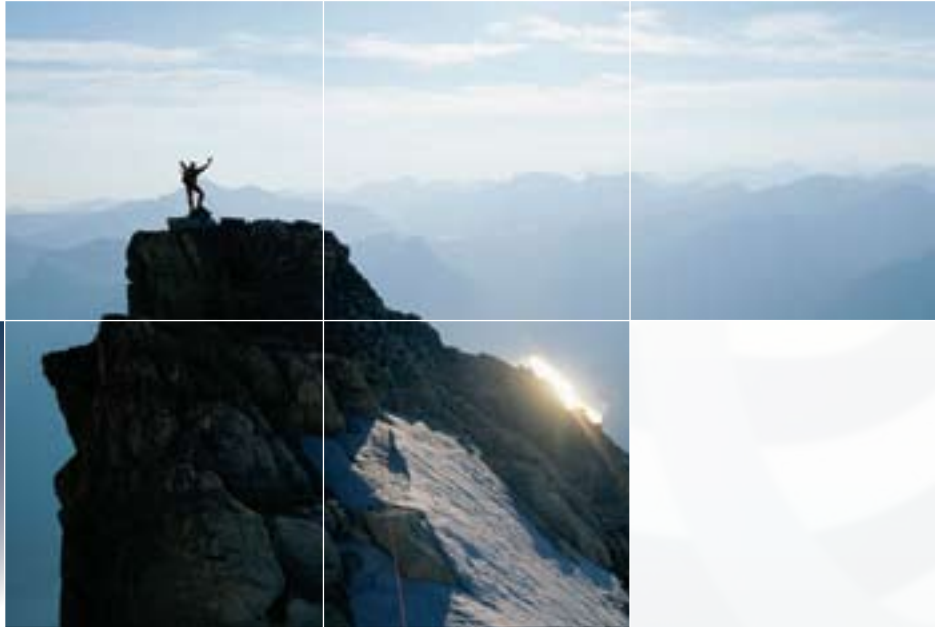


# 2012



Annual Report



Bentley  
Capital Limited

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**CORPORATE DIRECTORY****BOARD**

Farooq Khan	Executive Chairman
William M. Johnson	Executive Director
Christopher B. Ryan	Non- Executive Director

**COMPANY SECRETARY**

Victor P.H. Ho

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**STOCK EXCHANGE**

Australian Securities Exchange  
Sydney, New South Wales

**ASX CODE**

BEL

**SHARE REGISTRY**

Advanced Share Registry Limited  
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Telephone: (02) 8096 3502

# COMPANY PROFILE

Bentley Capital Limited has been listed on the Australian Securities Exchange (**ASX**) since October 1986 as an investment company (ASX Code: BEL). Bentley's investment objectives are to:

- Achieve a high real rate of return over the medium term, ideally comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board; and
- Deliver a regular income stream for shareholders in the form of franked dividends

Within its broader investment mandate, Bentley is focussing on several key investment sectors which the Board believes offer the opportunity to collectively generate overall returns for shareholders materially in excess of Bentley's benchmark All Ordinaries Accumulation Index:

- (1) Strategic investments in listed companies with either an active or passive participation;
- (2) Corporate financing;
- (3) Promotion of IPO's; and
- (4) Participation in, and funding of, corporate restructurings.

As at 30 June 2012, BEL had net tangible assets (**NTA**) of \$20 million (at \$0.2728 post-tax NTA backing per share), 73,350,541 fully paid ordinary shares on issue, and 2,087 shareholders on its share register.

## NET ASSET WEIGHTINGS

Net Assets	30 June 2012		31 December 2011		30 June 2011	
	\$'m	%	\$'m	%	\$'m	%
Australian equities <sup>1</sup>	15.17	75.6	11.61	60.2	28.47	98.8
Provision for income tax	-	-	-	-	-	-
Net cash on deposit / other assets / provisions	4.90	24.4	7.66	39.8	0.34	1.2
<b>Total Net Assets</b>	<b>20.07</b>	<b>100%</b>	<b>19.27</b>	<b>100%</b>	<b>28.81</b>	<b>100%</b>
NTA Backing per share	\$0.2728		\$0.2627		\$0.3968	
NTA Backing per share	\$0.3685		-		\$0.4158	

(with dividends, capital returns and share buy-backs in the previous 12 months added back)

## MAJOR HOLDINGS

Security	ASX Code	Industry Sector	30 June 2012		31 December 2011		30 June 2011	
			\$'m	%	\$'m	%	\$'m	%
FSP Equities Leaders Fund	Unlisted managed fund	Diversified	5.56	27.8	5.56	28.9	21.62	75.1
MEO Australia Ltd	MEO	Energy	6.49	32.4	5.14	26.7	4.73	16.4
Other Listed securities	Various	Various	2.97	14.9	0.71	3.7	1.92	6.7

