



Thursday, 9 September 2004

## MARKET ANNOUNCEMENT

### Intention to acquire shares in Rivkin Financial Services Limited

As a matter of record, Central Exchange Limited ("**CXL**") announces its intention to place an order with stockbrokers to purchase further shares in Rivkin Financial Services Limited ("**RFS**"). Its current intention is to purchase up to 14 million further RFS shares on market.

Given the recent actions of RFS in commencing litigation against parties that acquire large shareholdings in the company, CXL believes that it is prudent to place on public record its intentions to acquire further shares in RFS.

#### Supporting Sofcom's intentions regarding RFS

CXL notes that in an announcement to the ASX on 30 June 2004, Sofcom Limited ("**Sofcom**") in conjunction with serving on RFS a requisition for a meeting of the shareholders of RFS pursuant to the provisions of Section 249D of the Corporations Act stated:

*"RFS is the owner of online execution stockbroking firm Rivkin Discount Stockbroking Pty Ltd and is a self managed securities investor. In respect of the latter, Sofcom intends to establish clear guidelines for the investment activities of RFS seeking the pursuit of investment performance through a diversified portfolio of Australian listed companies. It is intended (in a similar manner to that achieved at Bentley International Limited) to appoint a highly regarded and independent Australian funds manager as the investment manager of the company's portfolio and to seek to grow RFS.*

*Sofcom intends to be supportive of the stockbroking operations and to seek to maximise its value for all RFS shareholders."*

CXL currently holds 695,994 RFS shares. These shares were bought by CXL on 1 and 2 July 2004 in reliance in part on the announcement made by Sofcom quoted above. CXL ceased purchasing RFS shares upon the announcement late on 2 July of the transactions between RFS, Network Limited ("**Network**") and Cole Kablo Superannuation Pty Ltd.



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CXL also notes that on 6 September 2004, Sofcom announced to the market that on 17 August 2004 it submitted nominations and consents for Messrs Farooq Khan, Simon Cato and Christopher Ryan to be put forward for election as directors of RFS at the forthcoming annual general meeting of RFS and that RFS has since acknowledged receipt of the nominations and consents.

CXL believes that it is in the best interests of all RFS shareholders that the investment activity of RFS be managed by a proven and capable independent professional funds manager with a demonstrable track record of investment success. CXL understands that the nominees of Sofcom and associated RFS shareholders Fast Scout Ltd (“**Fast Scout**”) and Altera Capital Ltd (“**Altera**”) namely Messrs Khan, Cato and Ryan as proposed directors of RFS have the same view and if elected, such directors of RFS intend to press for the implementation of a funds management investment policy consistent with CXL’s view.

For this reason, whilst reserving the right to consider any other candidates that may be nominated to the board of RFS, CXL presently intends to vote in favour of the nominees of Sofcom. CXL has written to Sofcom, Fast Scout and Altera in this regard and the association between CXL, Sofcom, Fast Scout and Altera with respect to RFS will be reflected through an appropriate substantial shareholding notice.

### **Lack of confidence in the RFS board**

CXL notes that the current director and chief executive officer of RFS, Mr Alan Andrew Davis, joined the board of RFS and was appointed to that position on 21 June 2004, now over 2 months ago. At 8.30 pm on 2 July 2004, RFS released an announcement to the ASX which stated in part:

*“The Company proposes to refine its share trading activities from [sic] to a more measured approach including the taking of positions in companies where it will be able to assist in their development similar to the investment in Network Limited.*

*The Company will still as appropriate take short term positions in the stock market. The Company proposes to change the name of the group and the group’s stockbroking subsidiary at an appropriate time. The Company will continue and develop its core business of stockbroking.”*

Since 2 July 2004, the only indication that RFS has provided to the market as to its future course under the leadership of Mr Davis was the following paragraph contained in RFS’ preliminary final report released to the market on 31 August 2004:

*“The Group has significantly reduced its share trading portfolio and has converted most of it to cash. The Group will continue to trade securities for short term profit when the opportunity occurs. The Group will also seek opportunities to obtain “core” holdings which can be held for the longer term.”*

On 1 September 2004 Network announced that:

*“Having analysed the Preliminary Final Report 4E published by Rivkin yesterday and given that the Rivkin shares will pay a final dividend of 1.5c per share on 15 October 2004, Network saw an excellent opportunity to average down the cost of its initial stake and build a position in the ‘new’ Rivkin. We are very confident in the composition and future direction of the new Board at Rivkin....*

*In answer to speculation that Network intends to mount a takeover for Rivkin, Network Chairman, Graham Jones said “Network has absolutely no plans to mount a takeover bid for Rivkin, now or at any time in the foreseeable future”.*

CXL finds it interesting that having regard to Mr Davis being appointed at the end of the reporting period and in the light of the brevity and general nature of RFS’ announcements to the market as to its future activities, Network could express such confidence. On the basis of information provided to shareholders, CXL is unable to express such confidence and doubts whether any other shareholders similarly informed could do so either.

### **Significance in Network’s comments having regard to Rivkin Report recommendation**

CXL draws the market’s attention to the change in position of the Rivkin Report.

On 21 June 2004, the Rivkin Report authors stated that they were optimistic that the new appointment of Mr Andrew Davis as director and chief executive officer of RFS (after the Alan Davis Group Pty Ltd had purchased the 7.9% stake formerly owned by the company’s founder, Rene Rivkin) would be favourably viewed by the market and as a result, advised subscribers who hold the stock to continue holding

The Rivkin Report released on 30 August 2004 (prior to the latest Network acquisition) stated that the investment team (excluding those who were ex-directors of RFS) had looked at RFS as it stood and had been unable to find compelling reasons to continue to hold the stock and recommended subscribers sell RFS at 20 cents (after noting the last reported cash backing of 19 cents). The authors reported that they were conscious that the stock is not liquid and advised subscribers be patient in executing the sell recommendation as there was no reason to panic out and drive the share price down.

CXL notes that there is no reference to whether Mr Jordan Rivkin intends to retain his shareholding in RFS in light of previous Rivkin Report statements that he would not be selling his 500,000 shares in RFS.

### **Response to takeover speculation**

In relation to Network’s statement that Network does not intend to make a takeover offer for RFS, CXL is not aware of the speculation to which Network referred. CXL is aware, however, that there has been speculation in the press about a takeover of Network by RFS and notes that Network did not comment on the possibility of such an offer occurring.

RFS holds 16.4% of Network. Any takeover offer by RFS for Network (whether or not involving the issue of scrip) would constitute a significant change in the activities of RFS and on CXL’s advice would require the approval of the shareholders of RFS (Network being subject to a voting exclusion). CXL will vigorously oppose any such proposed change in activity by RFS and any such takeover.

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### **Further information:**

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