



Wednesday, 1 June 2005

MARKET ANNOUNCEMENT

Acquisition of Shares in Bentley International Limited and Scarborough Equities Limited

The Company confirms that it has entered into two new agreements with Sofcom Limited (SOF) and varied the terms of two existing agreements with SOF and Altera Capital Limited (AEA), relating to the purchase of listed securities from these companies, being their shareholdings in listed investment companies, Bentley International Limited (BEL) and Scarborough Equities Limited (formerly Rivkin Financial Services Limited) (SCB).

Attached are meeting documents despatched by SOF, AEA and BEL seeking their respective shareholder approval for such transactions, which more fully outline the terms of such agreements.

In the event that such agreements receive all relevant shareholder approvals and proceed to settlement, CXL will acquire a total:

- 4,400,000 additional shares in BEL, increasing CXL's shareholding in BEL from 13.6% to 24.9%; and
- 3,865,870 additional shares in SCB, increasing CXL's shareholding in SCB from 20.4% to 25.5%.

Since CXL already has a relevant interest in the SCB shares held by SOF and AEA through options deeds with these companies and Fast Scout Limited executed on 2 May 2005, CXL's relevant interest in SCB (currently 26.6%) will not change as a result of these transactions.

Consideration for these share acquisitions will comprise a total of approximately \$919,635 cash and approximately 1,744,159 new shares issued by CXL to SOF/AEA. CXL's total issued capital will increase from 16,369,996 to approximately 18,114,155 shares.

For further details please refer to the attached meeting documents lodged by SOF, AEA and BEL.

Further information:

William Johnson
Chairman

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A.B.N. 88 087 482 602

NOTICE OF GENERAL MEETING & EXPLANATORY MEMORANDUM

TO SHAREHOLDERS

**Time and:
Date of Meeting** 10:45 am (Perth time)
on Thursday, 30 June 2005

Place of Meeting: Suite 3
The Forrest Centre Conference Suites
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia

IMPORTANT NOTICE

It is recommended that Shareholders read this Notice of Meeting and Explanatory Memorandum booklet in full and if there is any matter that you do not understand, you should contact your financial adviser, stockbroker or solicitor for advice.

All of the Directors recommend that Shareholders approve Resolution 1.

All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of Central Exchange Limited) recommend that Shareholders approve Resolution 2.

The attached Independent Expert's Report prepared by BDO Consultants (WA) Pty Ltd has concluded that the transactions in Resolution 2 are **FAIR AND REASONABLE** to the non-associated existing shareholders of the Company.

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CORPORATE DIRECTORY

BOARD

Farooq Khan	Chairman and Managing Director
Simon Cato	Director
Victor Ho	Director

COMPANY SECRETARY

Victor Ho

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PURPOSE OF THIS DOCUMENT

This Notice of Meeting and Explanatory Memorandum has been prepared for the purpose of providing Shareholders with all the information known to the Company that is material to the Shareholders' decision on how to vote on the proposed resolutions at the General Meeting. Shareholders should read this Notice of Meeting and Explanatory Memorandum in full to make an informed decision regarding the resolutions considered at this General Meeting.

This Notice of Meeting and Explanatory Memorandum is dated 30 May 2005.

ENQUIRIES

If you have any questions regarding the matters set out in this Notice of Meeting and Explanatory Memorandum, please contact the Company Secretary or your professional advisers.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Sofcom Limited A.C.N. 087 482 602 (**Company or Sofcom or SOF**) will be held at Suite 3, The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at 10:45 am (Perth time) on Thursday, 30 June 2005.

AGENDA

ORDINARY BUSINESS

1. Resolution 1 - Approval of Return of Capital

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional upon:

- (a) shareholder approval of Resolution 2; and*
- (b) settlement of the First Tranche BEL Share Sale Agreement and of the SCB Option Deed occurring in accordance with their terms,*

*under section 256B and 256C(1) of the Corporations Act, the Company's constitution and for all other purposes, approval is given to the Company to reduce the fully paid ordinary share capital of the Company (the "**Share Capital**") by returning to the ordinary shareholders of the Company, in proportion to the number of ordinary shares held by them at midnight on 8 July 2005 ("**Record Date**"), the following assets (Share Capital) of the Company:*

- (i) A distribution of \$450,000 cash; and*
- (ii) An in-specie distribution of all of the shares in Central Exchange Limited ("**CXL**") to be received by the Company on settlement of the following transactions with CXL:*
 - (1) the SCB Option Deed;*
 - (2) the First Tranche BEL Share Sale Agreement;*

and either:

- (iii) An in-specie distribution of all of the shares in CXL to be received by the Company on settlement of the Second Tranche BEL Share Sale Agreement with CXL; or*
- (iv) If the Second Tranche BEL Share Sale Agreement fails to settle for any reason, an in-specie distribution of up to 2,300,000 shares in BEL retained by the Company,*

as outlined in this Notice of Meeting and Explanatory Memorandum."

2. Resolution 2 - Approval of Agreements

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional upon shareholder approval of Resolution 1, for all purposes, approval is given for the Company to undertake the following transactions with CXL:

- (i) The sale to CXL of 3,167,152 SCB shares, held by the Company, for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share (the total consideration to be paid by \$200,000 cash and the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) upon the exercise of CXL's option pursuant to the SCB Option Deed;*
- (ii) The sale to CXL of 2,100,000 BEL shares, held by the Company, for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by \$575,000 cash and the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the First Tranche BEL Share Sale Agreement; and*
- (iii) The sale to CXL of 2,300,000 BEL shares, held by the Company, for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the Second Tranche BEL Share Sale Agreement,*

as outlined in this Notice of Meeting and Explanatory Memorandum."

DATED THIS 30th DAY OF MAY 2005

BY ORDER OF THE BOARD



**VICTOR HO
COMPANY SECRETARY**

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The General Meeting of the shareholders of Sofcom Limited will be held at:

Suite 3	commencing	10:45 am (Perth time)
The Forrest Centre Conference Suites		Thursday, 30 June 2005
Level 14, The Forrest Centre		
221 St Georges Terrace		
Perth, Western Australia		

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (08) 9322 1515; or
- deliver to the principal place of business of the Company at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia 6000.

so that it is received **not later than 10:45 am (Perth time) on Tuesday, 28 June 2005**.

Your proxy form is enclosed.

Bodies corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. A properly executed original (or certified copy) of an appropriate "Appointment of Corporate Representative" should be produced for admission to the meeting. Previously lodged Appointments of Corporate Representative will be disregarded by the Company.

Powers of Attorney

A person appearing as Power of Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the General Meeting all Shares in the Company will be taken to be held by the persons who held them as registered Shareholders at midnight (Perth time) on 28 June 2005 (**Voting Entitlement Time**). Subject to the voting exclusions noted below, all holders of Shares in the Company as at the Voting Entitlement Time will be entitled to vote at the General Meeting.

VOTING EXCLUSIONS

The Company will disregard any votes cast on Resolution 2 by:

- (1) Central Exchange Limited;
- (2) any party who might obtain a benefit if Resolution 2 is passed (except a benefit solely in the capacity of a Shareholder); and
- (3) any party who is an Associate of a party referred to in (1) and (2) above.

However, the Company need not disregard a vote if:

- (a) it is cast by a party as proxy for a party who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a party who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will not disregard the votes of any shareholder cast on Resolution 1 as all shareholders of the Company will participate equally under the Return of Capital contemplated in such resolution.

OTHER NOTES

Role of ASIC and ASX

A copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

EXPLANATORY MEMORANDUM

1. SUMMARY

1.1 Overview of Resolutions

The Company has had a long standing objective of achieving an "Aggregation" of its relatively small asset base with that of other companies to achieve a minimum capital base of at least \$15,000,000. This "Aggregation" strategy is described in more detail in Section 1.2 and Section 2.1 of this Explanatory Memorandum.

The two resolutions the subject of this General Meeting of Shareholders are the manifestation of this strategy which the Company is now able to propose for consideration upon finalisation of matters relating to its investment in SCB and litigation that arose from that investment.

Accordingly, Resolution 1 seeks shareholder approval for the Company to undertake an equal reduction of its share capital under Chapter 2J of the Corporations Act by the Return of Capital to shareholders, being:

- (1) A distribution of \$450,000 cash;
- (2) An in-specie distribution of all of the shares in Central Exchange Limited (**CXL**) to be received by the Company on settlement of the following of transactions with CXL:
 - (i) the Scarborough Equities Limited (**SCB**) Option Deed;
 - (ii) the First Tranche Bentley International Limited (**BEL**) Share Sale Agreement;

and either

- (3) An in-specie distribution of all of the shares in CXL to be received by the Company on settlement of the Second Tranche BEL Share Sale Agreement; or
- (4) If the Second Tranche BEL Share Sale Agreement fails to settle for any reason (including where BEL shareholders fails to approve the transaction) and settlement of both the SCB Option Deed and First Tranche BEL Share Sale Agreement occurs in accordance with their terms, an in-specie distribution of up to 2,300,000 shares in BEL retained by the Company.

Shareholders are advised that BEL shareholder approval is required for the Second Tranche BEL Share Sale Agreement as the acquisition by CXL of BEL shares pursuant to that agreement will result in CXL acquiring more than 20% of the issued capital of BEL. Pursuant to the Corporation Act, CXL cannot acquire shares (voting power) in BEL in excess of 20% without BEL shareholder approval. The Second Tranche BEL Share Sale Agreement will result in CXL's shareholding (voting power) in BEL increasing to 25.7%. Where such shareholder approval is not obtained (and settlement of both the SCB Option Deed and First Tranche BEL Share Sale Agreement occurs in accordance with their terms) the Company will distribute the 2.3 million shares the subject of the Second Tranche BEL Share Sale Agreement to Sofcom shareholders on a pro-rata basis.

Resolution 2 seeks shareholder approval for a series of transactions with CXL:

- (1) The sale to CXL of 3,167,152 SCB shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share (the total consideration to be paid by \$200,000 cash and the issue of new CXL shares priced at CXL's last reported NTA (post tax) backing) upon the exercise of CXL's option pursuant to the SCB Option Deed;
- (2) The sale to CXL of 2,100,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by \$575,000 cash and the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the First Tranche BEL Share Sale Agreement;
- (3) The sale to CXL of 2,300,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by e issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the Second Tranche BEL Share Sale Agreement.

Resolution 1 and Resolution 2 are interdependent. If Resolution 1 is not approved, Shareholders will not be asked to consider Resolution 2. Further, notwithstanding approval of Resolution 1 the Return of Capital contemplated by that resolution will not proceed if Resolution 2 is not approved.

Resolution 1 is conditional upon settlement of the First Tranche BEL Share Sale Agreement and the SCB Option Deed. This is because the Company requires the cash consideration which is payable to it under these agreements in order to have sufficient cash to pay the \$450,000 cash component of the Return of Capital. These agreements will not settle if the conditions precedent to these agreements (see sections 8.1 and 8.2 of this Explanatory Memorandum for further details) are not satisfied or waived. If settlement of either of these agreements does not occur, the Return of Capital will not proceed.

As a result of the transactions contemplated in Resolution 2, the Company will (if that resolution is approved) convert all of its share investments (save for 300,000 BEL shares which will be retained for working capital purposes and disposed of as required to meet such needs) into cash and shares in CXL.

As a result of the Return of Capital contemplated in Resolution 1, the Company will (if that resolution is approved) distribute all of its surplus cash reserves and all of its share investments (including the cash and shares in CXL obtained pursuant to the transactions contemplated in Resolution 2) (save for 300,000 BEL shares referred to above) to Shareholders of the Company.

The existing capital structure of, and shareholdings in, the Company will remain unchanged by the Return of Capital but the Company will be suspended from ASX on the eve of the General Meeting. The Company will remain suspended indefinitely (and Shareholders will therefore be unable to sell their Shares on-market) until the Company is able to re-comply with Chapters 1 and 2 of the Listing Rules. There is no guarantee as to if, or when, this may occur. Shareholders' investment in the Company will therefore become illiquid as you will not be able to engage in on-market trading in your Shares in the Company.

After payment of all liabilities, the Company expects to retain approximately \$50,000 of net cash/liquid assets to maintain the listing of the Company on ASX pending the proposed recapitalisation of the Company and the undertaking of a transaction to allow for the Company to be re-admitted to ASX. Your shares in the Company will therefore only have a nominal (minimal) value.

Until that time, the Company will remain as effectively as a suspended listed "shell" seeking a new business opportunity. Whilst the Board will endeavour to effect a recapitalisation of the Company and a recommencement in trading of Company shares on the ASX, this objective cannot be guaranteed. Where such matters cannot be achieved and the existing capital of the Company is not sufficient (or where further capital cannot be raised) to meet its expenses as a suspended listed "shell", the Board will seek a delisting and potentially a winding up of the Company. The Board notes that ASX may also require a delisting in the future if the Company is unable to propose a suitable new transaction for the recapitalisation and re-admission of the Company on ASX.

1.2 Reasons for Return of Capital and Proposed Transactions

As reported in the annual and half yearly reports of the Company for the last 2 years, the Board has been considering an "Aggregation Strategy" whereby the assets of the Company (being relatively small in value) are "aggregated" into a larger listed company resulting in a combined capital base of at least \$15 million. Such strategy is outlined in Section 2.1 of this Notice of Meeting and Explanatory Memorandum.

The Board has now been able to finalise its "Aggregation Strategy" as a result of the recent finalisation of the outstanding matters relating to its investment in SCB and litigation that was commenced in relation to that investment.

The transactions proposed in Resolutions 1 and 2 are consistent with the Company's previously enunciated "Aggregation Strategy" and will result in shareholders receiving a distribution of shares in CXL on a pro-rata basis to their existing shareholding in Sofcom.

CXL is an investment company listed on ASX (ASX Code: CXL) with net assets of \$17.23 million (pre tax) and \$16.73 million (post tax) based on its last reported NTA backing for 30 April 2005. The gross asset position of CXL will increase as a consequence of its purchase of the assets of Sofcom proposed by Resolution 2 and a similar transaction proposed between CXL and Altera Capital. Sofcom shareholders will (upon the completion of the Return of Capital) therefore become shareholders in a significantly larger listed company than Sofcom whilst retaining their current shareholding in Sofcom as a listed but suspended "shell" company with minimal assets awaiting a possible recapitalisation.

Settlement of the First Tranche BEL Share Sale Agreement and the SCB Option Deed transactions contemplated in Resolution 2 will also provide the Company with the cash funds required to meet its normal expenses and liabilities and to discharge its share of the obligations to SCB and ADG under the costs settlement referred in Section 2.3 of this Notice of Meeting and Explanatory Memorandum without the Company having to dispose a significant portion of its share investments in circumstances where such share investments are trading at significantly below their NTA backing.

1.3 Independent Expert's Report

The Independent Expert's Report prepared by BDO Consultants accompanies this Notice of Meeting and Explanatory Memorandum.

BDO Consultants has formed the opinion that the transactions contemplated in Resolution 2 are **FAIR AND REASONABLE** to the non-associated shareholders of the Company.

1.4 Board's Recommendations

	Resolution 1 – Return of Capital	Resolution 2 – Sale of Shares
Advantages	<ul style="list-style-type: none"> Upon the completion of the Return of Capital, Shareholders will obtain a shareholding in CXL, which is an LIC with a significantly greater asset base There may be more liquidity in trading in CXL shares than shares in the Company as CXL has a larger market capitalisation and greater shareholder base CXL is an LIC with exposure to a more diversified portfolio than that which can be achieved with the net assets of the Company 	<ul style="list-style-type: none"> The Company is disposing of its BEL and SCB shares at their respective NTA backings, which is significantly higher than their current respective share price The cash proceeds received from the sale of BEL and SCB shares will be utilised in part to meet the Company's share of liabilities to SCB and ADG pursuant to settlement of litigation cost orders (refer Section 2.3) – this obviates the need for the Company to dispose of a portion of its BEL and SCB share investments on-market which would have incurred a significant loss to the Company as BEL and SCB shares are trading at a significant discount to the entry cost and NTA backing of such investments
Disadvantages	<ul style="list-style-type: none"> The Company will be suspended from trading on ASX on the eve of the General Meeting with <u>no guarantee of re-admission</u> Shareholders' interest in the Company is likely to be significantly diluted upon the potential recapitalisation of the Company and the entering into of a transaction that may result in the possible re-admission of the Company to ASX The asset base of the Company will be reduced significantly after the Return of Capital 	<ul style="list-style-type: none"> Only part of the consideration the Company is receiving for the sale of its BEL and SCB shareholding is in cash. The majority of the consideration for the sale of its BEL and SCB shareholding is through the issue of new shares in CXL issued at CXL's NTA backing, which is significantly higher than CXL's current share price

	Resolution 1 – Return of Capital	Resolution 2 – Sale of Shares
If Resolution Not Passed	<ul style="list-style-type: none"> The Company will not be able to proceed with the sale of BEL and SCB shares the subject of <u>Resolution 2</u>; 	<ul style="list-style-type: none"> The Company will not be able to proceed with the Return of Capital the subject of <u>Resolution 1</u> The Company will be required to dispose a significant portion of its share investments on-market to raise cash funds to meet general expenses and the Company's share of liabilities to SCB and ADG pursuant to settlement of litigation cost orders (refer Section 2.3) and thus incur a significant loss to the Company as BEL and SCB shares are trading at a significant discount to the entry cost and NTA backing of such investments
Board's Recommendation	<ul style="list-style-type: none"> All of the Directors recommend that Shareholders approve <u>Resolution 1</u> 	<ul style="list-style-type: none"> All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of CXL) recommend that Shareholders approve <u>Resolution 2</u>

1.5 Indicative Timetable

Event	Date
Suspension of SOF on ASX	29 June 2005
SOF General Meeting	10:45 am (Perth time) 30 June 2005
Settlement of the First Tranche BEL Share Sale Agreement and the SCB Option Deed with CXL	30 June 2005 *
Settlement of the Second Tranche BEL Share Sale Agreement and the SCB Option Deed with CXL / BEL general meeting to approve CXL's acquisition of BEL shares the subject of the Second Tranche BEL Share Sale Agreement with SOF	8 July 2005 *
Record Date for determining entitlements to participate in the Return of Capital	Midnight 8 July 2005
Transfer of CXL (and potentially BEL) shares under the Return of Capital	15 July 2005 *
Despatch of cash component of the Return of Capital and Distribution Statements to Shareholders	19 July 2005 *
Despatch of holding statements to Shareholders in respect of their CXL (and potentially BEL) shareholding received under the Return of Capital	20 July 2005 *

* Indicative dates only, which is subject to change.

2. BACKGROUND

2.1 "Aggregation Strategy"

The following is an extract from the Company's 2004 Annual Report on the "Aggregation Strategy."

"The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is at least \$15 million.

This capital base of \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an "aggregation" process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This "aggregation" process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing in an existing "lead" company or to a new "master" company or via a scheme of arrangement or merger between participating companies. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

In this regard, the Board is considering the Company as a participating company in relation to the aggregation of its funds into another "lead" or "master" company. The aggregation process in such scenario may involve:

- The Company (along with other participating companies) effecting a "transfer" of available net tangible assets ("**NTA**") to the "master" company in exchange for shares in the "master" company (priced at the "master" company's NTA backing per share);*
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the "master" company's shares;*
- Such participating companies' shareholders would then become shareholders of the "master" company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);*
- The "master" company's NTA would be expanded by the contributions of the NTA of the participating companies – this is with the aim of achieving a minimum capital base of \$15m (referred to earlier);*
- Such contributions or transfer of NTA's by participating companies may comprise cash or liquid investments (valued in turn at NTA backing or market as is appropriate);*

- *In relation to contributions by way of liquid investments, the "transfer" of NTA or market value may involve a share acquisition agreement between the "master" company and a relevant participating company;*
- *Alternatively, and also in relation to contributions of cash, the "transfer" of NTA value from participating companies to the "master" company may be pursuant to a specific share placement or wider capital raising undertaken by the "master" company;*
- *Post aggregation, the balance sheet of the "master" company would comprise its existing pre-aggregation assets and the NTA contributed by the participating companies, being a combination of cash and liquid investments;*
- *In all of the above "transfer" scenarios, the "master" company would value the shares it would issue at the NTA backing of the company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate – so as to ensure that there is no or minimal "value shift" as between the companies;*
- *The Company's shareholders would thus have a shareholding in the "master" company in proportion to the Company's contribution (valued at NTA or appropriate market value of liquid assets) into the "master" company and retain their existing shareholding in the Company (which will have a reduced NTA backing post "aggregation").*

The final proposed aggregation strategy will be subject to compliance with the Corporations Act and the ASX Listing Rules and a general meeting will be required to consider and approve such "aggregation" process and other matters arising from or incidental to such process."

2.2 Shareholding in Bentley International Limited (BEL)

During 2003/2004, the Company acquired up to an 18.2% stake in Bentley International Limited (formerly Bentley Equities Limited and before that, BT Global Asset management Limited) (ASX Code: "BEL").

BEL is a listed investment company specialising in investments in overseas markets. BEL's investment portfolio is managed by Constellation Capital Management Limited.

During 2004/2005, the Company disposed of some of its shareholding in BEL for working capital purposes and currently has 4.7 million shares in BEL or 12.1% of BEL's current issued capital.

SOF Directors, Messrs Farooq Khan and Simon Cato are also directors of BEL.

As a listed investment company, BEL discloses its NTA backing each month. BEL's last reported NTA (pre and post tax) was \$16.65 million with its last reported NTA Backing (post tax) as at 30 April 2005 of \$0.428 per share.

BEL's closing market price on 19 May 2005 was 32 cents per share.

BEL's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

For Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing Post Tax
31-Jul-04	\$0.400	\$0.355	\$0.375	\$0.466
31-Aug-04	\$0.400	\$0.375	\$0.393	\$0.467
30-Sep-04	\$0.410	\$0.380	\$0.397	\$0.436
31-Oct-04	\$0.410	\$0.345	\$0.394	\$0.430
30-Nov-04	\$0.385	\$0.375	\$0.378	\$0.435
31-Dec-04	\$0.380	\$0.370	\$0.375	\$0.443
31-Jan-05	\$0.385	\$0.370	\$0.376	\$0.434
28-Feb-05	\$0.380	\$0.370	\$0.375	\$0.436
31-Mar-05	\$0.380	\$0.350	\$0.366	\$0.439
30-Apr-05	\$0.350	\$0.330	\$0.338	\$0.428
19-May-05	\$0.340	\$0.265	\$0.313	N/A

2.3 Shareholding in Scarborough Equities Limited (SCB)

The Company currently holds 3,167,152 shares in Scarborough Equities Limited (formerly Rivkin Financial Services Limited) (ASX Code "SCB" - formerly "RFS") or 4.21% of SCB's current issued capital.

On 14 July 2004, SCB, under the direction of former SCB Managing Director, Alan Andrew Davis, commenced proceedings in the Federal Court of Australia in Sydney against SOF, Fast Scout Limited (**FSL**) and Altera Capital Limited (**AEA**) for conduct allegedly contrary to the insider trading provisions of the Corporations Act (in relation to the three companies' collective acquisition of an initial aggregate 5% interest in SCB Shares).

As part of the defence of the action, SOF, FSL and AEA commenced cross-claims against SCB and Network Limited (**Network**), Cole Kablow Superannuation Pty Ltd (**Cole Kablow**), Alan Davis Group Pty Ltd (**ADG**) and former SCB Managing Director, Alan Andrew Davis.

Justice Emmett handed down his judgment on 26 November 2004. Justice Emmett dismissed the claim made by SCB against SOF, FSL and AEA and SOF, FSL and AEA's cross-claims against SCB and the other cross-defendants.

On 29 November 2005, the board of SCB was replaced with nominees of SOF, FSL and AEA - Messrs Farooq Khan, Simon Cato and Christopher Ryan.

On 10 December 2004, Justice Emmett made the following orders as to costs:

- (a) In relation to the claim brought by SCB against SOF, FSL and AEA, the Court awarded costs to the defendants on a "party-party" basis;
- (b) In relation to the cross claims brought by SOF, FSL and AEA, the Court ordered SOF, FSL and AEA to pay all of SCB' and the other cross defendants' costs on an "indemnity basis" provided such costs have been reasonably incurred.

On 17 December 2004, SOF, FSL and AEA lodged an appeal against that part of the decision of Justice Emmett dismissing their cross-claim against each of SCB and the other cross defendants. The appeal covers a number of the findings made by Justice Emmett in his reasons for decision including his decision on costs.

On 4 February 2005, SOF, FSL and AEA entered into a deed of settlement with each of Network and Cole Kablow to discontinue the appeals against, and to settle the costs payable to, each such party in consideration of the payment by SOF, FSL and AEA of \$350,000 to Network and \$125,000 to Cole Kablow.

In April 2005, SCB and SOF, FSL and AEA reached agreement to resolve the outstanding matters between them by SOF, AEA and FSL discontinuing the appeal with no order as to the costs and by SOF, AEA and FSL paying an amount of \$382,500 to SCB (net of SCB's payment obligations to these parties). SOF, AEA and FSL have until 30 June 2005 to pay the costs settlement with interest accruing at 10% p.a. If the settlement sum is not paid by 30 June 2005, SOF, AEA and FSL have agreed to pay an additional amount of \$100,000 to SCB and interest shall accrue at 15% p.a.

On 18 May 2005, SOF, FSL and AEA agreed to pay \$310,000 to ADG to settle the costs in the discontinued appeal and under the cost orders of Justice Emmett described above. SOF, AEA and FSL have until 31 August 2005 to pay the costs settlement with interest accruing at 10% p.a.

Such settlement concludes all outstanding matters between the parties to the litigation.

SOF, AEA and FSL have agreed that the above legal and settlement costs payable by SOF, AEA and FSL are to be shared between each company in proportion to each company's relative interest in their collective stake in SCB (currently 4,711,971 shares) - SOF's share is 67%; FSL's share is 18% and AEA's share is 15%.

As a listed investment company, SCB discloses its NTA backing each month. SCB's last reported NTA was \$16.2 million (pre tax) and \$15.6 million (post tax) with its last reported NTA Backing (post tax) as at 30 April 2005 of \$0.207 per share.

SCB's closing market price on 19 May 2005 was 12.5 cents per share.

SCB's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

For Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing Post Tax
31-Jul-04	\$0.230	\$0.205	\$0.217	\$0.191
31-Aug-04	\$0.210	\$0.160	\$0.196	\$0.177
30-Sep-04	\$0.225	\$0.180	\$0.206	\$0.179
31-Oct-04	\$0.250	\$0.195	\$0.230	\$0.172
30-Nov-04	\$0.300	\$0.215	\$0.247	\$0.175
31-Dec-04	\$0.245	\$0.210	\$0.239	\$0.169
31-Jan-05	\$0.230	\$0.190	\$0.220	\$0.166
28-Feb-05	\$0.210	\$0.180	\$0.189	\$0.170
31-Mar-05	\$0.190	\$0.140	\$0.163	\$0.170
30-Apr-05	\$0.160	\$0.140	\$0.146	\$0.207
19-May-05	\$0.140	\$0.115	\$0.125	N/A

2.4 Annual and Half Year Reports

Shareholders should also refer to the Company's:

- (1) 31 December 2004 Half Year Reports - lodged on 28 February 2005. A copy of such Half Year Reports accompany this Notice of Meeting and Explanatory Memorandum; and
- (2) 2004 Annual Report. A copy of this report can be emailed or posted to Shareholders upon request. It can also be viewed and downloaded from the Company's website: www.sofcom.com

3. FINANCIAL EFFECTS AND CAPITAL STRUCTURE

3.1 Sale of BEL Shares

During the 2004/2005 financial year, to meet ongoing expenses the Company disposed of 2,374,734 BEL shares on market realising gross proceeds of \$890,786 and a loss on disposal of \$250,352 (calculated on a "first in first out" (FIFO) basis).

The Company's current holding of 4,700,000 shares in BEL has a cost base of \$2,159,318 (after accounting for previous disposals on a FIFO basis).

Under the BEL Share Sale Agreements with CXL (see sections 8.2 and 8.3 of this Explanatory Memorandum for further details), the Company will (subject to settlement of that agreement) receive the following estimated consideration from the sale of its BEL shares to CXL:

BEL Share Sale Agreements	No of BEL shares sold	Value of Consideration ⁽¹⁾	Consideration satisfied by:		
			Cash received	No. CXL shares received	Value of CXL shares ⁽²⁾
(1) First Tranche					
BEL Share Sale Agreement	2,100,000	\$897,750	\$575,000	319,554	\$322,750
(2) Second Tranche					
BEL Share Sale Agreement	2,300,000	\$983,250	\$0	973,515	\$983,250
Totals	4,400,000	\$1,881,000	\$575,000	1,293,069	\$1,306,000

(1) These figures may change. They have been based on BEL's last reported 30 April 2005 NTA (post tax) backing of \$0.4275 per share

(2) These figures may change. They have been based on CXL's last reported 30 April 2005 NTA (post tax) backing of \$1.01 per share

3.2 Sale of SCB Shares

During the 2004/2005 financial year, to meet ongoing expenses the Company disposed of 232,848 SCB shares on market realising gross proceeds of \$55,838 and a loss on disposal of \$491 (calculated on a FIFO basis).