## RECENT DIVIDENDS

Rate per share	Record Date	Payment Date	Franking	DRP Issue Price
2.4 cents (Special)	5 September 2011	26 September 2011	100%	\$0.2188
One cent	5 September 2011	26 September 2011	100%	\$0.2188
One cent	10 March 2011	17 March 2011	100%	\$0.2429
One cent	22 September 2010	30 September 2010	100%	\$0.2325
One cent	8 March 2010	15 March 2010	100%	\$0.2952
One cent	28 October 2009	30 October 2009	100%	\$0.2689
One cent	24 September 2007	28 September 2007	100%	\$0.3615
One cent	1 March 2007	8 March 2007	100%	N/A

## CAPITAL RETURNS

Capital Return	Record Date	Payment Date
1 cent per share (* subject to approval at 2012 AGM)	26 November 2012 *	30 November 2012 *
1 cent per share	16 April 2012	19 April 2012
5 cents per share	12 October 2011	14 October 2011

# OVERVIEW OF PERFORMANCE

CONSOLIDATED	June 2012 \$'000	June 2011 \$'000
Net gain on financial assets held at fair value through profit or loss	-	1,306
Dividends	8	150
Interest	324	358
Other investment related income	241	58
<b>Total revenue</b>	<b>573</b>	<b>1,872</b>
Net loss on financial assets held at fair value through profit or loss	(1,182)	-
Salaries, Fees and Employee Benefits	(688)	(653)
Accounting, taxation and related administration expenses	(129)	(101)
Other corporate and administration expenses	(599)	(544)
<b>Total expenses</b>	<b>(2,598)</b>	<b>(1,298)</b>
<b>Profit / (Loss) before tax</b>	<b>(2,025)</b>	<b>574</b>
Income tax benefit / (expense)	-	-
<b>Profit / (Loss) after tax attributable to members</b>	<b>(2,025)</b>	<b>574</b>
Basic and diluted earnings / (loss) per share (cents)	(2.77)	0.79
<b>Pre-Tax NTA backing per share (cents)</b>	<b>27.28</b>	<b>39.68</b>
<b>Post-Tax NTA backing per share (cents)</b>	<b>27.28</b>	<b>39.68</b>
<b>Pre and Post-Tax NTA backing per share (cents)</b> (with dividends, capital returns and share buy-backs in the previous 12 months added back)	<b>36.85</b>	<b>41.58</b>

## OVERVIEW OF RESULTS FOR THE YEAR

- (1) Bentley incurred a net loss of \$2.03 million (pre and post tax) during the financial year (2011: \$0.57million net profit (pre and post tax)).
- (2) The results in relation to the Bentley's investments were \$1.54 million net realised loss and \$0.36 million net unrealised gains (2011: \$1.128 million realised gain and \$0.178 million unrealised gain), comprising:
  - (a) FSP Fund - \$1.14 million realised loss and \$1.04 million unrealised loss (2011: \$1.11 million realised gains and \$1.39 million unrealised gains); and
  - (b) Listed and unlisted securities - \$0.40 million realised loss and \$1.40 million unrealised gains (2011: \$0.02 million realised gains and \$1.21 million unrealised loss).
- (3) Gross interest, dividend and other investment income were \$0.573 million (2011: \$0.565 million).
- (4) Bentley's 12 month after tax net tangible asset (NTA) performance to 30 June 2012 was -10.47% (with dividends, capital returns and share buy-backs added back) (2011: +2.42%). This compares with the performance of the ASX All Ordinaries Accumulation Index of -7.04% over the same period (2011: +7.62%).
- (5) Bentley paid a one cent fully franked final dividend and a 2.4 cent fully franked special dividend<sup>1</sup> during the financial year (in September 2011) totalling \$725,986 and \$1,742,365 respectively.

1 Refer 25 August 2011 ASX market announcement "[Dividends and Proposed Capital Return](#)"

# OVERVIEW OF PERFORMANCE

- (6) Bentley returned five cents and one cent per share to shareholders in October 2011 and April 2012 respectively (totalling \$3,672,845 and \$733,505 respectively) as approved by shareholders on 4 October 2011<sup>2</sup> and 4 April 2012<sup>3</sup> respectively.
- (7) Bentley has bought-back a total of 665,961 shares (at a total cost of \$144,783 and at an average buy-back cost (including brokerage) of \$0.217 per share) during the financial year (2011: Nil; no on-market share buy-back was in place).
- (8) A significant portion of the Company's funds are held under management by Sydney based fund manager, FSP Equities Management, in the wholesale FSP Equities Leaders Fund (**FSP Fund**). As at 30 June 2012, Bentley had 27.71% (\$5.56 million) of its net assets invested in the FSP Fund (2011: 75.6% and \$21.77 million). The 12 month performance of the FSP Fund to 30 June 2012 was -12.0% (2011: +17.8%) compared with its benchmark performance (S&P/ASX 200 Accumulation Index) of -6.7% (2011: +11.7%).

Please refer to the Directors' Report and financial statements and notes for further information on a review of Bentley's operations and the financial position and performance of Bentley for the financial year ended 30 June 2012.

