements with the Company under which each has undertaken not to dispose of more than 25% of the Shares issued to them under the Acquisition Agreements in any 12 month period after the date of issue of those Shares under the Vendor Offer (on completion of the Acquisitions).

Shares and Options issued to the Vendors, the Lenders and O'Mara Management (under the respective Material Contracts as detailed in section 10.6 of the Prospectus) may be classified as restricted securities by the ASX. If so classified, such Shares and Options will be required to be held in escrow for a period to be determined by ASX and will not be able to be sold, assigned or transferred for that period without prior approval of ASX.

## **1.11 General Meeting**

The Capital Reorganisation, the Acquisitions, the Offers and the appointment of the Proposed Directors to the Board are conditional on the approval by the Shareholders of the resolutions to be put before the members of the Company at the General Meeting.

The resolutions will be put before the members pursuant to and in order to obtain all necessary approvals under the Corporations Act, the ASX Listing Rules and the constitution of the Company. Without those approvals, the Capital Reorganisation, the Acquisitions and the appointment of the Proposed Directors to the Board will not be capable of being implemented and all moneys subscribed under the Public Offer will be refunded and all offers made as part of the Vendor Offer, the Unsecured Loan Offers and the Option Offers will be withdrawn.

The resolutions, if approved, will permit the Company to undertake the following:

- the consolidation of the existing Share capital of the Company on the basis that every 16 existing Shares will become 1 Share (fractions rounded up). In addition, \$16.4 million of the Company's contributed equity and reserves (which is lost or not now represented by available assets) will be cancelled.
- a change in the scale of the activities of the Company to permit, under the Listing Rules, the change in the scale of activities that will occur if the Acquisition proceeds.
- completion of the Acquisitions and the issue of the Consideration Shares to the Vendors and the issue (and subsequent exercise) of up to 29,593,612 Options granted to the Principal Vendors.
- the Public Offer and the Unsecured Loan Offer.
- the appointment to the Board of the Proposed Directors.
- the adoption of the Company's employee share and option incentive plans.
- an increase in the maximum fees able to be paid to the non-executive Directors in any year.
- the adoption of a new constitution for the Company;
- the change of name of the Company to 'Eyecare Partners Limited'.

The resolutions approving the Capital Reorganisation, the re-election of the Current Directors, the increase in the fees payable to non-executive Directors and the adoption of the new Constitution are independent of all other resolutions i.e. if the relevant resolutions are approved by Shareholders, they will be implemented regardless of the outcome of the vote at the General Meeting on the other resolutions.

The resolutions to change the scale of the activities of the Company, to approve the Acquisitions, the Offers, the election of the Proposed Directors, the adoption of the employee incentive plans are interdependent on the approval of each other resolution and also dependent on the approval of the Capital Reorganisation.

The resolutions approving the change of name is also dependent on the approval by the Shareholders of the Capital Reorganisation, the Acquisitions and the Offers.



## 2 DETAILS OF THE OFFER

### 2.1 Description of the Offers

This Prospectus provides information:

#### ***Public Offer***

The Public Offer invites investors to apply for a total of 15,000,000 Shares (full subscription) with one (1) free attaching New Option for every three (3) Shares issued (5,000,000 Options). The offer price of the Shares is \$0.20 per Share. The Public Offer seeks to raise approximately \$3,000,000. Each Option will entitle the holder to acquire one Share upon payment to the Company of \$0.20 per Option on or before 30 September 2010.

The Offer is open to all public investors. Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. All Shares issued pursuant to this Prospectus will rank equally in all respects with the Shares already on issue.

The Company may accept over subscriptions of up to an additional 10,000,000 Shares (\$2,000,000) above the full subscription level.

Applications under the Public Offer will only be accepted on the Public Offer Application Form attached to this Prospectus.

#### ***Vendor Offer***

Subject to completion of the Acquisitions, 78,591,646 Shares will be issued under this Prospectus to the Vendors (as part of completion under the Acquisition Agreements). The Consideration Shares will be issued only to the Vendors. Details of the recipients of these Shares are set out in section 10.6. No payment will be required to be made by a Vendor lodging a Vendor Offer Acceptance Form.

Applications under the Vendor Offer will only be accepted on the Vendor Offer Application Form attached to this Prospectus.

#### ***Option Offer***

Subject to completion of the Acquisitions, up to 29,593,612 Options will be issued under the Prospectus to the Principal Vendors. In addition, 2,800,000 Options are to be issued to the senior management team of the Company - Mr Finian MacCana (the Chairman elect), Sandra (Sam) Andersen (the Managing Director elect) and the incoming chief financial officer, and 470,306 Options to be issued to AYFC.

It is important to note that the Option Offer is only open to the Principal Vendors and the above noted members of the senior management team of the Company. No payment will be required by any person on acceptance of the Option Offer.

Applications under the Option Offer will only be accepted on the Option Offer Application Form attached to this Prospectus.

#### ***Unsecured Loan Offer***

Each of the Lenders and O'Mara Management Pty Ltd is an unsecured creditor of the Company. In the case of O'Mara Management Pty Ltd, it has funded the Company on a continuing basis since the termination of the Deed of Company Arrangement in September 2003. By the date of Completion, it is expected that the Company will owe O'Mara Management Pty Ltd approximately \$375,000. In the case of the Lenders, they have provided funding of \$1,000,000 to the Company to facilitate the Company undertaking the Transaction.

Each of the Lenders and O'Mara Management Pty Ltd has entered into an agreement with the Company that will facilitate the Company satisfy its obligation to repay the unsecured loans by the issue of Shares and Options. Up to a maximum of 9,166,667 Shares (and an equivalent number of Options) will be offered to the Lenders and O'Mara Management Pty Ltd under the Unsecured Loan Offer. The Unsecured Loan Offer is only open for acceptance by the Lenders and O'Mara Management Pty Ltd.

Applications under the Unsecured Loan Offer will only be accepted on the Unsecured Loan Offer Application Form attached to this Prospectus.

## 2.2 Indicative Timetable

Date of Prospectus	21 June 2007
Opening Date	29 June 2007
Closing Date	23 July 2007
Completion of Acquisitions	27 July 2007
Despatch of Holding Statements	31 July 2007
Quotation of Shares on ASX Expected	2 August 2007

Notes:

- The Directors reserve the right to vary these dates for any reason (e.g. should the Exposure Period be extended).
- The Directors reserve the right to close the Offer earlier or later than as indicated above, subject to the requirements of the Corporations Act.
- The above are anticipated dates only. The date the Shares are expected to be issued and/or recommence trading on the Official List of ASX may vary with any change to the Closing Date.

## 2.3 Subscription

The minimum subscription to be raised under the Public Offer is \$3,000,000.

It is also a condition of the Offers that:

1. all the requisite approvals under the Corporations Act and the Listing Rules (by vote of the Shareholders at the General Meeting) are obtained (refer section 1.11) and the Capital Reorganisation has taken place; and
2. ASX agrees to reinstate the Shares to official quotation.

No Shares or Options will be issued until the minimum subscription has been received under the Public Offer and these conditions are fulfilled.

If the Company does not receive the minimum subscription under the Public Offer or the conditions precedent to the Offers are not satisfied within four months of the issue of this Prospectus, all Application Monies will be refunded in full without interest.

## 2.4 Over-subscriptions

Oversubscriptions of up to 10,000,000 Shares (or \$2,000,000 above the full subscription level) will be accepted by the Company.

## 2.5 How to Apply

### Public Offer

To participate in the Public Offer:

- (a) complete and return the Public Offer Application Form attached to this Prospectus in accordance with the instructions on its reverse side; or
- (b) print, complete and return the Public Offer Application Form that can be found included in the online Prospectus at <http://www.eyecarepartners.com.au> in accordance with the instructions on that website.

Applications (other than applications by Existing Shareholders) must be for at least 10,000 Shares or greater numbers in multiples of 1,000.

Existing Shareholders holding parcels of less than 10,000 Shares will be permitted to apply for the number of Shares required to increase his or her shareholding to a minimum of 10,000 Shares.

The Public Offer Application Form must be completed in accordance with the instructions set out on the back of the Application Form.

The completed Application Form and accompanying cheque(s) should be forwarded (by mail or by hand delivery) to:

Ruskin Industries Limited:

By mail: GPO Box 7073, Riverside Centre Brisbane QLD 4001	By hand delivery: Level 37, Riverside Centre 123 Eagle Street, Brisbane QLD 4000
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or the Share Registry:

Computershare Investor Services Pty Limited:

By mail: GPO Box 52 Melbourne VIC 8060	By hand delivery: Yarra Falls 452 Johnston Street, Abbotsford, VIC 3067
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Cheques must be made payable to "Ruskin Industries Limited – Share Offer Account" and crossed "Not Negotiable". No brokerage or stamp duty is payable by Applicants. Completed Application Forms must reach one of the above addresses by no later than the Closing Date unless the Closing Date is extended. The Company reserves the right to close the Offer early.

Public Offer Application Forms must be lodged with the Company or the Share Registry by no later than 5.00pm AEST on 23 July 2007. Applicants are encouraged to lodge their Public Offer Application Forms as soon as possible after the Opening Date, as the Public Offer may close at any time.

A duly completed and lodged Public Offer Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for under the Public Offer Application Form.

### ***Vendor Offer***

To be issued Shares under the Vendor Offer, each Vendor must complete the Vendor Offer Acceptance Form provided with this Prospectus in accordance with the instructions on its reverse side.

Vendor Offer Acceptance Forms must be lodged with the Company no later than 5.00pm AEST on 23 July 2007. No payment is required to accompany the Vendor Offer Acceptance Form.

### ***Option Offer***

For the Principal Vendors and senior management of the Company to participate in the Option Offer, the Option Acceptance Form provided with this Prospectus must be completed in accordance with the instructions on its reverse side.

Option Acceptance Forms must be lodged with the Company no later than 5.00 pm AEST on 23 July 2007. No payment is required to accompany the Option Acceptance Form

### ***Unsecured Loan Offer***

To participate in the Unsecured Loan Offer, a Lender or O'Mara Management Pty Ltd must complete the Unsecured Loan Offer Application Form in accordance with the instructions on its reverse side. The Unsecured Loan Offer Application Form must be lodged with the Company no later than 5.00 pm AEST on 23 July 2007.

## **2.6 Brokerage and Duty**

No brokerage or stamp duty will be payable by Applicants. The amount payable will not vary during the period of the Offers and no further amount is payable on allotment.

## **2.7 Tax File Number**

While an Applicant is not obliged to quote his or her Tax File Number (TFN), tax will be withheld at the rate of 48.5% on unfranked or partially franked dividends if Australian resident shareholders do not quote their TFN. Applicants may notify the Company of their TFN by completing the TFN details on the Public Offer Application Form or other relevant Acceptance Form.

## **2.8 Public Offer Allocation**

The Company reserves the right to reject any Application under the Public Offer or to allocate a lesser number of Shares than those for which an Application under the Public Offer has been made. Application monies will be held in trust on behalf of Applicants in a subscription account until issue of the Shares or return of the Application Monies to the Applicant (as the case requires).

If an Application under the Public Offer is not accepted, or the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded without interest as soon as reasonably practicable after the Closing Date.

Successful Public Offer Applicants will be forwarded their statement of holdings as soon as practicable after allocation has taken place.

If you are in any doubt as to how to deal with the Prospectus, please consult your stockbroker, legal or financial advisor.

## **2.9 Australian Stock Exchange Quotation**

The Shares of the Company are currently suspended from trading on ASX. The Shares will remain suspended until the Company can demonstrate to the satisfaction of ASX that, in its restructured form following completion of the Acquisitions and the Offers, it fully complies with the requirements for admission to the Official List of ASX that are set out in Chapters 1 and 2 of the Listing Rules.

The Company will apply to ASX within 7 days after the date of this Prospectus for its Shares and, if applicable, Options, including the Shares and Options to be issued under this Prospectus, to again be granted Official Quotation.

The fact that ASX may grant Official Quotation of the Shares and Options issued under this Prospectus is not to be taken as an indication of the merits of the Company or of the Shares.

ASX, its officers and employees take no responsibility for the contents of this Prospectus.

## **2.10 Clearing House Electronic Sub-Register System (CHES)**

The Company is a participant in the Clearing House Electronic Subregister System (CHES). Following the issue of the Shares offered under this Prospectus, the Company will provide each Shareholder with a share notice that sets out the number of Shares issued to the Shareholder. The share notice will also inform the Shareholders of their Holder Identification Number (HIN) or Shareholder Reference Number (SRN). If a shareholding changes during a month, the Shareholder will receive a statement at the end of that month. Shareholders may also request statements at any other time.

The Company will not issue Share or Option certificates to Public Offer Applicants, the Vendors, the Lenders or O'Mara Management Pty Ltd who are issued Shares and Options under the respective Offers. It is the responsibility of all Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their share notice do so at their own risk.

## **2.11 Privacy Act**

By completing an Application, investors will be providing personal information to the Company (directly or via the share registry). The Company collects, holds and will use that information to assess the Application, and for successful Applications, service Shareholder and Option holder needs, communications and related administration.

The information may also be disclosed to persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies, authorised securities brokers, print service providers, mail houses and the Company's share registry activities generally. Shareholders can access, correct and update the personal information that the Company holds on them by contacting the Company or the share registry.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988, the Corporations Act and certain rules applicable to ASX listed securities. If Applicants do not provide the information required on the Public Offer Application Form, the Company may not be able to accept or process the Application.

## **2.12 Underwriting**

None of the Offers are underwritten.

### 2.13 Non-resident Investors

This Prospectus does not, and is not intended to, constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an Application to take up Shares on the basis of this Prospectus. It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

### 2.14 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant, or independent financial adviser.



## 3 COMPANY OVERVIEW

### 3.1 The Company History

The Company was first admitted to the Official List of ASX (on the Second Board of Australian Stock Exchange (Melbourne) Limited) on 21 August 1987. It was initially listed as 'Charlotte Securities Limited' and was principally involved in investment in listed securities. It continued to be listed on that Exchange until 31 December 1991. On 2 January 1992, the Company was granted "grandfathered" status onto the Official List of ASX.

On 6 April 1992, the Company entered into an agreement with Plastipak Consolidated Industries Pty Ltd for the acquisition of a plastic manufacturing business. That acquisition was the first step in the transformation of the Company from an investment company into a plastics manufacturer. The acquisition also marked the change in control of the Company to interests associated with Peter O'Mara, who remains a director of the Company to the date of this Explanatory Statement.

In October 1993, the Company expanded its plastics manufacturing business by the acquisitions of the Company Plastics Pty Ltd and Pacific Plastics (Qld). On 19 October 1993, the Company changed its name to "Ruskin Industries Limited".

The Company continued to be involved in plastics manufacturing until 22 June 2001. On that date, the financial circumstances of the Company resulted in the appointment by the Directors of a voluntary administrator. The Company entered into a Deed of Company Arrangement on 26 September 2001. The Deed was effectively terminated on 17 September 2003 and the Company returned to the control of its Directors.

Subsequently, and continuing to the present date, while the Company remains admitted to the Official List of ASX, its Shares have been suspended from trading since 22 June 2001 and it remains, in effect, a shell. As demonstrated by the most recent financial information for the 6 months to 31 December 2006 lodged by the Company with ASX, the Company has no business or assets. Its continued existence is due solely to the support of its major shareholder and creditor, which continues to be interests associated with Peter O'Mara (a Director).

For in excess of 12 months, the Company has been actively seeking opportunities to acquire a business or other activity that would facilitate the re-listing of its Shares on ASX. On 20 April 2007, the Company announced that it had agreed to acquire 16 optometry practices and change its name to 'Eyecare Partners Limited'.

The optometry practices acquired by the Company will provide the base platform for a significant Australian owned competitor to the industry leaders in the optometry field.

The practices acquired by the Company are owned by Peter Rose, Mark Flanders, Tony Hanks, Ray Fortescue (Principal Vendors) and their partners. Importantly, each of the Principal Vendors and their partners will continue to be involved in the practices which will remain as full-service independent optometry practices. It is intended that the Company will grow its business by increasing and improving services and by acquisitions.

On completion of the Proposed Transaction, the Board will change to reflect the new direction for the Company. Mr Finian MacCana, who is a shareholder in a group of twelve optometry practices in Tasmania, will become the Chairman. He will be joined on the Board by two of the Principal Vendors, Dr Anthony Hanks and Mr Raymond Fortescue. Mr Peter O'Mara will continue as a Director.

The purchase price of each practice is based on an agreed formula (4.5 times future maintainable earnings). On completion, the Vendors (including the Principal Vendors) will hold just over 72% of the issued Shares in the Company assuming full subscription occurs. The existing Shareholders and new investors will hold around the remaining Shares.

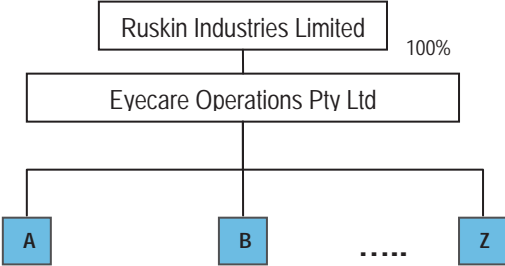
### 3.2 Eyecare Partners Business Origins

As members of the Australian Optometric Panel (AOP), the business principals have known each other and shared business knowledge and experience for over 20 years. As a result, the business philosophies and cultures of the group are similar and integration is not considered to be an insurmountable challenge. Further reinforcing this “similar business culture”, all practices purchased have operated under the Eyecare Plus brand for almost 7 years. Each business unit is in separate geographic areas and none of them is in competition with the others. Their growth has been organic and through opening green field sites and/or practice acquisition. This strategic initiative will allow growth at a more rapid rate.

### 3.3 Operating Structure

The Group consists of a holding company (the Company) and an operating subsidiary which will purchase and operate the optometry practice assets.

Diagram 3.1: Operating Structure



The Directors and Proposed Directors believe that the increasing consolidation in the industry and the demographic trends toward female optometry graduates who may be less inclined to invest in a practice, provide an opportunity to establish a group of optometry practices led by optometrists and having its roots in independent optometry. The operating model for 'Eyecare Partners' business is one of local autonomous management within agreed budget and profit growth targets. Each practice (or practice group) will be overseen by a senior qualified optometrist. In most practices the vendors will continue as the supervising optometrists in the practices.

A clinical practice management committee led by Peter Rose will review performance of all practices and groups, and will provide focus groups for practices to share best practice and provide performance improvement coaching (if necessary).

