



# AlteraCapital

**Altera Capital Limited**  
A.B.N 55 082 541 437

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## HALF YEAR REPORTS:

ASX Appendix 4D - Results For Announcement To Market  
Directors' Report  
Financial Statements  
Audit Review Report  
Auditor's Independence Declaration

**31 December 2004**

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[www.alteracapital.com](http://www.alteracapital.com)

ALTERA CAPITAL LIMITED  
(formerly Bigshop.com.au Limited)

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## CORPORATE DIRECTORY

**BOARD**  
Farooq Khan Chairman and  
Managing Director  
Victor P H Ho Director  
Simon K Cato Director

**COMPANY SECRETARY**  
Victor P H Ho

**REGISTERED & PRINCIPAL OFFICE**  
Level 14, The Forrest Centre  
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**SHARE REGISTRY**  
Advanced Share Registry Services  
Level 7, 200 Adelaide Terrace  
Perth Western Australia 6000

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**STOCK EXCHANGE**  
Australian Stock Exchange  
Perth, Western Australia

**ASX CODE**  
AEA

**AUDITORS**  
Stanton Partners  
1 Havelock Street  
West Perth Western Australia 6005

**BANKERS**  
National Australia Bank  
Level 1, 50 St Georges Terrace  
Perth Western Australia 6000

## RESULTS FOR ANNOUNCEMENT TO MARKET

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This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 1 July 2004 to 31 December 2004  
 Previous Corresponding Period: 1 July 2003 to 31 December 2003  
 Balance Date: 31 December 2004

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### Revenue and Net Profit (Loss)

Company			Dec 2004 \$	Dec 2003 \$
Revenue from ordinary activities	Down	11%	107,435	121,054
Loss from ordinary activities after tax attributable to members	Down	25%	(447,603)	(597,735)
Loss for the period attributable to members	Down	25%	(447,603)	(597,735)
<b>Consolidated Entity</b>			<b>Dec 2004 \$</b>	<b>Dec 2003 \$</b>
Revenue from ordinary activities	Down	8%	468,177	509,730
Loss from ordinary activities after tax attributable to members	Up	510%	(985,485)	(161,478)
Loss for the period attributable to members	Up	386%	(857,361)	(176,409)

### Dividends

No dividends have been paid or declared during the financial half year.

### Brief Explanation of Revenue, Net Profit and Dividends (above)

The consolidated financial statements incorporates the financial position and performance of the Company's controlled entity, ASX listed Sofcom Ltd ("Sofcom").

#### At the Company level:

- (1) Revenues from ordinary activities includes \$30,029 gross proceeds from the sale of investments (2003: \$14,013).
- (2) Expenses from ordinary activities includes:
  - (a) \$125,041 diminution of investments (2003: \$338,044);
  - (b) \$43,413 cost of investments sold (2003: \$33,030);
  - (c) \$142,232 professional fees (December 2003: \$52,780) - this comprise principally the Company's share of legal fees relating to litigation involving Rivkin Financial Services Limited.

## RESULTS FOR ANNOUNCEMENT TO MARKET

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- (3) The diminution of investments of \$125,041 includes \$144,563 provision for additional diminution in the value of an investment in Sofcom for the current reporting period as Sofcom's closing ASX price on 31 December 2004 was 4.4 cents per share (2003: 5.7 cents). The Company also notes that Sofcom's net tangible asset ("NTA") backing per share as at Balance Date was 6.1 cents per share (2003: 5.2 cents).

Please also refer to the financial statements for the half year ended 31 December 2004 and notes thereto for further information.

For and on behalf of the Directors,



.....  
Victor Ho  
Company Secretary

Date: 24 February 2005

## DIRECTORS' REPORT

The Directors present their report on Altera Capital Limited ABN 55 082 541 437 (formerly Bigshop.com.au Limited) ("Company" or "Altera Capital" or "AEA") and its controlled entities (the "Consolidated Entity") for the financial half year ended 31 December ("Balance Date").

Altera Capital has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. The only controlled entity was ASX listed Sofcom Ltd (formerly Software Communication Group Limited) ("Sofcom" or "SOF") (controlled throughout the financial year). Altera Capital holds 36,258,535 shares or 81.23% of the total issued capital of SOF.

Altera Capital is a company limited by shares that is incorporated and domiciled in Western Australia and is listed on the Australian Stock Exchange ("ASX"). The Company has been suspended from quotation on ASX since 13 June 2003.