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2 Refer Bentley's [Notice of General Meeting dated 26 August 2011 and released on ASX on 1 September 2011](#) for a general meeting held on [4 October 2011](#)

3 Refer Bentley's [Notice of General Meeting dated 29 February 2012 and released on ASX on 2 March 2012](#) for a general meeting held on [4 April 2012](#)

# THE BOARD'S REPORT

## Investment Update Subsequent to Year End

Bentley's latest unaudited Net Tangible Assets (NTA) backing as at 30 September 2012 was \$0.268 per share (pre and post tax) (30 June 2012: \$0.273).

The year to date (3 months ending 30 September 2012) performance of Bentley was -1.84% compared with the ASX All Ordinaries Accumulation Index of +8.20% over the same period.

As at 30 September 2012, Bentley's \$19.64 million NTA comprised:

- (1) \$7.59 million cash;
- (2) \$5.90 million invested in the FSP Fund;
- (3) \$5.79 million invested in ASX listed securities;
- (4) \$0.15 million invested in unlisted securities;
- (5) \$0.21 million net other assets / (liabilities).

Bentley's major securities holdings as at 30 September 2012 were:

Security	ASX Code	Value (\$)
MEO Australia Limited	MEO	2,455,766
Beach Energy Limited	BPT	1,638,000
Cash Converters Limited	CCV	528,320
Mesbon China Nylon Limited	MES	523,386
Other listed securities	Various	646,431

Please refer to the List of Share Investments section of this Annual Report (at page 65) for further details of Bentley's investment holdings as at 30 September and 30 June 2012.

## Dividend Payments

The Board was not in a position to declare a final dividend for the financial year ended 30 June 2012.

Although the Company incurred a net loss for the financial year, the Board's understanding is that that 2010 changes to the Corporations Act permits the payment of dividends based on a company 'balance sheet'/solvency test and not based on whether a company has a net profit.

However, subsequent pronouncements from the Australian Taxation Office (ATO) and Commonwealth Treasury have raised issues with a company's ability to pay a dividend where they do not have a profit (i.e. either a current year net profit, unrealised 'capital profit' or retained earnings) notwithstanding the Board's

understanding of the intended effect of the Corporations Act changes.

The Board declared and paid a one cent per share fully franked final dividend (in respect of the 2010/2011 financial year) and a 2.4 cents per share fully franked special dividend in September 2011 (being a total of \$2.469 million). 1,417,700 shares were issued at \$0.2188 per share under Bentley's Dividend Reinvestment Plan (DRP) in respect of these dividends.

## Return of Capital

Given the ongoing uncertainty in relation to the Company's ability to pay a dividend, which has not been redressed by further Treasury/legislative clarity to date and given Bentley holds uninvested capital in the form of cash, the Board has determined that it is appropriate for the Company to undertake capital returns.

The Company has distributed a total of 6 cents as a return of capital (being a total of \$4.41 million) during the financial year (in October 2011 and April 2012), after shareholder approvals.

The Board has determined to seek shareholder approval at the 2012 AGM for the Company to undertake a further one cent per share return of capital (**Return of Capital**). Shareholders as at 26 November 2012 (the record date) will be entitled (subject to shareholder approval at the AGM) to participate under the Return of Capital, which is expected to be distributed to eligible shareholders on 30 November 2012.

## Performance Bonus Scheme

There were no entitlements arising under the Company's Performance Bonus Scheme (PBS) (which was implemented on 1 May 2010) during the financial year (2011: nil). The conditions for payment to members of the Investment Committee are related to Bentley's financial performance (based on the change in Bentley's net asset value relative to the Benchmark ASX All Ordinaries Index) during each half-year period. Please refer to the Remuneration Report (at page 17) within the Directors' Report for further details in relation to the PBS.

19 October 2012

# DIRECTORS' REPORT

The Directors present their Directors' Report on Bentley Capital Limited ABN 87 008 108 218 (**Company** or **BEL**) and its controlled entity (the **Consolidated Entity** or **Bentley**) for the financial year ended 30 June 2012 (**Balance Date**).

Bentley is a company limited by shares that was incorporated in South Australia in June 1986 and has been listed on the Australian Securities Exchange (**ASX**) since October 1986 as an investment company (**ASX Code: BEL**).

Bentley has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly owned subsidiaries - Scarborough Equities Pty Ltd ACN 061 287 045 and Scarborough Resources Pty Ltd ACN 150 394 291.

## PRINCIPAL ACTIVITIES

Bentley is a listed investment company. Since admission to ASX in 1986, the principal investment objective of the Company was to invest in equity securities listed on the world's major stock markets.

Bentley's investment objectives are to:

- Achieve a high real rate of return over the medium term, ideally comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board; and
- Deliver a regular income stream for shareholders in the form of franked dividends

Within its broader investment mandate<sup>1</sup>, Bentley is focussing on several key investment sectors which the Board believes offer the opportunity to collectively generate overall returns for shareholders materially in excess of Bentley's benchmark All Ordinaries Index<sup>2</sup>:

- (1) Strategic investments in listed companies with either an active or passive participation;
- (2) Corporate financing;
- (3) Promotion of IPO's; and
- (4) Participation in, and funding of, corporate restructurings.