The corporate office will provide back office support for payables, payroll and management and financial reporting, which will ease the administrative burden on the optometrists and increase the number of hours available for the provision of clinical services.

All of the practice groups utilise specialised Sunix Vision or iManager Software for practice management. These systems provide measurement of core operational key performance indicators for individual optometrists and practices. The measures include \$ / spectacle, \$ / patient, contact lens penetration, patients per dispenser rates, new patient numbers and returning patient rates.

### 3.4 Existing Practices

All 16 practices share the same philosophy on eye care i.e. offering clinical excellence and using up to date business management techniques to ensure profitable and growing operations.

*Table 3.2 Total Practices, Financial Year ended 30 June 2006 and 30 June 2007*

A\$, '000's	Pro Forma	Pro Forma
	2006	2007
Revenue	11,418	12,364
Cost of Good Sold	3,518	3,683
<b>Gross Margin</b>	<b>7,900</b>	<b>8,681</b>
Expenses		
Sales & Marketing	282	302
Personnel*	3,453	3,650
General Administration	1,097	1,422
<b>General Expenses</b>	<b>4,832</b>	<b>5,374</b>
<b>EBITDA</b>	<b>3,068</b>	<b>3,307</b>

\* Personnel costs exclude Corporate Office

The practices are located in Port Macquarie (3), Wauchope, Keperra, Springwood, Mackay, Proserpine, Airlie Beach, Gympie, Cootamundra, Young, Nowra, Ulladulla, Kiama and Ramsgate Beach.

The businesses employ a range of employees on a full time and part time basis, including Optometrists, Optical Dispensers, Optical Technicians and other support staff. The practices have fully equipped consultation rooms with high quality examination equipment, including Digital fundus cameras, Zeiss/Humphrey Visual Field Testers and Medmont Corneal Topographers. In several locations a fully equipped lens fitting laboratory is included.

Full scope primary eye care is provided including eye examinations, contact lenses, behavioural optometry, low vision services and, in many cases, co-management of medical and post-operative conditions with local ophthalmologists.

### 3.5 Business Expansion Strategy

The key focus of the Group will be to acquire individual optometry practices and facilities in Australia and attract new customers and optometrists to use the services available at these established facilities. The business model seeks to:

- Maintain and grow the revenue base of each practice
- Derive scale benefits from increasing the number of practices under management
- Improve management and software systems supporting the practices, and
- Provide a blend of senior management and clinical experience and expertise.

In addition to providing premises and optometry facilities to practitioners, the business centralises a range of practice management, administrative, technology and other support services, including:

- Invoicing and collection of fees
- Recoupment of insurance rebates from health funds
- Accounting and budgeting services
- Acquisition of specialised equipment, and
- Marketing

Growth will be achieved both organically and by acquisition.

**Organic** – The Group’s practices have grown steadily for many years, through establishment of new sites and acquisition and re-branding of existing practices. It is anticipated this growth will continue in the years post acquisition, and revenues are anticipated to grow organically at a rate of approximately 6.5% per annum.

The industry as a whole has a long term historic growth rate of 4% (2% in volume growth and 2% in value added); however, the Vendors have been growing historically at the faster rate of over 7% per annum. The above market performance will continue due to business strategy of focusing on the higher end of the market, introducing the latest technology and clinical techniques, and improved product sales.

**Acquisition** – The Group aims to double in size in the first year of operation, and has already targeted several opportunities. The Group is targeting capital city locations as well as regional locations to increase its geographic diversity.

In general, the Group will target high performing single practices and small to medium groups of 2-10 practices. The Group will purchase the business assets and operations of the practices, and will retain the services of the vendor supervising optometrists through medium term (3 to 5 year) employment contracts. The employment contracts will be structured to include incentive programmes for increasing the turnover and profitability of the practices under supervision.

The profession is currently undergoing a demographic adjustment, with an increasing percentage of females (currently 42%) entering the workforce and a simultaneous ageing of the workforce with a high percentage of over 50 years of age (~40%). This latter phenomenon is resulting in a number of optometrist principals preparing for and/or considering retirement options. Presently the major buyer of these businesses has been Luxottica and they are aggressive in their expansion plans. Independent optometrists appear to prefer to sell (and continue to work in the short to medium term) to one of their respected peers, however, until now there has been no large ‘independent’ group that would enable that transition.

This industry consolidation effect is coupled with the entry into the profession of “Generation Next”. Recent graduates appear reluctant to buy into a business. Their lifestyle choice is such that they want to be flexible, mobile and able to move practice every 5 years or so. This change is an advantage for the Group, since it reduces the competition in the purchase of practices, and also ensures a pool of qualified individuals is available to staff practices on an employed basis. Thus, the Group’s culture could be an attractive proposition for a principal seeking to divest their business, and also will provide an attractive employment proposition with an excellent working environment and mobility without the loss of continuity of employee benefits. Employees will be actively encouraged to become shareholders, engendering further loyalty and commitment to the Company.

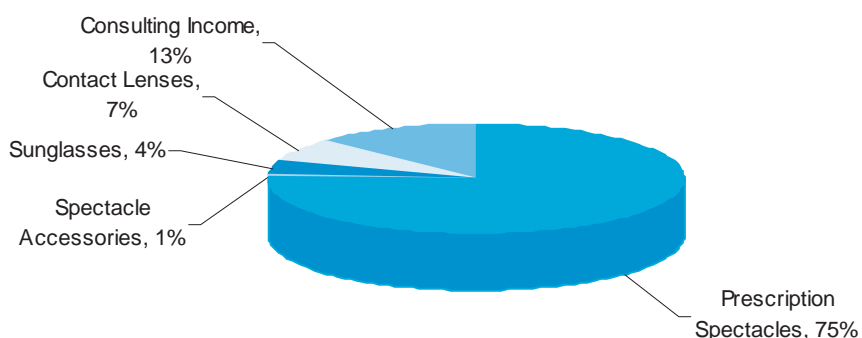
Although not forecast, the Group will seek to acquire practices post listing that meet the Company’s investment and financial criteria. The Company expects future acquisitions to be funded by a combination of cash and the issue of additional securities.

The financial information in this Prospectus does not take into account any further acquisition of optometry practices other than the initial 16 practices.

### **3.6 Business Characteristics in Optometry**

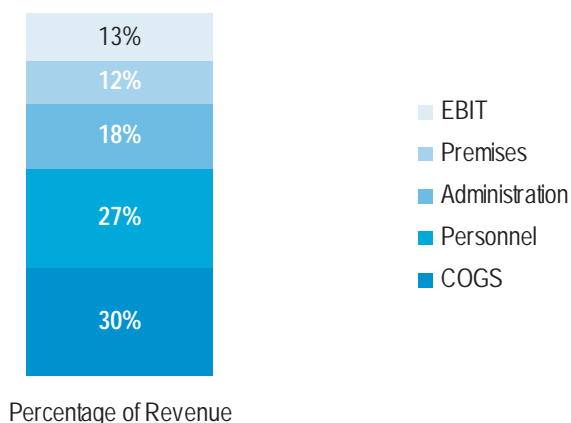
The primary source of income remains dispensing of prescription spectacles, while contact lens income is a slowly growing percentage of revenue. The break up of sources of revenue for optometrists and optical dispensers is shown in the following graph.

Diagram 3.3 Sources of Income – Optometrists & Optical Dispensers



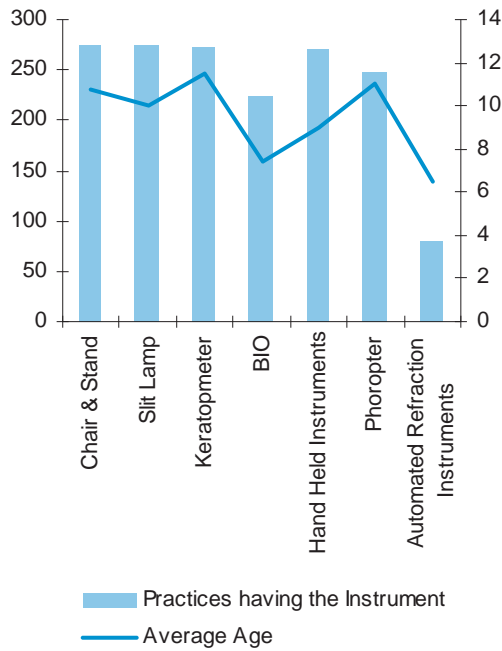
Source, ODMA Report 2005

On industry average practices generate recurring income of approximately 13% of revenue, with costs allocated roughly in the following percentages. The Eyecare Businesses, however, return an EBIT (on average) closer to 20%. Set out below is a chart that shows the key components of expenses in the optometry industry (on average) as a percentage of revenue.



Optometrists believe high quality and modern equipment is essential to attract and retain patients, and most ensure they have a full range of equipment. The nature of the equipment has not altered significantly over many years, and accordingly, much high quality equipment of significant age remains in service in the industry, however, this does not mean the equipment is required to be renewed or replaced. Balance sheets of optometric practices often carry low equipment values despite significant amounts of equipment employed in the practice.

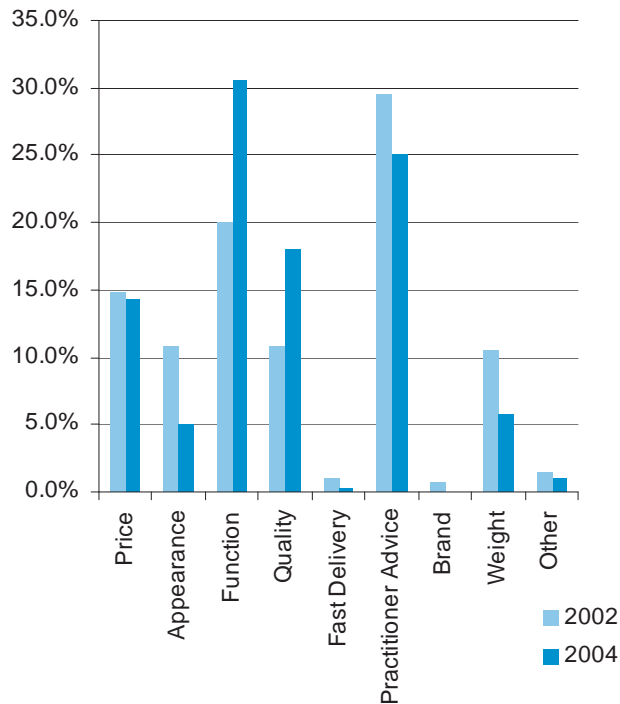
Diagram 3.4 Instruments & Average Age



Source ODMA Report 2005

Consumers remain reliant on practitioners for advice in relation to lens purchase and practitioners have a significant role in education of patients in relation to available choices, coatings, and performance of lens.

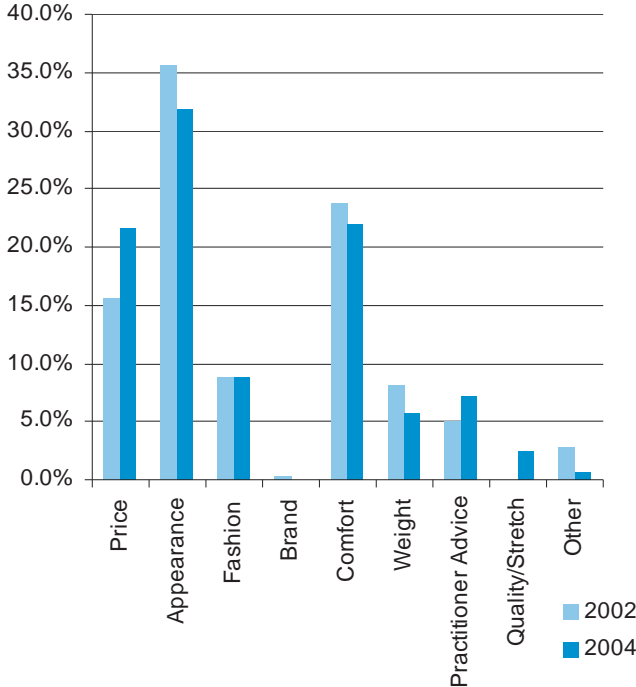
Diagram 3.5 Influencers of Lens Purchase Decision



Source ODMA Report 2005

However, frames are considered more of a fashion item and price and appearance are more important drivers of choice than practitioner advice.

*Diagram 3.6 Influencers of Frame Purchase Decision*



Source ODMA Report 2005

**3.7 Critical Success Factors**

***Strong vision and experienced management***

The Group has selected a Managing Director with significant experience in start up companies and mergers and acquisitions. She has experience working at a senior level in management of listed companies and a strong focus on the achievement of acquisition programmes. She has also played a significant role in bringing this transaction to the Company, and has provided services as an advisor to the Vendors in the acquisition of the optometry practices.

The Group’s Chief Financial Officer is a CPA who has a background in financial systems implementation and a strong focus on profitability improvement. He has experience working at a senior level in the financial management of public companies and hands on company secretarial experience.

The management structure will be relatively flat with each practice having a supervising optometrist responsible for the day to day running of the practice including management of staff, stock control, sales and marketing, and clinical operations. They will report directly to the Managing Director.

The Group has established a Clinical Practice Management Committee which will be headed by Peter Rose. This committee will receive reports from management and implement mentoring programmes and focus groups to assist practices in performance improvement, both sharing best practice and addressing areas of underperformance.

Practice management software including an extranet will be used to facilitate communication and reporting.

### ***Growth focus with a clear acquisition strategy***

A practice acquisition programme will be undertaken from commencement of the new operations. Identification of businesses has commenced with a strategy of ensuring these practices have a similar business culture and provide a geographical spread.

As the Group is cash flow positive from inception, the capital raised will provide funds to assist with business acquisitions. Consideration for acquisitions will be a combination of shares and cash.

The Group will target high growth established businesses rather than establishing “Greenfield” sites.

The business will invest in strategies that will make it “purchaser of choice” to remain competitive with other corporate players in the market of business acquisition. Its competitive edge includes a clinically driven, commercially astute philosophy. Focus will be maintained on best clinical practice and active participation in the local business e.g. staff employment, practice layout, frame selection, lens design, etc. Local management will have accountability and responsibility for business outcomes.

### ***Effective lobbying and advocacy tactics for government regulations***

The Group will continue its active input to the profession by maintaining and encouraging staff participation in the professional bodies. The principals of the company have well-earned reputations and effective lobbying skills and experience. The Group will adopt a high profile in the professional press and will be active in public relations.

***Build sound relationships and collaborate with stakeholders*** (especially - researchers, educators, suppliers and health funds)

The Group will maintain and develop strategic supplier arrangements to maintain low cost sources of supply and breadth of range.

It will access supplier marketing funds and participate in marketing campaigns tailored for the business. Suppliers also support staff meetings, window displays, staff training and rewards, and annual “conferences”.

### ***Establish an outstanding national optometry brand***

The Group will utilise the Eyecare Plus brand, and maintain a strategic position as “the proud supplier to all health funds” whilst actively engaging with the health funds.

It will tender for national vision services e.g. Defence Contracts, and build upon existing strategic relationships with suppliers and other stake holders in the industry e.g. Diabetes Australia, teaching centres.

The business focus will concentrate on excellence in clinical care and providing the best solution for our patients' needs. Investment in cutting edge technology (digital retinal imaging, nerve fibre analysis) and innovative services (orthokeratology, ocular therapeutics) will be continued.

The Eyecare Plus brand continues as synonymous with the provision of a range of services and goods with the emphasis on continuity of care and excellent patient education and service. Seamless service from appointment making, meet and greet, eye examination, dispensing, collection of spectacles and follow up will be a core client service feature.

### ***Developing people***

Key personnel are the major strategic resource of the group and will be eligible to participate in an employee share scheme. Continuing education, regular staff meetings locally and regionally and a biannual national meeting will be used to build staff loyalty, and recognise and reward excellence in service. The extranet will be a tool used for staff training and communication. This will also be a direct means of communication with strategic suppliers.

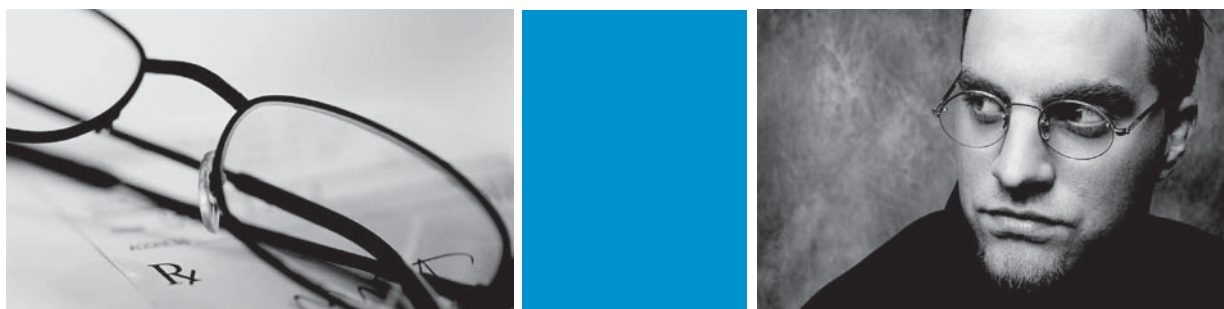
The Group will consider becoming a Regional Training Organisation to provide educational programs for professional and ancillary staff. This would also be provided to businesses not part of the group and so form part of the acquisition strategy. The Group's goal for human resources management is to be the recognised employer of choice in the industry.

The Group will ensure appropriate insurance cover is held for all businesses. It is a legislative requirement that optometrists have professional indemnity. It will be a requirement that all optometrists are members of the Optometrists Association Australia. Competitive Professional Indemnity and Directors and Officers insurance cover will be obtained.

### ***Outstanding organisational innovation and quality programs***

Increasing use of the internet will be harnessed to introduce an online booking and purchasing facility

Introduction of interactive visual digital information systems for staff training and client information will result in improved services and staff loyalty.



## 4 INDUSTRY BACKGROUND

### 4.1 Industry Participants

Optometrists conduct eye and vision examinations, prescribe spectacles and contact lenses and provide treatment options for ocular and vision disorders. They do not perform surgery, but may use drugs to treat eye diseases in some States and may also dispense optical appliances, such as glasses and contact lenses, from their own practice. An increasing proportion of the role relates to eye disease, detection of systemic disease which affect the visual system, and problems which affect the way in which the eyes work together (binocular vision). Approximately 75 per cent of primary eye care in Australia is performed by optometrists. They are required to be registered under a state or territory Registration Board.

There are three other major professional groups involved in eye care.