The Company's current holding of 3,167,152 shares in SCB has a cost base of \$758,068 (after accounting for previous disposals on a FIFO basis).

Under the SCB Option Deed with CXL (see section 8.1 of this Explanatory Memorandum for further details), the Company will (subject to settlement of that agreement) receive the following estimated consideration from the sale of its SCB shares to CXL:

No of SCB shares sold	Value of Consideration ⁽¹⁾	Cash received	Consideration satisfied by:	
			No. CXL shares received	Value of CXL shares ⁽²⁾
3,167,152	\$655,600	\$200,000	451,090	\$455,600

(1) These figures may change. They have been based on SCB's last reported 30 April 2005 NTA (post tax) backing of \$0.207 per share

(2) These figures may change. They have been based on CXL's last reported 30 April 2005 NTA (post tax) backing of \$1.01 per share

3.3 Combined Sale of BEL and SCB Shares

The estimated consideration to be received by the Company from the combined BEL Share Sale Agreements and the SCB Option Deed (subject to settlement of these agreements) is as follows:

Value of Consideration ⁽¹⁾	Cash received	Consideration satisfied by:	
		No. CXL shares received	Value of CXL shares ⁽²⁾
\$2,536,600	\$775,000	1,744,159	\$1,761,600

(1) These figures may change. They have been based on BEL and SCB's last reported 30 April 2005 NTA (post tax) backings (as above)

(2) These figures may change. They have been based on CXL's last reported 30 April 2005 NTA (post tax) backing of \$1.01 per share

3.4 Amount and Source of Return of Capital

The actual value of the Return of Capital will depend on:

- (i) The reported NTA backings (post tax) of BEL, SCB and CXL shares prior to settlement of the BEL Share Sale Agreements and the SCB Option Deed with CXL (expected to be the NTA backings reported as at 31 May 2005, which is due to be reported by each company to ASX by 14 June 2005);
- (ii) Whether the Second Tranche BEL Share Sale Agreement proceeds to settlement (for example, whether BEL shareholders approve CXL's acquisition of BEL shares from SOF under the same);
- (iii) The market value of CXL shares (and potentially BEL shares) as at the date of the in-specie distribution of such shares to Shareholders.

The exact number of shares in CXL which each shareholder will receive under the Return of Capital is therefore unable to be determined as at the date of this Explanatory Memorandum. The \$450,000 cash amount to be distributed to Shareholders is fixed and will not change.

The tables below are illustrative of the value of the Return of Capital based on the NTA (post tax) backings of BEL, SCB and CXL per share as at 30 April 2005 and the market values of CXL and BEL shares as at 19 May 2005.

The Company will inform Shareholders prior to the General Meeting with updated information on the value of the Return of Capital based on the 31 May 2005 NTA backings released by BEL, SCB and CXL.

Shareholders will be entitled to participate in the Return of Capital in the same proportion as their shareholding in the Company. For example, if a shareholder has a 1% interest in SOF, it will receive approximately 1% of the cash distribution and 1% of the Company's shareholding in CXL (and potentially BEL).

(1) If Both BEL Share Sale Agreements and the SCB Option Deed Proceeds to Settlement - Distribution of Cash and CXL Shares under the ROC

The total amount of the Return of Capital (**ROC**) contemplated in Resolution 1 comprise \$450,000 cash and the in-specie distribution of the Company's shareholding in CXL which will be issued to the Company as a consequence of the transactions contemplated in Resolution 2 (assuming all transactions contemplated in Resolutions 2 proceed to settlement).

By way of illustration, the Return of Capital to shareholders will be approximately as follows:

CXL shares component of ROC	1,744,159
Value of CXL shares at market ⁽¹⁾	\$1,037,775
Cash component of ROC	\$450,000
Total value of ROC	\$1,487,775
ROC value per share	3.33 cents
(The ROC value per share based on the NTA backing of CXL shares ⁽²⁾)	4.95 cents)

Total SOF Shares Held	% Issued Capital	Cash ROC		CXL Shares Component of ROC	
			No. of CXL Shares	Value of CXL Shares at Market ⁽¹⁾	Value of CXL Shares at NTA Backing ⁽²⁾
1,000,000	2.24%	\$10,081	39,073	\$23,248	\$39,464
500,000	1.12%	\$5,040	19,536	\$11,624	\$19,732
100,000	0.22%	\$1,008	3,907	\$2,325	\$3,946
50,000	0.11%	\$504	1,954	\$1,162	\$1,973
25,000	0.06%	\$252	977	\$581	\$987
10,000	0.02%	\$101	391	\$232	\$395
5,000	0.01%	\$50	195	\$116	\$197

(1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;

(2) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share.

As previously indicated, the Return of Capital is subject to and conditional upon settlement of the First Tranche BEL Share Swap Agreement and the SCB Option Deed (see sections 8.1 and 8.2 of this Explanatory Memorandum for further details). If settlement of either of these agreements does not occur for any reason, the Return of Capital will not proceed.

**(2) If Second Tranche BEL Share Sale Agreement Does Not Proceed to Settlement
- Distribution of Cash, CXL and BEL Shares under the ROC**

If the Second Tranche BEL Share Sale Agreement (see section 8.3 of this Explanatory Memorandum for further details) fails to settle for any reason and the First Tranche BEL Share Swap Agreement and the SCB Option Deed proceeds to settlement, the Company will undertake the in-specie distribution of 2,300,000 shares in BEL retained by the Company.

The Company will still proceed with the \$450,000 cash ROC and the in-specie distribution of CXL shares issued pursuant to the First Tranche BEL Share Swap Agreement and the SCB Option Deed.

By way of illustration, the Return of Capital to shareholders will be approximately as follows:

CXL shares component of ROC	770,644
Value of CXL shares at market ⁽¹⁾	\$458,533
BEL shares component of ROC	2,300,000
Value of BEL shares at market ⁽²⁾	\$736,000
Cash component of ROC	\$450,000
Total value of ROC	\$1,644,533
ROC value per share	3.68 cents
(The ROC value per share based on the NTA backing of CXL shares ⁽²⁾ and BEL shares ⁽⁴⁾)	4.95 cents)

Total SOF Shares Held	Cash ROC	CXL Shares Component of ROC			BEL Shares Component of ROC		
		No. of CXL Shares	Value of CXL Shares at Market ⁽¹⁾	Value of CXL Shares at NTA Backing ⁽³⁾	No. of BEL Shares	Value of BEL Shares at Market ⁽²⁾	Value of BEL Shares at NTA Backing ⁽⁴⁾
1,000,000	\$10,081	17,264	\$10,272	\$17,437	51,525	\$16,488	\$22,027
500,000	\$5,040	8,632	\$5,136	\$8,718	25,763	\$8,244	\$11,013
100,000	\$1,008	1,726	\$1,027	\$1,744	5,153	\$1,649	\$2,203
50,000	\$504	863	\$514	\$872	2,576	\$824	\$1,101
25,000	\$252	432	\$257	\$436	1,288	\$412	\$551
10,000	\$101	173	\$103	\$174	515	\$165	\$220
5,000	\$50	86	\$51	\$87	258	\$82	\$110

(1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;

(2) These figures may change. They have been based on BEL's closing price on ASX on 19 May 2005 of \$0.32 per share;

(3) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share;

(4) These figures may change. They have been based on BEL's 30 April 2005 NTA (post tax) backing of \$0.4275 per share.

As previously indicated, if settlement of the First Tranche BEL Share Swap Agreement and the SCB Option Deed does not occur for any reason, the Return of Capital will not proceed.

3.5 Capital Structure

The Company has 44,638,471 fully paid ordinary shares on issue as at the date of this Explanatory Memorandum.

The number of Shares on issue in the Company will not change as a result of the transactions contemplated in Resolutions 1 and 2.

3.6 Shareholdings in the Company

The ROC contemplated in Resolution 1 does not alter the shareholding of individual shareholders in the Company. All shareholders will participate equally in the ROC in proportion with their shareholding in the Company.

Shareholders entitled to receive the cash, CXL shares (and potentially BEL shares) under the ROC will retain their shareholding in the Company after the Return of Capital. The value of Shareholders' Shares in the Company after the Return of Capital will be substantially reduced: the Shares will have a nominal value only.

3.7 Effect of Return of Capital on Share Capital

After the Return of Capital, the current value of the share capital of the Company will be reduced by the value of the Return of Capital (for further details, see Section 3.4).

4. TAXATION

The Company has sought a Class Ruling from the Australian Tax Office (**ATO**) as to the tax implications of the Return of Capital.

The Company will issue a market announcement once it receives the ATO's Class Ruling.

The Company advises that, for specific taxation advice, shareholders should consult their own taxation adviser so that their particular circumstances are taken into consideration.

The Company advises Shareholders to complete the Tax File Number (**TFN**) Notification Form enclosed with this Notice of Meeting and Explanatory Memorandum to ensure that no TFN withholding tax is required to be deducted from your share of the Return of Capital (if such withholding is required under the taxation laws).

5. SUSPENSION FROM ASX

Under the Listing Rules of the ASX, the Company will be suspended from ASX on the eve of the General Meeting.

The Company's suspension will continue until the Company fully re-complies with Chapters 1 and 2 of the Listing Rules, including a capital reconstruction to ensure a price of at least \$0.20 for the Company's shares, lodgement of a full form prospectus (if a capital raising is required) and satisfaction of minimum shareholder spread requirements.

The Company will retain sufficient net cash/liquid assets reserves of approximately \$50,000 after the ROC to maintain the listing on ASX and support its on-going reporting and disclosure obligations to the ASX and shareholders as a public listed company.

The Board is in discussions with parties in relation to the recapitalisation of the Company and the undertaking of a transaction that will facilitate the Company's re-admission to ASX, after the Return of Capital. The Board hopes to be able to announce a concluded transaction path in this regard within the next 6 months, however **no guarantee can be provided that the Company's re-admission to ASX will be successful.**

Whilst the Board will endeavour to effect a recapitalisation of the Company and a recommencement in trading of the Company's shares on the ASX, **this objective cannot be guaranteed.** Where such matters cannot be achieved and the existing capital of the Company is not sufficient (or where further capital cannot be raised) to meet its expenses as a suspended listed "shell", the Board will seek a delisting of the Company and potentially a winding up of the Company. The Board notes that ASX may also require a delisting in the future if the Company is unable to propose a suitable new transaction for the recapitalisation and re-admission of the Company on ASX

6. ABOUT CENTRAL EXCHANGE LIMITED (CXL)

CXL is an investment company listed on ASX (ASX Code: CXL) with net assets of \$17.23 million (pre tax) and \$16.73 million (post tax) based on its last reported NTA backing for 30 April 2005.

Shareholders should refer to the December 2004 Half Year Reports of CXL accompanying this Notice of Meeting and Explanatory Memorandum for further information about CXL, including its investment objectives and strategies (an extract of which is reproduced below).

"Investment Objectives

The Investment Objectives of the Company are to:

- *Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board;*
- *Deliver a regular income stream for shareholders in the form of franked dividends;*
- *Preserve and protect the capital of the Company.*

Investment Strategies

The Company seeks to implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- ***Strategic Investments*** - *investments in which the Company can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value; and*
- ***Non-strategic Investments*** - *investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where the Company sees other potential for generating positive returns."*

CXL's 2004 Annual Report can be viewed and downloaded from CXL's website: www.centralexchange.com.au. A copy of this report can be emailed or posted to shareholders upon request.

CXL's closing market price on 19 May 2005 was 59.5 cents per share.

As a listed investment company, CXL discloses its NTA backing each month. CXL's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

For Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing (post tax) per share	Gross NTA (post tax) \$ 'millions
31-Jul-04	\$0.850	\$0.570	\$0.659	\$1.057	\$18.196
31-Aug-04	\$0.640	\$0.530	\$0.573	\$1.050	\$18.086
30-Sep-04	\$0.610	\$0.540	\$0.569	\$1.062	\$18.280
31-Oct-04	\$0.630	\$0.560	\$0.585	\$1.079	\$18.575
30-Nov-04	\$0.700	\$0.580	\$0.616	\$1.082	\$18.631
31-Dec-04	\$0.650	\$0.590	\$0.607	\$1.124	\$19.358
31-Jan-05	\$0.670	\$0.600	\$0.626	\$1.111	\$19.137
28-Feb-05	\$0.650	\$0.600	\$0.629	\$1.103	\$18.986
31-Mar-05	\$0.680	\$0.580	\$0.613	\$1.052	\$18.122
30-Apr-05	\$0.625	\$0.600	\$0.609	\$1.009	\$16.730
19-May-05	\$0.625	\$0.595	\$0.614	N/A	N/A

SOF Director and Company Secretary, Mr Victor Ho, is also a director and Company Secretary for CXL. SOF Chairman, Mr Farooq Khan, is also the Chairman of ASX listed Queste Communications Limited (ASX Code: QUE), currently a controlling 50% shareholder of CXL. Mr Farooq Khan is also a member of the Investment Committee of CXL (at the invitation of CXL).

Shareholders are also referred to www.centralexchange.com.au for other relevant information concerning CXL.

7. Resolution 1 – Return of Capital

Resolution 1 seeks shareholder approval for the Company to undertake an equal reduction of its share capital by the Return of Capital to shareholders, being:

- (1) A distribution of \$450,000 cash;
- (2) An in-specie distribution of all of the shares in Central Exchange Limited (**CXL**) to be received by the Company on settlement of a series of transactions with CXL:
 - (i) the SCB Option Deed;
 - (ii) the First Tranche BEL Share Sale Agreement;

and either

- (3) An in-specie distribution of all of the shares in CXL to be received by the Company on settlement of the Second Tranche BEL Share Sale Agreement; or

- (4) If the Second Tranche BEL Share Sale Agreement fails to settle for any reason (including where BEL shareholders fails to approve the transaction) and settlement of both the SCB Option Deed and First Tranche BEL Share Sale Agreement occurs in accordance with their terms, an in-specie distribution of up to 2,300,000 shares in BEL retained by the Company.

The Return of Capital will only be carried out (notwithstanding shareholder approval of [Resolution 1](#)) if shareholders have approved [Resolution 2](#).

Resolution 1 is conditional upon settlement of the First Tranche BEL Share Sale Agreement and the SCB Option Deed. These agreements will not settle if the conditions precedent to these agreements (see sections 8.1 and 8.2 of this Explanatory Memorandum for further details) are not satisfied or waived. If settlement of either of these agreements does not occur, the Return of Capital will not proceed.

If the Return of Capital occurs, the Company will remain suspended from ASX (refer to section 5 of this Explanatory Memorandum for further details).

Please also refer to Section 1.1 for more details on an overview of [Resolution 1](#).

7.1 Section 256 Corporations Act

Under section 256B(1) of the Corporations Act, a company may reduce its share capital as long as the reduction:

- (a) is fair and reasonable to the Company's Shareholders as a whole - the Directors of the Company consider that the Return of Capital is fair and reasonable to all Shareholders of the Company, as it applies to all Shareholders equally having regard to the number of shares in the Company held by each of them.
- (b) does not materially prejudice the Company's ability to pay its creditors - the Directors of the Company believe that the Company has sufficient cash reserves/net assets to fund the Return of Capital without materially prejudicing the Company's ability to pay its creditors. However shareholders should note earlier comments about the ultimate future of the Company with its post Return of Capital assets and the possible winding up of the Company should a suitable re-capitalisation plan not be achieved.
- (c) is approved by Shareholders under section 256C - for the purposes of section 256C of the Corporations Act, the proposed Return of Capital is treated as an equal reduction of capital and requires approval by an ordinary resolution. The Return of Capital is an equal reduction as it relates only to ordinary Shares, it applies to each holder equally and the terms of the Return of Capital are the same for each holder of Shares.

7.2 Clauses 137 and 138 of Constitution

Clauses 137 and 138 of the Constitution of the Company governs the Return of Capital proposed in [Resolution 1](#).

"REDUCTIONS OF CAPITAL

137. Company may Reduce Share Capital

- 137.1 *The Company may reduce its share capital by any means allowed by the Act, subject to the Company complying with the Listing Rules.*

138. Reduction of Share Capital by Asset Distribution

138.1 Any reduction in share capital under rule 137 may be made wholly or partly by way of an in specie distribution of specific assets, including paid up shares in, or debentures of, or options over the shares of, the Company or any other body corporate.

138.2 Where a difficulty arises in regard to a distribution of specific assets referred to in rule 138.1, the directors may resolve the difficulty as they see fit.

138.3 The directors may:

- (1) fix the value for distribution of the specific assets or any part of those assets;
- (2) determine that cash payments will be made to any members on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any of those specific assets in trustees;

as the directors see fit.

138.4 Where the Company reduces its share capital by way of a distribution of shares or other securities in another body corporate:

- (1) the members are deemed to have agreed to become members of that corporation and are bound by the constitution of that body corporate; and
- (2) each of the members appoints the Company or any of the directors as its agent to execute any transfer of shares or other securities, or other document required to give effect to the distribution of shares or other securities to that member."

7.3 Listing Rule 7.20

The following information is provided for the purposes of listing rule 7.20:

- (a) The proposed Return of Capital will not change the number of Shares held by each Shareholder in the Company (or the amount, if any, unpaid on their Shares).
- (b) The number of shares in CXL (and potentially BEL) to be distributed to Shareholders under the Return of Capital shall be determined on a pro-rata basis in proportion to each Shareholder's interest in the Company as at the Record Date. Fractional entitlements will be rounded to the nearest whole share and the Directors are authorised to deal with any difficulties arising in this regard as they see fit pursuant to clause 138.2 of the Company's Constitution.
- (c) There are no options or other convertible securities on issue by the Company as at the date of this Explanatory Memorandum.

7.4 Directors' Interests and Recommendations

No Director holds any Shares in the Company and accordingly no statements as to their voting intentions with respect to this resolution are required.

All of the Directors recommend that Shareholders approve Resolution 1.

Please also refer to Section 1.4.

8. Resolution 2 – Sale of Shares

Resolution 2 seeks shareholder approval for a series of transactions with CXL:

- (1) The sale to CXL of 3,167,152 SCB shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share (the total consideration to be paid by \$200,000 cash and the issue of new CXL shares priced at CXL's last reported NTA (post tax) backing) upon the exercise of CXL's option pursuant to the SCB Option Deed;
- (2) The sale to CXL of 2,100,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by \$575,000 cash and the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the First Tranche BEL Share Sale Agreement;
- (3) The sale to CXL of 2,300,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (the total consideration to be paid by the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing) pursuant to the Second Tranche BEL Share Sale Agreement.

Resolution 1 and Resolution 2 are interdependent. If Resolution 1 is not approved, Shareholders will not be asked to consider Resolution 2.

8.1 SCB Option Deed

On 2 May 2005, the Company entered into the Option Deed with CXL where the Company granted an option to CXL for CXL to acquire 3,167,152 SCB shares held by the Company for a consideration per share equal to the last reported NTA backing value of SCB per share with the total consideration to be paid by the issue of new CXL shares priced at CXL's last reported NTA backing. The option exercise period expires at 5:00pm (Perth time) on 2 August 2005. The Option Deed is also subject to compliance with the Corporations Act and ASX Listing Rules.

On 30 May 2005, the Company and CXL entered into a deed of variation to the Option Deed whereby the purchase consideration was amended to be a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share with the total consideration to be paid by \$200,000 cash and the issue of new CXL shares priced at CXL's last reported NTA (post tax) backing.

The references to NTA backings in respect of SCB and CXL shares are references to the last reported NTA backings (post tax) of such companies prior to settlement – this is expected to be the NTA backings reported as at 31 May 2005, on the basis that the exercise under the Option Deed will settle on 30 June 2005.

The Option Deed is conditional upon the satisfaction by 29 July 2004 (unless conditions (b) and (c) are waived by CXL) of the following conditions precedent:

- (a) Sofcom's shareholders approving the sale of the 3,167,152 SCB shares to CXL upon exercise of CXL's option on the terms and conditions of the Option Deed;
- (b) CXL acquiring from Sofcom 2,100,000 shares in accordance with the terms of the First Tranche BEL Share Sale Agreement; and
- (c) Sofcom's shareholders approving the Sofcom Return of Capital insofar as it relates to the distribution of CXL shares to Sofcom shareholders.

At settlement, CXL is required to apply to the ASX for quotation of the CXL shares issued to Sofcom as part of the consideration received under the Option Deed.

8.2 First Tranche BEL Share Sale Agreement

On 30 May 2005, the Company entered into the First Tranche BEL Share Sale Agreement with CXL for the sale to CXL of 2,100,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share with the total consideration to be paid by \$575,000 cash and the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing.

The references to NTA backings in respect of BEL and CXL shares are references to the last reported NTA (post tax) backings of such companies prior to settlement – this is expected to be the NTA backings reported as at 31 May 2005, on the basis that the agreement will settle on 30 June 2005.

The First Tranche BEL Share Sale Agreement is conditional upon the satisfaction by 29 July 2004 (unless conditions (b) and (c) are waived by CXL) of the following conditions precedent:

- (a) Sofcom's shareholders approving the sale of the 2,100,000 BEL shares to CXL on the terms and conditions of the First Tranche BEL Share Sale Agreement;
- (b) CXL acquiring from Sofcom 3,167,152 SCB shares upon exercise of CXL's option on the terms and conditions of the Option Deed; and
- (c) Sofcom's shareholders approving the Sofcom Return of Capital insofar as it relates to the distribution of CXL shares to Sofcom shareholders.

At settlement, CXL is required to apply to the ASX for quotation of the CXL shares issued to Sofcom as part of the consideration received under the First Tranche BEL Share Sale Agreement.

8.3 Second Tranche BEL Share Sale Agreement

On 30 May 2005, the Company entered into the Second Tranche BEL Share Sale Agreement with CXL for the sale to CXL of 2,300,000 BEL shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share with the total consideration to be paid by the issue to the Company of new CXL shares priced at CXL's last reported NTA (post tax) backing.

The references to NTA backings in respect of BEL and CXL shares are references to the last reported NTA (post tax) backings of such companies prior to settlement – this is expected to be the NTA backings reported as at 31 May 2005, on the basis that the agreement will settle on 30 June 2005.

The Second Tranche BEL Share Sale Agreement is conditional upon the satisfaction by 29 July 2004 (unless conditions (b) to (c) are waived by CXL) of the following conditions precedent:

- (a) Sofcom's shareholders approving the sale of the 2,300,000 BEL shares to CXL on the terms and conditions of the Second Tranche BEL Share Sale Agreement;
- (b) Sofcom's shareholders approving the Sofcom Return of Capital insofar as it relates to the distribution of CXL shares to Sofcom shareholders;

- (c) CXL acquiring from Sofcom 3,167,152 SCB shares upon exercise of CXL's option on the terms and conditions of the SCB Option Deed;
- (d) CXL acquiring from Sofcom 2,100,000 BEL shares on the terms and conditions of the First Tranche BEL Share Sale Agreement;
- (e) BEL shareholders approving the acquisition of the 2,300,000 BEL shares by CXL on the terms and conditions of the Second Tranche BEL Share Sale Agreement for the purposes of s611 Item 11 of the *Corporations Act*.

At settlement, CXL is required to apply to the ASX for quotation of the CXL shares issued to Sofcom as part of the consideration received under the Second Tranche BEL Share Sale Agreement.

8.4 Conclusion of Independent Expert

BDO Consultants are of the opinion that the proposed transactions contemplated in Resolution 2 are **FAIR AND REASONABLE** to the non-associated shareholders of the Company.

The Independent Experts' Report accompanies this Notice of Meeting and Explanatory Memorandum and Shareholders are encouraged to read the full text of such report.

8.5 Directors' Recommendations

All of the Directors recommend that Shareholders approve Resolution 1.

All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of CXL) recommend that Shareholders approve Resolution 2.

The Company notes that Mr Khan is a director and substantial shareholder of Queste Communications Limited, which is a 50% controlling shareholder of CXL and that Messrs Khan, Cato and Ho are directors of Altera Capital Limited, which is an 81% controlling shareholder of Sofcom.

Please also refer to Section 1.4.

9. GLOSSARY

ADG means Alan Davis Group Pty Limited ABN 22 000 762 489.

AWST or Perth time means Australian Western Standard Time.

Altera Capital or AEA means Altera Capital Limited ACN 082 541 437.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given to it by sections 10 to 17 of the Corporations Act.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

BEL means Bentley International Limited ABN 87 008 108 218.

BEL Share Sale Agreements means the First Tranche BEL Share Sale Agreement and the Second Tranche BEL Share Sale Agreement.

BDO Consultants means BDO Consultants (WA) Pty Ltd ABN 92 008 864 435.

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

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

Central Exchange or CXL means Central Exchange Limited ACN 000 742 843.

Company or Sofcom or SOF means Sofcom Limited ACN 087 482 602.

Constitution means the constitution of the Company.

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

Corporations Regulations means the *Corporations Regulations* 2001 (Cth)

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Fast Scout or FSL means Fast Scout Limited ACN 088 488 724.

FIFO means first-in-first-out.

First Tranche BEL Share Sale Agreement means the agreement dated 30 May 2005 between the Company and CXL in relation to the sale of the Company's 2,100,000 BEL shares to CXL, as described in Section 8.2 of this Notice of Meeting and Explanatory Memorandum.

General Meeting means the general meeting of the Company to be held at 10:45 am (Perth time) on 30 June 2005.

Glossary means this glossary.

Independent Expert means BDO Consultants.

LIC means listed investment company, which is an investment company listed on ASX.

Listing Rules means Listing Rules of the ASX.

Notice of Meeting and Explanatory Memorandum means this notice of meeting and explanatory memorandum document despatched to Shareholders of the Company in relation to the General Meeting.

NTA means net tangible assets.

Record Date means the date for determining entitlements to participate in the Return of Capital, being midnight on 8 July 2005.

Return of Capital or ROC means the return of capital proposed in Resolution 1 and as outlined in this Notice of Meeting and Explanatory Memorandum.

SCB means Scarborough Equities Limited ABN 58 061 287 045 (formerly Rivkin Financial Services Limited).

SCB Option Deed means the deed dated 2 May 2005 between the Company and CXL (as amended) in relation to the sale of the Company's 3,167,152 SCB shares to CXL, as described in Section 8.1 of this Notice of Meeting and Explanatory Memorandum.

Second Tranche BEL Share Sale Agreement means the agreement dated 30 May 2005 between the Company and CXL in relation to the sale of the Company's 2,300,000 BEL shares to CXL, as described in Section 8.3 of this Notice of Meeting and Explanatory Memorandum.

Share(s) means fully paid ordinary shares in the Company.

Shareholder(s) means holders of Shares.

VWAP means volume weighted average price.



ASX Code: SOF

www.sofcom.com

SOFCOM LIMITED
A.B.N. 88 087 482 602

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**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S
REPORT**

SOFCOM LIMITED

27 MAY 2005



BDO Consultants (WA) Pty Ltd

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
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Financial Services Guide

27 May 2005

BDO Consultants (WA) Pty Ltd ABN 92 008 864 435 ("**BDO Consultants**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Sofcom Limited ("**SOF**") to provide an independent expert's report on the proposal to sell the shares that SOF holds in Bentley International Limited and Scarborough Equities Limited to Central Exchange Limited. You will be provided with a copy of our report as a retail client because you are a shareholder of SOF.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This 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 financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 246328**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Consultants (WA) Pty Ltd is ultimately owned by the Perth partnership of BDO. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors are partners in the Perth partnership of BDO.

The Perth partnership of BDO is a member firm of BDO in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Consultants (WA) Pty Ltd and not by the Perth partnership of BDO or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Perth partnership of BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice to retail and wholesale clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues in relation to:

- ◆ derivatives limited to old law securities options contracts and warrants;
- ◆ debentures, stocks or bonds issued or proposed to be issued by a government;
- ◆ interests in managed investments schemes (excluding investor directed portfolio services);
- ◆ securities; and
- ◆ superannuation.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement will be approximately \$9,000.

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

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from SOF for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Consultants (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FICS will be able to advise you as to whether or not they can be of assistance in this matter. Our FICS Membership Number is F-3820.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 780 808
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

SOFCOM LIMITED
INDEPENDENT EXPERT'S REPORT
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Our ref: SA/SK

27 May 2005

The Directors
Sofcom Limited
Level 14
221 St George's Terrace
PERTH WA 6000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

BDO Consultants (WA) Pty Ltd ("**BDO**") has been engaged by Sofcom Limited ("**SOF**" or "**the Company**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the proposal ("**the Proposal**", as defined in section 3) to sell ordinary shares in Bentley International Limited ("**BEL**") and Scarborough Equities Limited ("**SCB**"), ("**the share assets of SOF**"), to Central Exchange Limited ("**CXL**"), is fair and reasonable to non-associated shareholders ("**Shareholders**") of SOF.

Our Report is to be included with the Notice of Meeting and Explanatory Memorandum for SOF to be sent to all Shareholders to assist them in deciding whether to accept or reject the Proposal.