## NET TANGIBLE ASSET BACKING

<b>CONSOLIDATED</b>	<b>June 2012 \$'000</b>	<b>June 2011 \$'000</b>
Net tangible assets (before tax on unrealised gains)	20,007	28,806
<b>Pre-tax NTA Backing per share (cents)</b>	<b>27.28</b>	<b>39.68</b>
Less: Net deferred tax asset / liabilities	-	-
Net tangible assets (after tax on unrealised gains)	20,007	28,806
<b>Post-tax NTA Backing per share (cents)</b>	<b>27.28</b>	<b>39.68</b>
<b>Value of dividends, capital returns and share buy-backs in previous 12 months (\$'000)</b>	<b>7,019</b>	<b>1,443</b>
<b>Pre and Post-Tax NTA backing per share (cents)</b> (with dividends, capital returns and share buy-backs in the previous 12 months added back)	<b>36.85</b>	<b>41.58</b>
Based on total issued shares	73,350,541	72,598,802

1 Approved by shareholders on 25 February 2009; refer Bentley's [Notice of Meeting dated 15 January 2009 and released on ASX on 23 January 2009](#); also reproduced in the Investment Mandate Section at page 64 of this report

2 Refer [10 May 2010 ASX market announcement "Appointment of Chief Investment Officer and Implementation of Investment Strategy"](#)



# DIRECTORS' REPORT

Bentley's 12 month after tax net tangible asset (NTA) performance to 30 June 2012 was -10.47% (with dividends, capital returns and share buy-backs added back) (2011: +2.42%). This compares with the performance of the ASX All Ordinaries Accumulation Index of -7.04% over the same period (2011: +7.62%).

Bentley paid a one cent fully franked final dividend and a 2.4 cent fully franked special dividend<sup>3</sup> during the financial year (in September 2011) totalling \$725,986 and \$1,742,365 respectively.

Bentley returned five cents and one cent per share to shareholders in October 2011 and April 2012 respectively (totalling \$3,672,845 and \$733,505 respectively) as approved by shareholders on 4 October 2011<sup>4</sup> and 4 April 2012<sup>5</sup> respectively.

Bentley has bought-back a total of 665,961 shares (at a total cost of \$144,783 and at an average buy-back cost (including brokerage) of \$0.217 per share) during the financial year (2011: Nil; no on-market share buy-back was in place).

## OPERATING RESULTS

CONSOLIDATED	June 2012 \$'000	June 2011 \$'000
Net gain on financial assets held at fair value through profit or loss	-	1,306
Dividends	8	150
Interest	324	358
Other investment related income	241	58
<b>Total revenue</b>	<b>573</b>	<b>1,872</b>
Net loss on financial assets held at fair value through profit or loss	(1,182)	-
Salaries, Fees and Employee Benefits	(688)	(653)
Accounting, taxation and related administration expenses	(129)	(101)
Other corporate and administration expenses	(599)	(544)
<b>Total expenses</b>	<b>(2,598)</b>	<b>(1,298)</b>
<b>Profit / (Loss) before tax</b>	<b>(2,025)</b>	<b>574</b>
Income tax benefit / (expense)	-	-
<b>Profit / (Loss) after tax attributable to members</b>	<b>(2,025)</b>	<b>574</b>

Bentley incurred a net loss of \$2.03 million (pre and post tax) during the financial year (2011: \$0.57 million net profit (pre and post tax)).

The results in relation to Bentley's investments were \$1.54 million net realised loss and \$0.36 million net unrealised gains (2011: \$1.128 million realised gain and \$0.178 million unrealised gain), comprising:

- (a) FSP Fund - \$1.14 million realised loss and \$1.04 million unrealised loss (2011: \$1.11 million realised gains and \$1.39 million unrealised gains); and
- (b) Listed and unlisted securities - \$0.40 million realised loss and \$1.40 million unrealised gains (2011: \$0.02 million realised gains and \$1.21 million unrealised loss).

Gross interest, dividend and other investment income were \$0.573 million (2011: \$0.565 million).

3 Refer 25 August 2011 ASX market announcement "[Dividends and Proposed Capital Return](#)"

4 Refer Bentley's [Notice of General Meeting dated 26 August 2011 and released on ASX on 1 September 2011](#) for a general meeting held on [4 October 2011](#)

5 Refer Bentley's [Notice of General Meeting dated 29 February 2012 and released on ASX on 2 March 2012](#) for a general meeting held on [4 April 2012](#)

# DIRECTORS' REPORT

Subsequent to balance date, the Consolidated Entity has earned a net profit of \$0.7 million (to 31 July 2012) (unaudited), principally as a consequence of a \$0.8 million unrealised gain and a \$0.05 million realised gain on share investments.

## EARNINGS / (LOSS) PER SHARE

CONSOLIDATED	June 2012	June 2011
Earnings / (loss) per share (cents)	(2.77)	0.79

## FINANCIAL POSITION

CONSOLIDATED	June 2012 \$'000	June 2011 \$'000
Investments	15,171	28,467
Cash	4,948	156
Net deferred tax asset / liabilities	-	-
Other assets	309	259
Liabilities	(356)	(76)
<b>Net assets</b>	<b>20,072</b>	<b>28,806</b>
Issued capital	22,068	26,309
Retained earnings / (Accumulated losses)	(1,996)	2,497
<b>Total equity</b>	<b>20,072</b>	<b>28,806</b>

## DIVIDENDS

The Directors have not declared a final dividend for the financial year ended 30 June 2012.