**Ophthalmologists** - medical practitioners who concentrate on treating eye disease with drugs and surgery. Although their specialist training is centred in these areas they can also prescribe spectacles and contact lenses. They are required to be registered under a state or territory Registration Board.

**Orthoptists** - usually but not exclusively work with ophthalmologists. They examine binocular vision (as do optometrists), except that they usually provide these services on behalf of, and under the supervision of, an ophthalmologist. Most orthoptists work in hospitals and in ophthalmologists' practices. In some states, recent legislative changes allow for an orthoptist to perform refractions and issue prescriptions, if there is a referral from an optometrist or ophthalmologist. Not all states or territories require registration.

**Optical dispensers** - grind and fit lenses and dispense spectacles according to a prescription issued by an optometrist or ophthalmologist. Some optical dispensers and optical dispensing chains utilise optometrists or ophthalmologists either on the premises (when the law permits) or in adjacent premises for obtaining prescriptions for spectacles. Optical dispensers are frequently employed by optometrists as assistants in optometric practices. Not all states or territories require registration.

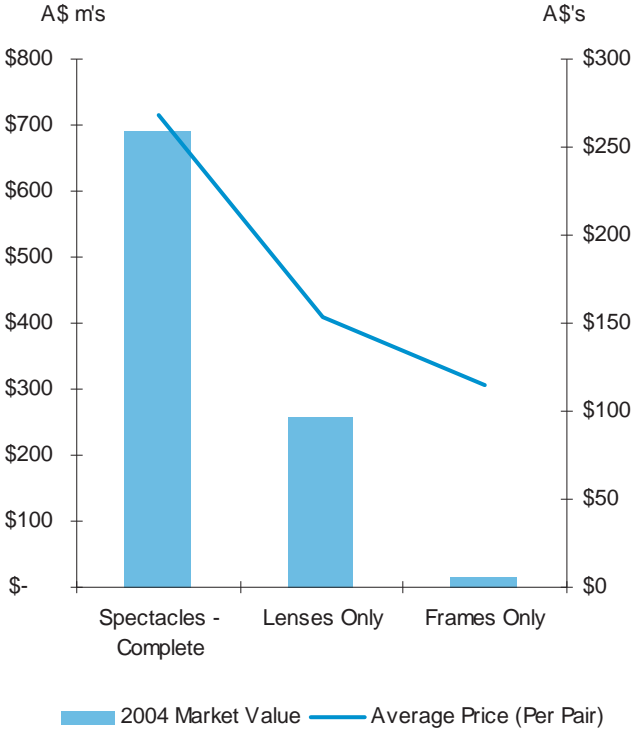
- 75 per cent of primary eye care in Australia is performed by optometrists
- 2,789 optometrists actively practise optometry in Australia
- Optometrists provide 3.33 million Medicare services a year (FY06)
- 96 per cent of optometric services are bulk-billed
- The total cost of vision disorders in Australia was estimated to be \$9.85 billion in 2004
- The geographical spread of optometrists in Australia matches the population distribution
- Optometrists examine approximately 20 per cent of the population every year
- Over half of visual impairment in Australia is due to refractive error and is easily corrected

### 4.2 Industry Conditions

By tradition, optometrists have operated as sole practitioners or in small groups, in a small business environment. As a result the industry is highly fragmented. In addition, the optometry services are highly personal in nature, and patient loyalty is given to the individual practitioner rather than a brand or practice. Recently there has been an increased market penetration by the large chains, and 'independent' optometrists are being challenged to maintain patient loyalty, and therefore repeat business.

The market value of the sector is estimated at \$960m, or close to \$1.4bn if sunglasses are included, and has been growing at approximately 4% per annum. The industry is dominated by one major group, OPSM, which has approximately 22% of the outlets and 31% of the value of the sector, and one licensed buying group, Provision, which was established in 1989 and has approximately 400 members. The balance of the market is highly fragmented, consisting of individual practices and small practice groups.

Chart 4.1 Market Statistics



Source ODMA Report 2005

Eyecare Plus is a direct competitor to Provision, which is owned by the Optometry Association of Australia and not by member shareholders. Eyecare Plus has grown quickly since it was established in 2000, and offers an attractive value proposition of share ownership, excellent purchasing power, rebates of license fees for the support of strategic suppliers to the group, marketing, training and territorial exclusivity.

Optometrists have relatively few alternatives to monetise the business they have built over the course of their career, and the result is an industry environment in which practices are sold at relatively low EBIT multiples.

**4.3 Regulation**

All optometrists in Australia are required to be registered in the State or Territory in which they practice. It is illegal for an unregistered person (other than a medical practitioner) to practice optometry anywhere in Australia. The State and Territorial Governments are responsible for control of optometric practice and registrations. The Federal Government is responsible for the national health program which provides benefits for consultations with optometrists to all Australians.

Optometrists must apply to the Registration Board in the State or Territory in which they wish to practice. Registration in one State or Territory of an overseas qualified optometrist automatically entitles an optometrist to registration in any other State and Territory via "mutual recognition", regardless of their original qualifications. Optometrists registered in New Zealand can also gain registration in Australia via "Trans-Tasman Mutual Recognition".

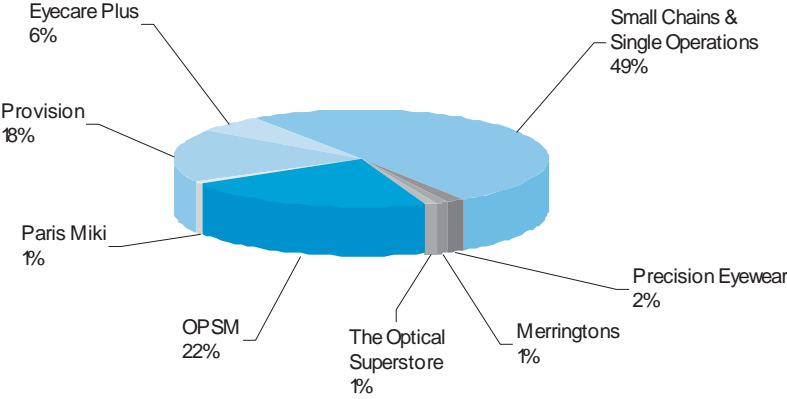
Virtually all Australian optometrists have agreed to participate as providers of optometric care for the Federal Government's National Health Scheme known as Medicare. Participation in this scheme also requires adherence to standards of practice and limitations on consultation fees that may be charged. The Australian Federal Government recognised the profession's health care role in 1975 by including optometry in the Medicare program. Apart from general medical and a part rebate for some psychology services, optometry is the only profession to have its consultative services covered by Medicare benefits. Since gaining Medicare recognition of fees, the scope of optometry services included in Medicare rebates has increased, and now includes items such as home visitation and complex contact lens fitting. Fees for services such as digital retinal imaging are charged by optometrists, but are not yet on the Medicare schedule for rebates.

In NSW, Tasmania, Victoria, and Queensland optometrists now have prescribing rights for therapeutic drugs for the treatment of eye diseases, greatly increasing the scope of optometry, especially in those practices which focus on clinical skills. Similar legislation is pending in other states and territories.

**4.4 Competitors**

Independent optometrists comprise the bulk of the market; however, the most dominant participant is OPSM, followed by the two primary licensed buying groups, Provision and Eyecare Plus. The major participant, OPSM, was an ASX listed company until 2002, when it was purchased by the Italian global frame manufacturer and optical supplier, Luxottica.

*Chart 4.2 Competitor Map*



*Source: ODMA Report 2005 – updated for publicly disclosed sales*

**OPSM** - 100% owned by Luxottica – Italian frame and sunglasses manufacturer. OPSM has approximately 22% of the number of outlets in Australia, however, has captured some 31% market share by value. It targets specific market demographics through three primary brands, concentrating on shopping centres and retail strips. It operates on a product rather than service driven model.

**SpecSavers** – this is a new entrant to the market and further reflects the globalisation of the market in optometry. This company has been very successful in the UK and Europe concentrating on the packaged price driven market segment. It has entered the Australian market with a minority shareholding in an independent buying group, Optovision.

**Optical Superstores** – this is a privately owned group of 44 stores in all states of Australia, which also operates an online retailer. Its primary driver is budget and price.

**Vision Group** – this is a successful float of an ophthalmology business led by CEO Dr Harry Unger. It is anticipated the Company will present ophthalmologists with an attractive strategic partner relationship which may result in inter-referrals between the two businesses.

**Provision** - is an autonomous subsidiary of the Optometrists Association of Australia established in 1989, to support independent optometry nationally and help shape its future. ProVision is a collective of independent practitioners with approximately 400 members to whom it provides an extensive range of support services. Membership provides access to competitively priced products and a support network that offers advice and assistance in the areas of marketing, business support services, product management and education services.

**Other independents** - historically optometrists have operated independently, and as a result many remain committed to maintenance of independence, and, there will always be a niche market serviced by those practitioners. However, overseas experience shows consistent decline of the percentage of independent optometrists in the market.

#### 4.5 Comparative Operational Advantage

The relative size of other market players might indicate their buying power places them in a superior position, however, the operational efficiency of the Eyecare Businesses and a programme of premium product preference is expected to allow the group to perform at a higher level than the larger market participants.

Relative to the industry averages, superior performance is generated in part through the sale of higher percentages of high margin products – spectacles – in the practices acquired. This product line accounts for 73% of businesses revenues, and business profit margins are dependent on the margins made on frames and lens. Competitors backed by frame companies enjoy better terms than the general market in lenses, however, higher value products are able to be sold through clinical consultation and this compensates for the pricing achieved in vertically integrated competitors.

The Group has higher sales of premium coated lens products than the industry average, and the increasing levels of these sales is a key success factor in their faster than industry growth. The following table shows the leadership the Group has in the sale of these categories of lenses as a percentage of spectacle sales.

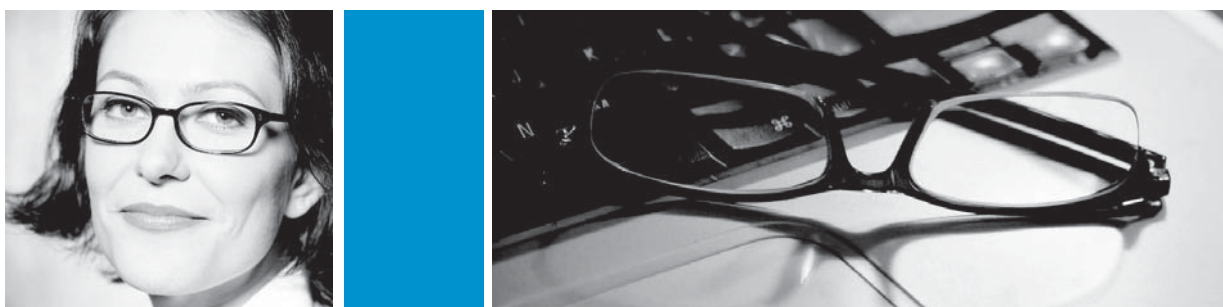
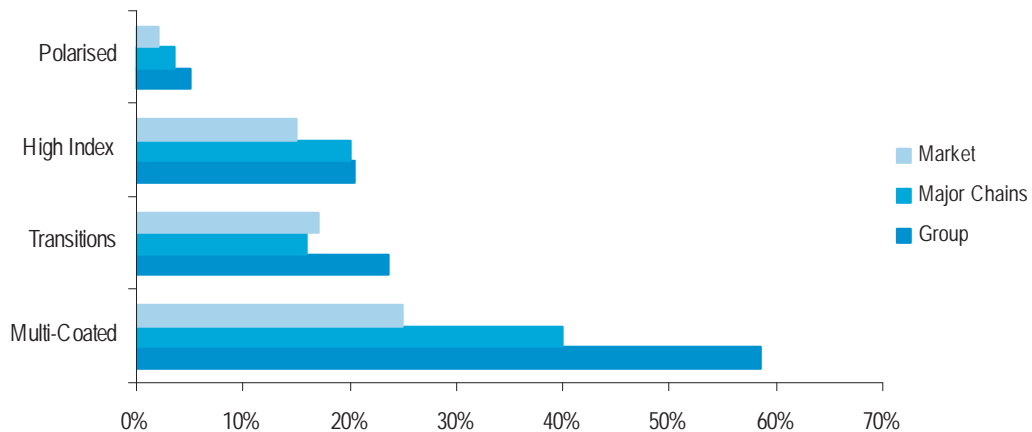


Chart 4.3 Percentage of High Value Lens Products



Source: Eyecare Partners Group and OAA Data

#### 4.6 New Market Entrants

**Guardian Pharmacies** – this is a part of the Sigma Pharmaceutical group and encompasses some 260 chemist stores Australia wide. The group also owns Amcal and Chemists' Own. They have recently commenced opening budget optometry clinics in some of their pharmacies. The intention is to spread rent costs, and gain a wide geographic coverage.

Australian Pharmaceutical Industries also attempted optometry practices in its pharmacies, however, it has since ceased that activity.

**Online Stores** – many of these operatives are offshoots of existing optometric companies, e.g. OPSM Direct, Optical Superstore Online. There is also a number of dispensing-only online operations.

Invariably these operate on the basis of the provision of budget eyewear, e.g. glassesonline.com.au, selectspecs.com, optics-online.com.au, budgeteyewear.com.au, and goodspecs.com.au.

Online groups are unlikely to be successful in prescription spectacles, since the nature of the prescription supply is personal, and not conducive to an online purchase. It has been quite successful, however, in relation to sunglasses and contact lens sales. It is anticipated the Company will consider an online sales channel.



## 4.7 SWOT

The group has developed a preliminary SWOT analysis, and strategy sessions have been scheduled to complete plans to simulate growth in revenues in existing businesses and through acquisitions.

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>▪ Profitable business</li> <li>▪ Loyal clients</li> <li>▪ Location of practices</li> <li>▪ Trust, shared vision and values</li> <li>▪ Same practice culture and philosophy</li> <li>▪ Professional reputation, highly regarded</li> <li>▪ Regional representation</li> <li>▪ Supplier relationships</li> <li>▪ Staff loyalty</li> <li>▪ Industry knowledge</li> <li>▪ Growth of market due to age demographics</li> <li>▪ Respect for emerging competition – e.g. SpecSavers</li> <li>▪ AOP membership</li> <li>▪ Eyecare Plus membership</li> </ul>	<ul style="list-style-type: none"> <li>▪ Retail brands owned by OPSM</li> <li>▪ Low use of IT</li> <li>▪ New integrated systems and procedures must be established</li> <li>▪ Narrow geographic spread</li> </ul>

<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>▪ Growth –organic, acquisition,</li> <li>▪ Access to capital</li> <li>▪ Acquisition –shareholding in frame supplier</li> <li>▪ White labelling, own brand</li> <li>▪ Strategic relationship with suppliers</li> <li>▪ Increase IT usage for efficiency</li> <li>▪ Increase internet delivery</li> <li>▪ Marketing Efficiencies</li> <li>▪ Attract National corporate clients</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong competitors</li> <li>▪ Legislative changes – Medicare, deregulation</li> <li>▪ Shortage of optometrists</li> <li>▪ Inability to achieve acquisitions new practices</li> <li>▪ Resistance to corporate culture</li> <li>▪ New competitor activity seeking to consolidate</li> </ul>

## 5 DIRECTORS

### 5.1 Background

As part of the proposed acquisition of the Company of the Eyecare Businesses, the Company and the Principal Vendors have agreed, subject to the approval of Existing Shareholders and completion of the Acquisitions, to make certain changes to the composition of the Board.

The Directors identified below as the Current Directors of the Company are the Directors as at the date of this Prospectus. On completion of the Acquisitions, each of the Current Directors (other than Peter O'Mara) will retire as Directors. At the same time (and subject to the approval of their appointments by the Existing Shareholders at the General Meeting), each of the Proposed Directors will be appointed as a director of the Company.

### 5.2 Current Directors

The Board of Directors is responsible for the overall management and governance of the Company.

The Board currently comprises three Directors.

#### ***Peter O'Mara***

##### **Chairman**

Mr O'Mara is currently the major shareholder of the Company. Mr O'Mara has wide business experience. He commenced his business career in 1972 and, from 1978 to 1989 grew a number of small manufacturing businesses prior to selling those businesses to the multinational company, Hunter Douglas Limited. Subsequently, in addition to his interest in the Company, Mr O'Mara has been successfully involved in a variety of business activities, including manufacturing, financial services, commercial and residential property development and the development of retirement villages. Mr O'Mara is currently the Chief Executive Officer of Habitare Pty Ltd, a Brisbane based property developer.

***Finian MacCana*** B.Sc(Hons), AMCT, FCOptom, M.Sc., FVCO, FAICD

##### **Non-executive Director**

Finian MacCana is an optometrist and a founding shareholder of Optomeyes, a group of 12 optometry practices in Tasmania. His principal place of practice is Sandy Bay and he currently lectures part time in the Department of Anatomy and Physiology at the University of Tasmania Medical School. He also is the visiting optometrist at the University of Tasmania and regularly visits the part time rural practices at Oatlands, St. Helens and Swansea.

Mr MacCana is a Fellow of the British College of Optometrists and the Victorian College of Optometry. He is a former director of Advanced Ocular Systems Limited, Diabetes Australia (Tasmanian Division) and Laubman and Pank Holdings Ltd and is a consultant to national and global companies involved in eye care. He is a Fellow of the Australian Institute of Company Directors.

***David Johnson*** B Ec. CA

##### **Non-executive Director & Company Secretary**

David Johnson has a Bachelor of Economics (Monash University) and is a Chartered Accountant. He served with Pitcher Partners (formerly a part of KPMG Peat Marwick group) for 11 years. He has held the position of company secretary for 2 publicly listed companies, and is also the Chief Financial Officer for Habitare Pty Ltd, a Brisbane based residential property development company.

### **5.3 Proposed Directors**

**Sandra (Sam) Andersen** LLB, CPA, F Fin, MAICD

#### **Managing Director**

Sam Andersen is a lawyer and accountant with a history in banking and corporate finance. She held senior executive finance and general management operational roles in large financial institutions prior to commencing a corporate advisory business. She has advised several small cap companies in relation to acquisitions and acquisitions integration, investor relations and capital raising, and has held the roles of Chief Operations Officer and Chief Financial Officer for small cap companies in Victoria and Western Australia.