2. SUMMARY AND OPINION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to Shareholders.

2.1 Fairness

In Section 9 we determined that the proposed share and cash based consideration compares to the current value of the share assets of SOF as shown below:

	Section	Low \$	Midpoint \$	High \$
Value of the share assets of SOF	8.5	2,350,353	2,534,233	2,718,114
Value of the proposed consideration ¹	9.4	2,449,393	2,554,915	2,660,436

Note ¹: The actual value of the consideration will be based on the last reported Net Tangible Asset ("**NTA**") value of SCB, BEL and CXL prior to the transaction. For the purposes of this report we have used the NTA value as at 30 April 2005 to calculate the relevant amount of consideration to be given. The actual NTA figure to be used should the Proposal be accepted is expected to be as at 31 May 2005.

The above values indicate that the Proposal is fair for Shareholders.

2.2 Reasonableness

We have considered the analysis in Section 11 of this report in terms of the advantages and disadvantages of the Proposal.

In our opinion, the position of Shareholders if the Proposal proceeds is more advantageous than the position if the Proposal does not proceed. Accordingly, we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
11.1.1	The Proposal is fair	11.2.1	Reduction of diversification of share portfolio
11.1.2	Reduction of volatility of share portfolio	11.2.2	Potential loss of distribution of future profits
11.1.3	Ability to undertake the return of capital		
11.1.4	Increase in asset value		
11.1.5	Ability to dispose of investments at greater than market value		
11.1.6	Use of company shell		

3. DETAILS OF THE PROPOSAL

3.1 The Proposal

The aggregate terms of the Proposal are that SOF will sell the following investments to CXL:

- a) 4,400,000 shares in BEL (11.30% of the issued capital of BEL); and
- b) 3,167,152 shares in SCB (4.21% of the issued capital of SCB).

The actual consideration to be received by SOF will be determined based on the last reported NTA (post tax) figures for each of SCB, BEL and CXL. For the purpose of this report, the management of SOF have supplied an estimate of this consideration based on the relevant NTA figures as at 30 April 2005. This estimate level of consideration to be paid by CXL is 1,744,159 ordinary shares in CXL, as well as a cash payment of \$775,000.

It is expected that should the proposal be approved, the exact amount of consideration given will be based on the NTA figures of SCB, BEL and CXL as at 31 May 2005.

4. BASIS OF EVALUATION

4.1 Regulatory Guidelines

In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Proposal is accepted, with the advantages and disadvantages to those Shareholders if it is not.

4.2 Adopted Basis of Evaluation

Having regard to both Policy Statements above, BDO has completed this comparison in two parts:

- A comparison between the value of the shares that SOF proposes to sell to CXL with the value of the consideration to be paid by CXL. (fairness – see Section 9 "Is the Proposal Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposal, after reference to the value derived above (reasonableness – see Section 11 "Is the Proposal Reasonable?").

The Proposal could be considered "reasonable" if there are valid reasons to approve the Proposal, notwithstanding that it may not be regarded as "fair" to Shareholders.

5. BACKGROUND OF SOFCOM LIMITED

5.1 History & Background

Sofcom Ltd has been listed on the Australian Stock Exchange ("**ASX**") since 19 September 2000, with operations in various Internet related sectors including online and email advertising, content licencing, website design, development and maintenance, and technical consulting. Sofcom took over the "Zivo" Creative Design team in December 2000 and acquired the "Stanley & Milford" Consulting company in January 2001.

Following the outcome of a strategic review, completed in July 2002, the Company formed the view that given each of its divisions historical losses and commercial prospects for the future, they should be sold or closed down. During the 2003 financial year, the Company concluded agreements to dispose of its business divisions, which left the company devoid of any active operational divisions. The principal activity of SOF is now the management of cash reserves and investments.

The Company has stated that if and when the Board of Directors believes the internet based commercial operations of the Company should be discontinued then the Company will consider recommending that SOF participate in an aggregation strategy.

The Board has stated that they believe that a listed company requires a critical mass of capital of at least \$15 million to provide an income stream and capital growth for its shareholders. The Board believes that this can be achieved by aggregating SOF with a number of other suitable listed companies into a single listed entity. Further details of the "Aggregation" strategy can be found in the Directors' Report forming part of the Company's 31 December 2004 Half Yearly Report.

5.2 Capital Structure

5.2.1 The capital structure of SOF as at 12 May 2005 was as follows:

Ordinary Shares	12 May 2005
Total Ordinary Shares on Issue	44,638,466
Top Twenty Shareholders – Ordinary Shares	39,989,173
Top Twenty Shareholders - % of Ordinary Shares on Issue	89.396%

Source: Advanced Share Registry Services Report as at 12 May 2005

5.2.2 The spread of SOF shareholders as at 12 May 2005 was as follows:

Range of Shares Held	No. of Shareholders
1-1,000	6
1,001-5,000	50
5,001-10,000	134
10,001-100,000	138
100,001 – and over	12
TOTAL	340

Source: Advanced Share Registry Services Report as at 12 May 2005

5.2.3 The number of shares held by the most significant shareholders at 12 May 2005 is detailed below:

Shareholder	Ordinary Shares	% Shares Held
Altera Capital Limited	36,258,535	81.23%
Fast Scout Limited	725,900	1.63%
Delta Asset Management Pty Ltd	670,200	1.50%
Rialc Pty Limited	359,252	0.80%

Source: Advanced Share Registry Services Report as at 12 May 2005

5.3 Historical Statements of Financial Performance

SOF	Half Year ended 31 December 2004 \$	Year ended 30 June 2004 \$	Year ended 30 June 2003 \$
Revenue from Ordinary Activities	360,743	1,418,258	971,789
Expenses from Ordinary Activities			
Client Disbursements	-	-	(100,069)
Occupancy Expenses	(14,486)	(25,862)	(118,036)
Finance Expenses	(538)	(1,648)	-
Borrowing cost	(87)	(447)	-
Corporate Expenses			
- Professional Fees	(804,658)	(124,797)	(604,088)
- Other	(11,717)	(33,077)	-
Administration Expenses			
- Communications	(8,027)	(8,777)	(57,525)
- Consultants	(23,014)	(64,007)	-
- Personnel	(84,385)	(228,299)	(1,131,425)
- Cost related to share investments	(35,698)	-	-
- Other Personnel Expenses			
- employee benefits	-	(11844)	-
- employee termination costs	-	-	(104,378)
- cost of investment sold	(226,310)	(987,858)	-
- Diminution of Investments	171,617	(853,173)	-
- Depreciation	(51)	(2,451)	(11,848)
- Written down value of assets sold	-	-	(346,819)
- Other	(5,991)	(32,513)	(157,271)
Operating Profit/ (loss) before income tax expense	(682,602)	(956,495)	(1,659,670)
Income tax benefit/ (expense) relating to ordinary activities	-	-	-
Net profit/ (loss) after related income tax expense	(682,602)	(956,495)	(1,659,670)

Source: Annual reports for the years ended 30 June 2003 and 2004 and Half Year Report for 31 December 2004

We note the following in relation to SOF's recent financial performance:

- A decrease in revenue from ordinary activities as a result of the elimination of operational division over the last few years;
- Significant expenses realised due to the cost of investments sold;
- Large expenses relating to professional fees which are primarily made up of third party consulting and legal fees.

5.4 Historical Statements of Financial Position

SOF	Audited As at 31 December 2004 \$	Audited As at 30 June 2004 \$
CURRENT ASSETS		
Cash assets	18,719	308,351
Receivables	317,740	32,823
TOTAL CURRENT ASSETS	336,459	338,747
NON-CURRENT ASSETS		
Investments	3,317,184	3,326,531
Plant and equipment	640	691
TOTAL NON-CURRENT ASSETS	3,317,824	3,327,222
TOTAL ASSETS	3,654,283	3,665,969
CURRENT LIABILITIES		
Payables	919,424	254,528
NON CURRENT LIABILITIES		
Provisions	10,748	4,728
TOTAL LIABILITIES	930,172	259,256
NET ASSETS	2,724,111	3,406,713
EQUITY		
Contributed equity	23,909,117	23,909,117
Accumulated losses	(21,185,006)	(20,502,404)
TOTAL EQUITY	2,724,111	3,406,713

Source: Annual report for the year ended 30 June 2004 and Half Year Report for 31 December 2004

We note the following in relation to SOF's recent financial position:

- A large amount of receivables outstanding as at 31 December 2004;
- The majority of assets relate to Investments, which are made up of investments in listed companies, both domestically and internationally.

6. VALUATION METHODOLOGIES

6.1 Methodologies commonly used for valuing assets and businesses are as follows:

6.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

6.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

6.1.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern

method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

6.1.4 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

6.2 Valuation methods adopted to value the share assets of SOF

We consider the method most appropriate in valuing SCB and BEL to be the Net Assets on a Going Concern valuation approach. As explained in section 6.1.3, this method is most appropriate when valuing companies when passive assets (such as the large share portfolios of investment companies) make up the majority of total assets.

6.3 Valuation methods adopted to value the consideration

Similarly, we consider the method most appropriate in valuing CXL to be the Net Assets on a Going Concern valuation approach. As explained in section 6.1.3, this method is most appropriate when valuing companies when passive assets (such as the large share portfolios of investment companies) make up the majority of total assets.

7. VALUATION OF THE SHARE ASSETS OF SOF

7.1 Net Assets on a Going Concern Basis Valuation of SCB

The value of the net assets of SCB on a net assets on a going concern basis has been reflected in our valuation below:

Item	Ref	As at 30 April 2005 \$	Realisable value Low \$	Realisable value High \$
Assets				
Cash Assets	7.1.1	815,468	815,468	815,468
Receivables	7.1.2	383,542	383,542	383,542
Investments	7.1.3	15,259,257	14,114,627	16,403,485
Property, plant and equipment	7.1.4	5,270	5,270	5,270
Other	7.1.5	2,673	2,673	2,673
Total assets		16,466,210	15,321,580	17,610,438
Liabilities				
Payables		300,555	300,555	300,555
Current tax liabilities		603,669	603,669	603,669
Total liabilities		904,224	904,224	904,224
Net value of SCB			14,417,356	16,706,214

We have assessed the value of SCB on a net asset basis to be between \$14,417,356 and \$16,706,214. SCB has 75,312,820 shares on issue. Therefore the value of a SCB share on a net asset on going concern basis is between 19.14 cents and 22.18 cents per share. The value of SOF's 3,167,152 shares in SCB is therefore between \$606,193 and \$702,474.

7.1.1 Cash

The cash balance that was used in the calculation of the NTA figure at 30 April 2005 for ASX disclosure was \$815,468.

7.1.2 Receivables

All receivables as at 30 April 2005 are net of bad debts and as such no adjustment is required to the book value in our valuation. This figure includes a cash receivable of \$382,500 due from SOF, AEA and Fast Scout Limited associated with the settlement of court costs.

7.1.3 Investments

SCB, as a listed investment company, holds a significant shareholding in a broad portfolio of listed companies. The value of these investments is updated at the end of each month to provide shareholders with an update of performance for the period. At 30 April 2005, the portfolio was valued at \$15,259,257. To account for unpredictable movements in the prices of the contributing shares, we have varied this figure by 7.5% to give our valuation range.

7.1.4 Property, Plant and Equipment

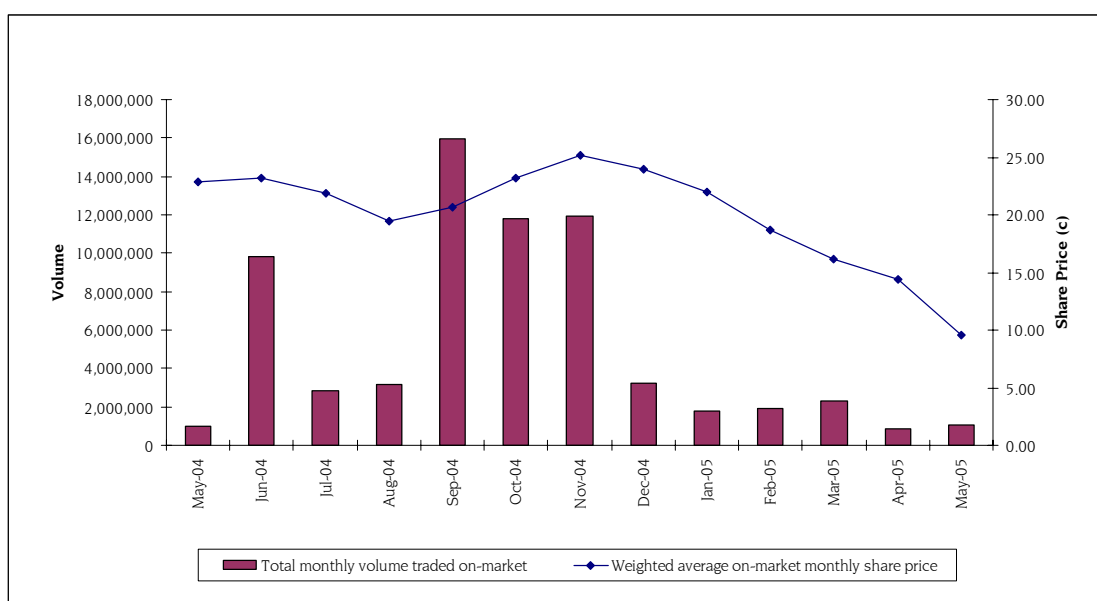
It is reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value.

7.1.5 Other Assets

The value of the other assets is immaterial and as such no adjustment is necessary.

7.2 Quoted Market Price Basis Valuation of SCB

The following chart provides a summary of the share price movement over the year between 13 May 2004 and 12 May 2005. There have been no company announcements relating to this transaction that would affect the share price of SCB to date. As such we have assessed the share value for the year to 12 May 2005.



Source: ASX

The daily price of SCB shares from 13 May 2004 to 12 May 2005 has ranged from a high of 30.0 cents on 23 November 2004 to a low of 12.0 cents on 11 May 2005. The stock experienced a peak in traded volume around the months between September and November 2004. During this period a number of competing investors acquired strategic holdings in SCB resulting in high trading volumes.

It is significant to note the steady decline in the weighted average share price through the year. This suggests that, other factors removed, the shares may continue to decline in value in the future.

To provide further analysis of the market prices for SCB shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 13 May 2005.

SCB per share	13 May 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	14.5				
Weighted Average		12.6	13.7	15.8	17.5

An analysis of the volume of trading in SCB shares prior to 13 May 2005 is set out below:

Pre announcement period	Share price (low)	Share price (high)	Cumulative volume traded	As a % of issued capital
1 day	12.0	13.0	103,300	0.10%
1 week	12.0	14.0	671,350	0.67%
1 month	12.0	16.0	1,555,929	1.55%
3 months	12.0	22.5	6,107,891	6.09%
6 months	12.0	30.0	29,858,356	29.77%
12 months	12.0	30.0	67,248,091	67.04%

Source: ASX

Based on this we have assessed the value of a SCB share, based on market prices, to be in the range of 12.0 cents to 16.0 cents. The average daily trading volume over the last 90 trading days was approximately 90,400 shares. SOF holds 3,167,152 SCB shares representing approximately 35 days trading volume. As such we consider it appropriate to discount the market price by 10% to reflect the ability of SOF to sell its shares in an orderly manner.

Accordingly we have valued SOF's interest in SCB at 10.8 cents to 14.4 cents per share which equates to a range of between \$342,052 and \$456,070.

7.3 Valuation Conclusion on SOF's shares in SCB

Our valuations of SOF's shares in SCB are summarised below:

	Ref	Low \$	High \$
Net Asset basis	7.1	606,193	702,474
Quoted Market Price basis	7.2	342,052	456,070

As SCB is an investment company, we consider that the Net Assets on a going concern basis of valuation provides the best indication of the value of the shares in SCB and have therefore adopted a value range of between \$606,193 and \$702,474 for the purpose of this assessment.

7.4 Net Assets on a Going Concern Basis Valuation of BEL

The value of the net assets of BEL on a going concern basis has been reflected in our valuation below.

Item	Ref	As at 30 April 2005 \$	Realisable value Low \$	Realisable value High \$
Assets				
Cash Assets	7.4.1	807,005	807,005	807,005
Receivables	7.4.2	33,633	33,633	33,633
Investments	7.4.3	16,007,940	14,807,344	17,208,535
Property, plant and equipment	7.4.4	7,060	7,060	7,060
Prepayments		19,825	19,825	19,825
Total assets		16,875,463	15,674,867	18,076,058
Liabilities				
Accruals		98,610	98,610	98,610
Sundry Creditors		6,600	6,600	6,600
Provisions		131,209	131,209	131,209
Total liabilities		236,419	236,419	236,419
Net value of CXL			15,438,448	17,839,639

We have assessed the value of BEL on a net asset basis to be between \$15,438,448 and \$17,839,639. BEL has 38,942,213 shares on issue. Therefore the value of a BEL share on a net asset on going concern basis is between 39.64 cents and 45.81 cents per share. The value of the proposed consideration of the 4,400,000 in BEL to be sold to CXL shares is therefore between \$1,744,160 and \$2,015,640.

7.4.1 Cash

The cash balance that was used in the calculation of the NTA figure at 30 April 2005 for ASX disclosure was \$807,005.

7.4.2 Receivables

All receivables as at 30 April 2005 are net of bad debts and as such no adjustment is required to the book value in our valuation.

7.4.3 Investments

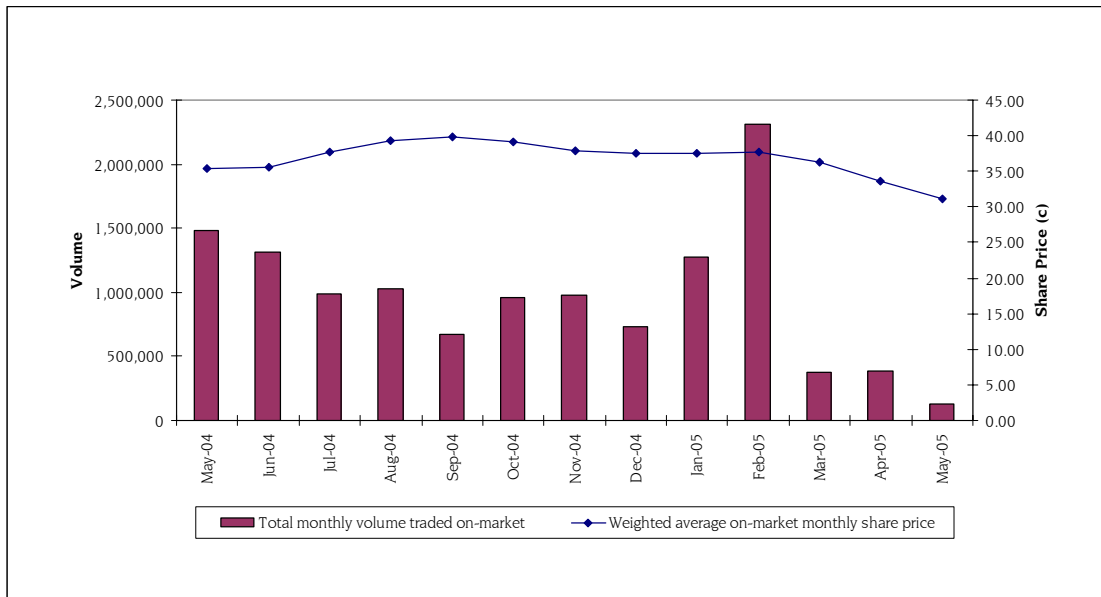
BEL, as a listed investment company, holds a significant shareholding in a broad portfolio of listed companies. The value of these investments is updated at the end of each month to provide shareholders with an update of performance for the period. At 30 April 2005, the portfolio was valued at \$16,007,940. To account for unpredictable movements in the prices of the contributing shares, we have varied this figure by 7.5% to give our valuation range.

7.4.4 Property, Plant and Equipment

It is reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value.

7.5 Quoted Market Price Basis Valuation of BEL

We have assessed the value of BEL based on the market prices for a BEL share. The following chart provides a summary of the share price movement over the past year.



Source: ASX

The daily price of BEL shares from 14 May 2004 to 13 May 2005 has ranged from a high of 41.0 cents on 27 September 2004 to a low of 26.5 cents on 5 May 2005.

To provide further analysis of the market prices for BEL shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 13 May 2005.

BEL per share	13 May 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	30.0				
Weighted Average		31.6	34.0	36.9	37.1

An analysis of the volume of trading in BEL shares prior to 13 May 2005 is set out below:

Pre announcement period	Share price (low) \$	Share price (high) \$	Cumulative volume traded	As a % of issued capital
1 day	0.285	0.295	14,683	0.04%
1 week	0.265	0.320	68,362	0.18%
1 month	0.265	0.350	501,927	1.29%
3 months	0.265	0.385	4,483,913	11.51%
6 months	0.265	0.410	7,612,203	19.55%
12 months	0.265	0.410	12,632,711	32.44%

Source: ASX

The above weighted average prices are not influenced by the public reaction to any details of the proposal, as nothing has been announced to the market as at this date. Our assessment is that a range of values for BEL shares based on market pricing is between 30.0 cents and 36.0 cents.

SOF currently holds 4,700,000 shares in BEL. SOF proposes to sell 4,400,000 shares in BEL to CXL, which equates to 11.30% of the issued share capital, and retain the remainder, being 300,000 shares for working capital purposes, to be realised as required.

The average daily trading volume over the last 90 trading days was approximately 65,400 shares. SOF proposes to sell 4,400,000 BEL shares representing approximately 68 days trading volume. As such we consider it appropriate to discount the market price by 10% to reflect the ability of SOF to sell its shares in an orderly manner. As such our valuation of the share based on market pricing is between 27.0 cents and 32.4 cents. This results in a valuation for the 4,400,000 shares of between \$1,188,000 and \$1,425,600.

The sale of 2,300,000 of these shares is subject to the approval of the non associated shareholders of BEL, as it would mean that CXL's ownership of BEL would move above the 20% threshold under the Corporations Act.

7.6 Valuation Conclusion on SOF's shares in BEL

Our valuations of SOF's shares in BEL are summarised below:

	Ref	Low \$	High \$
Net Asset basis	7.4	1,744,160	2,015,640
Quoted Market Price basis	7.5	1,188,000	1,425,600

As BEL is an investment company, we consider that the Net Assets on a going concern basis of valuation provides the best indication of the value of the shares in BEL and have therefore adopted a value range of between \$1,744,160 and \$2,015,640 for the purpose of this assessment.

7.7 Valuation Conclusion on the share assets of SOF

It is proposed that SOF disposes of its current holdings of shares in BEL and SCB. For the reasons outlined in section 6.2, we have preferred to use the Net Assets Value to assess the share assets of SOF. Our asset based valuation (from sections 7.3 and 7.6) is summarised below:

	Ref	Low \$	High \$
Value of SCB	7.3	606,193	702,474
Value of BEL	7.6	1,744,160	2,015,640
Total value		2,350,353	2,718,114

8. VALUE OF CONSIDERATION

8.1 The Proposed Consideration

The actual consideration to be received by SOF will be determined based on the last reported NTA (post tax) figures for each of SCB, BEL and CXL. For the purpose of this report, the management of SOF have supplied an estimate of this consideration based on the relevant NTA figures as at 30 April 2005. This estimate level of consideration to be paid by CXL is 1,744,159 ordinary shares in CXL (10.65% of the issued capital of CXL), as well as a cash payment of \$775,000.

8.2 Net Assets on a Going Concern Basis Valuation of CXL

The value of the net assets of CXL on a going concern basis has been reflected in our valuation below.

Item	Ref	As at 30 April 2005 \$	Realisable value Low \$	Realisable value High \$
Assets				
Cash Assets	8.2.1	1,375,011	1,343,948	1,343,948
Receivables	8.2.2	42,014	42,014	42,014
Investments	8.2.3	13,182,599	12,199,904	14,171,294
Property, plant and equipment	8.2.4	3,825,107	3,825,107	3,825,107
Other	8.2.5	15,502	15,502	15,502
Total assets		18,440,233	17,426,475	19,397,865
Liabilities				
Payables		184,963	184,963	184,963
Provisions	8.2.6	31,507	31,507	31,507
Current tax liabilities		1,494,151	1,494,151	1,494,151
Total liabilities		1,710,621	1,710,621	1,710,621
Net value of CXL			15,714,854	17,687,244

We have assessed the value of CXL on a net asset basis to be between \$15,714,854 and \$17,687,244. CXL has 16,369,996 shares on issue. Therefore the value of a CXL share on a net asset on going concern basis is between 96.0 cents and 108.1 cents per share. The value of the proposed consideration of 1,744,159 shares is therefore between \$1,674,393 and \$1,885,436.

8.2.1 Cash

The cash balance that was used in the calculation of the NTA figure at 30 April 2005 for ASX disclosure was \$1,375,011. We have reduced this by the \$31,063 paid by the Company for the buy back of 50,000 shares on 20th May 2005.

8.2.2 Receivables

All receivables as at 30 April 2005 are net of bad debts and as such no adjustment is required to the book value in our valuation.

8.2.3 Investments

CXL, as a listed investment company, holds a significant shareholding in a broad portfolio of listed companies. The value of these investments is updated at the end of each month to provide shareholders with an update of performance for the period. At 30 April 2005, the portfolio was valued at \$13,182,599. To account for unpredictable movements in the prices of the shares that make up CXL investments, we have varied this figure by 7.5% to give our valuation range

8.2.4 Property, Plant and Equipment

The plant and equipment held by CXL includes a property recently purchased by their subsidiary, Silver Sands Pty Ltd for \$3.79million. As it has only recently been purchased, no independent valuation of the property value has been performed as yet. It is therefore reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value.

8.2.5 Other Assets

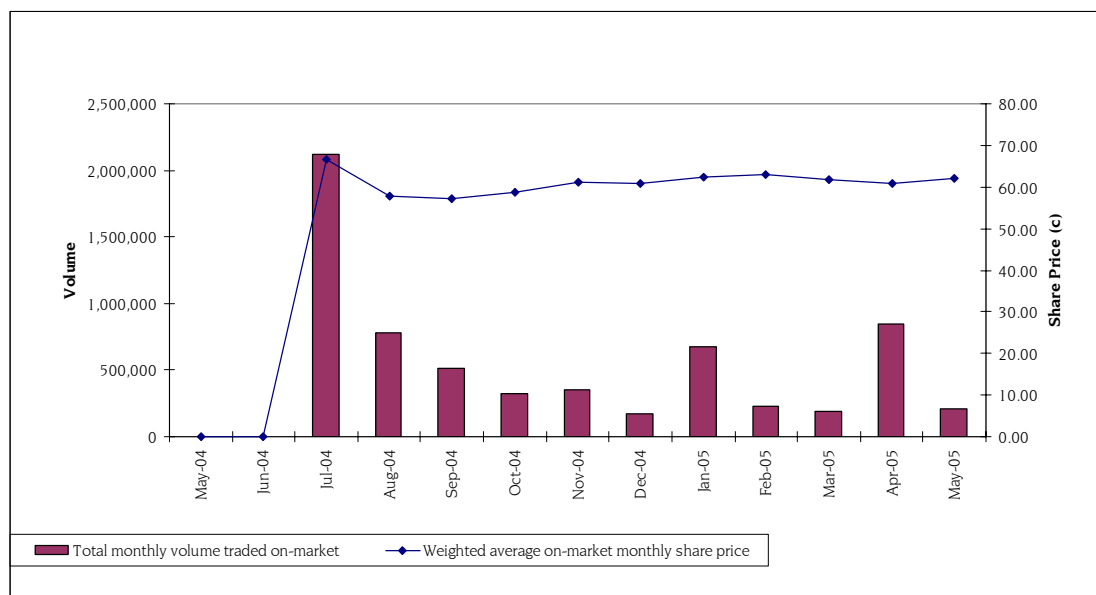
The value of the other assets is immaterial and as such no adjustment is necessary.

8.2.6 Provisions

This account consists of primarily of employee entitlements. It is reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value. As such, the value of this item does not require variation.

8.3 Quoted Market Price Basis Valuation of CXL

8.3.1 We have also assessed the value of CXL based on the market prices for a CXL share. The following chart provides a summary of the share price movement over the past year.



Source: ASX

The daily price of CXL shares from 14 May 2004 to 13 May 2005 has ranged from a high of 85.0 cents on 8 July 2004 to a low of 53.0 cents on 3 August 2004. The highest volume at which the share traded was 764,500 on 8 July 2004, the day on which it re-listed after being suspended from trading pending a change of principal activity to become a listed investment company.

8.3.2 To provide further analysis of the market prices for CXL shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 12 May 2005.

CXL per share	13 May 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	62.0				
Weighted Average		61.7	61.0	61.7	61.6

8.3.3 An analysis of the volume of trading in CXL shares prior to 13 May 2005 is set out below:

Pre announcement period	Share price (low) ¢	Share price (high) ¢	Cumulative volume traded	As a % of issued capital
1 day	62.0	62.5	50,000	0.30%
1 week	61.5	62.5	208,378	1.27%
1 month	59.0	62.5	1,165,551	7.10%
3 months	58.0	68.0	2,263,440	13.78%
6 months	54.0	70.0	3,690,255	22.47%
12 months	53.0	85.0	6,492,162	39.53%

Source: ASX

The ASX share prices indicate a value for CXL shares based on market pricing of between 61.0 cents and 62.0 cents. The stability of the price of the stock over time as displayed in the graph in section 8.3.1, results in the narrow valuation range. 1,744,159 shares are being offered in CXL. The value of these shares is therefore between \$1,063,937 and \$1,081,379.