### OPERATING RESULTS

	Consolidated Entity		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
	\$	\$	\$	\$
Net loss	(985,485)	(161,478)	(447,603)	(597,735)
Net loss after minority interest	(857,361)	(176,409)	(447,603)	(597,735)

### LOSSES PER SHARE

	Consolidated Entity		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
Basic loss per share (cents)	(1.38)	(0.24)	(0.72)	(0.81)
Diluted loss per share (cents)	(1.38)	(0.24)	(0.72)	(0.81)
Weighted average number of fully paid ordinary shares in the Company outstanding during the period used in the calculation of diluted loss per share	62,018,213	73,493,623	62,018,213	73,493,623

### NET TANGIBLE ASSET BACKING

	Consolidated Entity		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
Net tangible assets	\$1,569,105	\$3,845,553	\$1,552,694	\$2,560,216
Fully paid ordinary shares on issue at Balance Date	62,018,213	62,018,213	62,018,213	62,018,213
Net tangible asset backing per issued ordinary share as at Balance Date (cents)	2.53	6.20	2.50	4.13

#### Notes to Company Level NTA:

- (i) At Balance Date, the Company held 36,258,535 (81.23%) shares in SOF which has been valued at SOF's ASX closing price of 4.4 cents per share.
- (ii) However, SOF's NTA backing was 6.1 cents per share at Balance Date. Based on such valuation of the Company's investment in SOF, the NTA backing of the Company would increase to 3.50 cents per share.

## DIRECTORS' REPORT

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- (iii) At Balance Date, SOF's major asset was 6,924,734 (17.78%) shares in ASX listed Bentley International Limited ("BEL"), which Sofcom has carried at BEL's closing ASX price of 38 cents per share as opposed to BEL's NTA backing per share of 44.28 cents per share. Based upon BEL's NTA valuation, SOF's NTA would increase to 7.79 cents per share at Balance Date.
- (iv) Based on such valuation of the Company's investment in SOF, the NTA backing of the Company would increase to 4.5 cents per share.

### SECURITIES IN THE COMPANY

The current number of the Company's fully paid ordinary shares on issue is 62,018,213.

The Company also has the following unlisted options on issue at the date of this report:

<u>Nature of Unlisted Options on issue</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
"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

There were no securities issued or granted by the Company during or since the financial half year.

### REVIEW OF OPERATIONS

#### 1. ASX SUSPENSION

At the request of the ASX and pursuant to the ASX Listing Rules, the Company has been suspended from quotation on ASX from 13 June 2003, on the eve of the Company's general meeting approving the making of a proportionate takeover bid for Sofcom and a rights issue.

ASX has advised that prior to reinstatement to ASX, the Company will be required to re-comply with the ASX Listing Rules. This includes seeking shareholder approval in relation to its activities and meeting the requirements of the Listing Rules as if it were applying for admission to the Official List of ASX as a new company. This includes undertaking a capital consolidation to ensure a sale price of at least \$0.20 for the Company's shares, lodgement of a full form prospectus (if applicable) and satisfaction of the minimum shareholder spread requirements.

During the financial half year, the Company has pursued:

- (i) The identification, review and assessment of a number of wide ranging opportunities such that the proposed investment transaction path will facilitate the Company's re-admission to the ASX; and
- (ii) an appropriate "aggregation" strategy (see below under "Aggregation" Strategy) between the Company and other listed public companies such that shareholders receive shares in another ASX listed company (or company to be listed on ASX) with an aggregate value equal to the net tangible assets ("NTA") of the Company at that time. Such "aggregation" provides an opportunity for shareholders to effectively realise the NTA value of their investment in the Company through a parallel investment in another vehicle whilst retaining their shareholding in Company, which will continue to pursue endeavours in (i) above.

However, in July 2004, legal proceedings were initiated against AEA by Rivkin Financial Services Limited (please refer to in Note 17 of the attached Notes to the Financial Statements) and pending resolution of this matter, the Company is not able to practicably advance its Aggregation Strategy.

## DIRECTORS' REPORT

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### 2. "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;

## DIRECTORS' REPORT

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- 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. The Board hopes to finalise its aggregation strategy within the next 6 months (subject to resolution of the appeal and cost orders in relation to Rivkin Financial Services Limited referred to in Note 17 of the attached Notes to the Financial Statements).

Pending the announcement of an appropriate "aggregation" strategy, the Board has continued its endeavours to seek to add value to the asset base and underlying share price of the Company through the pursuit of selective investment and other commercial opportunities.

Such selective investment and commercial opportunities will be pursued with the objective(s) of creating a secure income stream for the Company and/or the acquisition of assets that provide for capital growth with the view to securing a return beyond what would be provided from investing merely in bank bills or cash deposits, pending the finalising of the "aggregation" process referred to above. Investments will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

### 3. CONSULTING OPERATIONS

The Company has retained project management and technical personnel and has continued to provide various software development, project management and IT consulting services during the financial year. Revenues from the provision of such services ameliorates to a significant extent the costs associated with maintaining the technical team.