**Dr Anthony (Tony) Hanks** OD(Boston), BOptom(Hons), FAAO, FCLSA, AAICD

#### **Executive Director**

Tony Hanks is a Doctor of Optometry, and founded a group of practices in Port Macquarie and Queensland, 10 of which are part of the transaction. His career in optometry has spanned corporate and private practice roles, research and teaching roles. Tony Hanks is the founder and Chairman of Eyecare Plus Limited and the founding member of the Australian Optometric Panel. He is a well respected leader in the optometry industry in Australia and still practices optometry part time in his Port Macquarie practice. In 2006, the Optometrists Association of Australia awarded him the Josef Lederer Award for Excellence in Optometry. Dr Hanks will continue to work within the business and, in particular, in guiding the Port Macquarie and Queensland practices.

**Raymond (Ray) Fortescue** BOptom(Hons), FCLSA, AAICD

#### **Executive Director**

Ray Fortescue is an optometrist practicing full time in Ramsgate Beach Sydney. He commenced work as an employed optometrist in 1979 and opened his practice at Ramsgate Beach in 1980. The practice is one of the 16 practices included the transaction. He is a member of the Australian Optometric Panel and the Australian Institute of Company Directors and a non-executive director of Eyecare Plus Limited. Ray will continue to work within the business at the Ramsgate Beach practice.

### **5.4 Further Board Appointments**

The Board agrees that an appropriate mix of skills will most appropriately serve the interests of shareholders. To this end, the Directors and Proposed Directors have reviewed the current mix of skills at board level and have identified two areas where additional skills would be beneficial. They have commenced the search for additional experienced public company directors with skills in the areas of financial management and retail sales and marketing. The Proposed Directors believe two persons with those skills joining the Board would add considerably to the strength of the Board.

The Directors will continue to review and strengthen the Board's skills and experience as is appropriate and anticipate new appointments will be made either before or at the Company's Annual General Meeting in 2007.

## 5.5 Board Committees and Committee Members

### ***Clinical and Remuneration Committee Members***

In addition to the Executive and Non-executive Directors of the Company, the Clinical and Remuneration Committees of the Company will play a key role in the management and overall administration of the Company. Two of the Principal Vendors, Mr Flanders and Mr Rose will chair these committees.

**Mark Flanders** BOptom

#### **Chairman - Remuneration Committee**

Mark Flanders is an optometrist practicing in Young and Cootamundra in New South Wales. He is a member of the Australia Optometric Panel, and the visiting optometrist at the Young District Hospital. Both the practices at Cootamundra and Young are to be acquired by the Company.

**Peter Rose** BOptom

#### **Chairman - Clinical Practice Management Committee**

Peter Rose is an optometrist practicing in Nowra and Kiama in New South Wales. He commenced work in 1980 as an employed optometrist, and opened his Nowra practice in 1982. His practices in Ulladulla and Kiama were opened in 2003 and 2004 respectively. All three practices are to be acquired by the Company. Mr Rose is a member of the Australia Optometric Panel and a director of the Australian School of Occupational Science, Wollongong University, NSW.

## 5.6 Senior Management

**David Munday** BCom, MBA, CPA

#### **Chief Financial Officer**

David Munday has held senior finance positions in a range of international corporations, private and publicly listed companies. He has extensive experience in financial, statutory and management reporting, taxation, financial systems implementation, acquisitions, risk management and commercial negotiation. David is a Certified Practising Accountant with a Bachelor of Commerce and a Masters of Business Administration.



## 6 CORPORATE GOVERNANCE

### 6.1 General

The Board of Directors is responsible for the overall management and governance of the Company.

The Company is committed to the principles underpinning best practice in corporate governance. Where appropriate to the circumstances of the Company and consistent with the interests of the Shareholders, the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations. However, the Board considers that the Company is neither currently of a size nor its affairs of sufficient complexity to justify the additional expense of full compliance with all the recommendations.

A brief summary of the Company's main corporate governance policies and practices is outlined below. In addition, the following policies and procedures are available for viewing on the Company's website ([www.eyecarepartners.com.au](http://www.eyecarepartners.com.au)):

- Role of the Board
- Structure of the Board
- Responsible decision making and Code of Conduct
- Safeguarding integrity in financial reporting
- Timely and balanced disclosure
- Risk recognition and management
- Board performance
- Securities Trading policy
- Shareholder rights and communications
- Recognitions of shareholder interests
- Remuneration responsibility
- Summary of procedure for selection of External Auditor and rotation of Engagement Partner

### 6.2 Board of Directors

The Board currently comprises three Directors. On completion of the Acquisitions, as indicated in section 5 of the Prospectus, the Board will be restructured. Once restructured, it will comprise both executive and non-executive Directors. The intention is that the Board will comprise a majority of non-executive Directors. A majority of Directors will be optometrists. The Directors further intend that the Board will also include members who have a variety of skills and experience, and particularly Directors capable of monitoring the integrity of the financial statements of the Company and reviewing the Company's system of internal financial and operational controls.

The membership of the Board, its activities and composition will be subject to periodic review. The criteria for identifying and appointing suitable candidates to the Board will include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute and the ability to undertake Board duties and responsibilities.

### **6.3 Committees of the Board**

The Board has established the following Committees:

#### *Remuneration Committee*

The Remuneration Committee will comprise at least two Board Members, preferably Non-executive Directors. The initial Remuneration Committee Chairman will be Mark Flanders. The Chairman of the Board is not a member of the Remuneration Committee. However, all Directors will be permitted to attend Remuneration Committee meetings as observers. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including securities and benefit plans.

#### *Audit Committee*

The Audit Committee comprises all Board Members. The initial Chairman of the Committee will be a non-executive Director with skills and experience in finance and corporate governance. The Chairman of the Board may not be the Chairman of the Audit Committee. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial and operations controls.

#### *Clinical Practice Management Committee*

The Clinical Practice Management Committee comprises at least two Board Members, one of which must not be an optometrist and one of which must be a non-executive Director. The initial Clinical Practice Management Committee Chairman will be Peter Rose. It is not intended that the Chairman of the Board be the Chairman of the Clinical Practice Management Committee. However, all Directors are permitted to attend the Committee meetings as observers. The primary responsibility of this Committee is to monitor the strategy and integrity of the clinical operations of the Company, and to review and monitor the Company's plans for clinical leadership and safety of delivery of services.

### **6.4 Role of the Board**

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders.

The Board strives to create Shareholders value and ensure that Shareholders' funds are safeguarded. The key responsibilities of the Board include:

- Corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals;
- Reporting to Shareholders and the market (ASX);
- Approving strategic plans, key operational and financial matters, as well as major investment and divestment proposals;
- Approving nominations of Directors to the Board and appointment of key executives;
- Evaluating and rewarding senior management and ensuring executive succession planning;
- Ensuring that Directors have a good understanding of the Company's business;
- Ensuring management maintains a sound system of internal controls to safeguard the assets of the Company;
- Monitoring the performance of the Company;
- Appointing and removing the Managing Director;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;

- Receiving and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance, safety and occupational health policies, community and environmental issues;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures, together with any recommendations from management associated with these activities.

## **6.5 Policies and Procedures**

### ***Continuous Disclosure Policy***

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations once listed on the ASX. The aims of this policy are to:

- Report continuous disclosure matters to the Board;
- Assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- Provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations; and
- Ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Board.

### ***Securities Trading Policy***

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

### ***Risk Management Policy***

The Board has developed and implemented policies and practices which ensure that the material risks facing the Company are adequately identified, assessed, monitored and managed throughout the whole organisation. These include:

- Comprehensive Board papers containing relevant operational, commercial, strategic, financial and legal information circulated to Directors before each meeting;
- Actual results for the Company presented to the Board at each Board meeting, compared against budget and forecast, with revised forecasts if required;
- Financial authority limits set by the Board; and Insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses.

### ***Shareholder Communications Strategy***

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Company. Information is communicated to Shareholders through:

- Continuous disclosure in the form of public announcements on the ASX;
- Annual and quarterly reports to Shareholders;
- Investor briefings;
- The managing director's address delivered at the Annual General Meeting; and
- Notices of all meetings of Shareholders and explanatory notes of proposed resolutions.

## 7 INVESTMENT RISKS

The Company's future business operations (on completion of the Acquisitions) are subject to risks that may adversely affect its future performance and the value of an investment in the Company. Investors should consider these risks carefully before subscribing for the securities offered by this Prospectus as they may diminish the value of the Company's assets and Shares. Some of these risks can be mitigated by the use of contingency plans and prudent management techniques; however, many of the risks are outside the control of the Company and cannot be mitigated.

The principal risk factors include, but are not limited to, the matters set out below in this section of the Prospectus.

### 7.1 General Risks

Investors should recognise that the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in interest rates and inflation, accounting standards and practices, domestic and international economic conditions, investor sentiment, changes in government fiscal, monetary and regulatory policies and the occurrence of other local, state, national and international events, such as armed conflicts.

#### ***ASX Quotation***

Although the Company will apply to ASX within seven days after the date of this Prospectus for the Shares to be reinstated to official quotation, no assurance can be given that this will be granted.

#### ***Competition***

Despite the existence of a general statutory framework in Australia and international conventions which are intended to protect against certain anti-competitive practices, there can be no assurance that the applicable laws will sufficiently protect the Company from anti-competitive practices by its competitors or that major competitors will not use their strategic positions to gain a competitive advantage in some future period, whether by means of price reductions or by other means.

#### ***Claims & Litigation risks***

The Company is exposed to the usual risks arising from the sale of products and services, including professional indemnity risks and contractual liability risks.

### 7.2 Business risks

The Company may, from time to time, introduce new and expanded services in order to generate additional revenues, attract more customers and respond to competition. There can be no guarantee that these new businesses will eventuate or be successful.

#### ***Retention of staff***

The Company's prospects depend in part on the ability of its executive officers and senior management to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified professional and management personnel and continue to implement and improve operational, financial and management systems. The Company has in place service contracts with its senior and professional employees. It also intends to offer performance incentives in the form of equity participation and provides attractive employment conditions to assist in the retention of key personnel. However, competition for staff in this industry sector is strong. The inability to

attract and retain the services of a sufficient number of suitably qualified personnel could be disruptive to the Company's development and could materially adversely affect its operating results.

### ***Industry competition***

The optometry industry, like most industries, is subject to competition. It is possible that other competitors in the optometry industry will adopt similar systems and services to those of the Company and therefore take market share from it, particularly in other markets. If that were to occur, it may have a material adverse effect on operating and financial performance.

### ***Changing market conditions***

The markets that the Company serves are characterised by changing customer needs, frequent new product introductions and evolving industry standards. These developments and changes could render the current services, products and technologies used by the Company less attractive to customers. This may reduce the Company's market share and limit continued growth, which in turn may have an adverse impact on revenue and profitability.

### ***Acquisitions & growth***

The Company intends to expand its operations significantly after the Shares are reinstated to official quotation on ASX. To achieve this expansion, the Company will increase seek further acquisition opportunities and increase the number of people it employs. The expansion program will require additional supporting infrastructure and place greater demands on administrative processes and controls. Additional strain associated with this planned growth in the Company's operating activities may reduce the effectiveness of the Company's management team and Board. There can be no guarantee that the Company will be able to implement and improve administrative controls in such a way that the expansion program harms neither customer relationships nor the Company's executive and non-executive functions.

### ***Economies of scale***

The Company expects to realise a number of operational efficiencies and economies of scale upon the consolidation of the Eyecare Businesses. There is a risk that these benefits may occur slower than anticipated or not at all. Additionally, there may be costs that are incurred as a result the merger that have not been anticipated or reflected in the pro forma forecasts.

### ***Industry consolidation***

In many industry consolidation transactions, the groups merging are a disparate aggregation of practices with different business cultures, operating systems and methodologies. These differences make it difficult to gain synergies and to achieve a cohesive approach to the business strategy. Many industry consolidations fail as a result of a failure to manage the integration of mergers and acquisitions.

### ***Eyecare Plus licence***

The Eyecare Plus license to be issued to the Company on completion of the Acquisitions is for a period of not less than 3 years. At the termination of the license, the Company may apply to renew the licence. It is possible that the licence may not be renewed. Reasons for non-renewal may include failure to meet the minimum standards for the practices owned by the Company, or by a vote by 60% of the members of Eyecare Plus rejecting the application for renewal.

### ***Increase in competition for acquisitions***

It is likely there will be increased competition for practices as the trends toward consolidation and corporatisation increases.

### ***Medicare rebates***

Optometry currently enjoys a strong rebate regime in the Medicare system, and there remains a risk that the Federal Government may seek to reduce the budget impact of optometry services on the health care budget. A change in budgetary policy which results in the Medicare rebate being reduced or discontinued may materially affect the business of the Company.

### ***Health funds***

Health funds have long worked on a preferred supplier basis in the specialist medical services arena. Changes in the policies or practices of health funds may affect adversely the business of the Company and its profitability.

### ***Past performance***

Market conditions and trading approaches are continually changing and the fact that each of the Eyecare Businesses has been profitable in the past may largely be irrelevant to their prospects for future profitability. Past results are not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that losses will not be incurred by the Company or investors in the Company.

### ***Capital requirements***

There can be no assurance that the Company will not seek to exploit business opportunities of a kind which will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently. If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forego an investment opportunity, which could adversely affect its business, financial condition and results of operation.

## **7.3 Economic Factors**

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future revenues and share price can be affected by these factors, which are beyond the control of the Company and its Directors.

## **7.4 Stock Market Conditions**

Share market conditions may affect the value of the Shares regardless of the operation performance of the Company. Share market conditions area affected by many factors such as:

- General economic outlook;
- Movements in, or outlook on, interest rates and inflation rates;
- Currency fluctuations;
- Commodity prices;
- Changes in investor sentiment towards particular market segments;
- Demand for and supply of capital.

Investors should recognise that once the Shares are listed on the ASX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in interest rates, economic conditions and investor

sentiment generally. In addition, world events could affect the price of shares in various sectors. Such events are unpredictable and their impact on individual companies or markets is beyond the control of the Company.

**Investors are strongly advised to regard any investment in the Company as long term and to be aware that substantial fluctuations in the value of their investment may occur over different periods of time.**

**The Prospectus provides information for investors to enable them to decide if they wish to invest in the Company. The Prospectus should be read in its entirety. If you have any questions about the desirability of, or procedure for investing in the Company, please contact your stockbroker, accountant or other independent financial adviser.**



## 8 FINANCIAL INFORMATION

### 8.1 Introduction

This section of the Prospectus provides pro forma historical and forecast financial information of the Company that the Directors consider relevant for potential investors. The financial information should be read in conjunction with, and by reference to, the information contained in the Independent Accountant's Report on the historical financial information and the review of forecast financial information in Section 9, the key assumptions underlying Directors' forecasts in section 8.6, the summary of significant accounting policies in section 8.18, the investment risks contained in section 7 and other information contained in the Prospectus.

The pro forma historical financial information comprises:

- Pro forma historical aggregated Income Statement for the financial year ended 30 June 2006;
- Pro forma historical aggregated Income Statement for the half year ended 31 December 2006; and
- The pro forma balance sheet as at 31 December 2006.

(collectively the 'Historical Financial Information'.)

The forecast financial information comprises:

- the Directors' forecast aggregated Income Statement for the year ending 30 June 2007; and
- the Directors' forecast aggregated Income Statement for the year ending 30 June 2008.

(collectively the 'Forecast Financial Information' or the 'Directors' Forecasts'.)

The Historical and Forecast Financial Information relating to the financial performance of the Company comprises an aggregate of the 16 optometry practices (Eyecare Businesses) as if those businesses were owned and operated by the Company from 1 July 2005. The financial information relating to the financial years ended 30 June 2006 and 30 June 2007 do not include any benefits or costs associated with operating as a listed public company or as a consolidated group which have been incorporated in the Directors' Forecast for the financial year ending 30 June 2008. The Acquisitions are to occur on the completion of this capital raising pursuant to this Prospectus, and subject to the receipt of the approval of the shareholders of the Company at the General Meeting (to be held on 13 July 2007).

### 8.2 Basis of Preparation and Presentation

The financial information presented in this section has been prepared in accordance with the measurement and recognition principles of the Australian Equivalents to International Financial Reporting Standards (AIFRS) and the Corporations Act. The financial information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of AIFRS applicable to annual reports prepared in accordance with the Corporations Act.

The Historical Financial Information was extracted from the unaudited management accounts and the taxation returns of the individual optometry practices to be acquired by the Company.

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe they have a reasonable basis to forecast future earnings. The pro forma forecast for the financial years ending 30 June 2007 and the forecast for the financial year ending June 2008 are based on the Directors' assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions which, at the date the forecasts were prepared, represent the Directors' best estimation of future events. These events or

actions may, or may not, take place. Events and circumstances often do not occur as expected and therefore actual results may differ from the forecasts and these differences may be material. Accordingly, the Directors cannot and do not guarantee that the forecasts will be achieved.

The Director's forecasts are, by their very nature, subject to uncertainties and unexpected events, many of which are outside the control of the Company and its Directors. Events and circumstances often do not occur as anticipated and, therefore, actual results are likely to differ from the pro forma forecasts and the differences may be material. Accordingly, no guarantee is given that the pro forma forecasts will be achieved.

### 8.3 Transaction Summary

The following acquisitions have been included in the Historical Financial Information and Forecast Financial Information.

<b>Eyecare Partners</b>	<b>Practices</b>	<b>Total Consideration Payable (\$000's)</b>	<b>Issue of Shares (000's)</b>	<b>Issue of Options (000's)</b>
AJ Hanks	5	3,564	17,822	11,108
AJ Hanks & AC Cornale	4	1,716	8,578	
AJ Hanks & N Rokic	1	1,385	6,924	
P Rose	2	4,326	21,630	9,366
P Rose & A Ireland	1	1,294	6,469	
M Flanders	2	1,626	8,128	6,105
R Fortescue	1	1,808	9,041	3,014
<b>TOTAL</b>	<b>16</b>	<b>15,719</b>	<b>78,592</b>	<b>29,593</b>

### 8.4 Normalisation Adjustments

The financial information for each financial year (FY) contained the following adjustments.

<i>Financial Information</i>	<i>Normalisation Adjustments</i>	<i>ASX Listing &amp; Group Adjustments</i>
Historical FY 2006	Yes	No
Forecast FY 2007	Yes	No
Forecast FY 2008	Yes	Yes

The financial information for FY 2006 and FY 2007 has been prepared on the following normalisation adjustments:

- Removal of any transactions that are not related to the Eyecare Businesses or entities that are not being acquired by the Company;
- To include any agreed market based remuneration to be paid to the Vendors going forward as a part of the Company;
- To include payroll tax as if consolidation had occurred 1 July 2006;
- To reflect the cost associated with rental of the operating premises on a commercial basis; and
- To remove the costs and liabilities associated with leases that are to be paid out prior to acquisition.