The Company has paid 3.4 cents of fully franked dividends (at a total cost of \$2.469 million) and issued 1,417,700 shares under its DRP, during the financial year, as follows:

Dividend Rate	Record Date	Payment Date	Franking	DRP Issue Price
2.4 cents per share (Special Dividend)	5 September 2011	26 September 2011	100% franked	\$0.2188
1 cent per share (Final Dividend)	5 September 2011	26 September 2011	100% franked	\$0.2188

## CAPITAL RETURNS

The Company has distributed a total of 6 cents as a return of capital (at a total cost of \$4.41 million) during the financial year, as follows:

Capital Return	Record Date	Payment Date
1 cent per share	16 April 2012	19 April 2012
5 cents per share	12 October 2011	14 October 2011

The Directors have determined to seek shareholder approval at the 2012 AGM for the Company to undertake a one cent per share return of capital (**Return of Capital**).

# DIRECTORS' REPORT

Although the Company incurred a net loss for the year, it is the Company's understanding that 2010 changes to the Corporations Act permit the payment of dividends based on a company 'balance sheet'/solvency test and not based on whether a company has a net profit. However, subsequent pronouncements from the Australian Taxation Office (ATO) and Commonwealth Treasury have raised issues with a company's ability to pay a dividend where they do not have a profit (i.e. either a current year net profit, unrealised 'capital profit' or retained earnings) notwithstanding the Company's understanding of the intended effect of the Corporations Act changes.

The Company currently holds uninvested capital in the form of cash and is therefore in a position to return capital to shareholders. Given the ongoing uncertainty in relation to the Company's ability to pay a dividend, which has not been redressed by further Treasury/legislative clarity to date, the Directors have determined that it is appropriate for the Company to undertake the Return of Capital.

The Return of Capital is to be effected by the Company seeking shareholder approval for a reduction in the share capital of the Company by returning one cent per share to shareholders - this equates to an aggregate reduction of share capital by approximately \$0.733 million based upon the Company's 73,350,541 shares currently on issue.

No shares will be cancelled as a result of the Return of Capital. Accordingly, the number of shares held by each shareholder will not change as a consequence of the Return of Capital. The Return of Capital will have no effect on the number of shares on issue.

The Return of Capital is subject to shareholder approval which will be sought at the Company's upcoming 2012 annual general meeting (AGM) scheduled for 16 November 2012.

Meeting documentation advising details of the AGM together with relevant explanatory materials will be despatched to shareholders and lodged on the ASX in due course. The meeting documentation will include details of the record date for determining eligibility to participate in the Return of Capital and the expected payment date, assuming the requisite resolution is passed by shareholders.

If all conditions are met, including shareholder approval, the Directors aim to distribute the Return of Capital in late November/early December 2012.

## CAPITAL MANAGEMENT

### Securities on Issue

The Company has 73,350,541 (30 June 2011: 72,598,802) fully paid ordinary shares on issue. All such shares are listed on ASX. The Company has no other securities on issue.

The Company issued 1,417,700 new shares during the financial year as a consequence of shareholders' participation under the Company's DRP, at an average price of \$0.2188 per share.

### On-Market Share Buy-Back

On 17 August 2011, the Company announced its intention to conduct an on-market share buy-back of up to 6,599,890 shares (**Buy-Back**).<sup>6</sup> The Buy-Back expired on 31 August 2012.

During the financial year, the Company cancelled 665,961 shares bought back at a total cost of \$144,783 (at an average buy-back cost, including brokerage of \$0.217 per share).

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6 Refer 17 August 2011 ASX market announcement ["Intention to Conduct On-Market Share Buy-Back"](#) and [Appendix 3C - Announcement of Buy-Back dated 17 August 2011](#)

# DIRECTORS' REPORT

## Capital Returns

As described above, the Company returned five cents and one cent per share to shareholders in October 2011 and April 2012 respectively (totalling \$3,672,845 and \$733,505 respectively) as approved by shareholders on 4 October 2011<sup>7</sup> and 4 April 2012<sup>8</sup> respectively.

## REVIEW OF OPERATIONS

### Net Asset Weightings

A summary of Bentley's net asset weighting (by value and as a percentage of net assets) is:

Net Assets	30 June 2012		31 December 2011		30 June 2011		31 December 2010	
	\$'m	%	\$'m	%	\$'m	%	\$'m	%
Australian equities <sup>1</sup>	15.17	75.6	11.61	60.2	28.47	98.8	27.11	85.5
Provision for income tax	-	-	-	-	-	-	-	-
Net cash on deposit / other assets / provisions	4.90	24.4	7.66	39.8	0.34	1.2	4.61	14.5
<b>TOTAL NET ASSETS</b>	<b>20.07</b>	<b>100.0</b>	<b>19.27</b>	<b>100.0</b>	<b>28.8</b>	<b>100.0</b>	<b>31.72</b>	<b>100.0</b>
<b>Value of dividends, capital returns and share buy-backs in previous 12 months (\$'m)</b>	<b>7.019</b>		<b>-</b>		<b>1.443</b>		<b>-</b>	