## DIRECTORS

The names of Directors in office during and since the financial half year are:

1. **Farooq Khan LLB, B.Juris**  
Chairman and Managing Director

Mr Khan has been a Director of the Company since 26 November 2001. Mr Khan has previously practised law for a number of years, principally in the field of corporate law. Mr Khan has extensive experience in the securities industry and the promotion and executive management of ASX listed companies. Mr Khan also has considerable experience in the strategic review of public listed companies, capital raisings and corporate takeovers and restructuring. Mr Khan is also currently Chairman of ASX listed Queste Communications Limited, Fast Scout Limited, Sofcom Limited, Bentley International Limited and Rivkin Financial Services Limited.

## DIRECTORS' REPORT

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2. Victor P H Ho B.Comm, LLB, FTIA  
Executive Director

Mr Ho has been a Director and Company Secretary of the Company since 26 November 2001. Prior to his involvement with the Company, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho is also currently in executive roles with public listed companies as Executive Director and Company Secretary of Fast Scout Limited, Central Exchange Limited and Sofcom Limited and as Company Secretary of Queste Communications Limited, Bentley International Limited and Rivkin Financial Services Limited. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration and compliance and shareholder relations.

3. Simon K. Cato B.A., MSDIA  
Non Executive Director

Mr Cato was appointed a Director of the Company on 9 January 2004. Mr Cato has more than 20 years capital markets experience within the Australian securities industry both in investment broking and in regulatory roles. He has been employed by the Australian Stock Exchange in Sydney and Perth in the companies department (which oversees the activities of listed companies) most recently as Manager, Companies for ASX Perth. Over the last 12 years Mr Cato has been an Executive Director of two stockbroking firms and in these roles has been involved in a diverse range of management and capital investment activities. Mr Cato is currently a broker and consultant with Kirke Securities Limited and a Non-Executive Director of ASX listed Medusa Mining Limited, Sofcom Limited, Bentley International Limited and Rivkin Financial Services Limited.

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

Signed for and on behalf of the Directors of Altera Capital Limited in accordance with a resolution of the Board,



Farooq Khan  
Chairman and Managing Director



Simon Cato  
Non-Executive Director

Perth, Western Australia

24 February 2005

**STATEMENTS OF FINANCIAL PERFORMANCE  
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
Sales revenue	2	65,446	69,330	65,446	69,330
Cost of sales	2	(65,446)	(69,330)	(65,446)	(69,330)
<b>Gross Profit</b>		-	-	-	-
Other revenue from operating activities	2	402,731	440,400	41,989	51,724
Occupancy expenses	2	(27,877)	(40,407)	(13,390)	(28,290)
Finance expenses	2	(1,117)	(2,831)	(580)	(1,751)
Borrowing costs	2	(121)	(146)	(33)	(26)
Cost of shares sold	2	(269,723)	(33,030)	(43,413)	(33,030)
Corporate expenses	2	(1,038,110)	(466,520)	(411,947)	(527,418)
Administration expenses	2	(51,268)	(58,944)	(20,229)	(58,944)
Share of Associate's net losses	2	-	-	-	-
<b>Loss from ordinary activities before income tax expense</b>		(985,485)	(161,478)	(447,603)	(597,735)
Income tax expense relating to ordinary activities		-	-	-	-
<b>Net Loss from ordinary activities after income tax expense</b>		(985,485)	(161,478)	(447,603)	(597,735)
Net loss/(profit) attributable to outside equity interest		128,124	(14,931)		
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	11	(857,361)	(176,409)	(447,603)	(597,735)
<b>Loss per share:</b>					
Basic loss (cents per share)	12	(1.38)	(0.24)	(0.72)	(0.81)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	12	62,018,213	73,493,623	62,018,213	73,493,623

*The statements of financial performance should be read in conjunction with the accompanying notes.*