8.4 Assessment of Consideration Value

It is proposed that SOF receives cash and 1,744,159 shares in CXL (see section 3.1). Our valuation of the consideration (from section 8.2) is summarised below:

	Ref	Low \$	High \$
Asset based value of CXL	8.2	1,674,393	1,885,436
Cash component of consideration	3.1	775,000	775,000
Total value of consideration		2,449,393	2,660,436

For the reasons outlined in section 6.3, we have decided to adopt the asset based valuation of CXL. Therefore the value of the consideration is between \$2,449,393 and \$2,660,436.

9. IS THE PROPOSAL FAIR?

The settlement consideration is the issue of 1,744,159 CXL ordinary shares and a cash payment of \$775,000. As discussed in section 3.1, this consideration is a guide to the actual level and is based on the NTA figures for SCB, BEL and CXL as at 30 April 2005. The actual figures will be determined in the same manner, however based on the latest possible NTA figures, which are expected to be those as at 31 May 2005.

In section 8.2 we assessed the value of a CXL share to be in the range of 96 cents and 108.1. The following table summarises our assessment of the value of liability being settled compared to the settlement consideration.

	Ref	Low \$	Midpoint \$	High \$
Value of consideration	8.4	2,449,393	2,554,915	2,660,436
Value of share assets of SOF	7.7	2,350,353	2,534,233	2,718,114

As such in our opinion the Proposal is fair to Shareholders.

10. OTHER CONSIDERATIONS

10.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of SOF a premium over the value ascribed to that resulting from the Proposal.

10.2 Premium For Control

ASIC Policy Statement 74 requires that the expert give an opinion as to whether the proposed issue of shares will result in the Company receiving any premium for control. We have estimated the amount of any premium for control being paid by CXL as the amount by which the value of the consideration offered by CXL exceeds the value of the investment being sold by SOF.

We have assessed that the value of the share assets of SOF to be between \$2,350,915 and \$2,718,114, with a midpoint of \$2,534,233 and the value of the consideration to be between \$2,449,393 and \$2,660,436, with a midpoint of \$2,554,915. Accordingly, based on the midpoints of the respective ranges, the premium for control that is being paid by CXL is \$20,682.

11. IS THE PROPOSAL REASONABLE?

We have considered the position of the Shareholders if the Proposal is accepted and have taken into account the following advantages and disadvantages in this assessment.

We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity and ease of evaluation of the Proposal, we have set out the significant factors only in the context of accepting the Proposal.

11.1 Advantages of Accepting the Proposal

11.1.1 The Proposal is fair

As shown in Section 10 we have assessed the Proposal to be fair to Shareholders. ASIC Policy Statement 75 states that "an offer is reasonable if it is fair".

11.1.2 Reduction of volatility of share portfolio

The share based analysis of the shares currently held in BEL (section 7.5) and SCB (section 7.2) reveals that they have performed with greater levels of price volatility than the shares in CXL (section 8.3). Going forward, this indicates that in all probability that the asset values of SOF will be more consistent over time.

11.1.3 Ability to undertake the return of capital

After the disposal of the shares, SOF will be able to fully effect a return of capital, contemplated by Resolution 1 of the SOF notice of meeting, by an in specie distribution of share assets held by SOF.

11.1.4 Increase in asset value

By selling the shares in BEL and SCB for the nominated number of shares in CXL, SOF will increase the value of its Net Assets by the amount specified in section 10.2, which is the premium for control.

11.1.5 Ability to dispose of investments at greater than market value

SOF's share of legal expenses relating to the recent litigation regarding its investment in SCB is currently approximately \$250,000. SOF has the intention of selling off shares in SCB in order to pay for legal fees and other expenses. The Proposal enables SOF to do so in excess of the market price, which will result in significant cost savings. If SOF was to do so at current market prices, it is likely that the value that would be received would be below the current market price given the size of the parcel.

11.1.6 Ability to utilise company shell

If the proposal is accepted and the return of capital completed, then SOF will become a company shell, which has an intrinsic value for resale. This could result in future value for shareholders.

11.2 Disadvantages of Accepting the Proposal

11.2.1 Reduction of diversification of share portfolio

The share portfolio of SOF will be less diversified if the proposal is approved as SOF will acquire shares in CXL. This may result in a greater share price risk exposure. The risk of loss from share market price fluctuations may be more substantial. However CXL, as a listed investment company, has a diversified portfolio which will have the effect of minimising this risk.

11.2.2 Potential Loss of distribution of future profits

By selling their interest in BEL and SCB, SOF is losing the ability to receive a distribution of whatever profits that BEL and SCB may make in the future. It is difficult to predict or quantify the levels of these profits.

12. CONCLUSION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is **fair and reasonable** to Shareholders.

13. SOURCES OF INFORMATION

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- SOF's Annual Reports for the year ended 30 June 2004;
- SOF's Half Year Reports to 31 December 2004;
- BEL's Annual Reports for the year ended 30 June 2004;
- BEL's Half Year Reports to 31 December 2004;
- SCB's Annual Reports for the year ended 30 June 2004;
- SCB's Half Year Reports to 31 December 2004;
- CXL's Half Year Reports to 31 December 2004;
- CXL's Monthly Net Tangible Asset Reconciliation;
- ASX announcements and share price data for SOF, SCB, BEL and CXL;
- Discussions with Directors and Management of SOF; and
- Information available in the public domain, such as Bloomberg, brokers' reports, comparable companies' annual reports and announcements.

14. INDEPENDENCE

BDO Consultants (WA) Pty Ltd is entitled to receive a fee of \$9,000 for the preparation of this report. Except for this fee, BDO Consultants (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Prior to accepting this engagement BDO Consultants (WA) Pty Ltd considered its independence with respect to SOF and any of their respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In our opinion BDO Consultants (WA) Pty Ltd is independent of SOF and their associates.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Ltd have had within the past two years any professional relationship with SOF, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to SOF and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

In addition, BDO Consultants (WA) Pty Ltd has been indemnified by SOF in respect of any claim arising from BDO Consultants (WA) Pty Ltd's reliance on information provided by the SOF, including the non provision of material information, in relation to the preparation of this report.

15. QUALIFICATIONS

BDO Consultants (WA) Pty Ltd is wholly owned by BDO, a member of BDO International, which has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Matt Giles and Steve Kite of BDO Consultants (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports and valuations.

16. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of SOF for inclusion in the Explanatory Memorandum which will be sent to all SOF Shareholders. SOF engaged BDO Consultants (WA) Pty Ltd to prepare an independent expert's report to consider the issue of shares to DBS under the Proposal.

BDO Consultants (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Consultants (WA) Pty Ltd.

BDO Consultants (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Consultants (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of SOF. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Consultants (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CONSULTANTS (WA) PTY LTD



Sherif Andrawes
Director

Matt Giles
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AUD	Australian Dollar
BDO	BDO Consultants (WA) Pty Ltd
BEL	Bentley International Limited
The Company	Sofcom Limited
CXL	Central Exchange Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
NTA	Net Tangible Assets
The Proposal	The Proposal to sell 4,400,000 shares in BEL and 3,167,152 shares in SCB
The share assets of SOF	The SOF holdings of 4,400,000 shares in BEL and 3,167,152 shares in SCB
Our Report	This Independent Expert's Report prepared by BDO
ROC	Return of Capital
SCB	Scarborough Equities Limited
Shareholders	Shareholders of SOF not associated with CXL
SOF	Sofcom Limited
USD	United States Dollar



A.B.N. 55 082 541 437

NOTICE OF GENERAL MEETING & EXPLANATORY MEMORANDUM

TO SHAREHOLDERS

**Time and:
Date of Meeting** 11:30 am (Perth time)
on Thursday, 30 June 2005

Place of Meeting: Suite 3
The Forrest Centre Conference Suites
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia

IMPORTANT NOTICE

It is recommended that Shareholders read this Notice of Meeting and Explanatory Memorandum booklet in full and if there is any matter that you do not understand, you should contact your financial adviser, stockbroker or solicitor for advice.

All of the Directors recommend that Shareholders approve Resolution 1.

All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of Central Exchange Limited) recommend that Shareholders approve Resolution 2.

The attached Independent Expert's Report prepared by BDO Consultants (WA) Pty Ltd has concluded that the transaction in Resolution 2 is **FAIR AND REASONABLE** to the non-associated existing shareholders of the Company.

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CORPORATE DIRECTORY

BOARD

Farooq Khan	Chairman and Managing Director
Victor Ho	Director
Simon Cato	Director

COMPANY SECRETARY

Victor Ho

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INDEPENDENT EXPERT

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Web: www.bdo.com.au

PURPOSE OF THIS DOCUMENT

This Notice of Meeting and Explanatory Memorandum has been prepared for the purpose of providing Shareholders with all the information known to the Company that is material to the Shareholders' decision on how to vote on the proposed resolutions at the General Meeting. Shareholders should read this Notice of Meeting and Explanatory Memorandum in full to make an informed decision regarding the resolutions considered at this General Meeting.

This Notice of Meeting and Explanatory Memorandum is dated 31 May 2005.

ENQUIRIES

If you have any questions regarding the matters set out in this Notice of Meeting and Explanatory Memorandum, please contact the Company Secretary or your professional advisers.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Altera Capital Limited A.C.N. 082 541 437 (**Company or Altera Capital or AEA**) will be held at Suite 3, The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at 11:30 am (Perth time) on Thursday, 30 June 2005.

AGENDA

ORDINARY BUSINESS

1. Resolution 1 - Approval of Return of Capital

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"Subject to and conditional upon shareholder approval of Resolution 2 and the completion of a share capital return proposed by Sofcom Limited ("**SOF**") which is the subject of SOF shareholder approval at a general meeting to be held on 30 June 2005 (the "**SOF Return of Capital**"), that under section 256B and 256C(1) of the Corporations Act, the Company's constitution, and for all other purposes, approval is given to the Company to reduce the fully paid ordinary share capital of the Company (the "**Share Capital**") by returning to the ordinary shareholders of the Company, in proportion to the number of ordinary shares held by them at midnight (Perth time) on 8 July 2005 ("**Record Date**"), the following assets (Share Capital) of the Company:*

- (i) An in-specie distribution of all of the shares in Central Exchange Limited ("**CXL**") that may be received by the Company under the SOF Return of Capital;*
 - (ii) An in-specie distribution of all of the shares in Bentley International Limited ("**BEL**") (if any) that may be received by the Company under the SOF Return of Capital; and*
 - (iii) An in-specie distribution of all of the shares in SOF held by the Company,*
- as outlined in this Notice of Meeting and Explanatory Memorandum."*

2. Resolution 2 - Approval of Sale of Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional upon shareholder approval of Resolution 1, for all purposes, approval is given for the Company to undertake the following transaction with CXL:

- (i) The sale to CXL of 698,718 shares in Scarborough Equities Limited ("**SCB**"), held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share, the total consideration to be paid by cash to the Company, upon the exercise of CXL's option pursuant to the SCB Option Deed,*

as outlined in this Notice of Meeting and Explanatory Memorandum."

DATED THIS 31st DAY OF MAY 2005

BY ORDER OF THE BOARD



VICTOR HO
COMPANY SECRETARY

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The General Meeting of the shareholders of Sofcom Limited will be held at:

Suite 3	commencing	11:30 am (Perth time)
The Forrest Centre Conference Suites		Thursday, 30 June 2005
Level 14, The Forrest Centre		
221 St Georges Terrace		
Perth, Western Australia		

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (08) 9322 1515; or
- deliver to the principal place of business of the Company at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia 6000.

so that it is received **not later than 11.30 am (Perth time) on Tuesday, 28 June 2005**.

Your proxy form is enclosed.

Bodies corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. A properly executed original (or certified copy) of an appropriate "Appointment of Corporate Representative" should be produced for admission to the meeting. Previously lodged Appointments of Corporate Representative will be disregarded by the Company.

Powers of Attorney

A person appearing as Power of Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the General Meeting all Shares in the Company will be taken to be held by the persons who held them as registered Shareholders at midnight (Perth time) on 28 June 2005 (**Voting Entitlement Time**). Subject to the voting exclusions noted below, all holders of Shares in the Company as at the Voting Entitlement Time will be entitled to vote at the General Meeting.

VOTING EXCLUSIONS

The Company will disregard any votes cast on Resolution 2 by:

- (1) Central Exchange Limited;
- (2) any party who might obtain a benefit if Resolution 2 is passed (except a benefit solely in the capacity of a Shareholder); and
- (3) any party who is an Associate of a party referred to in (1) and (2) above.

However, the Company need not disregard a vote if:

- (a) it is cast by a party as proxy for a party who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a party who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will not disregard the votes of any shareholder cast on Resolution 1 as all shareholders of the Company will participate equally under the Return of Capital contemplated in such resolution.

OTHER NOTES

Role of ASIC and ASX

A copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

ASX Listing Rule 10.1

Listing Rule 10.1 requires that a company must ensure it does not acquire or dispose a substantial asset without approval of the shareholders of the company.

The transactions contemplated in Resolution 2 would trigger the requirement for shareholder approval under Listing Rule 10.1.

Listing Rule 10.10 provides that a notice of meeting for the purposes of Listing Rule 10.1 must include a report on the proposed transaction from an independent expert.

Accompanying this Notice of Meeting and Explanatory Memorandum is an Independent Expert's Report prepared by BDO Consultants.

BDO Consultants has formed the opinion that the transaction contemplated in Resolution 2 is **FAIR AND REASONABLE** to the non-associated shareholders of the Company.

EXPLANATORY MEMORANDUM

1. SUMMARY

1.1 Overview of Resolutions

Resolution 1 seeks shareholder approval for the Company to undertake an equal reduction of its share capital under Chapter 2J of the Corporations Act by the Return of Capital to shareholders, being:

- (1) An in-specie distribution of all of the shares in Central Exchange Limited (**CXL**) that may be received by the Company under the SOF Return of Capital;
- (2) An in-specie distribution of all of the shares in Bentley International Limited (**BEL**) (if any) that may be received by the Company under the SOF Return of Capital; and
- (3) An in-specie distribution of all of the shares in SOF held by the Company.

Resolution 2 seeks shareholder approval for the sale of 698,718 SCB shares held by the Company to CXL for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share, the total consideration to be paid by cash, upon the exercise of CXL's option pursuant to the SCB Option Deed:

Resolution 1 and Resolution 2 are interdependent as a condition precedent of the SCB Option Deed is that shareholder approval of the Return of Capital be received. If Resolution 1 is not approved, Shareholders will not be asked to consider Resolution 2. Further, notwithstanding approval of Resolution 1 the Return of Capital contemplated by that resolution will not proceed if Resolution 2 is not approved.

The Company will not proceed with the in-specie distribution of its shareholding in SOF unless SOF completes the SOF Return of Capital.

As a result of the transaction contemplated in Resolution 2, the Company will (if that resolution is approved) convert all of its share investments (save for its investment in SOF shares) into cash.

As a result of the Return of Capital contemplated in Resolution 1, the Company will (if that resolution is approved) distribute all of its share investments (including the shares obtained under the SOF Return of Capital) to Shareholders of the Company.

The existing capital structure of, and shareholdings in, the Company will remain unchanged by the Return of Capital and the Company will continue to be suspended from ASX.

After payment of all liabilities, the Company expects to retain approximately \$50,000 in cash to maintain the listing of the Company on ASX pending the proposed recapitalisation of the Company and the undertaking of a transaction to allow for the Company to be re-admitted to ASX. Your shares in the Company will therefore only have a nominal (minimal) value. There is no guarantee as to if, or when, this may occur. Shareholders investment in the Company will therefore remain illiquid as you will not be able to engage in on-market trading in your Shares in the Company.

1.2 Reasons for Return of Capital and Proposed Transactions

As reported in the annual and half yearly reports of the Company for the last 2 years, the Board has been considering an "Aggregation Strategy" whereby the assets of the Company (being relatively small in value) are "aggregated" into a larger listed company resulting in a combined capital base of at least \$15 million. Such strategy is outlined in Section 2.1 of this Notice of Meeting and Explanatory Memorandum.

The Board has now been able to finalise its “Aggregation Strategy” as a result of the recent finalisation of the outstanding matters relating to its investment in SCB and litigation that was commenced in relation to that investment.

The transactions proposed in Resolutions 1 and 2 are consistent with the Company’s previously enunciated “Aggregation Strategy”.

As part of the Return of Capital, the Company will make an in specie distribution of all of the shares in CXL and BEL (if any) that may be received by the Company (in its capacity as a shareholder of SOF) under the SOF Return of Capital. For further details, including as to the conditions which must be satisfied for the SOF Return of Capital to proceed, see section 3.1.

CXL is an investment company listed on ASX (ASX Code: CXL) with net assets of \$17.23 million (pre tax) and \$16.73 million (post tax) based on its last reported NTA backing for 30 April 2005.

BEL is an investment company listed on ASX (ASX Code: BEL) with net assets of \$16.65 million (pre and post tax) based on its last reported NTA backing for 30 April 2005.

The gross asset position of CXL will increase as a consequence of its purchase of the assets of Altera Capital proposed by Resolution 1 and similar transactions proposed between Sofcom and CXL. Upon the completion of the SOF Return of Capital and the Company’s Return of Capital, Shareholders will become shareholders in a significantly larger listed company whilst retaining their current shareholding in Altera Capital as a listed but suspended “shell” company with minimal assets awaiting a possible recapitalisation.

Settlement of the transaction contemplated in Resolution 2 will also provide AEA with the cash funds required to meet its normal expenses and liabilities and to discharge a portion of its share of the obligations to SCB and ADG under the costs settlement referred in Section 2.3 of this Notice of Meeting and Explanatory Memorandum without the Company having to dispose of its share investments (principally shares in SOF) in circumstances where such share investments are trading at significantly below their NTA backings and the Company’s average entry cost and, in the case of SOF, in a relatively illiquid stock.

1.3 Independent Expert’s Report

The Independent Expert’s Report prepared by BDO Consultants accompanies this Notice of Meeting and Explanatory Memorandum.

BDO Consultants has formed the opinion that the transaction contemplated in Resolution 2 is **FAIR AND REASONABLE** to the non-associated shareholders of the Company.

1.4 Board’s Recommendations

	Resolution 1 - Return of Capital	Resolution 2 - Sale of Shares
Advantages	<ul style="list-style-type: none"> Assuming the SOF Return of Capital proceeds and the Company receives CXL shares thereunder, Shareholders will obtain a shareholding in CXL, which is an LIC with a significantly greater asset base There may be more liquidity in trading in CXL shares than shares in the Company as CXL has a larger market capitalisation and greater shareholder base CXL is an LIC with exposure to a more diversified portfolio than that which can be achieved with the net assets of the Company 	

	Resolution 1 - Return of Capital	Resolution 2 - Sale of Shares
Advantages continued	<ul style="list-style-type: none"> Shareholders will retain their existing Shareholding in the Company after the Return of Capital and will remain as shareholders (however see "Disadvantages" below) after the potential recapitalisation of the Company and the potential entering into of a transaction that may result in the possible re-admission of the Company to ASX 	<ul style="list-style-type: none"> The Company is disposing of its SCB shares at SCB's NTA backing, which is significantly higher than its current share price The cash proceeds received from the sale of SCB shares will be utilised to meet the Company's share of liabilities to SCB and ADG pursuant to settlement of litigation cost orders (refer Section 2.3) - this obviates the need for the Company to dispose of its SCB share investments on-market which would have incurred a significant loss to the Company as SCB shares are trading at a significant discount to the NTA backing of such investment
Disadvantages	<ul style="list-style-type: none"> Shareholders' interest in the Company is likely to be significantly diluted upon the recapitalisation of the Company and the entering into of a potential transaction that may result in the possible re-admission of the Company to ASX The asset base of the Company will be reduced significantly after the Return of Capital; 	
If Resolution Not Passed	<ul style="list-style-type: none"> The Company will not be able to proceed with the sale of SCB shares the subject of <u>Resolution 2</u> as a condition precedent of the SCB Option Deed is that shareholder approval of the Return of Capital be received 	<ul style="list-style-type: none"> The Company will not be able to proceed with the Return of Capital the subject of <u>Resolution 1</u> The Company will be required to dispose of all of its SCB shares and a significant portion of its SOF shares on-market to raise cash funds to meet general expenses and the Company's share of liabilities to SCB and ADG pursuant to settlement of litigation cost orders (refer Section 2.3) and thus incur a significant loss to the Company as SCB and SOF shares are trading at a significant discount to the entry cost and NTA backing of such investments
Board's Recommendation	<ul style="list-style-type: none"> All of the Directors recommend that Shareholders approve <u>Resolution 1</u> 	<ul style="list-style-type: none"> All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of CXL) recommend that Shareholders approve <u>Resolution 2</u>

1.5 Indicative Timetable

Event	Date
SOF General Meeting to approve, inter alia, the SOF Return of Capital	10:45 am (Perth time), 30 June 2005
AEA General Meeting	11:30 am (Perth time), 30 June 2005
Record Date for determining entitlements to participate in the Return of Capital	Midnight on 8 July 2005
Transfer of CXL (and potentially BEL) shares to SOF shareholders (which includes AEA) under the SOF Return of Capital	15 July 2005 *
Distribution of cash to SOF shareholders (which includes AEA) under the SOF Return of Capital	19 July 2005 *
Transfer of CXL, SOF (and potentially BEL) shares to AEA Shareholders the subject of the Return of Capital	22 July 2005 *
Despatch of Return of Capital Distribution Statements to AEA Shareholders	26 July 2005 *
Despatch of holding statements to AEA Shareholders in respect of their CXL, SOF (and potentially BEL) shareholding received under the Return of Capital	28 July 2005 *

* Indicative dates only, which is subject to change.

2. BACKGROUND

2.1 “Aggregation Strategy”

The following is an extract from the Company’s 2004 Annual Report on the “Aggregation Strategy.”

“The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is at least \$15 million.

This capital base of \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an “aggregation” process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This “aggregation” process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing in an existing “lead” company or to a new “master” company or via a scheme of arrangement or merger between participating companies. Alternatively, an existing participating company may be used as the “lead” vehicle in terms of the aggregation process.

In this regard, the Board is considering the Company as a participating company in relation to the aggregation of its funds into another “lead” or “master” company. The aggregation process in such scenario may involve:

- The Company (along with other participating companies) effecting a “transfer” of available net tangible assets (“NTA”) to the “master” company in exchange for shares in the “master” company (priced at the “master” company’s NTA backing per share);*
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the “master” company’s shares;*
- Such participating companies’ shareholders would then become shareholders of the “master” company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);*
- The “master” company’s NTA would be expanded by the contributions of the NTA of the participating companies - this is with the aim of achieving a minimum capital base of \$15m (referred to earlier);*
- Such contributions or transfer of NTA’s by participating companies may comprise cash or liquid investments (valued in turn at NTA backing or market as is appropriate);*
- In relation to contributions by way of liquid investments, the “transfer” of NTA or market value may involve a share acquisition agreement between the “master” company and a relevant participating company;*
- Alternatively, and also in relation to contributions of cash, the “transfer” of NTA value from participating companies to the “master” company may be pursuant to a specific share placement or wider capital raising undertaken by the “master” company;*
- Post aggregation, the balance sheet of the “master” company would comprise its existing pre-aggregation assets and the NTA contributed by the participating companies, being a combination of cash and liquid investments;*
- In all of the above “transfer” scenarios, the “master” company would value the shares it would issue at the NTA backing of the company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate - so as to ensure that there is no or minimal “value shift” as between the companies;*
- The Company’s shareholders would thus have a shareholding in the “master” company in proportion to the Company’s contribution (valued at NTA or appropriate market value of liquid assets) into the “master” company and retain their existing shareholding in the Company (which will have a reduced NTA backing post “aggregation”).*

The final proposed aggregation strategy will be subject to compliance with the Corporations Act and the ASX Listing Rules and a general meeting will be required to consider and approve such “aggregation” process and other matters arising from or incidental to such process.”

2.2 Shareholding in Sofcom Limited (SOF)

The Company currently has 36,258,535 shares in Sofcom Limited (**SOF**) (ASX code: “SOF”) or 81.23% of SOF’s current issued capital.

SOF’s major assets are 4,700,000 shares (12.1%) in ASX listed investment company (**LIC**) Bentley International Limited (**BEL**) and 3,167,152 shares (4.21%) in Scarborough Equities Limited (**SCB**), also an LIC.

As described in Section 3.1 of this Notice of Meeting and Explanatory Memorandum, SOF has convened a general meeting, also to be held on 30 June 2005, to seek shareholder approval for the sale of 4.4 million of its BEL and all of its 3,167,152 SCB shareholding to CXL for a consideration per share equal to the last reported NTA (post tax) backing value of each of BEL and SCB per share respectively, with the total aggregate consideration to be paid by a combination of cash (\$775,000) and new shares in CXL (to be issued at CXL's NTA (post tax) backing per share), and to undertake the SOF Return of Capital.

AEA Directors, Messrs Farooq Khan, Victor Ho and Simon Cato are also directors of SOF.

SOF's last closing market price as at 19 May 2005 was 3.10 cents per share.

SOF's recent VWAP and high and low trading prices on ASX are as follows:

Month Ending	ASX High	ASX Low	ASX VWAP
31-Jul-04	\$0.051	\$0.051	\$0.051
31-Aug-04	-	-	-
30-Sep-04	\$0.037	\$0.036	\$0.037
31-Oct-04	\$0.056	\$0.044	\$0.053
30-Nov-04	\$0.064	\$0.046	\$0.052
31-Dec-04	\$0.046	\$0.044	\$0.045
31-Jan-05	\$0.040	\$0.035	\$0.039
28-Feb-05	\$0.040	\$0.036	\$0.039
31-Mar-05	\$0.036	\$0.035	\$0.036
30-Apr-05	\$0.035	\$0.031	\$0.032
1-19-May-05	\$0.031	\$0.031	\$0.031

2.3 Shareholding in Scarborough Equities Limited (SCB)

The Company currently holds 698,718 shares in Scarborough Equities Limited (formerly Rivkin Financial Services Limited) (ASX Code "SCB" - formerly "RFS") or 0.93% of SCB's current issued capital.

On 14 July 2004, SCB under the direction of former SCB Managing Director, Alan Andrew Davis commenced proceedings in the Federal Court of Australia in Sydney against SOF, Fast Scout Limited (FSL) and AEA for conduct allegedly contrary to the insider trading provisions of the Corporations Act (in relation to the three companies' collective acquisition of an initial aggregate 5% interest in SCB shares).

As part of the defence of the action, SOF, FSL and AEA commenced cross-claims against SCB and Network Limited (**Network**), Cole Kablow Superannuation Pty Ltd (**Cole Kablow**), Alan Davis Group Pty Ltd (**ADG**) and former SCB Managing Director, Alan Andrew Davis.

Justice Emmett handed down his judgment on 26 November 2004. Justice Emmett dismissed the claim made by SCB against SOF, FSL and AEA and SOF, FSL and AEA's cross-claims against SCB and the other cross-defendants.

On 29 November 2005, the board of SCB was replaced with nominees of SOF, FSL and AEA - Messrs Farooq Khan, Simon Cato and Christopher Ryan.

On 10 December 2004, Justice Emmett made the following orders as to costs:

- (a) In relation to the claim brought by SCB against SOF, FSL and AEA, the Court awarded costs to the defendants on a "party-party" basis;

- (b) In relation to the cross claims brought by SOF, FSL and AEA, SOF, FSL and AEA were ordered to pay all of SCB's and the other cross defendants' costs on an "indemnity basis" provided such costs have been reasonably incurred.

On 17 December 2004, SOF, FSL and AEA lodged an appeal against that part of the decision of Justice Emmett dismissing their cross-claim against each of SCB and the other cross defendants.

On 4 February 2005, SOF, FSL and AEA entered into a deed of settlement with each of Network and Cole Kablow to discontinue the appeals against, and to settle the costs payable to, each such party in consideration of the payment by SOF, FSL and AEA of \$350,000 to Network and \$125,000 to Cole Kablow.

In April 2005, SCB and SOF, FSL and AEA reached agreement to resolve the outstanding matters between them by SOF, AEA and FSL discontinuing the appeal with no order as to the costs and by SOF, AEA and FSL paying an amount of \$382,500 to SCB (net of SCB's payment obligations to these parties). SOF, AEA and FSL have until 30 June 2005 to pay the costs settlement with interest accruing at 10% p.a. If the settlement sum is not paid by 30 June 2005, SOF, AEA and FSL have agreed to pay an additional amount of \$100,000 to SCB and interest shall accrue at 15% p.a.

On 18 May 2005, SOF, FSL and AEA agreed to pay \$310,000 to ADG to settle the costs in the discontinued appeal and under the cost orders of Justice Emmett described above. SOF, AEA and FSL have until 31 August 2005 to pay the costs settlement with interest accruing at 10% p.a.