## 8.5 Summary of Pro Forma Historical and Forecast Financial Performance

	Year ended 30 Jun 2006 Historical Pro forma (audited/reviewed accounts) (1)			Half Year ended 31 Dec 2006 Historical Pro forma (audited/reviewed accounts) (1)			Year ended 30 Jun 2007 Forecast (audited/reviewed accounts, Directors' forecasts & pro forma transaction) (2, 3, 4)	Year ended 30 Jun 2008 Forecast (unaudited based on Directors' forecasts) (2)
	EP	RUS	Cons	EP	RUS	Cons		
Revenue	11,418	-	11,418	5,992	-	5,992	12,364	13,161
Cost of Good Sold	3,518		3,518	1,770		1,770	3,683	3,990
<b>Gross Margin</b>	7,900	-	7,900	4,222	-	4,222	8,681	9,171
Expenses								
Sales & Marketing	282	-	282	151	-	151	302	325
Personnel	3,453	-	3,453	1,860	-	1,860	3,650	3,840
Corporate Head Office	-	168	168	-	65	65	225	1,183
General Administration	1,097	-	1,097	594	-	594	1,422	1,427
<b>Administration Expenses</b>	4,832	168	5,000	2,605	65	2,670	5,599	6,775
<b>EBITDA</b>	<b>3,068</b>	<b>(168)</b>	<b>2,900</b>	<b>1,617</b>	<b>(65)</b>	<b>1,552</b>	<b>3,082</b>	<b>2,396</b>
Depreciation								347
Net Interest Income								205
<b>Profit before tax</b>								<b>2,254</b>
Income Tax Expense								676
<b>Net Profit After Tax</b>								<b>1,578</b>
Dividends (Est)								789
<b>Retained Earnings</b>								<b>789</b>

### Notes:

1. Represents aggregated pro forma Income Statements of the 16 optometric practices (collectively referred to as Eyecare Businesses) and the Company for each of the periods ended 30 June 2006 and 31 December 2006. The Income Statements have been derived by extracting the normalised financial information from the unaudited financial statements of each of the Eyecare Businesses and the audited and reviewed financial statements of the Company for the periods.
2. Represents the Director's forecasts for the relevant years adjusted for the key assumptions as set out in section 8.6. FY2007 pro forma includes actual results for the 6 month period to 31 December 2006 and 6 month forecast results to 30 June 2007.
3. FY 2006 and FY 2007 Income Statements have been adjusted to remove the effect of non-recurring and discontinued expenses incurred during the respective years. These costs relate to Vendors'; personal expenses, motor vehicles and leasing arrangements which are to be paid out prior to settlement.
4. The actual result that the Company will report in its annual report for FY 2007 will differ from the pro forma result for the FY 2007 result shown above. The pro forma forecast for FY 2007 includes the aggregation of the Eyecare Businesses for the full 12 months whereas the actual result for FY 2007 will only include the actual result for the Company given the transaction is anticipated to be completed post the year end.

## 8.6 Key Assumptions underlying Directors' Forecasts

The Directors believe they have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

Such assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Directors. This information is intended to assist potential investors to assess the reasonableness and likelihood of the Forecast Financial Information being achieved and is not intended to be a representation that the assumptions or forecast performance will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact may differ to that assumed in the preparation of the Forecast Financial Information, and this may have a

material effect, positively or negatively on future financial performance. Therefore, the Forecast Financial Information should be not taken as a representation or warranty with respect to its accuracy or the accuracy of the best estimate assumptions or that the Company will achieve, or is likely to achieve, any particular results.

## **8.7 Acquisition and Capital Raising Assumptions**

The Forecast Financial Information is based on assumptions which include:

- The successful acquisition of the Eyecare Businesses with an effective date of 1 July 2007;
- The successful completion of the full subscription capital raising that is the subject of this Prospectus; and
- The approval of shareholders at a General Meeting of the resolutions required to give effect to these transactions.

If the acquisition date is delayed, it is likely to have a negative impact on the Company's FY 2008 financial performance.

## **8.8 General Assumptions**

- The Eyecare Businesses will be successfully integrated;
- There is no material change in the existing businesses, economic and competitive environment in which Eyecare Businesses operate, or in the strategies of major competitors;
- There is no acquisition or disposal of practices in the forecast period;
- There are no significant changes in accounting policies prescribed by the Australia Accounting Standards and other mandatory professional reporting requirements which may have a material effect on the Directors' Forecasts;
- There are no material changes in current taxation legislation or other legislation in the jurisdictions in which the Company operates;
- There are no material changes in the current regulatory environment that will have a material effect on the financial results of the Company;
- Appropriate insurance arrangements are available to the Company to mitigate operational risks during the forecast period;
- No significant asset acquisitions or sales other than those set out in this Prospectus;
- There are no further issues of Shares during the forecast period other than those anticipated in this Prospectus;
- There is no material impact from the loss of key personnel or optometry staff; and
- There are no material costs or potentially adverse impacts as a result of litigation, dispute or consumer action to which the Company is or may be a party, including in relation to taxation or other compliance matters.

## **8.9 Specific Assumptions**

- Operating Revenue is forecast to increase over FY 2006 by 8% in FY 2007, based on the actual results to 31 December 2006 and the management assessment of activity to the end of FY 2007;
- Operating Revenue is forecast to increase by 6.5% in FY 2008;
- Cost of Goods Sold comprising of purchases is forecast on the basis of actual to 31 December 2006 and management assessment at 29.8% of revenue for FY 2007
- Cost of Goods Sold is forecast at 30.3% of Revenue for FY 2008;
- Occupancy costs reflect commercial terms in the Forecast Period;
- Employee costs are forecast at approximately 30% of revenues for FY 2007 and FY 2008;
- No intangible asset impairment occurs during the forecast period;
- Interest on cash held on deposit is forecast at 5% pa in FY 2008;

- The corporate tax rate is forecast to remain at 30% during the forecast period; and
- Dividends are forecast to be paid up to an amount of 50% of net profit after tax during the forecast period.

### 8.10 Sensitivity Analysis

The Directors' Forecasts are based on assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Directors. A summary of the key assumptions underlying Directors' forecasts is contained in Section 8.6.

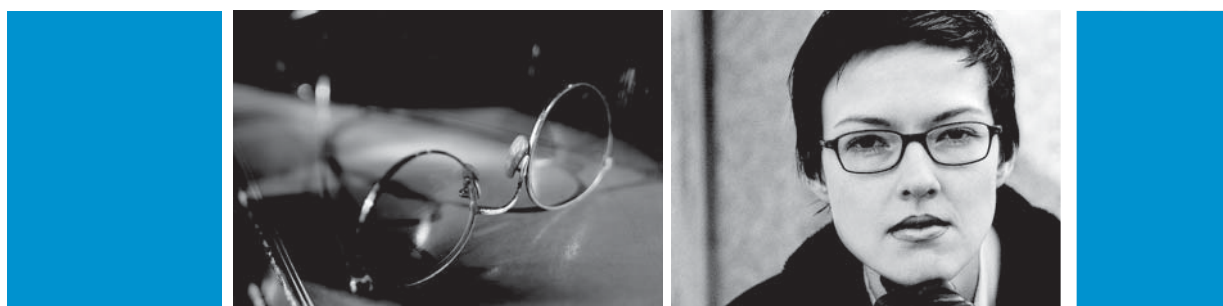
The Directors' Forecasts are considered to be sensitive to movements in a number of key assumptions. Accordingly a summary of the possible impact of movements in certain key assumptions on the forecast net profit after taxation ("NPAT") for FY 2008 is set out below. The changes in the key assumptions set out below are not intended to be indicative of the complete range of variations that may occur. Care should be taken in interpreting this information.

This analysis treats each movement in an assumption in isolation and it is possible that movements in key assumptions would be interdependent. Additionally, it would be usual for the Company to react to any material adverse change in conditions by taking appropriate action to minimise the effect, but this has not been included in the sensitivity analysis below.

<i>Variable</i>	<i>Change</i>	<i>Impact on Forecast NPAT for FY2008 (\$'000)</i>
Revenue	+/- 10%	+/- \$320
Cost of Goods Sold	+/- 5%	+/- \$144
Salaries and wages	+/- 5%	+/- \$143

### 8.11 Actual and Pro forma Balance Sheets

The following table sets out the unaudited actual and pro forma Balance Sheets as at 31 December 2006. The pro forma balance sheet is based on the actual balance sheet of the Company and Eyecare Businesses at as 31 December 2006 adjusted for the acquisitions, capital raised (assuming full subscription) and the following other transactions as set out on the following page:



## 8.12 Pro Forma Balance Sheet

	Note	Eyecare Businesses 31 Dec 2006 \$'000 Unaudited	Company 31 Dec 2006 \$'000 Audited	Pro Forma Transaction	Consolidated Pro Forma 31 Dec 2006 \$'000 Unaudited
<b>CURRENT ASSETS</b>					
Cash assets	8.11	8	-	2,708	2,716
Receivables Trade		336	22	-	358
Receivables Others		11	-	-	11
Inventories		903	-	-	903
Other		80	-	-	80
<b>TOTAL CURRENT ASSETS</b>		<b>1,338</b>	<b>22</b>	<b>2,708</b>	<b>4,068</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant & equipment		1,036	-	-	1,036
Intangible assets		-	-	16,651	16,651
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,036</b>	<b>-</b>	<b>16,651</b>	<b>17,687</b>
<b>TOTAL ASSETS</b>		<b>2,374</b>	<b>22</b>	<b>19,359</b>	<b>21,755</b>
<b>CURRENT LIABILITIES</b>					
Payables Trade		418	-	-	418
Employee Entitlements		292	-	-	292
<b>TOTAL CURRENT LIABILITIES</b>		<b>710</b>	<b>-</b>	<b>-</b>	<b>710</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables		-	322	(322)	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>322</b>	<b>(322)</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>710</b>	<b>322</b>	<b>(322)</b>	<b>710</b>
<b>EQUITY</b>					
Contributed equity	8.12	1,664	16,188	2,058	19,910
Reserves	8.12	-	244	(244)	-
Retained profits		-	(16,732)	16,262	(470)
Options Reserve		-	-	1,605	1,605
<b>TOTAL EQUITY</b>		<b>1,664</b>	<b>(300)</b>	<b>19,681</b>	<b>21,045</b>

The pro forma balance sheet shows a surplus of current assets over current liabilities. The Company will predominantly earn revenue on a cash basis. The Directors are confident the Company has sufficient working capital to meet the future needs of the Company.

The pro forma balance sheet as at 31 December 2006 as set out above assumes the following occurred as at the date:

1. The consolidation of the issued capital of the Company on the basis that every 16 Shares will become 1 Share such that the total number of Shares currently on issue will be reduced from 77,976,693 to approximately 4,873,543 (fractions will be rounded up) following consolidation;
2. The issue of 2,500,000 Shares at \$0.15 each (plus 2,500,000 Options) to raise up \$375,000 which will be utilised in the repayment of an unsecured loan provided by a Director;
3. The issue of 6,666,667 fully paid Shares at \$0.15 each (plus 6,666,667 Options) to raise up \$1,000,000 which will be utilised in the repayment of an unsecured loan raised to fund the re-listing and acquisition process;

4. The acquisition of the Eyecare Businesses by the issue to the Vendors of 78,591,646 Shares at 20 cents (offered pursuant to the Eyecare Partners Offer);
5. The issue of 2,800,000 Options to the Chairman, Managing Director, and other executives under the Option Offer. The Options for the Managing Director and other executives will be subject to vesting conditions and will not vest until at least 1 year after their employment;
6. The issue of 29,593,612 Options to the Principal Vendors in consideration for their efforts in bringing the transaction to fulfilment. The Options have the following performance hurdles:
  - a. 14,796,806 will vest if the EPS of the Company is equal to or greater than 1.6 cents per Share when measured for the financial year ending 30 June 2008; and
  - b. 14,796,806 will vest if the EPS of the Company is equal to or greater than 2.00 cents per Share when measured for the financial year ending 30 June 2009;
7. The issue of 15,000,000 Shares at an issue price of \$0.20 per Share and the issue of 5,000,000 Options pursuant to this Prospectus;
8. The issue of 1,087,190 Shares at \$0.20 per Share and the issue of 470,306 Options to Andersen & York Financial Consulting Pty Ltd for services provided in the implementation of the Transaction – allocated in part to the costs of the Acquisitions and in part to the cost of capital raising under this Prospectus;
9. Payment of capital raising costs including underwriting, legal and accounting fees, independent accountant fees and other prospectus related costs, in total \$432,381 (part in cash and part in shares and options);
10. Payment of acquisition costs including stamp duty (approximately \$744,000) and advisory, accounting and legal fees in total approximately \$1.2m (part in cash and part in shares and options);
11. The issue of remuneration Options as follows:

Recipient	Assessed Value	Number Issued
Chairman	\$ 71,240	1,300,000
Managing Director	\$ 71,500	1,300,000
CFO	\$ 11,000	200,000
Non-executive Director	\$ 16,440	300,000

\* No commitment has been made to issue the proposed options to the Non-executive Director

- The assessed value has been expensed in the pro forma forecast for FY 2007 and FY 2008;
- Receipt of approximately \$192,104 in satisfaction for the transfer of employee entitlements;
- Acquisition of approximately \$1.66 million in net tangible assets of the acquired businesses after the assumption of employee entitlements;
- Payment of ASX Listing Fees (estimated at \$50,000).

It should be noted that the pro forma Statement of Financial Position of the Company at 31 December 2006 assumes that the Options issued pursuant to the Option Offer, and any other options on issue, will not be exercised prior to the Closing Date. Details of the Options granted by the Company can be found at Section 9 of the Prospectus.

### 8.13 Goodwill / Business Combinations

Set out below is a pro forma summary of the values of the assets and liabilities of the 16 optometry practices to be acquired from the various parties, as if the acquisitions had occurred as at 31 December 2006.

<i>Purchase Consideration</i>	(\$'s)
Acquisition Shares	15,718,329
Acquisition Options	1,580,299
Transaction Costs	1,208,758
Less Entitlements Payment	(192,104)
Total Purchase Consideration	<u>18,315,282</u>
<i>Pro Forma assets and liabilities arising from the acquisitions</i>	
Petty Cash	8,170
Receivables	347,156
Inventory	903,121
Investments	79,959
Plant & Equipment	1,035,589
Payables	(417,859)
Entitlements	(292,107)
Net Assets	<u>1,664,029</u>
Goodwill	16,651,253

The above is based on the assets and liabilities of the Eyecare Businesses as at 31 December 2006 and the purchase consideration to be paid by the Company. The actual goodwill / business combination accounting will be determined at the date of the acquisition following the capital raising and acquisition of the optometry practices.

### 8.14 Cash

*The movement in cash as reflected in the pro forma balance sheet as at 31 December 2006 has been determined as follows:*

Cash as at 31 December 2006 (pro forma)	(\$'000)
Proceeds from the issue of shares	3,000
Proceeds from the issue of shares upon the repayment of loans	1,000
Payment of costs associated with the acquisitions and issue of shares	(1,399)
Payment of ASX listing fees and other period costs	(85)
Receipt of payment for the transfer of Employee Entitlements	192
Cash acquired through business combinations	8
Total Pro Forma Cash at 31 December 2006	<u>2,716</u>

## 8.15 Contributed Equity

The movement in contributed equity as reflected in the pro forma balance sheet at 31 December 2006 as been determined as follows:

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Contributed Equity	No. of Ordinary Shares	
	'000	\$'000
Opening Balance	77,977	16,188
Share Consolidation 16 to 1 Reserve	4,873	-
Capital Reconstruction 1	-	244
Capital Reconstruction 2	-	(244)
Subscription for Shares at \$0.15	6,667	(16,156)
Repayment of Directors Loan and Subscription for shares at \$0.15	2,500	1,000
Issue of Shares to Vendors	78,592	375
Issue of Shares pursuant to Prospectus	15,000	15,718
Share Based Fees for Acquisition and Capital Raising	1,087	3,000
Capital Raising Costs	-	217
Options Reserve	-	(432)
Retained Earnings	-	1,605
Total Pro Forma Equity At 31 December 2006	108,719	(470)

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## 8.16 Related Party Transactions

The acquisition has been made possible partly through the acquisition of assets owned by parties related to the Directors of the Company. Details of the transactions relating to the acquisition of the Directors Assets and issue of options to Directors are set out in detail in Section 8.3 of this Prospectus. These and certain other related party transactions are summarised below.

- The acquisition of 5 optometry practices from Dr Anthony Hanks, the acquisition of 4 optometry practices from Dr Anthony Hanks and Adrian Cornale and the acquisition of 1 optometry practice from Dr Anthony Hanks and Natalie Rokic. Payment for the share of the part of those assets sold by Dr Anthony Hanks and for the effort and expenditure in bringing the transaction to a close will be made by the issue of approximately 28.8 million Shares at \$0.20 each and the issue of 11.1 million Options.
- The acquisition of 1 optometry practice from Ray Fortescue. Payment for those assets for the effort and expenditure in bringing the transaction to a close will be made by the issue of approximately 9.0 million Shares at \$0.20 each and the issue of 3.0 million Options.
- The issue of 1.3 million Options to the Chairman (elect) of the Company, Finian MacCana.
- The issue of 1.3 million Options to the Managing Director (elect) of the Company, Sandra (Sam) Andersen, who is also a director of Andersen & York Financial Consulting Pty Ltd.

- The payment of fees for services provided by Andersen & York Financial Consulting Pty Ltd, of which the Managing Director (elect) is a director, to the Company for the implementation of the Transactions. Payment for these services will be made by the issue of approximately 1.08 million Shares at \$0.20 each and 0.47 million Options.
- On completion of the Acquisitions, the Company will lease premises from the following Proposed Directors and / or related entities:

Director	Rental per Annum	Terms & Conditions
AJ Hanks	\$178,440	CPI increase annually
R Fortescue	\$98,476	CPI increase annually

The leases are on commercial terms and conditions.

- The Company will employ Ray Fortescue and Dr Anthony Hanks on employment contracts for a period of 5 years. The contracts have been determined on commercial terms and conditions and are based on the amount of turnover their practices contribute to the revenue of the Company. The contracts are designed to ensure continued effort is applied by the directors in their roles as supervising optometrists to continue to grow the businesses.