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	14	10,669	604,350	-	296,000
Receivables	4	121,055	64,308	47,957	33,912
<b>TOTAL CURRENT ASSETS</b>		<b>131,724</b>	<b>668,658</b>	<b>47,957</b>	<b>329,912</b>
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	5	3,312	5,340	2,672	4,649
Other financial assets	6	2,365,072	2,397,131	1,755,587	1,924,041
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,368,384</b>	<b>2,402,471</b>	<b>1,758,259</b>	<b>1,928,690</b>
<b>TOTAL ASSETS</b>		<b>2,500,108</b>	<b>3,071,129</b>	<b>1,806,216</b>	<b>2,258,602</b>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	14	-	-	8,050	-
Payables	7	882,904	479,675	208,121	225,147
Provisions	8	48,099	37,886	37,351	33,158
<b>TOTAL CURRENT LIABILITIES</b>		<b>931,003</b>	<b>517,561</b>	<b>253,522</b>	<b>258,305</b>
<b>TOTAL LIABILITIES</b>		<b>931,003</b>	<b>517,561</b>	<b>253,522</b>	<b>258,305</b>
<b>NET ASSETS</b>		<b>1,569,105</b>	<b>2,553,568</b>	<b>1,552,694</b>	<b>2,000,297</b>
<b>EQUITY</b>					
Contributed equity	9	8,038,761	8,038,761	8,038,761	8,038,761
Accumulated losses	11	(6,980,972)	(6,123,611)	(6,486,067)	(6,038,464)
Parent entity		1,057,789	1,915,150	1,552,694	2,000,297
Outside equity interest	10	511,316	638,418	-	-
<b>TOTAL EQUITY</b>		<b>1,569,105</b>	<b>2,553,568</b>	<b>1,552,694</b>	<b>2,000,297</b>

*The statements of financial position should be read in conjunction with the accompanying notes.*

**STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		22,779	52,553	22,779	52,553
Payments to suppliers and employees		(998,411)	(860,700)	(369,563)	(519,041)
Dividends received		158,775	-	12,028	-
Interest received		3,117	118,564	710	29,888
Interest paid		(33)	(146)	(33)	(26)
Contribution towards costs		-	300,000	-	-
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(813,773)</b>	<b>(389,729)</b>	<b>(334,079)</b>	<b>(436,626)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of shares in listed companies		(45,347)	(3,849,673)	-	(823,451)
Proceeds from sale of shares		265,439	14,013	30,029	14,013
Purchase of plant and equipment		-	(3,838)	-	(138)
Net cash inflow from the acquisition of Sofcom Ltd		-	4,385,978	-	-
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>220,092</b>	<b>546,480</b>	<b>30,029</b>	<b>(809,576)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payment for share buy back		-	(1,259,619)	-	(1,259,619)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>(1,259,619)</b>	<b>-</b>	<b>(1,259,619)</b>
<b>NET DECREASE IN CASH ASSETS HELD</b>		<b>(593,681)</b>	<b>(1,102,868)</b>	<b>(304,050)</b>	<b>(2,505,821)</b>
Add opening cash assets brought forward		604,350	2,977,525	296,000	2,977,525
<b>CLOSING CASH ASSETS AT END OF PERIOD</b>	14	<b>10,669</b>	<b>1,874,657</b>	<b>(8,050)</b>	<b>471,704</b>

*The statements of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004

### 1. BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This report has been prepared on a going concern basis as the Directors believe that the share investments held by the Company (valued at \$1,755,587 at Balance Date, which includes a 81.23% shareholding in ASX listed Sofcom Limited) can be liquidated in order to meet the working capital requirements of the Company in future periods.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of this Half Year Report are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2004.

Comparatives in relation to items appearing on the Statement of Financial Position are as at the last balance date, being 30 June 2004. Comparatives in relation to items appearing on the Statement of Financial Performance are for the previous corresponding period, being for the half year ended 31 December 2003.

#### 1.1 The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 "*First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*" prescribes transitional provision for first-time adopters.

AASB 1047 "*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*" requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

##### (i) Goodwill on Consolidation/ Discount on Acquisition

Under AASB 122 "*Business Combinations*", goodwill is to be capitalised in the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. The current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 10 years. Discount on acquisition will no longer be allocated over the non-monetary assets of the entity but be recognised as a gain in the statement of financial performance.

##### (ii) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 "*Income Tax*", the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

##### (iii) Non-Current Investments

Under AASB 139 "*Financial Instruments: Recognition and Measurement*" financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with a review performed bi-annually by the Directors of the current market value to ensure investments are not in excess of the recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