1. Includes an investment in the FSP Equities Leaders Fund

### Major Holdings

A summary of Bentley's major investment holdings (by value and as a percentage of net assets) is:

Security	ASX Code	Industry Sector	30 June 2012		31 December 2011		30 June 2011		31 December 2010	
			\$'m	%	\$'m	%	\$'m	%	\$'m	%
FSP Equities Leaders Fund	Unlisted managed fund	Diversified	5.56	27.8	5.56	28.9	21.62	75.1	26.74	84.2
MEO Australia Ltd	MEO	Energy	6.49	32.4	5.14	26.7	4.73	16.4	3.00	9.5
Other listed securities	Various	Various	2.97	14.9	0.71	3.7	1.92	6.7	0.51	1.3

Subsequent to 30 June 2012 year end and to 29 August 2012, Bentley:

- (1) Realised \$0.35 million from the sale of MEO shares;
- (2) Realised \$1.63 million from the sale of other listed securities; and
- (3) Invested a further \$1.68 million in listed securities.

### Chief Investment Officer

The Company's Sydney based Chief Investment Officer (CIO) resigned in February 2012. A Sydney based Investment Analyst also departed the Company at the same time.

The Board does not currently intend to recruit a CIO. Bentley's investment decisions are carried out by the Investment Committee (in conjunction with external consultants and advisers where appropriate).

7 Refer Bentley's [Notice of General Meeting dated 26 August 2011 and released on ASX on 1 September 2011](#) for a general meeting held on [4 October 2011](#)

8 Refer Bentley's [Notice of General Meeting dated 29 February 2012 and released on ASX on 2 March 2012](#) for a general meeting held on [4 April 2012](#)

# DIRECTORS' REPORT

## Investment in MEO Australia Limited (ASX Code: MEO)

Bentley is a major shareholder in MEO, with a holding of 27,025,257 shares valued at \$6.49 million (based on the closing bid price of \$0.24) as at 30 June 2012.

MEO is an Australian based energy company holding exploration permits in the Offshore Carnarvon Basin (in the North West Shelf of Western Australia), Bonaparte Basin and Vulcan Sub-Basin (in the Timor Sea) and North Sumatra and East Java (Indonesia) and with a development project based on Commonwealth Government environmental approvals (expiring in 2052) to construct, install and operate an LNG plant and two methanol plants on Tassie Shoal (an area of shallow water in the Australian waters of the Timor Sea). MEO's market capitalisation was \$129.6 million as at 30 June 2012 (based on a \$0.24 share price) (2011: \$94 million based on a \$0.175 share price)

Subsequent to year end (and as at 29 August 2012) the Company has realised \$350,836 from the sale of 1,353,089 MEO shares (at an average price of \$0.26 per share).

As at 29 August 2012, the Company holds 25,672,168 shares (being 4.75% of MEO's total issued share capital) with a value of \$5.13 million (based on the closing bid price of \$0.20).

## FSP Equities Leaders Fund <sup>9</sup>

As at 30 June 2012, Bentley had ~27.71% (~\$5.56 million) of its net assets invested in the FSP Equities Leaders Fund (**FSP Fund**) (2011: ~75.6% and \$21.77 million).

The 12 month performance of the FSP Fund to 30 June 2012 was -12.0% (2011: +17.8%) compared with its benchmark performance (S&P/ASX 200 Accumulation Index) of -6.7% (2011: +11.7%).

During the financial year, Bentley redeemed a total of \$14 million out of the FSP Fund, realising a loss of \$1.14 million (from cost). Bentley has also invested \$0.13 million into the FSP Fund.

In July 2012, Bentley received \$208,515 income distributions from the FSP Fund in respect of the financial year ended 30 June 2012. The 30 June 2012 carrying value above is "ex" entitlement to this income distribution.

Bentley's investment in the FSP Fund has generated an unrealised loss of \$1.04 million for the financial year (2011: \$1.39 Million unrealised gain). The investment's unrealised loss (from historical cost) is \$1.36 million (2011: \$0.32 million unrealised loss).

The FSP Fund is a wholesale fund not open to retail investors. The objective of the fund is to outperform the S&P/ASX 200 Accumulation Index over the medium term. The Investment Manager is "style neutral" and invests in growth stocks, value stocks, stocks with maintainable dividend yields and special situations.

Bentley is able to redeem its investment in the FSP Fund at short notice without any exit fees.