Such settlement concludes all outstanding matters between the parties to the litigation.

SOF, AEA and FSL have agreed that the above legal and settlement costs payable by SOF, AEA and FSL are to be shared between each company in proportion to each company's relative interest in their collective stake in SCB (currently 4,711,971 shares) - SOF's share is 67%; FSL's share is 18% and AEA's share is 15%.

As a listed investment company, SCB discloses its NTA backing each month. SCB's last reported Gross NTA was \$16.2 million (pre tax) and \$15.6 million (post tax) with its last reported NTA Backing (post tax) as at 30 April 2005 of \$0.207 per share.

SCB's closing market price on 19 May 2005 was 12.5 cents per share.

SCB's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing Post Tax
31-Jul-04	\$0.230	\$0.205	\$0.217	\$0.191
31-Aug-04	\$0.210	\$0.160	\$0.196	\$0.177
30-Sep-04	\$0.225	\$0.180	\$0.206	\$0.179
31-Oct-04	\$0.250	\$0.195	\$0.230	\$0.172
30-Nov-04	\$0.300	\$0.215	\$0.247	\$0.175
31-Dec-04	\$0.245	\$0.210	\$0.239	\$0.169
31-Jan-05	\$0.230	\$0.190	\$0.220	\$0.166
28-Feb-05	\$0.210	\$0.180	\$0.189	\$0.170
31-Mar-05	\$0.190	\$0.140	\$0.163	\$0.170
30-Apr-05	\$0.160	\$0.140	\$0.146	\$0.207
19-May-05	\$0.140	\$0.115	\$0.125	N/A

2.4 Annual and Half Year Reports

Shareholders should also refer to the Company's:

- (1) 31 December 2004 Half Year Reports - lodged on 28 February 2005. A copy of such Half Year Reports accompanies this Notice of Meeting and Explanatory Memorandum; and
- (2) 2004 Annual Report. A copy of this report can be emailed or posted to Shareholders upon request. It can also be viewed and downloaded from the Company's website: www.alteracapital.com

3. FINANCIAL EFFECTS AND CAPITAL STRUCTURE

3.1 The Sofcom Return of Capital (SOF ROC)

SOF has convened a general meeting to be held on 30 June 2005 to seek the following shareholder approvals:

- (1) Approval for the Company to undertake an equal reduction of its share capital under Chapter 2J of the Corporations Act by the Return of Capital to shareholders, being:
 - (i) A distribution of \$450,000 cash;
 - (ii) An in-specie distribution of all of the shares in CXL to be received by SOF on settlement of a series of transactions with CXL:
 - (a) the First Tranche BEL Share Sale Agreement;
 - (b) the Second Tranche BEL Share Sale Agreement;and either
 - (iii) An in-specie distribution of all of the shares in CXL to be received by SOF on settlement of the Second Tranche BEL Share Sale Agreement; or
 - (iv) If the Second Tranche BEL Share Sale Agreement fails to settle for any reason (including where BEL shareholders fails to approve the transaction) and settlement of both the SCB Option Deed and First Tranche BEL Share Sale Agreement occurs in accordance with their terms, an in-specie distribution of 2,300,000 shares in BEL retained by SOF.
- (2) Approval for a series of transactions with CXL:
 - (i) The sale to CXL of 3,167,152 SCB shares held by SOF for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share (to be paid by a combination of \$200,000 cash and new CXL shares priced at CXL's last reported NTA (post tax) backing per share), upon the exercise of CXL's option pursuant to the SOF-SCB Option Deed;
 - (ii) The sale to CXL of 2,100,000 BEL shares held by SOF for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (to be paid by a combination of \$575,000 cash and the issue of new CXL shares priced at CXL's last reported NTA (post tax) backing per share), pursuant to the First Tranche BEL Share Sale Agreement;
 - (iii) The sale to CXL of 2,300,000 BEL shares held by SOF for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share (to be paid by the issue of new CXL shares priced at CXL's last reported NTA (post tax) backing per share), pursuant to the Second Tranche BEL Share Sale Agreement.

The above resolutions are interdependent and require both to be passed by SOF shareholders if either of the transactions contemplated within each resolution are to proceed.

The SOF Return of Capital the subject of SOF resolution (1) is also conditional upon settlement of the First Tranche BEL Share Sale Agreement and the SOF-SCB Option Deed. The Company understands this is because Sofcom requires the cash consideration which is payable to it under these agreements in order to have sufficient cash to pay the \$450,000 cash component of the SOF Return of Capital. If settlement of either of these agreements does not occur, the Sofcom Return of Capital will not proceed.

As a result of the transaction contemplated in SOF resolution (2), SOF will (if that resolution is approved) convert all of its share investments (save for 300,000 BEL shares which will be retained for working capital purposes) into cash and shares in CXL.

As a result of the return of capital contemplated in SOF resolution (1), SOF will (if that resolution is approved) distribute all of its surplus cash reserves and all of its share investments (including the cash and shares in CXL obtained pursuant to the transactions contemplated in SOF resolution 2) (save for 300,000 BEL shares referred to above) to shareholders of SOF (which includes the company).

The existing capital structure of, and shareholdings in, SOF will remain unchanged by the return of capital but SOF will be suspended from ASX on the eve of its general meeting.

After payment of all liabilities, SOF expects to have approximately \$50,000 of net cash/liquid assets to maintain the listing of the company on ASX pending the proposed recapitalisation of the company and the undertaking of a transaction to allow for the company to be re-admitted to ASX.

The exact assets to be distributed in specie under the SOF ROC will depend on whether the Second Tranche BEL Share Sale Agreement proceeds to settlement:

(1) If Both BEL Share Sale Agreements and the SOF-SCB Option Deed Proceeds to Settlement

The total amount of the SOF ROC contemplated in SOF resolution (1) comprise \$450,000 cash and the in-specie distribution of SOF's shareholding in CXL which will be issued to SOF as a consequence of the transactions contemplated in SOF resolution (2) (assuming all transactions contemplated in such resolution proceeds to settlement).

The final number of CXL shares received by SOF will depend on the last reported NTA backings (post tax) of BEL, SCB and CXL prior to settlement of the transactions contemplated in SOF resolution (2) (this is likely to be the NTA backings as at 31 May 2005).

Based on the 30 April 2005 NTA backings (post tax) of BEL, SCB and CXL, SOF will receive 1,744,159 CXL shares.

Under the SOF ROC, SOF shareholders will be entitled to participate in the return of capital in the same proportion as their shareholding in SOF.

By way of illustration, the value of the SOF ROC and AEA's share of the same, will be approximately as follows:

The SOF ROC

CXL shares component of ROC	1,744,159
Value of CXL shares at market ⁽¹⁾	\$1,037,775
Cash component of ROC	\$450,000
Total value of ROC	\$1,487,775
ROC value per share	3.33 cents
(The ROC value per share based on the NTA backing of CXL shares ⁽²⁾	4.95 cents)

AEA's share of the SOF ROC

Total SOF Shares Held	% Issued Capital	Cash ROC	CXL Shares Component of ROC		
			No. of CXL Shares	Value of CXL Shares at Market ⁽¹⁾	Value of CXL Shares at NTA Backing ⁽²⁾
36,258,535	81.23%	\$365,522	1,416,730	\$842,954	\$1,430,897

(1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;

(2) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share.

As previously indicated, the SOF Return of Capital is subject to and conditional upon settlement of the First Tranche BEL Share Swap Agreement and the SCB Option Deed between SOF and CXL. If settlement of either of these agreements does not occur for any reason, the SOF Return of Capital will not proceed.

(2) If Second Tranche BEL Share Sale Agreement Does Not Proceed to Settlement

If the Second Tranche BEL Share Sale Agreement fails to settle for any reason and the First Tranche BEL Share Swap Agreement and the SOF-SCB Option Deed proceeds to settlement, SOF will undertake the in-specie distribution of 2,300,000 shares in BEL retained by SOF.

SOF will still proceed with the \$450,000 cash ROC and the in-specie distribution of CXL shares issued pursuant to the First Tranche BEL Share Swap Agreement and the SOF-SCB Option Deed.

By way of illustration, the value of the SOF ROC and AEA's share of the same, will be as approximately follows:

The SOF ROC

CXL shares component of ROC	770,644
Value of CXL shares at market ⁽¹⁾	\$458,533
BEL shares component of ROC	2,300,000
Value of BEL shares at market ⁽²⁾	\$736,000
Cash component of ROC	\$450,000
Total value of ROC	\$1,644,533
ROC value per share	3.68 cents
(The ROC value per share based on the NTA backing of CXL shares ⁽²⁾ and BEL shares ⁽⁴⁾)	4.95 cents)

AEA's share of the SOF ROC

Cash ROC	CXL Shares Component of ROC			BEL Shares Component of ROC		
	No. of CXL Shares	Value of CXL Shares at Market ⁽¹⁾	Value of CXL Shares at NTA Backing ⁽³⁾	No. of BEL Shares	Value of BEL Shares at Market ⁽²⁾	Value of BEL Shares at NTA Backing ⁽⁴⁾
\$365,522	625,972	\$372,453	\$632,232	1,868,223	\$597,831	\$798,665

(1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;

(2) These figures may change. They have been based on BEL's closing price on ASX on 19 May 2005 of \$0.32 per share;

(3) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share;

(4) These figures may change. They have been based on BEL's 30 April 2005 NTA (post tax) backing of \$0.4275 per share.

3.2 Sale of SCB Shares

During the 2004/2005 financial year, to meet ongoing expenses the Company disposed of 51,282 SCB shares on market realising gross proceeds of \$12,261 and a loss on disposal of \$158 (calculated on a "first in first out (FIFO) basis).

The Company's current holding of 698,718 shares in SCB has a cost base of \$169,725 (after accounting for previous disposals on a FIFO basis).

Under the SCB Option Deed with CXL, the Company will (subject to settlement of that agreement) receive \$144,635 cash consideration from the sale of its SCB shares to CXL, based on SCB's last reported 30 April 2005 NTA (post tax) backing of \$0.207 per share.

3.3 Amount and Source of Return of Capital

The actual value of the Return of Capital will depend on:

- (i) Whether the SOF Return of Capital proceeds;
- (ii) Whether the Second Tranche BEL Share Sale Agreement between SOF and CXL proceeds to settlement;
- (iii) The extent of CXL shares and BEL (if any) which may be received by AEA under the SOF Return of Capital;
- (iv) The value of the CXL shares referred to in (iii) above, as determined by the reported NTA backings (post tax) of BEL, SCB and CXL shares prior to settlement of SOF's BEL Share Sale Agreements and the SOF-SCB Option Deed with CXL (expected to be the after tax NTA backings reported as at 31 May 2005, which is due to be reported by each company to ASX by 14 June 2005);
- (v) The value of the BEL shares referred to in (iii) above;
- (vi) The market value of CXL shares (and potentially BEL shares) as at the date of the in-specie distribution of such shares to Shareholders;
- (vii) The NTA backing of SOF shares as at the date of the in-specie distribution of such shares to Shareholders.

The tables below are illustrative of the value of the Return of Capital based on the NTA (post tax) backings of BEL, SCB and CXL per share as at 30 April 2005 and the market values of CXL and BEL shares as at 19 May 2005.

The Company will inform Shareholders prior to the General Meeting with updated information on the value of the Return of Capital based on the 31 May 2005 NTA backings released by BEL, SCB and CXL.

Under the ROC, Shareholders will be entitled to participate in the Return of Capital in the same proportion as their shareholding in the Company as at the Record Date. For example, if a shareholder has a 1% interest in the Company, it will receive 1% of the Company's shareholdings in CXL and SOF (and potentially BEL).

Scenario 1 - The SOF ROC comprises Cash and CXL Shares - Distribution of CXL and SOF Shares Under the AEA ROC

This scenario assumes that SOF is able to settle both its BEL Share Sale Agreements and the SOF-SCB Option Deed with CXL and will accordingly undertake the SOF ROC of \$450,000 cash and CXL shares to shareholders.

Please refer to Section 3.1(1) of this Notice of Meeting and Explanatory Statement for further details on the SOF ROC in such scenario and AEA's share of cash and CXL shares under the same.

By way of illustration, the value of the Return of Capital to Shareholders will be approximately as follows:

The AEA ROC

CXL shares component of ROC	1,416,730
Value of CXL shares at market ⁽¹⁾	\$842,954
SOF shares component of ROC	36,258,535
Value of SOF shares post SOF ROC at NTA backing ⁽²⁾	\$40,614
Total value of ROC	\$883,568
ROC per share	1.42 cents
(The ROC value per share based on the NTA backing of CXL shares ⁽³⁾ and SOF shares ⁽²⁾)	2.37 cents)

Under the ROC, Shareholders will receive the SOF and CXL Shares (not cash) in proportion to their shareholding in AEA:

Total AEA Shares Held	No. of CXL Shares	Value of CXL Shares at Market	Value of CXL Shares at NTA Backing	No. of SOF Shares	Value of SOF Shares at NTA Backing
1,000,000	22,844	\$13,592	\$23,072	584,643	\$655
500,000	11,422	\$6,796	\$11,536	292,322	\$327
100,000	2,284	\$1,359	\$2,307	58,464	\$65
50,000	1,142	\$680	\$1,154	29,232	\$33
25,000	571	\$340	\$577	14,616	\$16
10,000	228	\$136	\$231	5,846	\$7
5,000	114	\$68	\$115	2,923	\$3

(1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;

(2) These figures may change. They have been based on an assumed SOF NTA backing (post SOF ROC) of 0.11 cents per share (based on an estimated \$50,000 net cash reserves);

(3) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share;

Scenario 2 - The SOF ROC comprise Cash, CXL, SOF and BEL Shares - Distribution of CXL, BEL and SOF Shares Under the AEA ROC

This scenario assumes that the SOF Second Tranche BEL Share Sale Agreement fails to settle (and the First Tranche BEL Share Sale Agreement and SOF-SCB Option Deed proceeds to settlement) and accordingly SOF will undertake its ROC of \$450,000 cash, a reduced balance of CXL shares and 2.3 million BEL shares.

Please refer to Section 3.1(2) of this Notice of Meeting and Explanatory Statement for further details on the SOF ROC in such scenario and AEA's share of cash, CXL and BEL shares under the same.

By way of illustration, the value of the Return of Capital to Shareholders will be approximately as follows:

The AEA ROC

CXL shares component of ROC	625,972
Value of CXL shares at market ⁽¹⁾	\$842,954
SOF shares component of ROC	36,258,535
Value of SOF shares post SOF ROC at NTA backing ⁽²⁾	\$40,614
BEL shares component of ROC	1,868,223
Value of BEL shares at market ⁽³⁾	\$597,831
Total value of ROC	\$1,096,978
ROC per share	1.77 cents
(The ROC value per share based on the NTA backing of CXL ⁽⁴⁾ , BEL ⁽⁵⁾ and SOF shares ⁽²⁾)	2.37 cents)

Under the ROC, Shareholders will receive the SOF, CXL and BEL shares (not cash) in proportion to their shareholding in AEA:

Total AEA Shares Held	No. of CXL Shares	Value of CXL Shares at Market ⁽¹⁾	Value of CXL Shares at NTA Backing ⁽⁴⁾	No. of BEL Shares	Value of BEL Shares at Market ⁽³⁾	Value of BEL Shares at NTA Backing ⁽⁵⁾	No. of SOF Shares	Value of SOF Shares at NTA Backing ⁽²⁾
1,000,000	10,093	\$6,006	\$10,194	30,124	\$9,640	\$12,878	584,643	\$655
500,000	5,047	\$3,003	\$5,097	15,062	\$4,820	\$6,439	292,322	\$327
100,000	1,009	\$601	\$1,019	3,012	\$964	\$1,288	58,464	\$65
50,000	505	\$300	\$510	1,506	\$482	\$644	29,232	\$33
25,000	252	\$150	\$255	753	\$241	\$322	14,616	\$16
10,000	101	\$60	\$102	301	\$96	\$129	5,846	\$7
5,000	50	\$30	\$51	151	\$48	\$64	2,923	\$3

- (1) These figures may change. They have been based on CXL's closing price on ASX on 19 May 2005 of \$0.595 per share;
- (2) These figures may change. They have been based on an assumed SOF NTA backing (post SOF ROC) of 0.11 cents per share (based on an estimated \$50,000 net cash reserves);
- (3) These figures may change. They have been based on BEL's closing price on ASX on 19 May 2005 of \$0.32 per share;
- (4) These figures may change. They have been based on CXL's 30 April 2005 NTA (post tax) backing of \$1.01 per share;
- (5) These figures may change. They have been based on BEL's 30 April 2005 NTA (post tax) backing of \$0.4275 per share.

3.4 Capital Structure

The Company has 62,018,213 fully paid ordinary shares on issue as at the date of this Explanatory Memorandum.

The number of Shares on issue in the Company will not change as a result of the transactions contemplated in Resolutions 1 and 2.

3.5 Shareholdings in the Company

The ROC contemplated in [Resolution 1](#) does not alter the shareholding of individual shareholders in the Company. All shareholders will participate equally in the ROC in proportion with their shareholding in the Company.

Shareholders entitled to receive the CXL and SOF shares (and potentially BEL shares) under the ROC will retain their shareholding in the Company after the ROC. The value of Shareholders' Shares in the Company after the Return of Capital will be substantially reduced: the Shares will have a nominal value only.

3.6 Effect of Return of Capital on Share Capital

After the Return of Capital, the current value of the share capital of the Company will be reduced by the value of the Return of Capital (for further details, see section 3.3).

4. TAXATION

The Company has sought a Class Ruling from the Australian Tax Office (**ATO**) as to the tax implications of the Return of Capital.

The Company will issue a market announcement once it receives the ATO's Class Ruling.

The Company advises that, for specific taxation advice, shareholders should consult their own taxation adviser so that their particular circumstances are taken into consideration.

The Company advises Shareholders to complete the Tax File Number (**TFN**) Notification Form enclosed with this Notice of Meeting and Explanatory Memorandum to ensure that no TFN withholding tax is required to be deducted from your share of the Return of Capital (if such withholding is required under the taxation laws).

5. SUSPENSION FROM ASX

The Company will remain suspended from ASX.

The Company's suspension will continue until the Company fully re-complies with Chapters 1 and 2 of the Listing Rules, including a capital reconstruction to ensure a price of at least \$0.20 for the Company's shares, lodgement of a full form prospectus (if a capital raising is required) and satisfaction of minimum shareholder spread requirements.

The Company will retain sufficient cash reserves of approximately \$50,000 after the ROC to support its on-going reporting and disclosure obligations to the ASX and shareholders as a public listed company.

The Directors will continue to pursue a transaction for the recapitalisation and re-admission of the Company on ASX. The Board is in discussions with parties in relation to the recapitalisation of the Company and the undertaking of a transaction that will facilitate the Company's re-admission to ASX, after the Return of Capital. The Board hopes to be able to announce a concluded transaction path in this regard within the next 6 months, however no guarantee can be provided that the Company's re-admission to ASX will be successful.

Whilst the Board will endeavour to effect a recapitalisation of the Company which will include undertaking a new transaction which will require prior shareholder approval to facilitate the recommencement in trading of the Company shares on the ASX, this objective cannot be guaranteed. Where such matters cannot be achieved and the existing capital of the Company is not sufficient (or where further capital cannot be raised) to meet its expenses as a suspended listed "shell", the Board will seek a delisting of the Company and potentially a winding up of the Company. The Board notes that ASX may also require a delisting in the future if the Company is unable to propose a suitable new transaction for the recapitalisation and re-admission of the Company on ASX.

6. About CXL and BEL

6.1 About Central Exchange Limited (CXL)

CXL is an investment company listed on ASX (ASX Code: CXL) with net assets of \$17.23 million (pre tax) and \$16.73 million (post tax) based on its last reported NTA backing for 30 April 2005.

Shareholders should refer to the December 2004 Half Year Reports of CXL accompanying this Notice of Meeting and Explanatory Memorandum for further information about CXL, including its investment objectives and strategies (an extract of which is reproduced below).

Investment Objectives

The Investment Objectives of the Company are to:

- *Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board;*
- *Deliver a regular income stream for shareholders in the form of franked dividends;*
- *Preserve and protect the capital of the Company.*

Investment Strategies

The Company seeks to implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- ***Strategic Investments*** - *investments in which the Company can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value; and*
- ***Non-strategic Investments*** - *investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where the Company sees other potential for generating positive returns."*

CXL's 2004 Annual Report can be viewed and downloaded from CXL's website: www.centralexchange.com.au. A copy of this report can be emailed or posted to shareholders upon request.

As a listed investment company, CXL discloses its NTA backing each month. CXL's last reported Gross NTA was \$16.73 million with a NTA Backing (post tax) of \$1.01 per share.

CXL's closing market price on 19 May 2005 was 59.5 cents per share.

CXL's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing (post tax) per share	Gross NTA (post tax) \$ 'millions
31-Jul-04	\$0.850	\$0.570	\$0.659	\$1.057	\$18.196
31-Aug-04	\$0.640	\$0.530	\$0.573	\$1.050	\$18.086
30-Sep-04	\$0.610	\$0.540	\$0.569	\$1.062	\$18.280
31-Oct-04	\$0.630	\$0.560	\$0.585	\$1.079	\$18.575
30-Nov-04	\$0.700	\$0.580	\$0.616	\$1.082	\$18.631
31-Dec-04	\$0.650	\$0.590	\$0.607	\$1.124	\$19.358
31-Jan-05	\$0.670	\$0.600	\$0.626	\$1.111	\$19.137
28-Feb-05	\$0.650	\$0.600	\$0.629	\$1.103	\$18.986
31-Mar-05	\$0.680	\$0.580	\$0.613	\$1.052	\$18.122
30-Apr-05	\$0.625	\$0.600	\$0.609	\$1.009	\$16.730
19-May-05	\$0.625	\$0.595	\$0.614	N/A	N/A

SOF Director and Company Secretary, Mr Victor Ho, is also a director and Company Secretary for CXL. SOF Chairman, Mr Farooq Khan, is also the Chairman of ASX listed Queste Communications Limited (ASX Code: QUE), currently a controlling 50% shareholder of CXL. Mr Farooq Khan is also a member of the Investment Committee of CXL (at the invitation of CXL).

Shareholders are also referred to www.centralexchange.com.au for other relevant information concerning CXL.

6.2 About Bentley International Limited (BEL)

BEL is an investment company which listed on ASX in October 1986 with the objective of achieving medium to long term capital appreciation together with fully franked dividends through investment in securities listed on the world's sharemarkets. BEL's investment portfolio is managed by Constellation Capital Management Limited, whose mandate is to implement the International equities component of Constellation's HomeGlobal™ investment strategy.

BEL's December 2004 Half Year Reports and 2004 Annual Report can be viewed and downloaded from BEL's website: www.bel.com.au. A copy of such reports can be emailed or posted to shareholders upon request.

As a listed investment company, BEL discloses its NTA backing each month. BEL's last reported NTA (pre and post tax) was \$16.65 million with its last reported NTA Backing (post tax) as at 30 April 2005 of \$0.428 per share.

BEL's closing market price on 19 May 2005 was 32 cents per share.

BEL's recent reported NTA backings (post tax), VWAP and high and low trading prices on ASX are as follows:

For Month Ending	ASX High	ASX Low	ASX VWAP	NTA Backing Post Tax
31-Jul-04	\$0.400	\$0.355	\$0.375	\$0.466
31-Aug-04	\$0.400	\$0.375	\$0.393	\$0.467
30-Sep-04	\$0.410	\$0.380	\$0.397	\$0.436
31-Oct-04	\$0.410	\$0.345	\$0.394	\$0.430
30-Nov-04	\$0.385	\$0.375	\$0.378	\$0.435
31-Dec-04	\$0.380	\$0.370	\$0.375	\$0.443
31-Jan-05	\$0.385	\$0.370	\$0.376	\$0.434
28-Feb-05	\$0.380	\$0.370	\$0.375	\$0.436
31-Mar-05	\$0.380	\$0.350	\$0.366	\$0.439
30-Apr-05	\$0.350	\$0.330	\$0.338	\$0.428
19-May-05	\$0.340	\$0.265	\$0.313	N/A

SOF Directors, Messrs Farooq Khan and Simon Cato are also directors of BEL.

Shareholders are also referred to www.bel.com.au for other relevant information concerning BEL.

7. Resolution 1 - Return of Capital

Resolution 1 seeks shareholder approval for the Company to undertake an equal reduction of its share capital by the Return of Capital to shareholders, being:

- (1) An in-specie distribution of all of the shares in CXL that may be received by the Company under the SOF Return of Capital;
- (2) An in-specie distribution of all of the shares in BEL (if any) that may be received by the Company under the SOF Return of Capital; and
- (3) An in-specie distribution of all of the shares in SOF held by the Company.

The Return of Capital will only be carried out (notwithstanding shareholder approval of Resolution 1) if shareholders have approved Resolution 2.

If both the SOF and CXL First Tranche BEL Share Sale Agreement and SOF-SCB Option Deed do not proceed to settlement, SOF will not be undertaking the SOF Return of Capital and AEA will not receive a distribution of cash or CXL (and potentially BEL) shares from SOF.

The Company will not proceed with the in-specie distribution of its shareholding in SOF unless SOF completes the SOF Return of Capital.

7.1 Section 256 Corporations Act

Under section 256B(1) of the Corporations Act, a company may reduce its share capital as long as the reduction:

- (a) is fair and reasonable to the Company's Shareholders as a whole - the Directors of the Company consider that the Return of Capital is fair and reasonable to all Shareholders of the Company, as it applies to all Shareholders equally having regard to the number of shares in the Company held by each of them.
- (b) does not materially prejudice the Company's ability to pay its creditors - the Directors of the Company believe that the Company has sufficient cash reserves/net assets to fund the Return of Capital without materially prejudicing the Company's ability to pay its creditors. However shareholders should note earlier comments about the ultimate future of the Company with its post Return of Capital assets and the possible winding up of the Company should a suitable re-capitalisation plan not be achieved.
- (c) is approved by Shareholders under section 256C - for the purposes of section 256C of the Corporations Act, the proposed Return of Capital is treated as an equal reduction of capital and requires approval by an ordinary resolution. The Return of Capital is an equal reduction as it relates only to ordinary Shares, it applies to each holder equally and the terms of the Return of Capital are the same for each holder of Shares.

7.2 Clauses 137 and 138 of Constitution

Clauses 137 and 138 of the Constitution of the Company governs the Return of Capital proposed in Resolution 1.

"REDUCTIONS OF CAPITAL

137. *Company may Reduce Share Capital*

137.1 *The Company may reduce its share capital by any means allowed by the Act, subject to the Company complying with the Listing Rules.*

138. *Reduction of Share Capital by Asset Distribution*

138.1 *Any reduction in share capital under rule 137 may be made wholly or partly by way of an in specie distribution of specific assets, including paid up shares in, or debentures of, or options over the shares of, the Company or any other body corporate.*

138.2 *Where a difficulty arises in regard to a distribution of specific assets referred to in rule 138.1, the directors may resolve the difficulty as they see fit.*

138.3 *The directors may:*

- (1) *fix the value for distribution of the specific assets or any part of those assets;*
- (2) *determine that cash payments will be made to any members on the basis of the value so fixed in order to adjust the rights of all parties; and*
- (3) *vest any of those specific assets in trustees;*

as the directors see fit.

138.4 *Where the Company reduces its share capital by way of a distribution of shares or other securities in another body corporate:*

- (1) *the members are deemed to have agreed to become members of that corporation and are bound by the constitution of that body corporate; and*

- (2) *each of the members appoints the Company or any of the directors as its agent to execute any transfer of shares or other securities, or other document required to give effect to the distribution of shares or other securities to that member.*"

7.3 ASX Listing Rule 7.20

The following information is provided for the purposes of ASX Listing Rule 7.20:

- (a) The proposed Return of Capital will not change the number of Shares held by each Shareholder in the Company (or the amount, if any, unpaid on their Shares).
- (b) The number of shares in CXL, SOF (and potentially BEL) to be distributed to Shareholders under the Return of Capital shall be determined on a pro-rata basis in proportion to each Shareholder's interest in the Company as at the Record Date. Fractional entitlements will be rounded to the nearest whole share and the Directors are authorised to deal with any difficulties arising in this regard as they see fit pursuant to clause 138.2 of the Company's Constitution.
- (c) At the date of this Explanatory Memorandum, the Company has the following unlisted options on issue:

Nature of Unlisted Options on issue	Number	Exercise Price	Expiry Date
"Promoter" Options	18,000,000	70 cents	30 June 2005
"Incentive" Options	1,090,000	25 cents	13 April 2005
"15 May 2007" Options	2,500,000	7.50 cents	15 May 2007

The exercise price in respect of such options will be reconstructed in accordance with the terms of such options and the ASX Listing Rules.

7.4 Directors' Interests and Recommendations

No Director holds any Shares in the Company and accordingly no statements as to their voting intentions with respect to this resolution are required.

All of the Directors recommend that Shareholders approve Resolution 1.

Please also refer to Section 1.4.