**2. LOSS FROM ORDINARY ACTIVITIES**

The operating loss from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
<b>(a) Operating revenue</b>				
<b>Sales revenue</b>				
Consultancy	65,446	69,330	65,446	69,330
<b>Other revenue</b>				
Interest received - other	3,117	118,564	710	29,888
Proceeds from sale of share investments	266,617	14,013	30,029	14,013
Dividends	132,997	-	11,250	-
Other	-	7,823	-	7,823
<b>Total operating revenue</b>	<b>468,177</b>	<b>209,730</b>	<b>107,435</b>	<b>121,054</b>
<b>(b) Non-operating revenue</b>				
Contribution towards costs	-	300,000	-	-
<b>Total non-operating revenue</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>468,177</b>	<b>509,730</b>	<b>107,435</b>	<b>121,054</b>
<b>(c) Expenses</b>				
<b>Cost of sales</b>				
Labour cost	65,446	69,330	65,446	69,330
<b>Operating expenses</b>				
Occupancy expenses	27,877	40,407	13,390	28,290
Finance expenses	1,117	2,831	580	1,751
Borrowing costs - interest paid	121	146	33	26
Costs of shares sold	269,723	33,030	43,413	33,030
Administration expenses				
Communications	12,899	4,123	4,873	4,123
Other administration expenses	38,369	54,821	15,356	54,821
Corporate expenses				
Share investment related costs	41,789	16,220	6,091	(17,576)
Professional fees	946,890	52,780	142,232	52,780
Depreciation -property, plant and equipment	1,956	17,353	1,905	15,656
Fixed assets write down	71	-	71	-
Personnel	186,110	233,888	107,746	110,806
Other provisions - employee benefits (Writeback)/Diminution in value of share investments	10,213	1,144	4,193	11,959
Other corporate expenses	(191,139)	(21,488)	125,041	338,044
Other corporate expenses	42,220	166,623	24,668	15,749
	<b>1,453,662</b>	<b>671,208</b>	<b>555,038</b>	<b>718,789</b>

Professional fees comprise principally the Company's share of legal fees relating to litigation involving Rivkin Financial Services Limited (refer Note 17).

**3. SALE OF ASSETS**

Sale of assets in the ordinary course of business have given rise to the following profits and losses:

<b>(a) Net Loss:</b>	Share investments	(3,106)	(19,017)	(13,384)	(19,017)
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**4. CURRENT RECEIVABLES**

Amounts receivable from

Other debtors	74,705	58,952	41,657	33,652
Goods and services tax recoverable	46,350	5,356	6,300	260
	<b>121,055</b>	<b>64,308</b>	<b>47,957</b>	<b>33,912</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

**5. PROPERTY, PLANT AND EQUIPMENT**

**Consolidated Entity**

**Gross Carrying Amount**

	Computer equipment	Office furniture and fittings	Total
	\$	\$	\$
Balance at 30 June 2004	119,118	12,231	131,349
Write down of assets	-	(10,751)	(10,751)
Balance at 31 December 2004	<u>119,118</u>	<u>1,480</u>	<u>120,598</u>

**Accumulated Depreciation**

Balance at 30 June 2004	(115,231)	(10,778)	(126,009)
Depreciation expense	(1,846)	(110)	(1,956)
Write off of assets	-	10,679	10,679
Balance at 31 December 2004	<u>(117,077)</u>	<u>(209)</u>	<u>(117,286)</u>

**Net Book Value**

As at 30 June 2004	3,887	1,453	5,340
As at 31 December 2004	<u>2,041</u>	<u>1,271</u>	<u>3,312</u>

**Company**

**Gross Carrying Amount**

Balance at 30 June 2004	113,716	11,491	125,207
Additions	-	-	-
Write off of assets	-	(10,751)	(10,751)
Balance at 31 December 2004	<u>113,716</u>	<u>740</u>	<u>114,456</u>

**Accumulated Depreciation**

Balance at 30 June 2004	(109,831)	(10,727)	(120,558)
Depreciation expense	(1,846)	(59)	(1,905)
Write off of assets	-	10,679	10,679
Balance at 31 December 2004	<u>(111,677)</u>	<u>(107)</u>	<u>(111,784)</u>

**Net Book Value**

As at 30 June 2004	3,885	764	4,649
As at 31 December 2004	<u>2,039</u>	<u>633</u>	<u>2,672</u>

Aggregate depreciation during the period is recognised as an expense (refer Note 2 of the Financial Statements).

**6. OTHER NON-CURRENT FINANCIAL ASSETS**

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Investments comprise:				
Shares and options in listed corporations - at cost	4,170,612	4,393,810	171,871	214,106
Shares in controlled entities - at cost	-	-	3,072,877	3,074,055
Less: Provision for diminution	(693,216)	(884,355)	(1,489,161)	(1,364,120)
	<u>3,477,396</u>	<u>3,509,455</u>	<u>1,755,587</u>	<u>1,924,041</u>
Discount on acquisition	(1,112,324)	(1,112,324)	-	-
	<u>2,365,072</u>	<u>2,397,131</u>	<u>1,755,587</u>	<u>1,924,041</u>
Market value of listed investments				
Shares in other listed corporations	3,477,396	3,539,458	1,755,587	1,929,044

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

**6. OTHER NON-CURRENT FINANCIAL ASSETS (cont.)**

	Ownership Interest	
	31 Dec 04	30 Jun 04
Sofcom Limited (ABN 88 087 482 602)	81.23%	81.26%

The Company increased its voting power in Sofcom Limited ("**SOF**") from 41.21% on 30 June 2003 (post the Company's takeover bid for SOF) to 80.54% on 18 July 2003 as a consequence of the cancellation of shares bought back by SOF. On 28 May 2004, a further 320,000 SOF shares were purchased, increasing the Company's voting power in SOF to 81.26%. On 22 December 2004, 14,727 SOF shares were disposed, reducing the Company's voting power in SOF to 81.23%.