### 8.17 Commitments for Expenditure

The Company has not entered into any commitment for expenditure as a result of the Acquisitions. All the assets of the Eyecare Businesses are to be transferred to the Company free of all encumbrances, and all indebtedness and hire purchase arrangements will be paid out by the Vendors prior to transfer.

The Company is currently investigating a project for systems integration with the optometry practices practice management systems. It is envisaged this will require a commitment for funding and the Company plans to lease the software and hardware implementation following its completion.

#### *Remuneration commitment for key management \$'000*

Within 1 year	\$945
Later than 1 year but not later than 5 years	\$2,780
<b>Total</b>	<b>\$3,725</b>

The contracts include usual terms expected in employment agreements including required notification periods for termination by either party to the contract. The contracts for the Vendors have a term of 5 years and the Managing Director's contract has a term of three years.

### 8.18 Summary of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below:

The financial information has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company Industries Ltd as an individual parent entity and the Company Industries Ltd and controlled entities as a consolidated entity. the Company Industries Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

***Historical Cost Convention***

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

**(b) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which the Company Industries Limited controlled from time to time during the year and at balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

**(c) Revenue Recognition**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred.

Interest revenue is recognised on a time proportional basis using the effective rate method.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

All revenue is stated net of the amount of goods and services tax (GST).

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and consumables: purchase cost on a first-in-first-out basis;
- Finished goods and work-in-progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

## **(f) Property, plant and equipment**

### ***Cost and valuation***

Freehold land and buildings are shown at fair value less accumulated depreciation for buildings and accumulated impairment losses.

At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets.

Changes in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in shareholders' equity after bringing to account any capital gains tax that would arise on disposal of that asset.

All other classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

### ***Depreciation***

Land is not depreciated. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2007	2006
Buildings:	40 years	40 years
Plant and equipment:	3 to 10 years	3 to 10 years
Leased plant and equipment:	3 to 5 years	3 to 5 years

## **(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

### ***Finance Leases***

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Income Statement.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

## ***Operating Leases***

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

### **(h) Intangibles**

#### ***Goodwill***

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

#### **(i) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

#### **(j) Taxes**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### ***Tax Consolidation***

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

#### **(k) Employee Benefits**

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within twelve months of the reporting date are

measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

### ***Share-based payments***

The group will operate an employee share option plan and an employee share scheme. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using a Black-Scholes or bi-nomial option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an expense when the employees become entitled to the shares.

## **(l) Financial Instruments**

### ***Classification***

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

### ***Loans and Receivables***

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

### ***Financial Liabilities***

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

## **(m) Foreign Currencies**

### ***Functional and presentation currency***

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

### ***Transactions and Balances***

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that

monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

**(n) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**(o) Rounding Amounts**

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**8.19 Working Capital**

On completion of the Acquisitions, as the Eyecare Businesses to be acquired are cash flow positive, the Company expects to be cash flow positive. The Directors are confident the funds raised under the Prospectus will be sufficient to meet its business objectives.



## 9 INDEPENDENT ACCOUNTANT'S REPORT



21 June 2007

The Chairman  
Ruskin Industries Limited  
Level 37 Riverside Centre  
123 Eagle Street  
QLD 4000  
Brisbane

Dear Chairman,

## Independent Accountant's Report on Financial Information

We have prepared this Report on the pro forma historical financial information for the financial year ended 30 June 2006 and forecast financial information for the financial year ending 30 June 2007 and 2008 of Ruskin Industries Limited (the Company) for inclusion in a prospectus dated on or about 21 June 2007 relating to the issue of 15,000,000 shares (full subscription and acceptance of oversubscriptions of up to an additional 10,000,000 shares) with one (1) free attaching option for every three (3) shares issued at an issue price of 20 cents per share to raise \$3,000,000 (and a maximum of \$5,000,000) (the "Prospectus").

Expressions defined in the Prospectus have the same meaning in this report.

This report is prepared in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" and ASIC Policy Statement 170 "Prospective Financial Information". The nature of this report is such that it can be given only by an entity which holds an Australian Financial Services Licence. BDO Kendalls Corporate Finance (Vic) Pty Ltd ("BDO") holds the appropriate Australian Financial Services Licence (Licence No. 222438) under the Corporations Act 2001.

### Background

The background of the offer is outlined in section 2 of the Prospectus.

### Scope

We have been requested to prepare an Independent Accountant's Report (the Report) covering the following information in Section 8 of the Prospectus.

### *Historical Financial Information*

- (a) the pro forma historical aggregated Income Statement of the Company for the year ended 30 June 2006;
- (b) the pro forma historical aggregated Income Statement of the Company for the half year ended 31 December 2006; and
- (c) the proforma balance sheet of the Company as at 31 December 2006;

(collectively the "Historical Financial Information").

**Forecast financial information**

- (a) the Directors' forecast aggregated Income Statement for the year ending 30 June 2007; and
  - (b) the Directors' forecast aggregated Income Statement for the year ending 30 June 2008;
- (collectively the "Directors' Forecasts").

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Directors' Forecasts to which it relates for any purposes other than for which it was prepared.

**Scope of Review of Historical Financial Information**

The Historical Financial Information set out in Section 8 of the Prospectus relating to performance and FY 2007 forecast comprises an aggregate of the unaudited Income Statements of 16 optometry practices to be acquired by the Company on completion of this Offer, as if those businesses were owned and operated by the Company from 1 July 2005. The historical financial information relating to FY 2006 does not include any benefits or costs associated with operating as a listed public company or as a consolidated group which have been incorporated in the Forecasts.

The Directors are responsible for the preparation of the Historical Financial Information, including determination of the pro forma transactions.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, consider reasonable in the circumstances, including:

- an analytical review of the Income Statements of the Company and of the 16 optometry practices to be acquired for the relevant historical period;
- a review of work papers, accounting records and other documents;
- a review of the assumptions and the pro forma transactions used to compile the Historical Financial Information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and the accounting policies adopted by the Company discussed in Section 8.15 of the Prospectus; and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Review Statement on the Historical Financial Information**

Based on our review of the Historical Financial Information, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma balance sheet has not been properly prepared on the basis of the pro forma transactions;
- the pro forma transactions do not form a reasonable basis for the preparation of the pro forma Balance Sheet
- The Historical Financial Information, as set out in Section 8 of the Prospectus does not present fairly:

- (a) the pro forma historical aggregated Income Statement of the Company for the year ended 30 June 2006;
- (b) the pro forma historical aggregated Income Statement of the Company for the half year ended 31 December 2006; and
- (c) the proforma balance sheet of the Company as at 31 December 2006;

in accordance with the recognition and measurement principles prescribed in Accounting Standards, and accounting policies adopted by the Company discussed in Section 8.15 of the Prospectus.

#### **Scope of review of Forecast Financial Information**

The Forecast Financial Information set out in Section 8 of the Prospectus comprises an aggregate of the unaudited Income Statements of 16 optometry practices to be acquired by the Company on completion of this Offer, as if those businesses were owned and operated by the Company from 1 July 2005. The forecast financial information relating to FY 2007 does not include any benefits or costs associated with operating as a listed public company or as a consolidated group which have been incorporated in the Forecasts.

The Directors are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions on which they are based.

Our review of the best estimate assumptions underlying the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards, and the accounting policies of the Company discussed in Section 8.15 of the Prospectus so as to present a view of the Company which is consistent with our understanding of the past, current and future operations of the Company and the 16 optometry practices to be acquired.

The Forecasts have been prepared by the Directors to provide investors with a guide to the potential future financial performance of the Company based on the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the risk factors set out in Section 7 of the Prospectus.

Our review of the Forecasts, which are based on best estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

#### **Review statement on the Forecasts**

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 8.6 of the Prospectus do not provide a reasonable basis for the preparation of the Forecasts;

- (b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards, and the accounting policies adopted by the Company in Section 8.15 of the Prospectus; and
- (c) the Forecasts are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

**Subsequent events**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company not described in the Prospectus have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

**Independence or Disclosure of Interest**

BDO does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

**BDO Kendalls Corporate Finance (VIC) Pty Ltd**



**JOHN BLIGHT**  
DIRECTOR



**MICHAEL SMITH**  
DIRECTOR

## FINANCIAL SERVICES GUIDE

BDO Kendalls Corporate Finance (Vic) Pty Limited ABN 82 065 203 492 (“BDO Corporate Finance”) has been engaged to issue general financial product advice in the form of a report to be provided to you.

### Financial Services Guide

The Corporations Act 2001 requires BDO Corporate Finance to provide this Financial Services Guide (“FSG”) in connection with its provision of a report (“Report”) that is included in a document (“Disclosure Document”) provided to investors by the company engaging BDO Corporate Finance to prepare this report (the “Company”). The FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The matters covered by the FSG include:

- who BDO Corporate Finance is and how to contact BDO Corporate Finance;
- what services BDO Corporate Finance is authorised to provide;
- how BDO Corporate Finance, staff and associates are remunerated in relation to general financial product advice;
- any relevant associations or relationships; and
- BDO Corporate Finance’s complaints handling procedures and how you may access them.

### The financial services BDO Corporate Finance is licensed to provide

BDO Corporate Finance holds Australian Financial Services Licence No. 222 438 authorising it to provide financial product advice to wholesale and retail clients on securities and interests in managed investments schemes.

BDO Corporate Finance provides general financial product advice by virtue of an engagement to issue the Report in connection with a financial product of another entity. The Report includes a description of the terms and circumstances of our engagement and identifies the entity that has engaged us. You have not engaged us directly but you will be provided with a copy of the Report as a potential investor as a result of the circumstances surrounding BDO Corporate Finance’s engagement to produce the Report.

BDO Corporate Finance provides the Report as a financial services licensee authorised to provide the financial product advice contained in the Report.

### General financial product advice

BDO Corporate Finance’s Report provides only general financial product advice. BDO Corporate Finance’s Report does not provide personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

Before you act on this general advice you should consider the appropriateness of the advice having regard to your own objectives, financial situation and needs. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### Payments to BDO Corporate Finance for services provided

BDO Corporate Finance charges fees for providing reports. The fees are agreed and paid by, on either a fixed fee or time cost basis and paid by the entity that engages us to provide a report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of a report.

### Remuneration or other benefits received by our employees

All BDO Corporate Finance employees and directors receive salaries, bonuses and other benefits from BDO Corporate Finance. Any bonuses paid by BDO Corporate Finance to employees are based on overall productivity and are not directly connected with any engagement for the provision of a report.

**Referrals**

BDO Corporate Finance does not pay commissions or provide any other benefits to any person for referring clients to us in relation to the reports that we are licensed to provide.

**Associations and relationships**

BDO Corporate Finance is wholly owned by, and operates as part of the professional advisory and accounting practice of BDO Kendalls (Vic) Pty Ltd.

From time to time BDO Corporate Finance and/or its related entities may provide professional services, including audit, taxation and financial advisory services, to financial product issuers in the ordinary course of business.

**Independence**

BDO Corporate Finance is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993.

BDO Corporate Finance operates independently of the interstate members of BDO International in Australia.

**Complaints resolution**

As the holder of an Australian Financial Services Licence, BDO Corporate Finance is required to operate a system for handling complaints from persons to whom BDO Corporate Finance provides financial product advice. Any complaints can be made, in writing, addressed to Vin Brown, BDO Kendalls Corporate Finance (Vic) Pty Ltd, Level 30, 525 Collins Street, Melbourne, Victoria, 3000.

Upon receipt of a written complaint the matters raised will be investigated and as soon as practicable the complainant will be advised in writing of BDO Corporate Finance's determination.

A complainant not satisfied with the outcome of the above process, or BDO Corporate Finance's determination, has the right to refer the matter to Financial Industry Complaints Service Limited ("FICS") on 1300 78 08 08. FICS is an independent company established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting FICS directly at the address set out below:

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007

You can also contact the Australian Securities and Investments Commission (ASIC) on 1300 300 630 to make a complaint or obtain information about your rights.

If you believe your privacy has been compromised, please contact us immediately. We will respond to all complaints within two (2) days and aim to have them resolved within ten (10) days. Where this is not possible, you will be contacted and advised when it is likely your complaint will be resolved.

Additionally, you are entitled to contact the Privacy Commissioner if you believe there has been an interference with your privacy. The Office of the Federal Privacy Commissioner can be contacted on 1300 363 992 or [privacy@privacy.com.au](mailto:privacy@privacy.com.au)

**BDO Corporate Finance contact details**

Telephone:	8320 2222	Street address:	Level 30, 525 Collins Street Melbourne VIC 3000
Facsimile:	8320 2200		
E-mail:	<a href="mailto:vin.brown@bdo.com.au">vin.brown@bdo.com.au</a>	Postal address:	GPO Box 4736 Melbourne VIC 3001

## 10 ADDITIONAL INFORMATION

### 10.1 Incorporation

The Company was registered in Victoria on 12 December 1985 as a public company limited by shares.

### 10.2 Balance Date and Tax status

The accounts balance date of the Company will be 30 June of each year. The Directors expect that the Company will be taxed in Australia as a public company.

### 10.3 Rights attaching to Shares

There is only one class of shares in the Company, fully paid ordinary shares (Shares).

The rights attaching to shares in the Company are:

- (a) set out in the constitution of the Company, a copy of which is available for inspection at the principal place of business of the Company; and
- (b) in certain circumstances, regulated by the *Corporations Act 2001* (Cth), the Listing Rules, the SCH Business Rules and the general law.

The following is a summary of the principal rights of the holders of Shares in the Company.

#### **Voting**

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and for every partly paid share registered in such shareholder's name on the Company's share register, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, whether or not called (excluding amounts credited), on the share.

A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative having the right to vote at the meeting or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of the shares of all those shareholders having the right to vote at that meeting.

#### **Dividends**

Dividends are payable out of the Company's profits and are declared or determined to be payable by the directors. Dividends declared will be payable on the shares at a fixed amount per share.

#### **Transfer of Shares**

A shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the directors.

The directors of the Company may refuse to register any transfer of shares, other than a Proper ASTC Transfer where permitted by the Listing Rules. The Company must not refuse or fail to register or give effect to or delay or in any way interfere with a Proper ASTC Transfer of shares or other securities.

### ***Meetings and notice***

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

### ***Liquidation rights***

The Company has only one class of shares on issue, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders, divide among the shareholders at the time the whole or any part of the remaining assets of the Company. The liquidator may with the sanction of a special resolution of the Company vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

### ***Issue of Further Shares***

The Directors may allot, issue, grant options in respect of, further shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the Corporations Act, Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

### ***Dividend Reinvestment Plan and Bonus Share Plan***

The Constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company) and bonus share plans (whereby any member may elect to forgo any dividends payable on all or some of the Shares held by that member and to receive instead fully paid ordinary shares in the Company).

### ***Share Buy Backs***

Subject to the provisions of the Corporations Act and Listing Rules, the Company may buy back Shares in itself on the terms and at times to be determined by the Directors.

### ***Variation of Class Rights***

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied, cancelled or modified:

- (a) with the written consent of members with at least 75% of the votes in that class; or
- (b) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in that class of shares the rights of which have been varied, cancelled or modified, may apply to the court to have the variation, cancellation or modification set aside.

### ***Shareholder liability***

As the shares offered under the Prospectus are fully paid shares, they are not subject to any calls for money by the directors and will therefore not become liable for forfeiture.

### ***Alteration of constitution***

The constitution can only be amended by a special resolution passed by at least 75% of shareholders present and voting at the general meeting. At least 28 days written notice of the special resolution must be given.

### ***Listing Rules***

If and while the Company is admitted to the Official List of ASX, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## **10.4 Rights attaching to Options**

All the Options to be issued under the Material Contracts (or as part of the Transaction) and the Offers will have an exercise price of \$0.20 and a final date for exercise of 30 September 2010. Set out below are details of the material terms of the Options.

- No amount will be payable on issue of the Options.
- Subject to the attaching vesting conditions (if any), each Option is exercisable during the period commencing on the date the Company grants the Option (**Issue Date**) and concluding at 5.00pm (AEST) on 30 September 2010 (**Expiry Time**).
- The exercise price of the Options is \$0.20.
- The Options are transferable.
- Holders are not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.
- If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for determining entitlements to the issue.
- If the Company makes a pro rata issue of shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the Listing Rules.

- If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the holder (including the number of Options to which the holder is entitled and/or the Exercise Price) must be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- Any calculations or adjustments to the exercise terms which are required to be made subsequent to a reorganisation will be made by the Board and will, in the absence of error, be final and conclusive and binding on the Company and the holder.
- The Company must within a reasonable period give to the holder notice of any change to the Exercise Price of any Options held by the holder or the number of Shares for which the holder is entitled to subscribe on exercise of an Option.
- A holder may only exercise Options in multiples of 1,000 unless the holder exercises all Options held by the Holder.
- Options will be deemed to have been exercised on the date the Exercise Notice is delivered to the Company.
- Subject to the Company's constitution, all Shares issued on exercise of the Options rank in all respects (including rights relating to dividends) equally with the existing Shares at the date of issue of those Shares.
- The Company will apply to ASX for official quotation of the Options. No guarantee can be given that ASX will grant quotation of the Options.
- The terms and the rights and obligations of the holders are governed by the laws of Victoria, Australia. Each participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

## 10.5 Legal proceedings

The Directors are not aware of any litigation pending or threatened which may materially affect the business or financial position of the Company.

## 10.6 Material Contracts

The Directors consider that certain contracts would reasonably be considered to be significant or material to the Company or are of such a nature that investors and their professional advisers would reasonably expect to find described in a Prospectus for the purpose of making an informed assessment of the Offer (**'Material Contracts'**).

The main provisions of the Material Contracts are summarised below. As this section contains a summary only of the Material Contracts, the provisions of each contract are not fully described. To understand fully all rights and obligations pertaining to the Material Contracts, it will be necessary to read them.

### ***Acquisition Agreements – Eyecare Businesses***

Eyecare Operations Pty Ltd (Eyecare Operations), a wholly subsidiary of the Company, has entered into conditional agreements with all of the Vendors (refer to the table below) for the purchase of the 16 optometry practices (Eyecare Businesses) located in New South Wales and Queensland.

The terms of the acquisition agreements are similar for all Acquisitions. The key terms of the Acquisitions are the same for the transaction with each Vendor, and are summarised below. At the conclusion of the summary the table lists each of the practices, its location and purchase consideration.