8. Resolution 2 - Sale of Shares

Resolution 2 seeks shareholder approval for the sale to CXL of 698,718 SCB shares held by the Company for a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share, the total consideration to be paid by cash, pursuant to the SCB Option Deed:

Subject to settlement of that agreement, based on SCB's last reported 30 April 2005 NTA (post tax) backing of \$0.207 per share, the Company will receive \$144,635 cash consideration from the sale of its SCB shares to CXL.

8.1 SCB Option Deed

On 2 May 2005, the Company entered into the Option Deed with CXL where the Company granted an option to CXL for CXL to acquire 698,718 SCB shares held by the Company for a consideration per share equal to the last reported NTA backing value of SCB per share with the total consideration to be paid by the issue of new CXL shares priced at CXL's last reported NTA backing. The option exercise period expires at 5:00pm (Perth time) on 2 August 2005. The Option Deed was also subject to compliance with the Corporations Act and ASX Listing Rules.

On 30 May 2005, the Company and CXL entered into a deed of variation to the Option Deed whereby the purchase consideration was amended to be a consideration per share equal to the last reported NTA (post tax) backing value of SCB per share with the total consideration to be paid by cash.

The references to NTA backings in respect of SCB and CXL shares are references to the last reported NTA (post tax) backings of such companies prior to settlement - this is expected to be the NTA backings reported as at 31 May 2005, on the basis that the exercise under the Option Deed will settle on 30 June 2005.

The Option Deed is conditional upon the satisfaction by 29 July 2004 (unless condition (b) is waived by CXL) of the following conditions precedent:

- (a) AEA's shareholders approving the sale of the 698,718 SCB shares to CXL upon exercise of CXL's option on the terms and conditions of the Option Deed;
- (b) AEA's shareholders approving the Return of Capital.

8.2 Conclusion of Independent Expert

BDO Consultants are of the opinion that the proposed transaction contemplated in Resolution 2 is **FAIR AND REASONABLE** to the non-associated shareholders of the Company.

The Independent Experts' Report accompanies this Notice of Meeting and Explanatory Memorandum and Shareholders are encouraged to read the full text of such report.

8.3 Directors' Recommendations

All of the Directors (save for Mr Victor Ho who makes no recommendation as he is a director of CXL) recommend that Shareholders approve Resolution 2.

The Company notes that Mr Khan is a director and substantial shareholder of Queste Communications Limited, which is a 50% controlling shareholder of CXL and that Messrs Khan, Cato and Ho are directors of Altera Capital Limited, which is an 81% controlling shareholder of Sofcom.

Please also refer to Section 1.4.

9. GLOSSARY

ADG means Alan Davis Group Pty Limited ABN 22 000 762 489.

AWST or Perth time means Australian Western Standard Time.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given to it by sections 10 to 17 of the Corporations Act.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

BEL means Bentley International Limited ABN 87 008 108 218.

BEL Share Sale Agreements means the First Tranche BEL Share Sale Agreement and the Second Tranche BEL Share Sale Agreement.

BDO Consultants means BDO Consultants (WA) Pty Ltd ABN 92 008 864 435.

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

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

Central Exchange or CXL means Central Exchange Limited ACN 000 742 843.

Company or Altera Capital or AEA means Altera Capital Limited ACN 082 541 437.

Constitution means the constitution of the Company.

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

Corporations Regulations means the *Corporations Regulations 2001* (Cth)

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Fast Scout or FSL means Fast Scout Limited ACN 088 488 724.

FIFO means first-in-first-out.

First Tranche BEL Share Sale Agreement means the agreement dated 30 May 2005 between SOF and CXL in relation to the sale of SOF's 2,100,000 BEL shares to CXL.

General Meeting means the general meeting of the Company to be held at 11:30 am (Perth time) on Thursday, 30 June 2005.

Glossary means this glossary.

Independent Expert means BDO Consultants.

Listing Rules means Listing Rules of the ASX.

LIC means listed investment company, which is an investment company listed on ASX.

Notice of Meeting and Explanatory Memorandum means this notice of meeting and explanatory memorandum document dated 31 May 2005 despatched to Shareholders of the Company in relation to the General Meeting.

NTA means net tangible assets.

Record Date means the date for determining entitlements to participate in the Return of Capital, being midnight on 8 July 2005.

Return of Capital or ROC means the return of capital proposed in Resolution 1 and as outlined in this Notice of Meeting and Explanatory Memorandum.

SCB means Scarborough Equities Limited ABN 58 061 287 045 (formerly Rivkin Financial Services Limited).

SCB Option Deed means the deed dated 2 May 2005 between the Company and CXL (as amended) in relation to the sale of the Company's 698,718 SCB shares to CXL, as described in Section 8.1 of this Notice of Meeting and Explanatory Memorandum.

Second Tranche BEL Share Sale Agreement means the agreement dated 30 May 2005 between SOF and CXL in relation to the sale of SOF's 2,300,000 BEL shares to CXL.

Share(s) means fully paid ordinary shares in the Company.

Shareholder(s) means holders of Shares.

Sofcom or SOF means Sofcom Limited ACN 087 482 602.

SOF Return of Capital or SOF ROC means the share capital return under section 256B and 256C(1) of the Corporations Act proposed by SOF which is the subject of SOF shareholder approval at a general meeting to be held on 30 June 2005 and which is described in Section 3.1 of this Explanatory Memorandum.

SOF-SCB Option Deed means the deed dated 2 May 2005 between SOF and CXL (as amended) in relation to the sale of SOF's 3,167,152 SCB shares to CXL.

VWAP means volume weighted average price.

www.alteracapital.com

ALTERA CAPITAL LIMITED

A.B.N. 55 082 541 437

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**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S
REPORT**

**ALTERA CAPITAL LIMITED
30 MAY 2005**



BDO Consultants (WA) Pty Ltd

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
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Financial Services Guide

30 May 2005

BDO Consultants (WA) Pty Ltd ABN 92 008 864 435 ("**BDO Consultants**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Altera Capital Limited ("**AEA**") to provide an independent expert's report on the proposal to sell shares in Scarborough Equities Limited to Central Exchange Limited. You will be provided with a copy of our report as a retail client because you are a shareholder of AEA.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This 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 financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 246328**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Consultants (WA) Pty Ltd is ultimately owned by the Perth partnership of BDO. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors are partners in the Perth partnership of BDO.

The Perth partnership of BDO is a member firm of BDO in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Consultants (WA) Pty Ltd and not by the Perth partnership of BDO or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Perth partnership of BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice to retail and wholesale clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues in relation to:

- ◆ derivatives limited to old law securities options contracts and warrants;
- ◆ debentures, stocks or bonds issued or proposed to be issued by a government;
- ◆ interests in managed investments schemes (excluding investor directed portfolio services);
- ◆ securities; and
- ◆ superannuation.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement will be approximately \$6,000.

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

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from AEA for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Consultants (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FICS will be able to advise you as to whether or not they can be of assistance in this matter. Our FICS Membership Number is F-3820.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 780 808
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

ALTERA CAPITAL LIMITED
INDEPENDENT EXPERT'S REPORT
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Our ref: SA/SK/760

30 May 2005

The Directors
Altera Capital Limited
Level 14
221 St George's Terrace
PERTH WA 6000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

BDO Consultants (WA) Pty Ltd ("**BDO**") has been engaged by Altera Capital Limited ("**AEA**" or "**the Company**") to prepare an Independent Expert's Report (the/our "**Report**") to express an opinion as to whether or not the proposal to sell ordinary shares in Scarborough Equities Limited ("**SCB**") to Central Exchange Limited ("**CXL**") for cash consideration ("**the Proposal**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of AEA. AEA holds 698,718 ordinary shares in SCB. Our Report is to be included with the Notice of Meeting and Explanatory Memorandum for AEA to be sent to all Shareholders to assist them in deciding whether to accept or reject the Proposal.

2. SUMMARY AND OPINION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to Shareholders.

2.1 Fairness

In Section 9 we determined that the proposed consideration exceeds the value of the shares in SCB that AEA proposes to sell to CXL, as detailed below.

	Low \$	High \$
Value of AEA's interest in SCB (Section 8)	75,462	100,615
Value of the proposed cash consideration ¹	144,635	144,635

Note ¹: The actual value of the consideration will be based on the last reported Net Tangible Asset ("**NTA**") value of SCB prior to the transaction. For the purposes of this report we have used the NTA value as at 30 April 2005 to calculate the relevant amount of consideration to be given. This estimate equates to \$144,635 as expressed in the table above. The actual NTA figure to be used should the Proposal be accepted is expected to be as at 31 May 2005.

The above values indicate that the Proposal is fair for Shareholders.

2.2 Reasonableness

We have considered the analysis in Section 11 of this report in terms of the advantages and disadvantages of the Proposal.

In our opinion, the position of Shareholders if the Proposal proceeds is more advantageous than the position if the Proposal does not proceed. Accordingly, we believe that the Proposal is reasonable for Shareholders. The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
11.1.1	The proposal is fair	11.2.1	Potential loss of distribution of future profits
11.1.2	Greater Liquidity of Assets		
11.1.3	Increase in cash balance		
11.1.4	Ability to undertake the return of capital		
11.1.5	Ability to dispose of investments at greater than Market value.		
11.1.6	Use of company shell		

3. DETAILS OF THE PROPOSAL

3.1 The Proposal

It is proposed that AEA sells the 698,718 shares it holds in SCB to CXL for cash consideration, the amount to be based on the last reported NTA (post tax) of SCB prior to the transaction. The management of AEA have arrived at an estimate of this figure of \$144,635 which is based upon the NTA backing of SCB as at 30 April 2005, which we have used for the purposes of this report. It is expected the exact amount of consideration given, should the Proposal be approved, will be based on the NTA figure for SCB at 31 May 2005.

The terms of the return of capital are that an in specie distribution of share assets held by AEA being made to all shareholders equally. The share assets are:

- (a) its current holding of 36,258,535 shares (81.23%) in Sofcom Limited ("**SOF**").
- (b) a shareholding in CXL which is proposed to be received by AEA via an in specie distribution of the same by SOF, expected to be approximately 1,416,159 CXL shares. This in turn is dependant on approval for the relevant enabling transactions being received from the non associated shareholders of Bentley International Limited ("**BEL**") and SOF.

We are not required to express an opinion on the proposed return of capital and have not done so.

4. BASIS OF EVALUATION

4.1 Regulatory Guidelines

In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Proposal is accepted, with the advantages and disadvantages to those Shareholders if it is not.

4.2 Adopted Basis of Evaluation

Having regard to both Policy Statements above, BDO has completed this comparison in two parts:

- A comparison between the value of the shares in SCB that AEA Proposes to sell to CXL and the value of the consideration offered by CXL (fairness – see Section 9 "Is the Transaction Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 11 "Is the Transaction Reasonable?").

The Proposal could be considered "reasonable" if there are valid reasons to approve the Transaction, notwithstanding that it may not be regarded as "fair" to Shareholders.

5. BACKGROUND OF ALTERA CAPITAL LIMITED

5.1 History & Background

The principal course of business of AEA is project management/development and IT consulting and management of cash reserves and share investments. AEA has been listed on the Australian Stock Exchange ("**ASX**") since 17 April 2000.

The Company has been loss making. Sales revenue has been low and cash reserves are becoming depleted. The Company has incurred significant losses.

The Board has stated that they believe that a listed company requires a critical mass of capital of at least \$15 million to provide an income stream and capital growth for its shareholders. The Board believes that this can be achieved by aggregating AEA with a number of other suitable listed companies into a single listed entity. Further details of the "Aggregation" strategy can be found in the Directors' Report forming part of the Company's 31 December 2004 Half Yearly Report.

The aggregation strategy has been an ongoing goal for the directors of AEA; however a hurdle appeared when large legal costs were incurred during the current 2004/2005 financial year as a result of various matters arising from investment by the Company in SCB. The ensuing legal issue slowed the aggregation process, meaning that only now has it been able to be initiated.

5.2 Historical Statements of Financial Performance

AEA Consolidated	Half Year ended 31 December 2004 \$	Year ended 30 June 2004 \$	Year ended 30 June 2003 \$
Sales Revenue	65,446	149,238	93,673
Cost of sales	(65,446)	(149,238)	(75,614)
Gross Profit	-	-	18,059
Other Revenue from Operating Activities	402,731	1,316,950	5,125,963
Non Operating Revenue	-	300,000	62,215
Occupancy Expenses	(27,877)	(74,895)	(62,639)
Finance Expenses	(1,117)	(3,939)	(1,558)
Borrowing expenses	(121)	(447)	(328)
Cost of shares sold	(269,723)	(1,156,829)	(4,573,301)
Administration expenses	(51,268)	(152,319)	(187,621)
Corporate Expenses			
- Takeover defence costs and related matters	-	-	26,491
- Share Investment related costs	(41,789)	17,576	(176,325)
- Professional fees	(946,890)	(195,836)	(357,561)
- Provision for doubtful debt	-	-	(12,645)
- Depreciation	(1,956)	(25,100)	(33,090)
- Fixed assets write down	(71)	(16,795)	-
- Fixed assets disposal	-	-	(140)
- Personnel	(186,110)	(432,929)	(282,541)
- Other Provisions – employee benefits	(10,213)	(53,169)	(20,952)
- Other Corporate Expenses	(42,220)	2,594	-
- (Writeback)/ diminution in value of share investments	191,139	(860,367)	18,152
- (Writeback)/ diminution in value of associate	-	-	(317,453)
- Other corporate expenses	-	93,165	(67,407)
Share of Associates net losses	-	-	(330,034)
Profit/ (loss) from ordinary activities before income tax expense	(985,485)	(1,428,700)	(1,169,715)
Income tax benefit/ (expense)	-	-	-
Net profit/ (loss) from ordinary activities after related income tax expense	(985,485)	(1,428,700)	(1,169,715)

Source: Annual reports for the years ended 30 June 2003 and 2004 and Half Year Report for 31 December 2004

We note the following in relation to AEA's recent financial performance:

- All payments to directors are contained within the account administration expenses.
- Sales Revenue relates to consultancy fees charged to Fast Scout Limited in its development of software and to Queste Communications Limited for computer network maintenance.

- Other Revenue from Operating activities relates to interest income and gross proceeds from the sale of shares held as investments.
- Administration Expenses consist primarily of consultancy fees and communications expenses.
- Large expenses relating to professional fees which are primarily made up of third party consulting and legal fees.

5.3 Historical Statements of Financial Performance

AEA Company only	Year ended 30 June 2004 \$	Year ended 30 June 2003 \$
Sales Revenue	149,238	93,673
Cost of sales	(149,238)	(75,614)
Gross Profit	-	18,059
Other Revenue from Operating Activities	198,692	5,125,963
Non Operating Revenue	-	62,215
Occupancy Expenses	(49,033)	(62,639)
Finance Expenses	(2,291)	(1,558)
Borrowing expenses	-	(328)
Cost of shares sold	(168,970)	(4,573,301)
Corporate Expenses	(363,872)	(924,170)
- Diminution in value of share investments	(692,645)	18,152
- Diminution in value of Associate	-	(317,453)
Administration expenses	(79,535)	(187,621)
Share of Associates net losses	-	(330,034)
Profit/ (loss) from ordinary activities before income tax expense	(1,157,654)	(1,169,715)
Income tax benefit/ (expense)	-	-
Net profit/ (loss) from ordinary activities after related income tax expense	(1,157,654)	(1,169,715)

Source: Annual reports for the years ended 30 June 2003 and 2004

5.4 Historical Statements of Financial Position

AEA Consolidated	As at 31 December 2004 \$	As at 30 June 2004 \$
CURRENT ASSETS		
Cash assets	10,669	604,350
Receivables	121,055	64,308
TOTAL CURRENT ASSETS	131,724	668,658
NON-CURRENT ASSETS		
Plant and equipment	3,312	357
Other Financial Investments	2,365,072	2,397,131
TOTAL NON-CURRENT ASSETS	2,368,384	2,402,471
TOTAL ASSETS	2,500,108	3,071,129
CURRENT LIABILITIES		
Payables	882,904	479,675
Provisions	48,099	37,886
TOTAL CURRENT LIABILITIES	931,003	517,561
TOTAL LIABILITIES	931,003	517,561
NET ASSETS	1,569,105	2,553,568
EQUITY		
Contributed equity	8,038,761	8,038,761
Retained Profits/ (Accumulated losses)	(6,980,972)	(6,123,611)
Parent Entity Interest	1,057,789	1,915,150
Outside Equity Interest	511,316	638,418
TOTAL EQUITY	1,569,105	2,553,418

Source: Annual report for the year ended 30 June 2004 and Half Year Report for 31 December 2004

5.5 Capital Structure

5.5.1 The capital structure of AEA as at 12 May 2005 was as follows:

Ordinary Shares	12 May 2005
Total Ordinary Shares on Issue	62,018,213
Top Twenty Shareholders – Ordinary Shares	48,570,868
Top Twenty Shareholders - % of Ordinary Shares on Issue	78.3%

Source: Advanced Share Registry Services Report as at 12 May 2005

5.5.2 The spread of AEA shareholders as at 12 May 2005 was as follows:

Range of Shares Held	No. of Shareholders
1-1,000	12
1,001-5,000	139
5,001-10,000	161
10,001-100,000	238
100,001 – and over	46
TOTAL	596

Source: Advanced Share Registry Services Report as at 12 May 2005

5.5.3 The number of shares held by the most significant shareholders at 12 May 2005 is detailed below:

Shareholder	Ordinary Shares	% Shares Held
Fast Scout Limited	20,002,860	32.25%
Queste Communications Limited	10,699,428	17.25%
Paddleboards Pty Ltd	4,623,687	7.46%
Mr L.F. Atkins	3,142,196	5.07%

Source: Advanced Share Registry Services Report as at 12 May 2005

6. BACKGROUND OF SCARBOROUGH EQUITIES LIMITED

6.1 History & Background

On 5 August 1994 SCB was listed on the ASX. On 29 April 2005 SCB (formerly Rivkin Financial Services) announced the sale of its wholly owned subsidiary Avcol Stockbroking Pty Ltd to IWL Broking Solutions Limited ("**IWL**") in consideration for \$10.4million (\$7.7 million cash and the buy-back and cancellation of 12,539,314 shares in SCB by IWL.) Prior to that, SCB's main activity was the provision of non advisory stockbroking services through Avcol Stockbroking Pty Limited and share investments.

Now however, the principal course of business of SCB is the management of funds for investment. SCB is a listed investment company, whose shares are traded on the ASX.

On 9 December 2004, the Company appointed FSP Equities Management Limited ("**FSP**") as Investment Manager to manage the Company's investment funds for an initial term of two years. FSP holds an Australian Financial Services Licence to manage its FSP Equity Leaders' Fund (FSP Fund) - a wholesale fund not open to retail investors. The Company has invested \$13.64 million with FSP to date - \$6.0 million in December 2004 and \$7.64 million in April 2005.

6.2 Historical Statements of Financial Performance

SCB Consolidated	Half Year ended 31 December 2004 \$'000	Year ended 30 June 2004 \$'000	Year ended 30 June 2003 \$'000
Gross revenue from ordinary activities	13,423	41,173	134,453
Cost of disposal of assets	9,268	(27,950)	(126,474)
Net Revenue from ordinary activities	4,155	13,223	7,979
Expenses:			
Employee Benefits	(1,452)	(3,011)	(2,618)
Depreciation and Amortisation	(90)	(171)	(129)
Amortisation of Goodwill	(50)	(101)	(101)
Unrealised losses on investments	(95)	(1,172)	(876)
Selling Expenses	-	(1,445)	(1,311)
Administration and other Expenses	(3,190)	(2,363)	(1,615)
Borrowing costs	-	(1)	-
Total Expenses	(4,877)	(8,264)	(6,650)
Profit/(loss) from ordinary activities before income tax expense	(722)	4,959	1,329
Income tax benefit/ (expense)	(192)	(1,064)	-
Net profit/(loss) from ordinary activities after related income tax expense	(914)	3,895	1,329

Source: Annual reports for the years ended 30 June 2003 and 2004 and Half Year Report for 31 December 2004

6.3 Historical Statements of Financial Position

SCB Consolidated	As at 31 December 2004 \$'000	As at 30 June 2004 \$'000
CURRENT ASSETS		
Cash assets	6,126	10,853
Receivables	7,268	15,483
Investments	4,445	8,204
Other	1,189	195
TOTAL CURRENT ASSETS	19,028	34,753
NON-CURRENT ASSETS		
Plant and equipment	369	357
Investments	6,007	-
Intangibles	1,682	1,732
TOTAL NON-CURRENT ASSETS	8,058	2,089
TOTAL ASSETS	27,086	36,824
CURRENT LIABILITIES		
Payables	7,798	16,142
Tax Liabilities	725	615
Provisions	175	2,600
TOTAL CURRENT LIABILITIES	8,698	19,357
TOTAL LIABILITIES	8,698	19,357
NET ASSETS	18,388	17,467
EQUITY		
Parent entity interest:		
Contributed equity	22,127	20,292
Retained Profits/ (Accumulated losses)	(3,739)	(2,825)
TOTAL EQUITY	18,388	17,467

Source: Annual report for the year ended 30 June 2004 and Half Year Report for 31 December 2004

7. VALUATION METHODOLOGIES

7.1 Methodologies commonly used for valuing assets and businesses are as follows:

7.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

7.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

7.1.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern

method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

7.1.4 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

7.2 Valuation methods adopted to value SCB

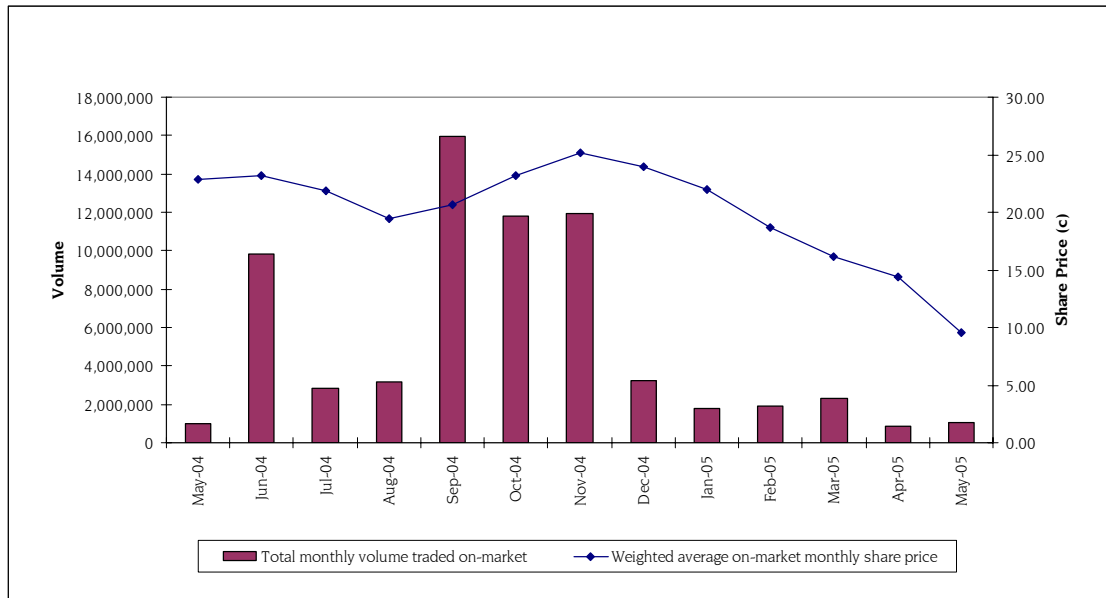
AEA's investment in SCB represents approximately 0.7% of the issued shares of SCB. We consider the method most appropriate in valuing AEA's shares in SCB to be the Quoted Market Price Basis valuation approach. This is primarily due to the fact that SCB is a relatively liquid stock, thus its value is fairly indicated by the supply and demand influences cast upon it by the share market.

8. VALUATION OF SCB

8.1 Quoted Market Prices for SCB Securities

8.1.1 We have assessed the value of SCB based on the market prices for an SCB share below:

The following chart provides a summary of the share price movement over the year between 13 May 2004 and 12 May 2005. There have been no company announcements relating to this transaction that would affect the share price of SCB to date. As such we have assessed the share value for the year to 12 May 2005.



Source: ASX

The daily price of SCB shares from 13 May 2004 to 12 May 2005 has ranged from a high of 30.0 cents on 23 November 2004 to a low of 12.0 cents on 11 May 2005. The stock experienced a peak in traded volume around the months between September and November 2004. During this period a number of competing investors acquired strategic holdings in SCB resulting in high trading volumes.

It is significant to note the steady decline in the weighted average share price through the year. This suggests that, other factors removed, the shares may continue to decline in value in the future.

8.1.2 To provide further analysis of the market prices for SCB shares, we have considered the information at 8.1.1 above and calculated the weighted average market price for 10 day, 30 day, 60 day, and 90 day periods to 13 May 2005.

SCB per share	13 May 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	14.5				
Weighted Average		12.6	13.7	15.8	17.5

Source: ASX

8.1.3 An analysis of the volume of trading in SCB shares prior to 13 May 2005 is set out below:

Pre announcement period	Share price (low) ¢	Share price (high) ¢	Cumulative volume traded	As a % of issued capital
1 day	12.0	13.0	103,300	0.10%
1 week	12.0	14.0	671,350	0.67%
1 month	12.0	16.0	1,555,929	1.55%
3 months	12.0	22.5	6,107,891	6.09%
6 months	12.0	30.0	29,858,356	29.77%
12 months	12.0	30.0	67,248,091	67.04%

Source: ASX

8.2 Assessment of SCB Value

Based on the analysis in section 8.1, we have assessed the value of a SCB share, based on market prices, to be in the range of 12.0 cents to 16.0 cents. The average daily trading volume over the last 90 trading days was approximately 90,400 shares. AEA holds 698,718 SCB shares representing approximately 8 days trading volume. As such we consider it appropriate to discount the market price by 10% to reflect the ability of AEA to sell its shares in an orderly manner. The result of the valuation performed is summarised in the table below:

Valuation	Value per SCB share cents	
	Low	High
ASX market prices	10.8	14.4

Accordingly we have valued AEA's interest in SCB at 10.8 cents to 14.4 cents per share.

8.3 Assessment of AEA's share of SCB

As AEA controls 698,718 shares in SCB and we have assessed the value of an SCB share to be between 10.8¢ and 14.4¢ per share, the value of the shares proposed to be transferred is between \$75,462 and \$100,615.

9. IS THE PROPOSAL FAIR?

The consideration to be paid to CXL is \$144,635, based upon the 30 April 2005 NTA of SCB. As discussed in section 3.1, the actual amount of the consideration will be determined based upon the latest reported NTA figures for SCB. In section 8.3 we have assessed the value of the shares being transferred. The following table summarises our assessment of the value of shares being transferred against the consideration being offered by CXL.

	Ref	Low \$	High \$
Value of AEA's interest in SCB	8.3	75,462	100,615
Value of proposed cash consideration	2.1	144,635	144,635

As such in our opinion the Proposal is fair to Shareholders.

10. OTHER CONSIDERATIONS

10.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of AEA a premium over the value ascribed to that resulting from the Proposal.

10.2 Premium For Control

ASIC Policy Statement 74 requires that the expert give an opinion as to whether the proposed transaction will result premium for control being paid. We have estimated the amount of any premium for control being paid by CXL as the amount by which the value of the settlement consideration exceeds the value of the shares being acquired.

We have assessed that the value of the shares being sold to be between \$75,462 and \$100,615 and value of the settlement consideration to be \$144,635. Accordingly, the premium for control that is being paid by CXL is between \$44,020 and \$69,173.

11. IS THE PROPOSAL REASONABLE?

We have considered the position of the Shareholders if the Proposal is accepted and have taken into account the following advantages and disadvantages in this assessment.

We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity and ease of evaluation of the Proposal, we have set out the significant factors only in the context of accepting the Proposal.

11.1 Advantages of Accepting the Proposal

11.1.1 The Proposal is fair

As shown in Section 9 we have assessed the Proposal to be fair to Shareholders. ASIC Policy Statement 75 states that "an offer is reasonable if it is fair".

11.1.2 Greater Liquidity of Assets

If the Proposal is approved the settlement consideration will mean that the majority of AEA's assets will be in the form of cash. This will provide AEA with

greater liquidity of assets meaning that there will be an increased ability to repay its liabilities as and when they fall due.

11.1.3 Increase in asset value

By selling the shares in SCB for the nominated consideration, AEA will increase the value of their Net Assets by the amount specified in section 10.2, which is the premium for control.

11.1.4 Ability to undertake the return of capital

After the disposal of the shares, AEA will be able to fully effect the return of capital as proposed in Resolution 1 of the Notice of Meeting. The full extent of the return of capital will be effected by the in specie distribution of share assets held by AEA.

11.1.5 Ability to dispose of investments at greater than market value

AEA's share of legal expenses relating to the recent litigation regarding its investment in SCB is currently approximately \$275,000. AEA has the intention of selling off shares in SCB in order to pay for legal fees and other expenses. The Proposal enables AEA to do so in excess of the market price, which will result in significant cost savings. If AEA was to do so at current market prices, it is likely that the value that would be received would be below the current market price given the size of the parcel.