Therefore, SOF has been treated as a controlled entity pursuant to Accounting Standard 1024 "*Consolidated Accounts*" as from 1 July 2003 in this Financial Report. The discount on acquisition of subsidiary represents the excess of the fair value of the net assets of SOF over the Company's carrying value of its investment in SOF, at the time of consolidation, being 1 July 2003. The accounting treatment is consistent with the Accounting Standard 1013 "*Accounting for Goodwill*".

7. CURRENT PAYABLES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Trade creditors	351,547	9,150	129	1,269
Other creditors and accruals	531,357	105,981	48,851	41,606
Director related entities	-	-	159,141	-
Payables on purchase of investments	-	364,544	-	182,272
	<u>882,904</u>	<u>479,675</u>	<u>208,121</u>	<u>225,147</u>

**8. CURRENT PROVISIONS**

Provision for annual leave	48,099	37,886	37,351	33,158
	<u>48,099</u>	<u>37,886</u>	<u>37,351</u>	<u>33,158</u>
Number of employees (including Executive Directors and Officers) at Balance date	4	4	4	4

**9. CONTRIBUTED EQUITY**

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
<b>a) Issued and Paid-Up Capital</b>				
62,018,213 fully paid ordinary shares	8,038,761	8,038,761	8,038,761	8,038,761
<b>b) Movement in Ordinary Share Capital</b>				
Balance at beginning of financial period	8,038,761	9,298,760	8,038,761	9,298,760
Equal Access Scheme Share Buy Back	-	(1,259,999)	-	(1,259,999)
	<u>8,038,761</u>	<u>8,038,761</u>	<u>8,038,761</u>	<u>8,038,761</u>

**c) Movement in Options**

The number of unlisted options outstanding over unissued ordinary shares at 21,590,000. (30 June 2004: 21,590,000).

The terms of these options are as follows:

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	Number	Number	Number	Number
(i) Options exercisable at 70 cents each on or before 30 June 2005 ("Promoter Options")	18,000,000	18,000,000	18,000,000	18,000,000
(ii) Options exercisable at 25 cents each on or before 13 April 2005 ("Incentive Options")	1,090,000	1,090,000	1,090,000	1,090,000
(iii) Options exercisable at 7.5 cents each on or before 15 May 2007	2,500,000	2,500,000	2,500,000	2,500,000
	<u>21,590,000</u>	<u>21,590,000</u>	<u>21,590,000</u>	<u>21,590,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

**10. OUTSIDE EQUITY INTEREST**

	<b>Consolidated Entity</b>	
	<b>31 Dec 04</b>	<b>30 Jun 04</b>
	\$	\$
Outside equity interests in controlled entity comprises:		
Contributed equity	4,487,741	4,480,569
Accumulated losses	(3,976,425)	(3,842,151)
	<u>511,316</u>	<u>638,418</u>

**11. ACCUMULATED LOSSES**

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>31 Dec 04</b>	<b>30 Jun 04</b>	<b>31 Dec 04</b>	<b>30 Jun 04</b>
	\$	\$	\$	\$
Balance at beginning of the period	(6,123,611)	(4,880,810)	(6,038,464)	(4,880,810)
Net profit (loss) for the first half of the financial year	(857,361)	(176,409)	(447,603)	(597,735)
Net (loss) for the second half of the financial year	<u>(1,066,392)</u>	<u>(1,066,392)</u>	<u>(1,066,392)</u>	<u>(1,066,392)</u>
Balance at end of financial period	<u>(6,980,972)</u>	<u>(6,123,611)</u>	<u>(6,486,067)</u>	<u>(6,038,464)</u>

**12. LOSS PER SHARE**

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>31 Dec 04</b>	<b>31 Dec 03</b>	<b>31 Dec 04</b>	<b>31 Dec 03</b>
Basic loss per share (cents)	<u>(1.38)</u>	<u>(0.24)</u>	<u>(0.72)</u>	<u>(0.81)</u>
Net loss	<u>(857,361)</u>	<u>(176,409)</u>	<u>(447,603)</u>	<u>(597,735)</u>
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	<u>62,018,213</u>	<u>73,493,623</u>	<u>62,018,213</u>	<u>73,493,623</u>

Diluted loss per share has not been disclosed, as it does not show a position which is inferior to basic earnings per share.