- The sale of the assets of the optometry practices is subject to certain conditions including:
  - consents of all parties requires to the assignment of the right to occupy the premises at which the optometry practice is conducted and assignment of this right to Eyecare Operations from each Vendor;
  - ASX issuing or providing such consents or approvals, including approval to the reinstatement of the Shares to official quotation on ASX (subject only to the usual conditions on which such approvals are given by ASX);
  - the Company raising not less than \$1,000,000 by an issue of Shares at \$0.20 per Share under this Prospectus;
  - the Vendors procuring all necessary consents to transfer the Eyecare Plus shares to Eyecare Operations;
  - all property, rights and assets that are used or are necessary for the continued operation of the Business being transferred to the Vendor, to the reasonable satisfaction of the Purchaser.
- The purchase price for each optometry practice is set out in the table below (to be adjusted for employee entitlements).
- The purchase price will be satisfied by the Company delivering on behalf of Eyecare Operations fully paid ordinary shares in the Company. In some cases, Options will also be issued to the relevant Vendors.
- Assets being purchased by Eyecare Operations include cash, plant and equipment, customer lists, the benefit of all existing contracts, stock, business contracts, Eyecare Plus shares and membership, property leases and certain intellectual property rights. Motor vehicles, personal investments of the Vendors and freehold property have not been purchased by Eyecare Operations.
- As part of each Acquisition, each of the individual Vendors will execute employment contracts with Eyecare Operations.
- Eyecare Operations will make offers to all of the employees of the Vendors and will assume the annual leave (including loading), sick leave and long service leave obligations relating to those employees who accept these offers.

The asset sale agreements contain provisions typically found in agreements of this nature including warranties given by the Vendors. In particular, the Vendors who are partnerships and trusts have given warranties regarding the capacity to perform the obligations under the agreement.



Vendor	Location	Purchase Price	Shares in Ruskin	Options over Ruskin shares
Anthony Hanks	Keperra, Springwood, Proserpine, Cannonvale, Gympie	\$3,564,342	17,821,710	11,107,927
Anthony Hanks and Adrian Cornale (Partnership)	Port Macquarie (William St, Horton St and Settlement City Shopping Centre), Wauchope	\$1,715,648	8,578,238	Nil
Anthony Hanks and Natalie Rokic (Partnership)	Mackay	\$1,384,767	6,923,835	Nil
Peter Rose and Jaianti Pty Ltd (on its own behalf and as trustee for the Peter Rose Family Trust)	Nowra and Kiama	\$4,325,990	21,629,948	9,366,375
Peter Rose, Tony Ireland and EC Plus Pty Ltd (on its own behalf and as trustee for the Rose Ireland Trust)	Ulladulla	\$1,293,835	6,469,177	Nil
Mark Flanders	Young and Cootamundra	\$1,625,580	8,127,900	6,105,698
Raymond Fortescue and Wetahall Pty Ltd (on its own behalf and as trustee of the Fortescue Family Trust)	Ramsgate Beach	\$1,808,167	9,040,838	3,013,612

### **Loan Agreements**

To fund the costs of undertaking the Transaction, persons associated with or identified by the Principal Vendors and the Directors (**Lenders**) provided loan funds to the Company of \$1,000,000 under Loan Agreements. Each of the Loan Agreements with the Lenders (dated in May 2007) is on identical terms. The material terms of the Loan Agreements are:

- *Repayment:* On the earlier of the date that the Transaction is completed or 31 July 2007.
- *Conversion:* If approved by the Shareholders, and the Transaction completes, at the option of either the Company or the relevant Lender, the obligation of the Company to repay the Loans may be satisfied (by repayment and subsequent subscription of the funds repaid) by the issue of Shares at an issue price of \$0.15 per Share. The Shares will be issued post the Share consolidation. In addition, each Lender will also receive one free attaching Option for each Share issued in satisfaction of its Loan. It is the intention of the Company to exercise its right of conversion on completion of the Acquisitions.

- *Interest:* The Loans will be interest free except if not repaid or converted into Shares (as detailed above).

### ***Existing Unsecured Loan Agreement***

Subsequent to the termination of the Deed of Company Arrangement in September 2003, the Company has been funded by unsecured loans advanced by O'Mara Management Pty Ltd, an entity associated with a Director (and the Company's major Shareholder), Peter O'Mara. The loan balance at 31 December 2006 was \$321,724. It is expected the loan balance at completion of the Transaction will be approximately \$375,000.

The Company has entered into an agreement with O'Mara Management Pty Ltd dated in May 2007 (Existing Unsecured Loan Agreement). The material terms of the Existing Unsecured Loan Agreement provide that, subject to Shareholder approval, the obligation of the Company to repay the loan to O'Mara Management Pty Ltd may be satisfied by the issue of Shares at an issue price of \$0.15 per Share. The Shares will be issued post the Share consolidation.

In addition, in recognition of the support of the Company by O'Mara Management Pty Ltd and its agreement to accept Shares in satisfaction of its existing loan, one free attaching Option for each Share issued will be granted to O'Mara Management Pty Ltd.

Shareholders should note that the maximum liability of the Company in respect of the loan is \$375,000. To the extent that any further monies may be due to O'Mara Management Pty Ltd under the Existing Unsecured Loan Agreement, the excess over \$375,000 will be forgiven.

### ***Intercreditor Deed***

The Lenders and O'Mara Management Pty Ltd have entered into an Intercreditor Deed dated 27 May 2007 under which O'Mara Management Pty Ltd has agreed, in the event the Transaction does not proceed, to subordinate any claim it may have to repayment of its existing unsecured loan to the Company to the unsecured loans made by the Lenders under the Loan Agreements.

### ***Employee Incentive plans***

On completion of the Transaction, the Company intends to introduce an employee share option incentive plan for its senior executives (Key Employee Option Plan). Under the proposed plan, the senior executives of the Company will be awarded options as determined by the Board. The details of the Key Employee Share Option Plan are set out below:

#### ***Key Employee Share Option Plan***

The purpose of the Key Employee Share Option Plan is to recognise and reward executives and other senior employees selected by the Board who have contributed to, or are expected to contribute to, the success of the Company. The Plan is designed to provide an incentive for the participating executives to achieve the long term objectives of the Company and to improve the performance of the Company.

Under this Plan, eligible executives will be allocated options entitling the holder to subscribe for Shares. The options will generally be subject to vesting and exercise restrictions (to be determined by the Board at the time of issue / acquisition).

The options will be issued by the Company to a plan trustee who will allocate them to the participants nominated by the Board. The options will have an exercise price and final exercise date determined by the Board at that time. It is expected that the exercise price will be at or in excess of the prevailing price of the Shares (as traded on ASX) at the date of allocation. On exercise, the resulting Shares will rank equally in all respects with the existing Shares.

The Board will retain discretion to allow vested options to be exercised and Shares acquired or cancelled for monetary consideration equivalent to their value. The Board will also retain discretion to waive the vesting conditions under certain limited circumstances.

The Board, at its absolute discretion, will determine eligibility to participate. Executives and employees who join the Company or one of its subsidiaries after the date of commencement of the Plan may also be eligible.

The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. While not limiting the Board's discretion, the performance criteria would generally be focused on the key financial and other performance measures set by the Company.

It is also expected that options allocated to an executive under this Plan will not be vested in the executive until the performance criteria have been satisfactorily achieved (subject to the overriding discretion of the Board to waive or modify vesting conditions).

An employee who participates in the Plan in a particular financial year cannot also participate in the Exempt Share Plan or Deferred Share Plan.

The maximum number of options to be offered annually to Participants under the Plan must be reasonable in terms of the Participant's total remuneration and the performance of the Company.

The Directors intend to also introduce two employee share plans (Exempt Share Plan and Deferred Share Plan). The plans will be broad based reward and incentive schemes for all employees. The details of the plans are set out below:

The Plans are designed to provide employees generally with an ownership interest in the Company and to provide additional incentives for employees to increase profitability and returns to Shareholders. Summaries of the Plans are set out below for the information of Shareholders.

### ***Exempt Share Plan***

The Plan is designed to meet the criteria for \$1,000 per annum tax exempt share benefits available to employees under section 139BA of the Income Tax Assessment Act 1936.

Under the Exempt Share Plan, eligible employees will be provided with fully paid Shares for no consideration in addition to their current remuneration. The Company will determine the number of Shares to be allocated in each financial year. It is anticipated that employees participating in the initial offer under this Exempt Share Plan will receive Shares of a value of \$1,000.

The Shares will be sourced from new issues of Shares or be purchased on market at the relevant price at date of purchase. The Shares will rank equally in all respects with the existing Shares of the Company. It is intended that the Shares will be held by a trustee on behalf of each participating employee.

All full time or part time permanent employees of the Company will be eligible to participate in the offers made under the Exempt Share Plan. As a general rule, to be eligible to participate in offers, employees will be required to have had 12 months continuous service.

While employed by the Company, any Shares allocated to an employee under the Exempt Share Plan cannot be sold within three years of the initial allocation date.

### ***Deferred Share Plan***

The Deferred Share Plan will allow Shares to be acquired by or issued to eligible employees (and senior management). This may be the result of 'salary sacrifice', 'bonus sacrifice', other payment / reward arrangements or for nil consideration. It is intended that the awards of Shares under the Deferred Share Plan will be structured in a way that permits the recipients to access the tax deferral concessions for employees afforded by the employee share scheme taxation provisions (contained in Division 13A of the *Income Tax Assessment Act 1936*). If an issue of Shares qualifies for a tax deferral, no tax is payable by the employee on the benefit received (in the form of the Shares) until the cessation time (as defined in the applicable tax legislation).

It is anticipated that Shares under the Plans will be issued or allocated to employees:

- (i) subject to time-based or performance-based vesting conditions; and
- (ii) on terms that specifically allow employees (and directors, if participants) to obtain tax deferral on their Share acquisitions (if desired) under the employee share scheme taxation provisions, by use of transfer restrictions and forfeiture of ownership conditions.

It is intended that Shares to be issued under the Plan will be new Shares or, where dilution of Shareholders is not desired, Shares may be acquired on market acquisitions;

The Plans permit the Company to provide financial assistance to employees, with both any interest free loans to employees for the purpose of solely acquiring Shares being exempt from fringe benefits tax and any interest payable on borrowings by the Company to fund the acquisition of Shares for allocation to the employees under the Plans being deductible from the date of allocation of the shares to the respective employees.

As a general rule, the Deferred Share Plan will require employees to pre-qualify to be allocated Shares under the Plan. The conditions of issue of Shares under the Plan will also generally require that employees retain their Shares for an agreed period (prior to vesting). Failure to do so will often result in forfeiture of the Shares.

The Company will allocate Shares / options (to a maximum (in number) of 10% of the Company's outstanding Shares at any time) to employees under the above Plans.

### ***Consulting Services Agreement***

Under a Consulting Services Agreement, the Principal Vendors engaged a consultant, Andersen & York Financial Consulting Pty Ltd (AYFC), an entity associated with the managing director elect, Sandra (Sam) Andersen, to assist them in the structuring and completion of the Transaction. The Company has agreed to pay the success based fee to AYFC under that agreement. The material terms of the Consulting Services Agreement include an obligation of the Company to pay a fee (in Shares and Options) on successful completion of the Transaction. The number of Shares to be issued to AYFC on successful completion of the Transaction is equivalent in number to 1% of the total number of Shares on issue in the Company at completion of the Transaction. In addition, AYFC will also receive Options equivalent in number to 1% of the total number of Options on issue in the Company at completion of the Transaction. Please also refer to section 8.16. Based on present expectations, 1,087,190 Shares and 470,306 Options will be issued to AYFC.

### ***Deeds of Indemnity, Insurance and Access***

The Company will enter into a deed with each of the Directors (the Current Directors and Proposed Directors) under which the Company agrees to maintain an insurance policy for each Director, for at least 7 years after the Director ceases to hold office, and to indemnify (to the extent permitted by the Corporations Act and the law generally) each Director for any liability and loss (including legal costs) incurred by the Director as an officer of the Company. The indemnity does not cover losses arising out of conduct on the part of the Director that involves a lack of good faith or which is contrary to express company instructions. The Company agrees to provide each Director with access to Board documents circulated during the Director's term of office.

### **10.7 Interests of Directors and promoters**

Other than as set out below or elsewhere in this Prospectus:

- no Director, Proposed Director or promoter of the Company holds or has held in the two years before the date of this Prospectus, any interest:
  - in the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
  - the Offer; and
  - no amount has been paid or agreed to be paid and no value or any benefit has been given or agreed to be given to any Director, Proposed Director or promoter of the Company:
  - to induce them to become, or to qualify them as, a director of the Company; or
  - for services that he or she has provided in connection with the formation or promotion of the Company or the Offer.

### ***Shareholding qualifications***

The Directors are not required to hold any Shares in the Company as a prerequisite to appointment as a Director.

### ***Remuneration of Directors***

The Constitution provides that the non-executive Directors may be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of \$500,000 per annum or such other maximum amount determined from time to time by the Company in general meeting. The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

A Director is entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Company.

Under the Constitution, the remuneration of executive Directors may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits, including by way of a commission on, or a percentage of, operating revenue of the practices overseen by the relevant executive Director.

Subsequent to completion of the Acquisitions, each of Sandra Andersen, Dr Anthony Hanks and Raymond Fortescue (each a Proposed Director) will become an executive Director of the Company and will receive a salary and other benefits as an employee of the Company. The agreements are for 5 years (Hanks and Fortescue) and 3 years (Andersen) and are on commercial terms that are commensurate with the salaries and other benefits paid to senior management staff in the optometry industry and in companies of a size and structure of the Company. Investors should note that the employment agreements include contractual entitlements that provide for the executive Directors to participate in the Key Employee Share Option Plan and to be paid performance bonuses (as determined by the Board). The Agreements also include restraints on outside activities, restrictive covenants and rights that permit the agreements to be terminated in certain limited circumstances.



### **Directors' Share and option holdings**

Set out below are details of the interests of the Directors and Proposed Directors in the securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly, and in the case of the post Acquisition and Capital Raising interests that the relevant Director or Proposed Director subscribes for Shares in the Capital Raising for the maximum number of Shares permitted to be subscribed for by that person (as noted in the paragraphs following the table).

<b>Director</b>	<b>Pre-Capital Reorganisation</b>		<b>Post Acquisition and Capital Raising</b>	
	<b>SHARES</b>	<b>OPTIONS</b>	<b>SHARES</b>	<b>OPTIONS</b>
<b>Current Directors</b>				
Peter O'Mara	17,467,343	-	4,700,042	3,291,667
Finian MacCana	-	-	1,166,667	2,133,333
David Johnson	-	-	291,667	208,333
<b>Proposed Directors</b>				
Dr Anthony Hanks	-	-	29,327,226	11,941,261
Sandra Andersen	-	-	1,753,857	2,436,973
Raymond Fortescue	-	-	10,707,504	4,013,613

Investors should note that the Directors and Proposed Directors reserve the right to participate in the Offer. At the General Meeting, the approval of the Shareholders has been sought to a resolution that will permit the Directors and Proposed Directors to participate in the Offer as follows:

- Peter O'Mara – up to 500,000 Shares and 166,667 Options;
- David Johnson – up to 125,000 Shares and 41,667 Options;
- Finian MacCana - up to 500,000 Shares and 166,667 Options;
- Dr Anthony Hanks - up to 500,000 Shares and 166,667 Options; and
- Raymond Fortescue - up to 1,000,000 Shares and 333,333 Options.

As detailed elsewhere in the Prospectus, the Directors and Proposed Directors also have the following interests:

- two of the Proposed Directors, Dr Anthony Hanks and Raymond Fortescue, are Vendors and will be recipients of Shares and Options under the Acquisition Agreements. Details of the Shares and Options to be issued (post the Capital Reorganisation) to Dr Anthony Hanks and Raymond Fortescue on completion of the Acquisitions are set out in section 8.3;
- under the Loan Agreements, entities associated with the following related parties of the Company will be issued Shares (at an issue price of \$0.15 per Share) and Options in the Company (post the Capital Reorganisation) as follows:

- Finian MacCana - 666,667 Shares and an equivalent number of Options;
- Dr Anthony Hanks - 666,667 Shares and an equivalent number of Options;
- Raymond Fortescue - 666,667 Shares and an equivalent number of Options;
- Sandra Andersen - 666,667 Shares and an equivalent number of Options;
- Peter O'Mara - 633,333 Shares and an equivalent number of Options; and
- David Johnson – 166,667 Shares and an equivalent number of Options.

In certain circumstances, the above Directors and Proposed Directors may also be paid interest under the Loan Agreements.

- under the Existing Unsecured Loan Agreement, post the Capital Reorganisation, O'Mara Management Pty Ltd, an entity associated with a Director, Peter O'Mara, will be issued up to 2,500,000 Shares at an issue price of \$0.15 per Share and an equivalent number of free attaching Options.
- Under the Consulting Services Agreement, AYFC, an entity associated with the Proposed Director, Sandra (Sam) Andersen will receive Shares and Options as detailed in sections 1.7 and 10.6.
- Under the Key Employee Share Option Plan, each of the following, Finian MacCana and Sandra (Sam) Andersen, will be granted 1,300,000 Options. The Options to be granted to Ms Andersen will be subject to exercise restrictions.
- After the Acquisitions are completed, the executive Directors, namely Ms Andersen, Dr Anthony Hanks and Raymond Fortescue, as part of their employment remuneration, will be offered the opportunity to participate in the Key Employee Share Option Plan (as summarised in section 10.6).
- The Company also expects that its non-executive Directors, as a component of their remuneration, will be issued Options (for no monetary consideration). It is expected the Options will be also issued under the Key Employee Share Option Plan and subject to terms and conditions of that Plan.
- No decision has been made to date on the likely participation of the Directors under the Plan. In accordance with the ASX Listing Rules, no Options will be issued to the Directors under the Plan without Shareholder approval of the number of Options and the terms of issue.
- In accordance with the Constitution and to the extent permitted by the law:
  - the Company will indemnify its Directors and officers for any liability to persons other than the Company and its related companies that they may incur while acting in the capacity of an officer of the Company, except where the liability arises out of conduct including a lack of good faith, dishonesty or breach of the law; and
  - the Company may pay insurance premiums in respect of the contract insuring the Directors and other officers of the Company (and its subsidiaries) against any liability incurred by those Directors and/or officers in their capacity as officers of the Company or its subsidiaries, except in the circumstances prohibited by the Corporations Act.