11.1.6 Ability to utilise company shell

If the proposal is accepted and the return of capital completed, then AEA will become a company shell, which has an intrinsic value for resale. This could result in future value for shareholders.

11.2 Disadvantages of Accepting the Proposal

11.2.1 Potential Loss of distribution of future profits

By selling their interest in SCB, AEA is losing the ability to receive a distribution of whatever profits that SCB may make in the future. It is difficult to predict or quantify the levels of these profits.

12. CONCLUSION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is **fair and reasonable** to Shareholders.

13. SOURCES OF INFORMATION

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- AEA's Annual Reports for the years ended 30 June 2004 and 30 June 2003;
- SCB's Annual Reports for the years ended 30 June 2004 and 30 June 2003;
- SCB's Half Year Report to 31 December 2004;
- AEA's Half Year Report to 31 December 2004;
- ASX announcements and share price data for AEA and SCB;

- Discussions with Directors and Management of AEA; and
- Information available in the public domain, such as Bloomberg, brokers' reports, comparable companies' annual reports and announcements.

14. INDEPENDENCE

BDO Consultants (WA) Pty Ltd is entitled to receive a fee of \$6,000 for the preparation of this report. Except for this fee, BDO Consultants (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Prior to accepting this engagement BDO Consultants (WA) Pty Ltd considered its independence with respect to AEA and any of their respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In our opinion BDO Consultants (WA) Pty Ltd is independent of AEA and their associates.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Ltd have had within the past two years any professional relationship with AEA, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to AEA and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

In addition, BDO Consultants (WA) Pty Ltd has been indemnified by AEA in respect of any claim arising from BDO Consultants (WA) Pty Ltd's reliance on information provided by the AEA, including the non provision of material information, in relation to the preparation of this report.

15. QUALIFICATIONS

BDO Consultants (WA) Pty Ltd is wholly owned by BDO, a member of BDO International, which has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Matt Giles and Steve Kite of BDO Consultants (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports and valuations.

16. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of AEA for inclusion in the Explanatory Memorandum which will be sent to all AEA Shareholders. AEA engaged BDO Consultants (WA) Pty Ltd to prepare an independent expert's report to consider the sale of shares to CXL under the Proposal.

BDO Consultants (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Consultants (WA) Pty Ltd.

BDO Consultants (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Consultants (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of AEA or SCB. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Consultants (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CONSULTANTS (WA) PTY LTD

Handwritten signatures of Sherif Andrewes and Matt Giles.

Sherif Andrewes
Director

Matt Giles
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
AEA	Altera Capital Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AUD	Australian Dollar
BEL	Bentley International Limited
BDO	BDO Consultants (WA) Pty Ltd
The Company	Altera Capital Limited
CXL	Central Exchange Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FSP	FSP Equities Management Limited
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
IWL	IWL Broking Solutions Limited
NTA	Net Tangible Assets
The Proposal	The Proposal to sell 698,718 ordinary shares in SCB
Our Report	This Independent Expert's Report prepared by BDO
SCB	Scarborough Equities Limited
Shareholders	Shareholders of AEA not associated with CXL
SOF	Sofcom Limited
USD	United States Dollar

BENTLEY INTERNATIONAL LIMITED

A.B.N. 87 008 108 218

NOTICE OF GENERAL MEETING & EXPLANATORY STATEMENT

**Time and:
Date of Meeting** 4:00pm
on Friday, 1 July 2005

Place of Meeting: Boardroom
White Funds Management Pty Ltd
Level 5
CML Building
14 Martin Place
Sydney, New South Wales

IMPORTANT NOTICE

It is recommended that Shareholders read this Notice of Meeting and Explanatory Statement in full and if there is any matter that you do not understand, you should contact your financial adviser, stockbroker or solicitor for advice.

The accompanying Independent Expert's Report prepared by BDO Consultants (WA) Pty Ltd has concluded that the transaction proposed in Resolution 1 is both fair and reasonable to the non-associated existing shareholders of the Company.

Director, Mr Christopher Ryan recommends that Shareholders approve Resolution 1. Messrs Farooq Khan and Simon Cato make no recommendation to Shareholders as they are directors of Sofcom Limited (being one of the parties to the transaction the subject of Resolution 1).

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EMAIL US AT:
info@bel.com.au

CORPORATE DIRECTORY

BOARD

Farooq Khan	<i>Chairman</i>
Christopher Ryan	<i>Director</i>
Simon Cato	<i>Director</i>

COMPANY SECRETARY

Victor Ho

REGISTERED OFFICE

White Funds Management Pty Ltd
Level 5, CML Building
14 Martin Place
Sydney New South Wales 2000
Telephone: (02) 8236 7700
Facsimile: (02) 9221 1194
Internet: www.whitefunds.com.au

CHAIRMAN'S AND COMPANY SECRETARIAL OFFICE

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Perth Western Australia 6000
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Facsimile: (02) 9279 0664
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INDEPENDENT EXPERT

BDO Consultants (WA) Pty Ltd
Level 8, 256 St Georges Terrace
Perth Western Australia 6000
Telephone: (08) 9360 4200
Web: www.bdo.com.au

PURPOSE OF THIS DOCUMENT

This Notice of Meeting and Explanatory Statement has been prepared for the purpose of providing Shareholders with all the information known to the Company that is material to the Shareholders' decision on how to vote on the proposed resolution at the General Meeting. Shareholders should read this Notice of Meeting and Explanatory Statement in full to make an informed decision regarding the resolution considered at this General Meeting. This Notice of Meeting and Explanatory Statement is dated 31 May 2005.

ROLE OF ASX

A copy of this Notice of Meeting and Explanatory Statement has been lodged with ASX. Neither ASX nor any of their respective officers takes any responsibility for the contents of the Notice of Meeting and Explanatory Statement.

ENQUIRIES

If you have any questions regarding the matters set out in this Notice of Meeting and Explanatory Statement, please contact the Company Secretary or your professional advisers.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Bentley International Limited A.C.N. 008 108 218 (**BEL** or **Company**) will be held in the Boardroom of White Funds Management Pty Ltd, Level 5, CML Building, 14 Martin Place, Sydney, New South Wales at 4:00 pm on Friday, 1 July 2005.

AGENDA

ORDINARY BUSINESS

1. Resolution 1 - Approval for Acquisition of Shares by Shareholder

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of section 606(1) and Item 7 of section 611 of the *Corporations Act 2001 (Cth)* and for all other purposes, approval is given for Central Exchange Limited (“**CXL**”) to acquire 2,300,000 fully paid ordinary shares in the Company from Sofcom Limited (“**SOF**”) pursuant to a share sale agreement between CXL and SOF as described in the Explanatory Statement.”

Short Explanation: The Corporations Act provides a general prohibition against a shareholder increasing its voting power in a company from 20% or below to more than 20%. An exception to this prohibition is where the company’s shareholders approve the increase of such voting power. CXL will increase its voting power from 19.03% to 24.93% as a consequence of the acquisition of 2.3 million shares in BEL under the Share Sale Agreement with SOF. The Company has convened this General Meeting (at CXL’s and SOF’s expense) to seek shareholder approval for CXL (and its Associates) to increase their voting power in BEL by 5.91% under such transaction. Please refer to the Explanatory Statement for further details.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 1 by:

- (1) Central Exchange Limited (the purchaser of BEL shares under the Share Sale Agreement);
- (2) Sofcom Limited (the seller of BEL shares under the Share Sale Agreement); and
- (3) any party who is an Associate of a party referred to in (1) and (2) above.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a Shareholder who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 31 May 2005

By order of the Board,



Victor Ho
Company Secretary

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The General Meeting of the shareholders of Bentley International Limited will be held at:

Boardroom	Commencing	4:00pm
White Funds Management Pty Ltd		Friday
Level 5, 14 Martin Place		1 July 2005
Sydney, New South Wales		

Voting Rights

- At any meeting of the members, each member entitled to vote may vote in person or by proxy or by attorney or, in the case of a member which is a corporation, by representative.
- Every person who is present in the capacity of member or the representative of a corporate member shall, on a show of hands, have one vote.
- Every member who is present in person, by proxy, by attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

Voting in Person

To vote in person, attend the General Meeting on the date and at the venue out above.

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and return it to the Company's registered office, either:

- by facsimile to (02) 9221 1194; or
- by mail to White Funds Management, Level 5, 14 Martin Place, Sydney NSW 2000

so that it is received **not later than 4:00pm (AEST) on Wednesday, 29 June 2005**.

Bodies corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. A properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the General Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

Powers of Attorney

A person appearing as Power of Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the General Meeting all Shares in the Company will be taken to be held by the persons who held them as registered Shareholders at midnight (AEST) on 29 June 2005 (**Voting Entitlement Time**). Subject to the voting exclusions noted earlier, all holders of Shares in the Company as at the Voting Entitlement Time will be entitled to vote at the General Meeting.

EXPLANATORY STATEMENT

1. SUMMARY

1.1 Reasons for General Meeting

Central Exchange Limited (CXL) and Sofcom Limited (SOF) are existing substantial shareholders in the Company (BEL) and have entered into agreements which provide for the sale of up to 4.4 million shares in BEL from SOF to CXL.

The sale of these BEL shares does not directly involve BEL and involves no change to the issued capital of BEL or its financial affairs or position. The transaction is between two major shareholders of BEL who are altering their shareholding interest in BEL.

In particular, CXL as purchaser has advised that it proposes no changes to the financial position/performance, or future direction of BEL operations or business.

As the agreement between CXL and Sofcom involves a change in shareholding in BEL greater than 20% of the voting rights in BEL it attracts the provisions of the Corporations Act and requires the involvement of BEL shareholders as outlined below.

The Corporations Act provides a general prohibition against a shareholder increasing its voting power in a company from 20% or below to more than 20%. An exception to this prohibition is where the company's shareholders approve the increase of such voting power.

Subject to settlement of the First Tranche BEL Share Sale Agreement and the Share Sale Agreement (details of which are outlined below), CXL will increase its Shareholding (and CXL and its Associates will increase their voting power) in BEL from 19.03% to approximately 24.93% as a consequence of the acquisition of 2,300,000 Shares in BEL under the Share Sale Agreement with SOF.

Accordingly, the Company has convened this General Meeting to seek Shareholder approval for CXL (and its Associates) to increase their voting power in BEL by 5.91% under such transaction.

CXL and SOF have agreed to meet the Company's costs of convening this General Meeting.

The Company is not directly involved in this transaction as it is between two Shareholders in BEL - CXL and SOF. Shareholders are advised that there will be no change to the issued capital, financial position/performance, or future direction of BEL as a consequence of this transaction proceeding if Shareholders approve Resolution 1.

1.2 Overview of Resolution

Resolution 1 is an ordinary resolution and seeks Shareholder approval for CXL to acquire 2,300,000 Shares in the Company from SOF pursuant to the Share Sale Agreement between CXL and SOF.

1.3 Material Consideration for Shareholders

As this transaction is a minor one between various shareholders and does not directly involve the Company or its affairs save for the application of the Corporations Act with respect to the proposed transfer of BEL shares, BEL has sought and received agreement from these shareholders that they will bear all costs involved in the preparation and calling of this General Meeting.

1.4 Conclusion of Independent Expert

An Independent Expert's Report prepared by BDO Consultants (WA) Pty Ltd (**BDO Consultants**) comments on whether the transaction the subject of Resolution 1 is fair and reasonable to the non-associated Shareholders of the Company and has been prepared to comply with the requirements of section 611 Item 7 of the Corporations Act and ASIC Policy Statements 74 and 75.

BDO Consultants has formed the opinion that the transaction proposed in Resolution 1 is fair and reasonable to the non-associated shareholders of the Company.

The Independent Experts' Report accompanies this Notice of Meeting and Explanatory Statement and Shareholders are encouraged to read the full text of such report.

1.5 Board's Recommendations

	Resolution 1 - Approval for Acquisition of Shares
Advantages	<p>CXL (also a listed investment company) has demonstrated an interest in investing in other LIC's - accordingly, as a potential long term cornerstone investor in BEL, it is supportive of BEL's strategic objectives.</p> <p>The creation of a supportive cornerstone investor may result in the reduction in speculative trading in BEL shares and the provision of price stability to BEL shares.</p> <p>Sofcom, the current holder of such shares is not a long term shareholder of BEL having already entered into agreements to dispose of nearly the whole of its current shareholding in BEL. Sofcom may accordingly continue to seek a disposal of its shareholding should BEL shareholder approval not be received for this transaction.</p> <p>Such action by Sofcom may cause a significant parcel of shares to be either distributed in specie to its shareholders (see " <i>If Resolution Not Passed</i> " below) or sold on market. Given historical trading volumes and market liquidity in BEL shares, where Sofcom would seek to dispose of its shareholding this may lead to a reduction in the share price of BEL. Alternatively, a distribution in specie of these BEL shares to Sofcom shareholders may result in a large number of shares being sold on market by the ultimate recipients of such shares. Given historical trading volumes and market liquidity in BEL shares this may lead to the potential for a reduction in the share price of BEL as such shares are sold. Shareholders should note that as CXL does not propose any change in the future direction of the Company (refer Section 3.5 of this Explanatory Statement), the transaction is otherwise "neutral" to the non-associated Shareholders of BEL.</p>
Disadvantages	<p>As the holder of a 24.93% interest in BEL after the completion of the Share Sale Agreement, CXL may have the ability to exert influence over the affairs of BEL via its support for or against resolutions put to BEL shareholders at a general meeting.</p> <p>Shareholders should note that as CXL does not propose any change in the future direction of the Company (refer Section 3.5 of this Explanatory Statement), the transaction is otherwise "neutral" to the non-associated Shareholders of BEL.</p>

continued	Resolution 1 - Approval for Acquisition of Shares
If Resolution Is Not Passed	<p>If the Share Sale Agreement does not proceed in circumstances where BEL Shareholders have failed to approve the transaction the subject of <u>Resolution 1</u> (and the First Tranche BEL Share Sale Agreement and SCB Option Deed have both settled), SOF has proposed to distribute the 2.3 million shares to its shareholder under the SOF Return of Capital. That is, SOF shareholders will become shareholders of BEL in respect of such 2.3 million parcel of BEL shares.</p> <p>If BEL shareholders approve <u>Resolution 1</u> but the Share Sale Agreement fails to settle for any reason (and the First Tranche BEL Share Sale Agreement and SCB Option Deed have both settled), SOF has proposed to distribute the 2.3 million shares to its shareholders under the SOF Return of Capital.</p> <p>If BEL shareholders approve <u>Resolution 1</u> but the First Tranche BEL Share Sale Agreement and SCB Option Deed fails to settle, Sofcom will retain its shareholding in BEL and CXL will not be increasing its voting power in BEL under either the First Tranche BEL Share Sale Agreement or the Share Sale Agreement.</p>
Directors' Recommendation	<p>Director, Mr Christopher Ryan recommends that Shareholders approve <u>Resolution 1</u>.</p> <p>Messrs Farooq Khan and Simon Cato, makes no recommendation to Shareholders as they are directors of Sofcom Limited (being one of the parties to the transaction the subject of <u>Resolution 1</u>).</p>

2. RESOLUTION 1

Resolution 1 seeks Shareholder approval for CXL to acquire 2,300,000 BEL Shares from SOF pursuant to the Share Sale Agreement between CXL and SOF.

2.1 Share Sale Agreement

On 30 May 2005, SOF entered into the Share Sale Agreement with CXL for the sale to CXL of 2,300,000 BEL shares held by SOF for a consideration per share equal to the last reported NTA (post tax) backing value of BEL per share with the total consideration to be paid by the issue to SOF of new CXL shares priced at CXL's last reported NTA (post tax) backing. There is no cash consideration involved in the transaction.

The references to NTA backings in respect of BEL and CXL shares are references to the last reported NTA (post tax) backings of such companies prior to settlement - this is expected to be the NTA backings reported as at 31 May 2005, on the basis that the agreement will settle on 30 June 2005.

By way of illustration, based on the after tax NTA backings for BEL and CXL as at 30 April 2005, the consideration payable by CXL is as follows:

No of BEL shares sold	Value of Consideration ⁽¹⁾	Consideration satisfied by:		
		Cash received	No. CXL shares issued	Value of CXL shares ⁽²⁾
2,300,000	\$983,250	-	973,515	\$983,250

(1) These figures may change. They have been based on BEL's last reported 30 April 2005 after tax NTA backing of \$0.4275 per share

(2) These figures may change. They have been based on CXL's last reported 30 April 2005 after tax NTA backing of \$1.01 per share

The Share Sale Agreement is conditional upon the satisfaction by 29 July 2004 (unless conditions (b) to (c) are waived by CXL) of the following conditions precedent:

- (a) SOF's shareholders approving the sale of the 2,300,000 BEL shares to CXL on the terms and conditions of the Share Sale Agreement;
- (b) BEL shareholders approving the acquisition of the 2,300,000 BEL shares by CXL on the terms and conditions of the Share Sale Agreement for the purposes of section 611 Item 11 of the Corporations Act;
- (c) SOF's shareholders approving the SOF Return of Capital insofar as it relates to the distribution of CXL shares to SOF shareholders;
- (d) CXL acquiring from SOF 3,167,152 SCB shares upon the exercise of CXL's option on the terms and conditions of the SCB Option Deed;
- (e) CXL acquiring from SOF 2,100,000 BEL shares on the terms and conditions of the First Tranche BEL Share Sale Agreement.

At settlement, CXL is required to apply to the ASX for quotation of the new CXL shares issued to SOF consideration received under the Share Sale Agreement.

SOF has convened a general meeting to be held on 30 June 2005 to seek shareholder approval in respect of the matters referred to in conditions precedent (a) and (c) to (d) above (the **SOF General Meeting**).

SOF has advised that the transactions referred to in conditions precedent (d) and (e) are expected to settle immediately after the SOF General Meeting to approve such transactions

Accordingly, SOF has advised that BEL shareholder approval of the Share Sale Agreement is expected to the last of the conditions precedent to such agreement and the agreement is expected to settle shortly after this General Meeting if BEL Shareholders approve such transaction.

2.2 Increase in Shareholding in the Company

CXL is currently the holder of 5,308,920 BEL shares (being 13.63% of BEL's current total issued share capital of 38,942,213 Shares).

SOF is currently the holder of 4,700,000 BEL shares (12.07%).

CXL has proposed to acquire 2,100,000 BEL Shares from SOF under the First Tranche BEL Share Sale Agreement, subject to SOF shareholder approval at the SOF General Meeting. This acquisition will increase CXL's holding in BEL to 7,408,920 Shares (19.03%).

CXL will increase its holding further to 9,708,920 BEL Shares under the Share Sale Agreement the subject of Resolution 1, being 24.93% of BEL's total issued share capital.

Accordingly, Resolution 1 seeks approval for CXL to increase its shareholding in BEL by 5.91% from 19.03% to 24.93% under the Share Sale Agreement.

3. Information Provided Under the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest (under section 610 of the Corporations Act).

A person has a relevant interest in securities if they are the holder of the securities.

There are various exceptions to the prohibition in section 606, including under section 611 item 7 of the Corporations Act. Section 611 item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition, at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their Associates.

Please refer to Section 2.2 of this Explanatory Statement for details concerning the changes to CXL's shareholding in BEL upon completion of the Share Sale Agreement (by 5.91% from 19.03% to 24.93% of BEL's total issued share capital).

Shareholder approval under section 611 item 7 of the Corporations Act is sought pursuant to Resolution 1 because upon the settlement of the Share Sale Agreement, the voting power of CXL in BEL will increase from a starting point that is below 20% to in excess of 20%.

The following sub-sections set out the balance of information required to be provided to shareholders under section 611 Item 7 of the Corporations Act and ASIC Policy Statement 74 (Acquisitions Agreed to by Shareholders).

3.1 the identity of the purchaser and any person who will have a relevant interest in the shares to be purchased

The purchaser under the Share Sale Agreement is CXL, an investment company listed on ASX (ASX Code: CXL) with net assets of approximately \$17.23 million (pre tax) (or \$1.04 per share) and \$16.73 million (post tax) (or \$1.01 per share) based on its last reported NTA backing for 30 April 2005.

CXL's website provides further relevant information about the company: www.centralexchange.com.au

No Associate of CXL currently has a Shareholding in BEL.

However, the following persons have a relevant interest in CXL's Shareholding in BEL:

- (a) Queste Communications Limited (**QUE**) is taken under section 608(3)(b) of the Corporations Act to have a relevant interest in securities in which CXL has a relevant interest by reason of having control of CXL (QUE has 50.73% voting power in CXL); Who is Queste?
- (b) A director of QUE, Farooq Khan and controlled companies (Island Australia Pty Ltd, Skin-Plex Laboratories Pty Ltd and The Essential Earth Pty Ltd) (**Farooq Khan & Associates**) are taken under section 608(3)(a) of the Corporations Act to have a relevant interest in securities in which QUE has a relevant interest by reason of having voting power above 20% in QUE (such persons have 20.77% voting power in QUE).

QUE is a public company listed on ASX (ASX Code: QUE) and is a 50% shareholder of CXL. QUE's website provides further relevant information about the company: www.queste.com.au

Farooq Khan is Chairman of QUE and is also a member of the investment committee of CXL (at the invitation of CXL).

3.2 The interests of the Directors in the resolution

CXL and SOF (the seller) are public companies listed on ASX.

BEL Chairman, Mr Farooq Khan, is the Chairman of QUE (the controller of CXL) and SOF.

BEL director, Mr Simon Cato, is a non-executive director of SOF.

BEL Company Secretary, Mr Victor Ho, is also a director and Company Secretary of CXL and SOF and a Company Secretary of QUE.

All Directors of the Company approved:

- the proposal to put Resolution 1 to Shareholders at this General Meeting;
- the commission of BDO Consultants to prepare the Independent Expert's Report;
- the contents of this Explanatory Statement and the accompanying Independent Expert's Report.

Mr Christopher Ryan, as the independent Director, is proposed to be appointed Chairman of the General Meeting. Mr Ryan's open Chairman's proxies will be voted in favour of Resolution 1.

3.3 The voting power the purchaser would have as a result of the acquisition and the maximum extent of the increase in the purchaser's voting power as a result of the acquisition.

If Resolution 1 is passed (and upon the completion of the Share Sale Agreement), CXL's voting power in BEL will increase from 19.03% to 24.93% upon completion of the Share Sale Agreement.

The maximum extent of the increase in CXL's voting power in BEL as a result of the passing of Resolution 1 (and upon the completion of the Share Sale Agreement) is 5.91%.

Please refer to Section 2.2 of this Explanatory Statement for further particulars of the BEL Shares to which CXL will be entitled immediately before and after the proposed acquisition under the Share Sale Agreement.

3.4 The voting power the purchaser's Associates would have as a result of the acquisition and the maximum extent of the increase in the Associates' voting power as a result of the acquisition

No Associate of CXL currently has a Shareholding in BEL. However, the following persons have a relevant interest in CXL's Shareholding in BEL (as explained in Section 3.1 of this Explanatory Statement):

- (a) QUE;
- (b) Farooq Khan & Associates.

Accordingly:

- If Resolution 1 is passed, (and upon the completion of the Share Sale Agreement) each of QUE and Farooq Khan & Associates' voting power in BEL will increase from 19.03% to 24.93% upon completion of the Share Sale Agreement – the same as for CXL;
- The maximum extent of the increase in each of QUE and Farooq Khan & Associates' voting power in BEL as a result of the passing of Resolution 1 (and upon the completion of the Share Sale Agreement) is 5.91% – the same as for CXL.

3.5 The purchaser's intentions regarding the future of BEL

CXL has no present intention to:

- change the business, Board, investment objectives/strategies of the Company;
- inject further capital into the Company;
- transfer any property between the Company and CXL (or Associates);
- otherwise redeploy the fixed assets of the Company; or

- change the financial or dividend policies of the Company,
- if Resolution 1 is approved (and upon the completion of the Share Sale Agreement).

4. GLOSSARY

AEST or Sydney time means Australian Eastern Standard Time.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given to it by sections 10 to 17 of the Corporations Act.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

BDO Consultants means BDO Consultants (WA) Pty Ltd ABN 92 008 864 435.

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

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Sydney, New South Wales.

Central Exchange or CXL means Central Exchange Limited ACN 000 742 843, an ASX listed company (ASX Code: CXL).

Company or BEL means Bentley International Limited ACN 008 108 218, an ASX listed company (ASX Code: BEL).

Constitution means the constitution of the Company.

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

Corporations Regulations means the *Corporations Regulations 2001 (Cth)*

Directors mean the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Farooq Khan & Associates means Farooq Khan and controlled companies, Island Australia Pty Ltd A.C.N. 073 447 300, Skin-Plex Laboratories Pty Ltd A.C.N. 009 424 560 and The Essential Earth Pty Ltd A.C.N. 009 029 305.

First Tranche BEL Share Sale Agreement means the agreement dated 30 May 2005 between SOF and CXL in relation to the sale of SOF's 2,100,000 BEL shares to CXL for a consideration per share equal to the last reported after tax NTA backing value of BEL per share with the total consideration to be paid by \$575,000 cash and the issue to SOF of new CXL shares priced at CXL's last reported after tax NTA backing).

General Meeting means the general meeting of the Company to be held at 4:00 pm (Sydney time) on Friday, 1 July 2005.

Glossary means this glossary.

Independent Expert means BDO Consultants.

LIC means listed investment company, which is an investment company listed on ASX.

Listing Rules means Listing Rules of the ASX.

Notice of Meeting and Explanatory Statement means this notice of meeting and explanatory statement document dated 31 May 2005 despatched to Shareholders of the Company in relation to the General Meeting.

NTA means net tangible assets.

QUE means Queste Communications Limited ACN 081 688 164, an ASX listed company (ASX Code: QUE).

SCB means Scarborough Equities Limited ABN 58 061 287 045 (formerly Rivkin Financial Services Limited), an ASX listed company (ASX Code: SCB – formerly RFS).

SCB Option Deed means the deed dated 2 May 2005 between SOF and CXL (as amended) in relation to the sale of SOF's 3,167,152 SCB shares to CXL for a consideration per share equal to the last reported after tax NTA backing value of SCB per share with the total consideration to be paid by \$200,000 cash and the issue to SOF of new CXL shares priced at CXL's last reported after tax NTA backing), upon the exercise of CXL's option pursuant to such deed.

Share Sale Agreement means the agreement dated 30 May 2005 between SOF and CXL in relation to the sale of SOF's 2,300,000 BEL shares to CXL, the material terms of which are summarised in Section 2.1 of this Explanatory Statement.

Share(s) means fully paid ordinary shares in the Company.

Shareholder(s) means holders of Shares.

SOF or Sofcom means Sofcom Limited ACN 087 482 602, an ASX listed company (ASX Code: SOF).

SOF Return of Capital means the share capital return under section 256B and 256C(1) of the Corporations Act proposed by SOF which is the subject of SOF shareholder approval at the SOF General Meeting.

SOF General Meeting means a general meeting of SOF to be held on 30 June 2005, pursuant to a Notice of Meeting and Explanatory Memorandum issued by SOF dated 30 May 2005.

**INDEPENDENT EXPERT'S
REPORT
AND
FINANCIAL SERVICES GUIDE**

**BENTLEY INTERNATIONAL
LIMITED**

31 MAY 2005



BDO Consultants (WA) Pty Ltd

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Financial Services Guide

31 May 2005

BDO Consultants (WA) Pty Ltd ABN 92 008 864 435 ("**BDO Consultants**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Bentley International Limited ("**BEL**") to provide an independent expert's report on the proposal for Central Exchange Limited to purchase shares in BEL. You will be provided with a copy of our report as a retail client because you are a shareholder of BEL.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This 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 financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 246328**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Consultants (WA) Pty Ltd is ultimately owned by the Perth partnership of BDO. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors are partners in the Perth partnership of BDO.

The Perth partnership of BDO is a member firm of BDO in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Consultants (WA) Pty Ltd and not by the Perth partnership of BDO or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Perth partnership of BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice to retail and wholesale clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues in relation to:

- ◆ derivatives limited to old law securities options contracts and warrants;
- ◆ debentures, stocks or bonds issued or proposed to be issued by a government;
- ◆ interests in managed investments schemes (excluding investor directed portfolio services);
- ◆ securities; and
- ◆ superannuation.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement will be approximately \$7,000.

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

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from BEL for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Consultants (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FICS will be able to advise you as to whether or not they can be of assistance in this matter. Our FICS Membership Number is F-3820.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 780 808
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

BENTLEY INTERNATIONAL LIMITED
INDEPENDENT EXPERT'S REPORT
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Our ref: SA/SK

31 May 2005

The Directors
Bentley International Limited
Level 14
221 St George's Terrace
PERTH WA 6000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

BDO Consultants (WA) Pty Ltd ("**BDO**") has been engaged by Bentley International Limited ("**BEL**" or "**the Company**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the proposal ("**the Proposal**") for Central Exchange Limited ("**CXL**") to purchase ordinary shares in BEL ("**the BEL shares**"), is fair and reasonable to non-associated shareholders ("**Shareholders**") of BEL. CXL seeks to purchase 2,300,000 ordinary shares in BEL which will increase its interest in BEL.