**13. SEGMENT REPORTING**

The Company operates entirely in software development and IT consultancy and project management sector in Australia. The Consolidated Entity also manages its share investments in Australia. Revenue was earned entirely from activities in Australia.

<b>Primary Reporting - Business Segments</b>	<b>External Revenue</b>		<b>Operating Results</b>	
	<b>31 Dec 04</b>	<b>31 Dec 03</b>	<b>31 Dec 04</b>	<b>31 Dec 03</b>
	\$	\$	\$	\$
Software development and consultancy	65,446	69,330	-	-
Share investments	399,614	14,013	(282,609)	(13,061)
	<u>465,060</u>	<u>83,343</u>	<u>(282,609)</u>	<u>(13,061)</u>
Unallocated	3,117	426,387	(702,876)	(148,417)
	<u>468,177</u>	<u>509,730</u>	<u>(985,485)</u>	<u>(161,478)</u>

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31 Dec 04</b>	<b>30 Jun 04</b>	<b>31 Dec 04</b>	<b>30 Jun 04</b>
	\$	\$	\$	\$
Software development and consultancy	41,657	32,874	-	-
Share investments	2,365,072	2,397,908	(324,046)	(364,544)
	<u>2,406,729</u>	<u>2,430,782</u>	<u>(324,046)</u>	<u>(364,544)</u>
Unallocated	93,379	640,347	(606,957)	(153,017)
	<u>2,500,108</u>	<u>3,071,129</u>	<u>(931,003)</u>	<u>(517,561)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

**13. SEGMENT REPORTING (cont.)**

Segment	Software development and consultancy		Investments	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
Acquisition of segment assets	-	-	-	3,051,222
Other non-cash expenses				
Diminution of segment assets	-	-	191,139	21,488

**14. STATEMENTS TO CASH FLOWS**

**Reconciliation of Cash**

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity			Company		
	31 Dec 04	30 Jun 04	31 Dec 03	31 Dec 04	30 Jun 04	31 Dec 03
	\$	\$	\$	\$	\$	\$
Cash at bank	10,669	604,350	728,548	-	296,000	122,053
Term deposit	-	-	1,200	-	-	1,200
Bank bills	-	-	1,144,909	-	-	348,451
Bank overdraft	-	-	-	(8,050)	-	-
	<u>10,669</u>	<u>604,350</u>	<u>1,874,657</u>	<u>(8,050)</u>	<u>296,000</u>	<u>471,704</u>

**15. ASSOCIATES AND JOINT VENTURES**

The Consolidated Entity did not undertake any investments in associated entities or joint ventures during the financial half year.

**16. GAIN/LOSS OF CONTROL OF ENTITIES**

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

**17. CONTINGENT LIABILITIES**

**Rivkin Financial Services Limited Related Litigation**

In June 2004, Altera Capital Limited ("**AEA**") undertook an investment in Rivkin Financial Services Limited ("**RFS**"). AEA currently has 698,718 shares in RFS (or 0.697% of its current issued capital).

On 14 July 2004, RFS commenced proceedings in the Federal Court of Australia in Sydney against AEA, SOF, and Fast Scout Limited ("**FSL**") for conduct allegedly contrary to the insider trading provisions of the Corporations Act (in relation to the three companies' acquisition of RFS shares comprising their initial aggregate 5% interest in the Company).

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004

### 17. CONTINGENT LIABILITIES (continued)

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

- (a) In relation to the claim brought by RFS 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, Fast Scout and Altera Capital to pay all of RFS' 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 RFS 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.

Under the deed of settlement with Network, SOF, FSL and AEA have paid \$350,000 to Network's solicitors to settle all costs of Network in relation to the proceedings. The settlement sum will be held on trust by Network's solicitors until the earlier of:

- (a) The Network general meeting to seek shareholder approval for Network to buy back and cancel approximately 10m Network shares held by RFS; or
- (b) The RFS general meeting to seek shareholder approval for RFS to buy-back and cancel 9 million RFS shares held by Network (being held by no later than 31 May 2005),  
(as announced by RFS and Network on 7 February 2005).

Under the deed of settlement with Cole Kablow, SOF, FSL and AEA has paid \$125,000 to Cole Kablow to settle all costs of Cole Kablow in relation to the proceedings.

The deeds of settlement preserves the continuation of the appeals against RFS, ADG and Alan Andrew Davis. In this regard, SOF, FSL and AEA have been advised by their solicitors that the appeal is unlikely to be heard until mid 2005. SOF, AEA and FSL are also negotiating with such parties with respect to the cost orders in the proceedings

The Company considers that, subject to the appeal, the net result of the above costs orders will be that SOF, FSL and AEA will be required to pay a portion of the costs incurred by RFS and the other cross defendants in the proceedings. Notwithstanding the appeal, the process of assessment of costs and, if required, Court taxation of costs may take some months to complete. The Directors are not currently able to specify with any degree of certainty the quantum of net costs it is required to pay the remaining cross defendants in accordance with the above cost orders, particularly in light of the appeal lodged by SOF, FSL and AEA.