## 10.8 Interests of professionals, experts, advisers and promoters

Other than as set out below or elsewhere in this Prospectus:

- no persons named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or as a promoter of the Company has, or during the last two years before the date of this Prospectus has had, any interest in:
  - in the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
  - the Offer; and
- no amount, whether in cash or shares or otherwise, has been paid or agreed to be paid and no value or benefit has been given or agreed to be given to any person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services provided in connection with the formation or promotion of the Company or the Offer.

**BDO Kendalls Corporate Finance (Vic) Pty Ltd** has acted as Independent Accountant to the Offer and has prepared the 'Independent Accountant's Report' ('**IA Report**') contained in Section 9 of this Prospectus and performed work in relation to due diligence enquiries concerning the historical and forecast financial information included in the Prospectus. The Company has paid or agreed to pay estimated fees of approximately \$100,000 (plus out of pocket expenses) in respect of services performed in relation to the Prospectus. Further amounts may be paid to BDO Kendalls Corporate Finance (Vic) Pty Ltd in accordance with its usual time based charge out rates.

**Minter Ellison** has acted for the Company as its legal adviser in respect of the Offer. The Company has paid or agreed to pay Minter Ellison estimated fees of approximately \$100,000 in respect of services performed in relation to the Offer and the Prospectus. Further amounts may be paid to Minter Ellison for other legal services provided in relation to the Acquisitions in accordance with its usual time based charge out rates.

**AYFC** has acted as corporate adviser to the Principal Vendors in relation to the Transaction. The Company has agreed to pay its fees as detailed in the Consulting Services Agreement. The fees are detailed in section 10.6.

**Computershare Investor Services Pty Limited** (Computershare) has been engaged by the Company to maintain its share register, both in relation to the Offer and generally. The Company will pay Computershare fees in accordance with Computershare's standard commercial terms. Computershare has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry of the Company. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

**Pitcher Partners** is the auditor of the Company and audited the historical financial statements of the Company from which the information included in section 8 of the Prospectus has been extracted. The Company has paid or agreed to pay the fees of Pitcher Partners in respect of services performed in relation to the audits of the Company in accordance with its usual time based charge out rates.

## 10.9 Consents to the inclusion of information

Each of the parties referred to in this section:

- does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties, other than as specified in this section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

**BDO Kendalls Corporate Finance (Vic) Pty Ltd** has given and, at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Independent Accountant in connection with the Offer and to the inclusion of the IA Report in Section 9 of the Prospectus, in the form and context in which those references are made and the IA Report is included, in the form and context in which it is named.

**Pitcher Partners** has given and, at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the auditor of the Company and to the inclusion of the references in this Prospectus to the audited accounts of the Company.

**Minter Ellison** has given and, at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Legal Advisers to the Company in relation to the Offer, in the form and context in which it is named.

**Computershare Investor Services Pty Limited** has given and, at the date of this Prospectus, has not withdrawn its consent to be named in this Prospectus as the Share Registry of the Company in the form and context in which it is named.

**AYFC** has given and, at the date of this Prospectus, has not withdrawn its consent to be named in this Prospectus as a Corporate Adviser to the Principal Vendors and the Company in the form and context in which it is named.

**Vendors** – each of the Vendors has given and, at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as a Vendor and to the inclusion of the references to, and information concerning, the optometry practice sold, or to be sold, by the Vendor to the Company.

**ODMA** has given and, at the time of lodgement of this Prospectus, has not withdrawn its consent to the inclusion of the references to, and information concerning, the optometry industry and practices generally set out in sections 3 and 4 of the Prospectus.

## 10.10 Costs of the Issue

The total estimated expenses of the Offer payable by the Company, including share placement commissions and fees, accounting fees, legal fees, lodgement fees, listing fees, fees for other advisers, prospectus design, printing, advertising and other miscellaneous expenses (including taxes and other government charges), will be approximately \$432,000. These fees and expenses are payable out of the proceeds of the Offer.

## 10.11 Authorisation

This Prospectus is issued by Ruskin Industries Limited. Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn his consent as at the date of this Prospectus.

## 11 GLOSSARY

In this Prospectus the following terms and abbreviations have the following meanings unless the context requires otherwise.

**Acquisitions** means the acquisitions of all of the Eyecare Businesses under the terms and conditions of the Acquisition Agreements and **Acquisition** means any one of them.

**Acquisition Agreements** means the business sale agreements for the Acquisitions and **Acquisition Agreement** means any one of them

**AEST** means Australian Eastern Standard Time or Australian Eastern Summer Time (as applicable).

**AIFRS** means Australia equivalent of International Financial Reporting Standards effective for financial years beginning on or after 1 January 2005.

**AOP** means Australian Optometric Panel.

**Applicant** means a person who lodges a Vendor Offer Application Form, Public Offer Application Form, Unsecured Loan Application Form or Option Application Form pursuant to this Prospectus.

**Application** means a valid application made to subscribe for a specified number of Shares in accordance with the Offer.

**Application Form** means the application form enclosed with and forming part of this Prospectus.

**Application Monies** means the amount accompanying an Application Form submitted by an Applicant.

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

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 624 691.

**ASTC Settlement Rules** means the ASTC Settlement Rules issued by ASTC.

**ASX** means ASX Limited ABN 98 008 624 691.

**AYFC** means Andersen & York Financial Consulting Pty Ltd.

**BDO Kendalls** or Independent Accountant means BDO Kendalls Corporate Finance (Vic) Pty Ltd.

**Board** means the Board of Directors of the Company.

**Business Day** has the meaning ascribed under the Listing Rules.

**Capital Raising** means the public capital raising of up to \$3,000,000 (by the issue of up to 15,000,000 Shares at an issue price of \$0.20 and 1 for 3 attaching free Options) to be undertaken pursuant to the Prospectus. (It is noted that the Public Offer will be for \$3,000,000 with a capacity to accept over-subscriptions of up to \$2,000,000.)

**Capital Reorganisation** means the reorganisation of the capital of the Company to take effect immediately before Completion by the consolidation of every 16 Shares into one Share (fractions rounded down) and the cancellation of \$16.4 million of the Company's contributed equity and reserves (which is lost or not now represented by available assets).

**CHESS** means the Clearing House Electronic Sub register System.

**Closing Date** means 5.00pm AEST on 23 July 2007 (subject to the right of the Directors to close the Offer earlier or to extend this date without notice).

**Company or Ruskin** means Ruskin Industries Limited ACN 006 505 880.

**Completion** means the completion of the Acquisitions under the terms of the Acquisition Agreements.

**Consideration Shares** means the 78,591,646 Shares to be issued to the Vendors as consideration for the acquisition of the Eyecare Businesses under the terms of the Acquisition Agreements.

**Constitution** means the constitution of the Company.

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

**Current Directors** means the Directors in office at the date of this Prospectus – Peter O'Mara, Finian MacCana and David Johnson.

**Director** means a director of the Company as at the date of the Prospectus.

**Dollar, \$ or A\$** means Australian Dollars.

**EBIT** means earnings before interest and taxation.

**EBITDA** means earnings before interest, taxation, depreciation and amortisation.

**EPS** means earnings per share.

**Existing Shareholders** means the holders of Existing Shares.

**Existing Shares** means the 4,873,543 Shares (approximately) on issue immediately following the Capital Reorganisation

**Existing Unsecured Loan Agreement** means the agreement between the Company and O'Mara Management Pty Ltd relating to the unsecured loan owed by the Company to O'Mara Management Pty Ltd.

**Exposure Period** means the seven date period (which may be extended to 14 days by ASIC) from the date of this Prospectus.

**Eyecare Businesses** means the 16 optometry practices carried on by one or more of the Vendors in the following locations - in New South Wales at Port Macquarie (3), Wauchope, Cootamundra, Young, Nowra, Ulladulla, Kiama and Ramsgate Beach and in Queensland at Keperra, Springwood, Mackay, Proserpine, Airlie Beach and Gympie and which are to be acquired by the Company.

**Forecast Financial Information** has the meaning given to that term in section 8.

**FY** means financial year.

**FY 2006** means the financial year ended 30 June 2006.

**FY 2007** means the financial year ending 30 June 2007

**FY 2008** means the financial year ending 30 June 2008.

**General Meeting** means the general meeting of Shareholders (to be convened in accordance with the Notice of Meeting) and to be held on 13 July 2007 (or any adjournment of that meeting) for the purpose of approving the Acquisitions, the Offers, the Capital Reorganisation, the appointment of the Proposed Directors and the change of name of the Company.

**Group** means the Company and its subsidiary, Eyecare Operations Pty Ltd, and, where used in sections 3 and 4 of the Prospectus, includes the Eyecare Businesses as if those businesses had been acquired by the Company at the date of the Prospectus.

**Historic Financial Information** has the meaning given to that term in section 8.

**Lenders** means Anthony John Hanks and Vicki Joyce Hanks, Jaianti Pty Ltd, Ludeba Pty Ltd, Wetahall Pty Ltd, Lambert Mayfield Pty Ltd, Sandra Dell Andersen and Peter Gregory Andersen, O'Mara Management Pty Ltd, Luke O'Mara Pty Ltd, Super Ruscle Pty Ltd, Galloway Property Investments Pty Ltd, Griffin Fund Management Pty Ltd, J P McDougall Pty Ltd, Pennington Investments Pty Ltd and Karama Holdings Pty Ltd and **Lender** means any one of them.

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

**Loan Agreements** means the Loan Agreements between the Company and the Lenders under which the Lenders have advanced the Company a total of \$1,000,000.

**Market Capitalisation** means the amount determined by multiplying the number of Shares on issue by the share price.

**Notice of Meeting** means the notice of meeting dated 8 June 2007 (and the accompanying Explanatory Statement) which sets out the Resolutions to be put before the Shareholders at the General Meeting

**NPAT** means net profit after taxation.

**ODMA** means The Optical Distributors & Manufacturers Association of Australia Ltd.

**Offers** means the Vendor Offer, the Public Offer, the Unsecured Loan Offer and the Option Offer contained in this Prospectus for the issue of Shares and Options.

**Offer Period** means the period from the Opening Date until the Closing Date (of the Offer).

**Offer Price** means \$0.20 per Share.

**Offer Shares** means 15,000,000 Shares offered at an issue price of \$0.20 under this Prospectus.

**Official List** means the official list of companies that the ASX has admitted and not removed from listing.

**Opening Date** 9.00am AEST on 29 June 2007 (subject to the right of the Directors to amend the opening date and time of the Offer without notice.

**Option** means an option to acquire a Share on payment of an exercise price of \$0.20 on or before the final expiry date of 30 September 2010 and otherwise issued on the terms and conditions set out in section 10.4 of the Prospectus.

**Option Offer** means the offer of 3,270,306 Options to the Company's senior management and AYFC.

**Option Acceptance Form** means the acceptance form accompanying this Prospectus for the purpose of acceptance of the Option entitlements by the Company's senior management.

**PE Ratio** means price earning ratio, calculated as the price per share divided by EPS.

**Proper ASTC Transfer** has the same meaning as in the *Corporations Regulations 2001* (Cth).

**Principal Vendors** means Dr Anthony Hanks, Peter Rose, Mark Flanders and Raymond Fortescue.

**Proposed Directors** means the persons proposed to be appointed as Directors (subject to Shareholder approval) on completion of the Acquisitions, namely Sandra (Sam) Andersen, Dr Anthony Hanks and Raymond Fortescue.

**Prospectus** means this Prospectus, both in paper and electronic form, dated 21 June 2007 (and any replacement prospectus) as varied or modified by any supplementary prospectus.

**Public Offer** means the invitation to investors to acquire Shares under this Prospectus.

**Public Offer Acceptance Form** means the form attached to this Prospectus or electronic version of this Prospectus by which an application for the Shares under the Public Offer can be made and "Public Offer Application" has a corresponding meaning.

**Quotation** means quotation of the Shares and Options on the ASX

**Resolution** means a resolution referred to in the Notice of Meeting.

**Section** means a section of this Prospectus.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Shareholder** means a holder of a Share.

**Transaction** means the Acquisitions, the Capital Raising and other associated transactions that are to undertaken by the Company as part of the restructure of the Company.

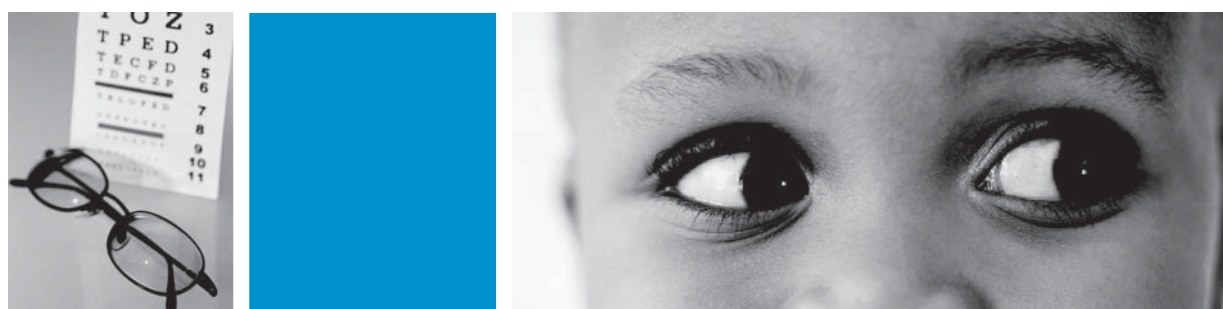
**Unsecured Loan Offers** means the offers of Shares and Options to the Lenders and O'Mara Management Pty Ltd (as required under the Loan Agreements and the Existing Unsecured Loan Agreement) to be made pursuant to the Prospectus.

**Unsecured Loan Offer Acceptance Form** means the acceptance form accompanying the Prospectus for the purpose of acceptance of the Unsecured Loan Offer by the Lenders and O'Mara Management Pty Ltd.

**Vendors** means the Principal Vendors and their partners, being Adrian Cornale, Natalie Rokic, Anthony Ireland and **Vendor** means any one of them.

**Vendor Offer** means the offer of the Consideration Shares to the Vendors made pursuant to the Prospectus.

**Vendor Offer Acceptance Form** means the acceptance form accompanying the Prospectus for the purpose of acceptance of the Consideration Shares by the Vendors.





# How to Complete the Public Offer Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A** Enter the **NUMBER OF SHARES** you wish to apply for. Applications must be for the minimum of 10,000 shares and thereafter in multiples of 1000.
- B** Enter the **TOTAL AMOUNT** of application money payable. To calculate this amount, multiply the number of shares applied for by A\$0.20.
- C** Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.
- D** Enter the **POSTAL ADDRESS** for all communications from Ruskin Industries Limited. Only one address can be recorded.
- E** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- F** If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).
- G** Enter the **TAX FILE NUMBER(s)** (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by taxation laws. However, it is not compulsory to provide your TFN.
- H** Payment must be made in **Australian currency** and cheques must be drawn on an Australian bank or financial institution. Cheques or bank drafts must be **payable to 'RUSKIN INDUSTRIES LIMITED – SHARE OFFER ACCOUNT'** and crossed **Not Negotiable**. **Cheques not properly drawn may be rejected**. Cheques will generally be deposited on the day of receipt.

## Forward your completed Application together with the Application Money to:

RUSKIN INDUSTRIES LIMITED - Share Offer  
C/- Computershare Investor Services Pty Limited  
GPO Box 52  
MELBOURNE VIC 8060

RUSKIN INDUSTRIES LIMITED - Share Offer  
C/- Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street,  
Abbotsford VIC 3067

## IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

The Corporations Act prohibits any person from passing on to another person the application form which was attached to the electronic copy of the Prospectus unless the application form is attached to a complete and unaltered copy of the electronic Prospectus.

The Company will send you, at no charge, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus.

If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to the Company Limited that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares.

Name Standards	Note that only legal entities are allowed to hold Shares. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:
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Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18). Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



# How to Complete the Vendor Offer Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A** Enter the **NUMBER OF SHARES** you wish to apply for.
- B** Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.
- C** Enter the **POSTAL ADDRESS** for all communications from Ruskin Industries Limited. Only one address can be recorded.
- D** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).
- F** Enter the **TAX FILE NUMBER(s)** (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by taxation laws. However, it is not compulsory to provide your TFN.

## Forward your completed Application to:

RUSKIN INDUSTRIES LIMITED - Vendor Offer  
131 Martin Street,  
Brighton VIC 3186

## IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

The Corporations Act prohibits any person from passing on to another person the application form which was attached to the electronic copy of the Prospectus unless the application form is attached to a complete and unaltered copy of the electronic Prospectus.

The Company will send you, at no charge, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus.

If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to the Company Limited that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares.

<b>Name Standards</b>	Note that only legal entities are allowed to hold Shares. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:
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Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



# How to Complete the Unsecured Loan Offer Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A** Enter the **NUMBER OF SHARES (and Options)** you wish to apply for.
- B** Enter the **TOTAL AMOUNT** of application money payable. To calculate this amount, multiply the number of shares applied for by A\$0.15.
- C** Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.
- D** Enter the **POSTAL ADDRESS** for all communications from Ruskin Industries Limited.
- E** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- F** If you are sponsored in CHESSE by a stockbroker or other CHESSE participant enter your Holder Identification Number (HIN).
- G** Enter the **TAX FILE NUMBER(s)** (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by taxation laws. However, it is not compulsory to provide your TFN.
- H** Payment must be made in **Australian currency** and cheques must be drawn on an Australian bank or financial institution. Cheques or bank drafts must be **payable to 'RUSKIN INDUSTRIES LIMITED – Unsecured Loan Offer'** and crossed **Not Negotiable**.

**Forward your completed Application together with the Application Money to:**

RUSKIN INDUSTRIES LIMITED – Unsecured Loan Offer

131 Martin Street, Brighton VIC 3186

## IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

The Corporations Act prohibits any person from passing on to another person the application form which was attached to the electronic copy of the Prospectus unless the application form is attached to a complete and unaltered copy of the electronic Prospectus.

If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to the Company Limited that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares.

**Name Standards** Note that only legal entities are allowed to hold Shares. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



# How to Complete the Option Offer Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A** Enter the **NUMBER OF OPTIONS** you wish to apply for.
- B** Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.
- C** Enter the **POSTAL ADDRESS** for all communications from Ruskin Industries Limited. Only one address can be recorded.
- D** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).
- F** Enter the **TAX FILE NUMBER(s)** (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by taxation laws. However, it is not compulsory to provide your TFN.

## Forward your completed Application to:

RUSKIN INDUSTRIES LIMITED - Option Offer  
131 Martin Street,  
Brighton VIC 3186

## IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

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The Company will send you, at no charge, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus.

If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to the Company Limited that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares.

**Name Standards** Note that only legal entities are allowed to hold Options. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with a appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson- Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

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