Our Report is to be included with the Notice of Meeting and Explanatory Memorandum for BEL to be sent to all Shareholders to assist them in deciding whether to accept or reject the Proposal.

2. SUMMARY AND OPINION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to Shareholders.

2.1 Fairness

In Section 11 we determined that the proposed consideration compares to the value of the BEL shares to be acquired by CXL, as detailed below.

	Low \$	High \$
Value of the of BEL shares (Section 8)	911,720	1,053,630
Value of the proposed consideration (Section 9) ¹	943,190	1,061,213

Note ¹: The actual value of the consideration will be based on the last reported Net Tangible Asset ("**NTA**") value of BEL prior to the transaction. For the purposes of this report we have used the NTA value as at 30 April 2005 to calculate the relevant amount of consideration to be given. The actual NTA figure to be used should the Proposal be accepted is expected to be as at 31 May 2005.

The above values indicate that the Proposal is fair for Shareholders.

2.2 Reasonableness

We have considered the analysis in Section 12 of this report in terms of the advantages and disadvantages of the Proposal.

In our opinion, the position of Shareholders if the Proposal proceeds is more advantageous than the position if the Proposal does not proceed. Accordingly, we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Proposal is fair	13.2.1	CXL's interest in BEL will increase to approximately 24.93%.
13.1.2	Share Price Stability		

3. DETAILS OF THE PROPOSAL

3.1 The Proposal

The terms of the proposal are that CXL will purchase 2,300,000 shares in BEL from Sofcom Limited ("**SOF**"). The consideration proposed to be paid by CXL is 973,515 ordinary shares in CXL, based on the NTA value of BEL and CXL as at 30 April 2005.

3.2 The Proposal Background

This transaction is part of a larger purchase by CXL ("**the SOF transaction**"). Subject to SOF shareholder approval SOF will sell the following investments to CXL:

- a) 4,400,000 shares in BEL (11.30% of the issued capital); and
- b) 3,167,152 shares in Scarborough Equities Limited (4.21% of the issued capital).

The proposed consideration will be based on the most recently announced NTA values of BEL, CXL and SCB, expected to be as at 31 May 2005. Based on these NTA values as at 30 April 2005, the consideration will be 1,744,159 ordinary shares in CXL, as well as a cash payment of \$775,000.

The sale of BEL shares by SOF to CXL will take place in two parts. The sale of 2,100,000 shares in BEL which requires the approval of SOF shareholders and the sale of the remaining 2,300,000 shares in BEL which will require the approval of the shareholders of both SOF and BEL.

Following the SOF transaction being approved, SOF's only remaining non cash asset will be the shares it holds in CXL and a small residual holding of 300,000 shares in BEL (which SOF proposes to dispose of for working capital purposes as required), a structure that will facilitate it being able to engage in a Return of Capital.

3.3 Capital Structure

After SOF shareholder approval for the SOF transaction, CXL will own 7,408,920 ordinary shares in BEL, being 5,308,920 shares currently held by CXL and 2,100,000 to be acquired from SOF not requiring the approval of BEL shareholders. This will represent 19.03% of the BEL's issued share capital.

Should the Proposal be approved by BEL Shareholders, CXL will acquire a further 2,300,000 shares in BEL and CXL's equity interest in BEL will increase to 24.93% of BEL's issued share capital. The table below shows the capital structure of BEL at present, following approval of the acquisition of 2,100,000 BEL shares by SOF shareholders and immediately after the Proposal is approved.

BEL Capital Structure	Current		Following receipt of SOF shareholder approval		Post Proposal	
	Number	%	Number	%	Number	%
CXL	5,308,920	13.63	7,408,920	19.03	9,708,920	24.93
Non-associated shareholders	33,633,293	86.37	31,533,293	80.97	29,233,293	75.07
Total	38,942,213	100.0	38,942,213	100.0	38,942,213	100.0

4. REPORT REQUIREMENTS

- 4.1** Assuming SOF shareholders approve the sale of BEL shares to CXL, CXL will have a 19.03% interest in the issued ordinary shares of BEL. Following approval of the Proposal, CXL will hold approximately 24.93% of the shares in BEL. Section 606(1) of the Corporations Act ("**the Act**") expressly prohibits the acquisition of further shares by a person where the acquisition increases the person's voting power from an existing position below 20% to a position greater than 20% of the issued shares of a listed entity. There is an exemption to this rule in Section 611 of the Act.
- 4.2** Section 611 permits an acquisition of shares in a listed entity by a person where that acquisition causes their interest to exceed 20%, if the shareholders of that entity have agreed to the acquisition of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in relation to any party who is associated with the party from whom the shares are to be acquired. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.
- 4.3** Policy Statement 74 issued by the Australian Securities and Investments Commission ("**ASIC**") deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of BEL, by either:
- undertaking a detailed examination of the Proposal themselves, if they consider that they have sufficient expertise; or
 - by commissioning an Independent Expert's Report.

5. BASIS OF EVALUATION

5.1 Regulatory Guidelines

In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Proposal is accepted, with the advantages and disadvantages to those Shareholders if it is not.

5.2 Adopted Basis of Evaluation

Having regard to both Policy Statements above, BDO has completed this comparison in two parts:

- A comparison between the value of the shares that SOF proposes to sell to CXL with the value of the consideration to be paid by CXL. (fairness – see Section 10 “Is the Proposal Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposal, after reference to the value derived above (reasonableness – see Section 12 “Is the Proposal Reasonable?”).

The Proposal could be considered “reasonable” if there are valid reasons to approve the Proposal, notwithstanding that it may not be regarded as “fair” to Shareholders.

6. BACKGROUND OF BENTLEY INTERNATIONAL LIMITED

6.1 History & Background

Bentley International Limited has been listed on the Australian Stock Exchange (“**ASX**”) since 7 November 1986 as a Listed Investment Company.

The principal activity of BEL is to manage the investments it holds, being an investment company with the objective of achieving medium to long term capital appreciation together with fully franked dividends through investment primarily in international securities.

On 18 May 2004, the company appointed Constellation Capital Management Limited (“**Constellation**”) as investment manager to their international equities portfolio, utilising Constellation’s HomeGlobal Investment Strategy for an initial term of two years. Constellation is an experienced Investment manager, and 50% owned by Qantas Superannuation Limited.

Significantly, Constellation announced that it had formed a strategic alliance with Zurich Financial Services Australia to manage all their specialist Australian equity portfolios. Constellation currently has more than \$10 billion funds under management.

6.2 Capital Structure

6.2.1 The capital structure of BEL as at 19 May 2005 was as follows:

Ordinary Shares	19 May 2005
Total Ordinary Shares on Issue	38,942,213
Top Twenty Shareholders – Ordinary Shares	14,769,449
Top Twenty Shareholders - % of Ordinary Shares on Issue	37.9%

Source: Registries Limited Report as at 19 May 2005

6.2.2 The spread of BEL shareholders as at 19 May 2005 was as follows:

Range of Shares Held	No. of Shareholders
1-1,000	139
1,001-5,000	447
5,001-10,000	401
10,001-100,000	680
100,001 – and over	34
TOTAL	1,701

Source: Registries Limited Report as at 19 May 2005

6.2.3 The number of shares held by the most significant shareholders at 19 May 2005 is detailed below:

Shareholder	Ordinary Shares	% Shares Held
Central Exchange Limited	5,308,920	13.63%
Sofcom Limited	4,700,000	12.07%
Mr John Dillon	625,822	1.61%
Tothemil Pty Ltd	557,441	1.43%

Source: Registries Limited Report as at 19 May 2005

6.3 Historical Statements of Financial Performance

BEL	Half Year ended 31 December 2004 \$'000	Year ended 30 June 2004 \$'000	Year ended 30 June 2003 \$'000
Investment Income			
Dividends and Trust Distributions	301	60	217
Interest	28	164	115
Unrealised changes in the net fair value of Investments	(444)	2,461	(941)
Realised gains/ losses on sale of investments	(855)	-	(2,981)
Foreign Exchange gains/ (losses)	(108)	-	23
Other	14	37	22
Total Investment income from ordinary activities	(1,064)	2,722	(3,545)
Expenses			
Investment Managers fees	63	8	95
Audit fees	14	20	31
Custody fees	27	-	-
Directors fees	58	81	75
Accounting fees	38	-	-
Withholding Tax	16	-	-
Share Registry	-	27	40
ASX Listing fees	-	18	14
Other	61	192	180
Total expenses from ordinary activities	277	346	435
Profit/(loss) from ordinary activities before income tax expense	(1,341)	2,376	(3,980)
Income tax benefit/ (expense)	313	(443)	(16)
Net profit/(loss) from ordinary activities after income tax expense	(1,028)	1,933	(3,996)

Source: Annual reports for the years ended 30 June 2003 and 2004 and Half Year Report for 31 December 2004

6.4 Historical Statements of Financial Position

BEL	As at 31 December 2004 \$'000	As at 30 June 2004 \$'000
CURRENT ASSETS		
Cash assets	823	19
Investments	16,555	19,114
Receivables	19	-
Prepayments	40	-
Current Tax assets	6	-
Other	-	24
TOTAL CURRENT ASSETS	17,443	19,157
NON-CURRENT ASSETS		
Plant and equipment	8	9
Deferred tax assets	6	7
TOTAL NON-CURRENT ASSETS	14	16
TOTAL ASSETS	17,457	19,173
CURRENT LIABILITIES		
Payables	19	75
Current tax liabilities	135	-
TOTAL CURRENT LIABILITIES	226	75
NON CURRENT LIABILITIES		
Deferred Tax Liabilities	-	450
TOTAL NON CURRENT LIABILITIES	-	450
TOTAL LIABILITIES	226	525
NET ASSETS	17,231	18,648
EQUITY		
Contributed equity	23,004	23,004
Reserves	(444)	1,069
Accumulated losses	(5,329)	(5,425)
TOTAL EQUITY	17,231	18,648

Source: Annual report for the year ended 30 June 2004 and Half Year Report for 31 December 2004

7. VALUATION METHODOLOGIES

7.1 Methodologies commonly used for valuing assets and businesses are as follows:

7.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

7.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

7.1.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern

method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

7.1.4 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

7.2 Valuation methods adopted to value BEL

We consider the method most appropriate in valuing BEL to be the Net Assets on a Going Concern valuation approach. As explained in section 7.1.3, this method is most appropriate when valuing companies when passive assets (such as the large share portfolios of investment companies) make up the majority of total assets.

We have considered the quoted market price basis as a secondary valuation method

7.3 Valuation methods adopted to value the consideration

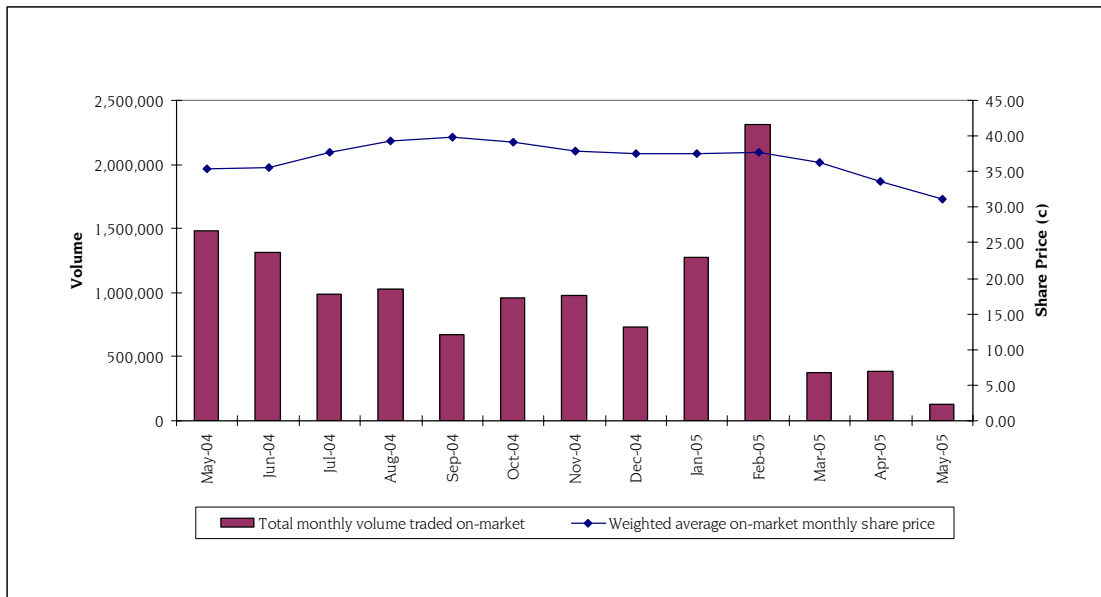
Similarly, we consider the method most appropriate in valuing CXL to be the Net Assets on a Going Concern valuation approach. As explained in section 7.1.3, this method is most appropriate when valuing companies when passive assets (such as the large share portfolios of investment companies) make up the majority of total assets.

We have considered the quoted market price basis as a secondary valuation method

8. VALUATION OF BEL SHARES

8.1 Quoted Market Price Basis Valuation of BEL

8.1.1 We have assessed the value of BEL based on the market prices for a BEL share. The following chart provides a summary of the share price movement over the past year.



Source: ASX

The daily price of BEL shares from 14 May 2004 to 13 May 2005 has ranged from a high of 41.0 cents on 27 September 2004 to a low of 26.5 cents on 5 May 2005.

8.1.2 To provide further analysis of the market prices for BEL shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 13 May 2005.

BEL per share	13 May 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	30.0				
Weighted Average		31.6	34.0	36.9	37.1

8.1.3 An analysis of the volume of recent trading in BEL shares is set out below:

Pre announcement period	Share price (low)	Share price (high)	Cumulative volume traded	As a % of issued capital
	\$	\$		
1 day	0.285	0.295	14,683	0.04%
1 week	0.265	0.320	68,362	0.18%
1 month	0.265	0.350	501,927	1.29%
3 months	0.265	0.385	4,483,913	11.51%
6 months	0.265	0.410	7,612,203	19.55%
12 months	0.265	0.410	12,632,711	32.44%

Source: ASX

Based on this we have assessed the value of a BEL share, based on market prices, to be in the range of 30.0 cents to 36.0 cents.

The average daily trading volume over the last 90 trading days was approximately 65,400 shares. SOF proposes to sell 2,300,000 BEL shares representing approximately 35 days trading volume. As such we consider it appropriate to discount the market price by 10% to reflect the ability of SOF to sell its shares in an orderly manner. As such our valuation of a BEL share based on market pricing is between 27.0 cents and 32.4 cents. The value of the 2,300,000 BEL shares to be sold to CXL is therefore between \$621,000 and \$745,200.

8.2 Net Assets on a Going Concern Basis Valuation of BEL

The value of the net assets of BEL on a going concern basis has been reflected in our valuation below.

Item	Ref	As at 30 April 2005 \$	Realisable value Low \$	Realisable value High \$
Assets				
Cash Assets	8.2.1	807,005	807,005	807,005
Receivables	8.2.2	33,633	33,633	33,633
Investments	8.2.3	16,007,940	14,807,344	17,208,535
Property, plant and equipment	8.2.4	7,060	7,060	7,060
Prepayments		19,825	19,825	19,825
Total assets		16,875,463	15,674,867	18,076,058
Liabilities				
Accruals		98,610	98,610	98,610
Sundry Creditors		6,600	6,600	6,600
Provisions		131,209	131,209	131,209
Total liabilities		236,419	236,419	236,419
Net value of BEL			15,438,448	17,839,639

We have assessed the value of BEL on a net asset basis to be between \$15,438,448 and \$17,839,639. BEL has 38,942,213 shares on issue. Therefore the value of a BEL share on a net asset on going concern basis is between 39.64 cents and 45.81 cents per share. The value of the 2,300,000 BEL shares to be sold to CXL is therefore between \$911,720 and \$1,053,630.

8.2.1 Cash

The cash balance that was used in the calculation of the NTA figure at 30 April 2005 for ASX disclosure was \$807,005.

8.2.2 Receivables

All receivables as at 30 April 2005 are net of bad debts and as such no adjustment is required to the book value in our valuation.

8.2.3 Investments

BEL, as a listed investment company, holds a significant shareholding in a broad portfolio of listed companies. The value of these investments is updated at the end of each month to provide shareholders with an update of performance for the period. At 30 April 2005, the portfolio was valued at \$16,007,940. To account for unpredictable movements in the prices of the shares that make up the portfolio, we have varied this figure by 7.5% to give our valuation range.

8.2.4 Property, Plant and Equipment

It is reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value.

8.3 Valuation Conclusion on SOF's shares in BEL

Our valuations of SOF's shares in BEL are summarised below:

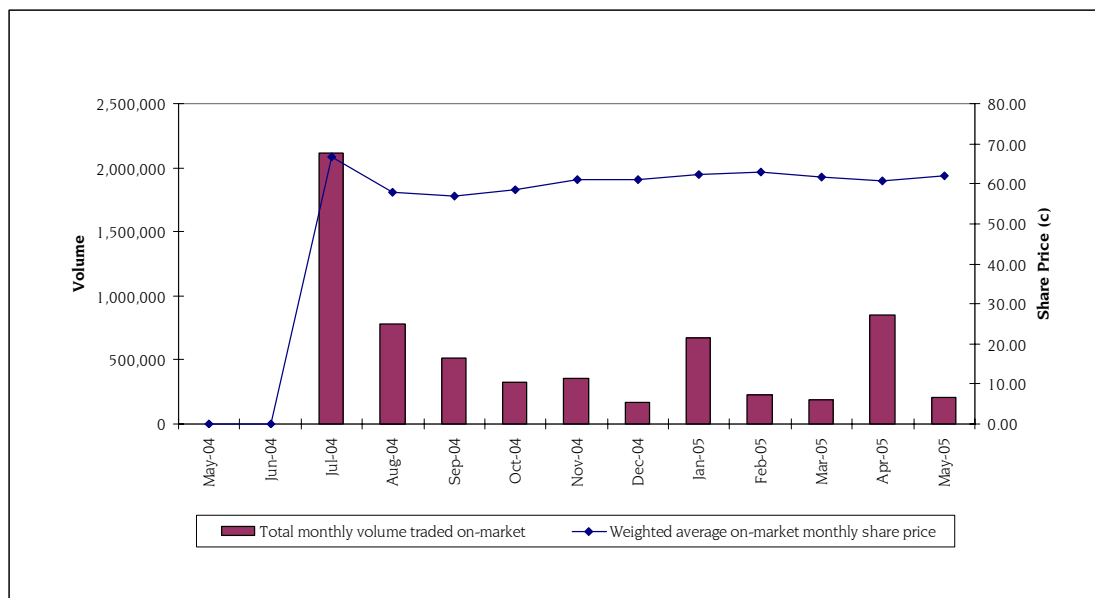
	Ref	Low \$	High \$
Net Asset basis	8.4	911,720	1,053,630
Quoted Market Price basis	8.5	621,000	745,200

As BEL is an investment company, we consider that the Net Assets on a going concern basis of valuation provides the best indication of the value of the shares in BEL (as discussed in section 7.2) and have therefore adopted a value range of between \$911,720 and \$1,053,630 for the purpose of this assessment.

9. VALUATION OF THE CONSIDERATION

9.1 Quoted Market Price Basis Valuation of CXL

9.1.1 We have also assessed the value of CXL based on the market prices for a CXL share. The following chart provides a summary of the share price movement over the past year.



Source: ASX

The daily price of CXL shares from 14 May 2004 to 13 May 2005 has ranged from a high of 85.0 cents on 8 July 2004 to a low of 53.0 cents on 3 August 2004. The highest volume at which the share traded was 764,500 on 8 July 2004, the day on which it re-listed after being suspended from trading pending a change of principal activity to become a listed investment company.

9.1.2 To provide further analysis of the market prices for CXL shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 12 May 2005.

CXL per share	24 March 2005 ¢	10 Days ¢	30 Days ¢	60 Days ¢	90 Days ¢
Closing Price	62.0				
Weighted Average		61.7	61.0	61.7	61.6

9.1.3 An analysis of the volume of trading in CXL shares prior to the announcement of the Proposal is set out below:

Pre announcement period	Share price (low) ¢	Share price (high) ¢	Cumulative volume traded	As a % of issued capital
1 day	62.0	62.5	50,000	0.30%
1 week	61.5	62.5	208,378	1.27%
1 month	59.0	62.5	1,165,551	7.10%
3 months	58.0	68.0	2,263,440	13.78%
6 months	54.0	70.0	3,690,255	22.47%
12 months	53.0	85.0	6,492,162	39.53%

Source: ASX

The ASX share prices indicate a value for CXL shares based on market pricing of between 61.0 cents and 62.0 cents. The stability of the price of the stock over time as displayed in the graph in section 10.2.1, results in the narrow valuation range. 973,515 shares are being offered in CXL, based on the 30 April 2005 NTA value for BEL shares. The value of these shares is therefore between \$593,844 and \$603,579.

9.2 Net Assets on a Going Concern Basis Valuation of CXL

The value of the net assets of CXL on a going concern basis has been reflected in our valuation below.

Item	Ref	As at 30 April 2005 \$	Realisable value Low \$	Realisable value High \$
Assets				
Cash Assets	9.2.1	1,375,011	1,343,948	1,343,948
Receivables	9.2.2	42,014	42,014	42,014
Investments	9.2.3	13,182,599	12,199,904	14,171,294
Property, plant and equipment	9.2.4	3,825,107	3,825,107	3,825,107
Other	9.2.5	15,502	15,502	15,502
Total assets		18,440,233	17,426,475	19,397,865
Liabilities				
Payables		184,963	184,963	184,963
Provisions	9.2.6	31,507	31,507	31,507
Current tax liabilities		1,494,151	1,494,151	1,494,151
Total liabilities		1,710,621	1,710,621	1,710,621
Net value of CXL			15,714,854	17,687,244

We have assessed the value of CXL on a net asset basis to be between \$15,714,854 and \$17,687,244. CXL has 16,371,596 shares on issue. Therefore the value of a CXL share on a net asset on going concern basis is between 96 cents and 108 cents per share. The value of the proposed consideration of 973,515 shares is therefore between \$934,574 and \$1,051,396.

9.2.1 Cash

The cash balance that was used in the calculation of the NTA figure at 30 April 2005 for ASX disclosure was \$1,375,011. We have reduced this by the \$31,063 paid by the Company for the buy back of 50,000 shares on 20th May 2005.

9.2.2 Receivables

All receivables as at 30 April 2005 are net of bad debts and as such no adjustment is required to the book value in our valuation.

9.2.3 Investments

CXL, as a listed investment company, holds a significant shareholding in a broad portfolio of listed companies. The value of these investments is updated at the end of each month to provide shareholders with an update of performance for the period. At 30 April 2005, the portfolio was valued at \$13,182,599. To account for unpredictable movements in the prices of the contributing shares, we have varied this figure by 7.5% to create a valuation range

9.2.4 Property, Plant and Equipment

The plant and equipment held by CXL includes a property recently purchased by their subsidiary, Silver Sands Pty Ltd for \$3.79million. As it has only recently been purchased, no independent valuation of the property value has been performed as yet. It is therefore reasonable to assume that on a net assets on a going concern basis the book value is reflective of the true value.

9.2.5 Other Assets

The value of the other assets is immaterial and as such no adjustment is necessary.

9.2.6 Provisions

This account consists of primarily of employee entitlements. It is reasonable to assume that on a net assets on a going concern basis the book value is reflective of their value.

9.3 Valuation Conclusion on the consideration

Our valuations of the consideration being offered are summarised below:

	Ref	Low \$	High \$
Net Asset basis	9.2	934,574	1,051,396
Quoted Market Price basis	9.1	943,190	1,061,213

As CXL is an investment company, we consider that the Net Assets on a going concern basis of valuation provides the best indication of the value of the shares in CXL (as discussed in section 7.3) and have therefore adopted a value range of between \$934,574 and \$1,051,396 for the purpose of this assessment.

10. IS THE PROPOSAL FAIR?

The consideration is the payment of 973,515 CXL ordinary shares. In section 9.3 we assessed the value of a CXL share to be in the range of 96 cents to 108 cents. The following table summarises our assessment of the comparison between the value of the BEL shares that are subject to Shareholder approval and the consideration being offered.

	Ref	Low \$	Midpoint \$	High \$
Value of consideration	9.2	934,574	992,985	1,051,396
Value of the BEL shares	8.1	911,720	982,675	1,053,630

As such in our opinion the Proposal is fair to Shareholders.

11. OTHER CONSIDERATIONS

11.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of BEL a premium over the value ascribed to that resulting from the Proposal.

11.2 Premium For Control

ASIC Policy Statement 74 requires that the expert give an opinion as to whether the proposed issue of shares will result in the Company receiving any premium for control. We have estimated the amount of any premium for control being paid by CXL as the amount by which the value of the liability being settled exceeds the value of the settlement consideration.

We have assessed that the value of the 2,300,000 BEL shares to be between \$911,720 and \$1,053,630, with a midpoint of \$982,675, and the value of the consideration to be between \$934,574 and \$1,051,396, with a midpoint of \$992,985. Accordingly, the premium for control that is being paid by CXL at the valuation midpoints is \$10,310.

12. IS THE PROPOSAL REASONABLE?

We have considered the position of the Shareholders if the Proposal is accepted and have taken into account the following advantages and disadvantages in this assessment.

We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity and ease of evaluation of the Proposal, we have set out the significant factors only in the context of accepting the Proposal.

12.1 Advantages of Accepting the Proposal

12.1.1 The Proposal is fair

As shown in Section 11 we have assessed the Proposal to be fair to Shareholders. ASIC Policy Statement 75 states that "an offer is reasonable if it is fair".

12.1.2 Share Price stability

If the Proposal is approved, the shares in BEL will be held by a listed investment company, which by definition is in the business of holding shares for long terms. The reduction in speculative trading in the share will provide price stability.

12.2 Disadvantages of Accepting the Proposal

12.2.1 CXL's interest in BEL will Increase

If the Proposal is approved 2,300,000 additional shares in BEL will be acquired by CXL which will increase CXL's current shareholding in BEL to approximately 24.93%. The next largest shareholder holds only 1.61% of BEL's issued capital. As the largest shareholder in BEL, CXL may have the ability to exert significant influence over the affairs of BEL.

13. CONCLUSION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is **fair and reasonable** to Shareholders.

14. SOURCES OF INFORMATION

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- BEL's Annual Report for the year ended 30 June 2004;
- BEL's Half Year Report to 31 December 2004;
- CXL's Annual Report for the year ended 30 June 2004;
- CXL's Half Year Report to 31 December 2004;
- ASX announcements and share price data for BEL and CXL;
- Discussions with Directors and Management of BEL; and
- Information available in the public domain, such as Bloomberg, brokers' reports, comparable companies' annual reports and announcements.

15. INDEPENDENCE

BDO Consultants (WA) Pty Ltd is entitled to receive a fee of \$7,000 for the preparation of this report. Except for this fee, BDO Consultants (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Prior to accepting this engagement BDO Consultants (WA) Pty Ltd considered its independence with respect to BEL and any of their respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In our opinion BDO Consultants (WA) Pty Ltd is independent of BEL and their associates.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Ltd have had within the past two years any professional relationship with BEL, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to BEL and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

In addition, BDO Consultants (WA) Pty Ltd has been indemnified by BEL in respect of any claim arising from BDO Consultants (WA) Pty Ltd's reliance on information provided by the BEL, including the non provision of material information, in relation to the preparation of this report.

16. QUALIFICATIONS

BDO Consultants (WA) Pty Ltd is wholly owned by BDO, a member of BDO International, which has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Matt Giles and Steve Kite of BDO Consultants (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports and valuations.

17. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of BEL for inclusion in the Explanatory Memorandum which will be sent to all BEL Shareholders. BEL engaged BDO Consultants (WA) Pty Ltd to prepare an independent expert's report to consider the sale of shares to CXL under the Proposal.

BDO Consultants (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Consultants (WA) Pty Ltd.

BDO Consultants (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Consultants (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of BEL. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Consultants (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CONSULTANTS (WA) PTY LTD

The image shows two handwritten signatures in black ink. The signature on the left is for Sherif Andrawes and the one on the right is for Matt Giles. Both signatures are fluid and cursive.

Sherif Andrawes
Director

Matt Giles
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AUD	Australian Dollar
BDO	BDO Consultants (WA) Pty Ltd
BEL	Bentley International Limited
The Company	Bentley International Limited
CXL	Central Exchange Limited
Constellation	Constellation Capital Management Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
ROC	Return of Capital
NTA	Net Tangible Assets
The BEL shares	The shares in BEL proposed to be transferred as per the Proposal
The Proposal	The Proposal to purchase 2,300,000 ordinary shares in BEL
The SOF Transaction	The proposal for SOF to sell shares in BEL and Scarborough Equities Limited in return for shares in CXL as outlined in section 3.2
Our Report	This Independent Expert's Report prepared by BDO
Shareholders	Shareholders of BEL not associated with CXL
SOF	Sofcom Limited
USD	United States Dollar



ASX Code: BEL

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