The costs of SOF, AEA and FSL in relation to their investment in RFS (including payment of legal costs and the above settlement costs to Network and Cole Kablow) are shared between each company in proportion to each company's relative interest in their collective stake in RFS (currently 4,711,971 shares or 4.697% of RFS' issued share capital) - SOF's share is 67%; FSL's share is 18% and AEA's share is 15%.

### 18. SUBSEQUENT EVENTS

As detailed in Note 17 (Contingent Liabilities), on 4 February 2005 AEA, SOF and FSL entered into deeds of settlement with Network and Cole Kablow in relation to the RFS related litigation and SOF subsequently paid a total of \$475,000 pursuant to such deeds.

AEA's share of such costs will be \$71,250 - this has been reflected as professional fees expenses in the half year ended 31 December 2004 and accounts payable (director related entities) as at Balance Date (at the Company level).

## DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Altera Capital Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of their performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan  
Chairman and Managing Director



Simon Cato  
Non-Executive Director

Perth, Western Australia

24 February 2005



# STANTON PARTNERS

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## **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ALTERA CAPITAL LIMITED**

### **Scope**

We have reviewed the financial report comprising the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Altera Capital Limited (the Company) for the half-year ended 31 December 2004 as set out on pages 9 to 19. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half year or from time to time during the half year. The disclosing entity's directors are responsible for preparing a financial report that gives a true and fair view of the statement of financial position and performance, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### **Review Approach**

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

We are independent of the Company, and have met the independence requirements of Australian ethical pronouncements and the Corporations Act 2001. We have given the directors of the Company a written Auditor's Independence Declaration.

### **Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Altera Capital Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

### **Inherent Uncertainty Regarding Litigation and Related Costs**

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As referred to in note 17 on 26 November 2004 Justice Emmitt ordered that in relation to cross claims brought by the Company, Sofcom Limited ("SOF") and Fast Scout Limited ("FSL") against Rivkin Financial Services ("RFS"), Network Limited, Cole Cablow Superannuation Pty Ltd, Alan Davis Group Pty Limited and Andrew Davis, the cross claimants pay all of RFS' and the other cross defendants costs on an "indemnity basis" provided such costs are reasonably incurred.

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

The Company considers that, subject to the appeal, the net result of the above costs orders will be that the Company, SOF and FSL will be required to pay a portion of the costs incurred by RFS and the other cross defendants in the proceedings. Notwithstanding the appeal, the

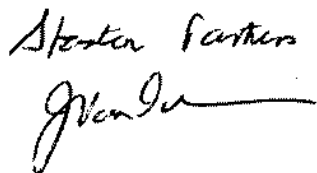
process of assessment of costs and, if required, Court taxation of costs may take some months to complete. The Directors are not currently able to specify with any degree of certainty the quantum of net costs it is required to pay the remaining cross defendants in accordance with the above cost orders, particularly in light of the appeal lodged by the Company, FSL and SOF.

On 4 February 2005 the Company, SOF and FSL entered into deeds of settlement with Network and Cole Kablow in relation to the RFS related litigation and SOF subsequently paid a total of \$475,000 pursuant to such deeds. The Company's share of these costs as disclosed in note 18 have been provided for in the half year report.

The deeds of settlement preserves the continuation of the appeals against RFS, Alan Davis Group Pty Limited and Alan Andrew Davis. In this regard, the Company, FSL and SOF have been advised by their solicitors that the appeal is unlikely to be heard until mid 2005. The Company, SOF and FSL are also negotiating with such parties with respect to the cost orders in the proceedings

As referred to above, the directors are unable to assess with any acceptable degree of certainty the quantum of net costs it is required to pay, and accordingly no further provision for any liabilities or other adjustments have been made in the financial statements.

**STANTON PARTNERS**

Handwritten signature of J P Van Dieren in cursive script.

**J P Van Dieren**  
**Partner**

**West Perth, Western Australia**  
**24 February 2005**



## STANTON PARTNERS

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9 February 2005

Board of Directors  
Altera Capital Ltd  
Level 14 Forrest Centre  
221 St Georges Terrace  
PERTH WA 6000

Dear Directors

**RE: ALTERA CAPITAL LTD**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Altera Capital Ltd.

As Audit Partner for the review of the financial statements of Altera Capital Ltd for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTON PARTNERS**

**John Van Dieren**  
Partner