FSP Fund details provided to the Company as at 30 June 2012 are as follows:

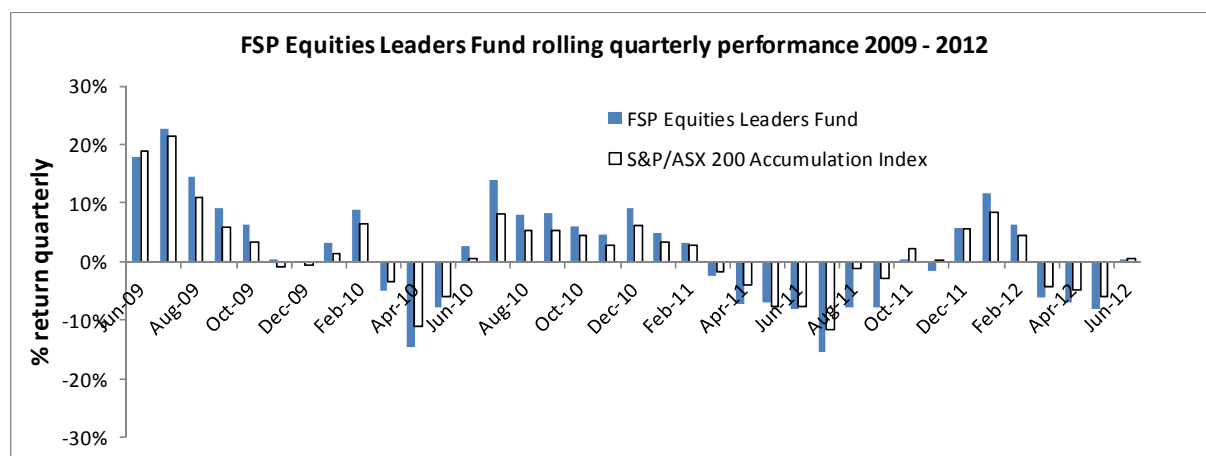
- The equity weighting was 97.5% (30 June 2011: 97.93%);
- 81.81% of the equity portfolio is invested in companies contained within the S&P/ASX 200 Index (30 June 2011: 81.1%) with the balance of 18.19% invested in companies outside of the S&P/ASX 200 Index (30 June 2011: 18.9%); and
- The equity portfolio contained 57 holdings (30 June 2011: 54 holdings).

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9 Based on information provided by investment manager, FSP Equities Management Limited

# DIRECTORS' REPORT

FSP Fund Returns To: 30 June 2012	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Since Inception (% p.a.)
FSP Fund	0.5%	-7.1%	3.7%	-12.0%	1.8%	6.0%	7.8%
ASX/ S&P 200 Accumulation Index	0.7%	-4.7%	3.3%	-6.7%	2.1%	5.7%	6.4%



## Notes:

- (a) Shows the net return of the fund over the preceding 3 months for each quarter, compared with that of the benchmark ASX/S&P 200 Accumulation Index
- (b) The information in the table is historical and the past performance of the FSP Equity Leaders Fund is not a reliable predictor of the future performance of such fund; FSP have not made any representation to the Company that it will achieve any specific future rate of return on the fund

FSP Fund Top 20 Holdings			FSP Fund Sector Weights	
ASX Code	Asset Name	Fund Weight 30-Jun-12		Fund Weight 30-Jun-12
WBC	WESTPAC BANKING CORPORATION	9.6%	Financials (ex-Real Estate)	30.6%
CBA	COMMONWEALTH BANK OF AUSTRALIA	8.2%	Industrials	23.3%
ANZ	ANZ BANKING GROUP LIMITED	7.8%	Materials	21.2%
BHP	BHP BILLITON LIMITED	5.8%	Consumer Discretionary	10.2%
FLT	FLIGHT CENTRE LTD	3.4%	Energy	3.4%
MIN	MINERAL RESOURCES LIMITED	3.2%	Consumer Staples	3.1%
TCL	TRANSURBAN GROUP	3.1%	Real Estate	2.7%
MMS	MCMILLAN SHAKESPEARE LIMITED	2.9%	Cash/Hybrids/Fixed Interest	2.5%
OSH	OIL SEARCH LIMITED	2.6%	Health Care	1.6%
NWH	NRW HOLDINGS LIMITED	2.6%	Utilities	0.9%
CPA	COMMONWEALTH PROPERTY OFFICE FUND	2.2%	Information Technology	0.4%
RIO	RIO TINTO LIMITED	2.2%		
UGL	UGL LIMITED	2.1%		
GCS	GLOBAL CONSTRUCTION SERVICES LTD	2.0%		
IVC	INVOCARE LIMITED	1.9%		
IFL	IOOF HOLDINGS LIMITED	1.8%		
SYD	SYDNEY AIRPORTS	1.7%		
ABC	ADELAIDE BRIGHTON LTD	1.6%		
HGG	HENDERSON GROUP	1.5%		
BTT	BT INVESTMENT MANAGEMENT	1.4%		

# DIRECTORS' REPORT

## Performance Bonus Scheme (PBS)

There were no entitlements arising under the Company's Performance Bonus Scheme (PBS) (which was implemented on 1 May 2010<sup>10</sup>) during the financial year. The conditions for payment to members of the Investment Committee are related to Bentley's financial performance (based on the change in Bentley's net asset value relative to the Benchmark ASX All Ordinaries Index) during each half-year period.

Please refer to the Remuneration Report below for further details in relation to the PBS.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of Bentley that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

## FUTURE DEVELOPMENTS

Bentley intends to continue its investment activities in future years. The results of these investment activities depend upon the performance of the underlying companies and securities in which Bentley invests. The investments' performance depends on many economic factors and also industry and company specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, the performance of Bentley's investments or the forecast of the likely results of Bentley's activities.

## ENVIRONMENTAL REGULATION

Bentley notes the reporting requirements of both the *Energy Efficiency Opportunities Act 2006 (Cth)* (EEOA) and the *National Greenhouse and Energy Reporting Act 2007 (Cth)* (NGERA). The EEOA requires affected companies to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the company intends to take as a result. The NGERA requires affected companies to report its annual greenhouse gas emissions and energy use.

Bentley has determined that it does not operate a recognised facility requiring registration and reporting under the NGERA and in any event, it would fall under the threshold of greenhouse gas emissions required for registration and reporting. Similarly, Bentley's energy consumption would fall under the threshold required for registration and reporting under the EEOA.

Bentley notes that it is not directly subject to the *Clean Energy Act 2011 (Cth)*.

Bentley is not otherwise subject to any particular or significant environmental regulation under either Commonwealth or State legislation. To the extent that any environmental regulations may have an incidental impact on Bentley's operations, the Directors are not aware of any breach by Bentley of those regulations.

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10 Refer [10 May 2010 ASX market announcement "Appointment of Chief Investment Officer and Implementation of Investment Strategy"](#) and also the Remuneration Report at pages 17 to 20 of this report.

# DIRECTORS' REPORT

## DIRECTORS

Directors in office during or since the financial year are as follows:

<b>FAROOQ KHAN – Chairman</b>	
<i>Appointed</i>	– Director since 2 December 2003; Chairman since 10 February 2004
<i>Qualifications</i>	– BJuris, LLB. (UWA)
<i>Experience</i>	– Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Relevant interest in shares</i>	– None <sup>11</sup>
<i>Special Responsibilities</i>	– Chairman of the Board and Investment Committee
<i>Other current directorships in listed entities</i>	– (1) Executive Chairman and Managing Director of Queste Communications Ltd (QUE) (since 10 March 1998) (2) Executive Chairman of Orion Equities Limited (OEQ) (since 23 October 2006)
<i>Former directorships in other listed entities in past 3 years</i>	– (1) Alara Resources Limited (AUQ) (18 May 2007 to 31 August 2012) (2) Yellow Brick Road Holdings Limited (YBR) (27 April 2006 to 18 March 2011) (3) Strike Resources Limited (SRK) (3 September 1999 to 3 February 2011)

<b>WILLIAM M. JOHNSON – Executive Director</b>	
<i>Appointed</i>	– 13 March 2009
<i>Qualifications</i>	– MA (Oxon), MBA
<i>Experience</i>	– Mr Johnson commenced his career in resource exploration and has held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Throughout his career, Mr Johnson has been actively involved in the strategic analysis of a diverse range of business and investment opportunities and the execution of many corporate transactions. Mr Johnson brings a considerable depth of experience in business strategy and investment analysis and execution.
<i>Relevant interest in shares</i>	– None
<i>Special Responsibilities</i>	– Member of the Investment Committee and Audit and Remuneration Committees
<i>Other current directorships in listed entities</i>	– (1) Executive Director of Orion Equities Limited (OEQ) (since 28 February 2003) (2) Non-Executive Director of Alara Resources Limited (AUQ) (since 1 July 2011) (Director since 26 October 2009) (3) Non-Executive Director of Strike Resources Limited (SRK) (since 30 April 2010) (Director since 14 July 2006)
<i>Former directorships in other listed entities in past 3 years</i>	– None

11 Refer [Change of Director's Interest Notice dated 27 April 2012](#)



# DIRECTORS' REPORT

## CHRISTOPHER B. RYAN – Non-Executive Director

*Appointed* – 5 February 2004

*Qualifications* – BEcon (UWA), MBA (UNSW)

*Experience* – Mr Ryan is the Principal of Westchester Corporate Finance, a Sydney based corporate advisory firm specialising in advising listed companies on fund raising, mergers and acquisitions and associated transactions. Prior to forming Westchester in July 1996, Christopher was with Schroders Australia for 27 years. At Schroders, he served 3 years in the investment division, 2 years as an economist monitoring influences on interest and exchange rates and 22 years in the corporate finance division of which he was a director for 19 years specialising in advising on project financing and mergers and acquisitions mainly in the Australian minerals and oil and gas sectors.

*Relevant interest in shares* – None

*Special Responsibilities* – Chairman of the Audit and Remuneration Committees

*Other current directorships in listed entities* – None

*Former directorships in other listed entities in past 3 years* – None

## COMPANY SECRETARY

### VICTOR P. H. HO – Company Secretary

*Appointed* – Since 5 February 2004

*Qualifications* – BCom, LLB (UWA)

*Experience* – Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. 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, corporations law and stock exchange compliance and shareholder relations.

*Special Responsibilities* – Member of the Investment Committee and Secretary of the Audit and Remuneration Committees

*Relevant interest in shares* – 6,533 ordinary shares

*Other positions held in listed entities* – Current Executive Director and Company Secretary of:

- (1) Orion Equities Limited (OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003)

Current Company Secretary of:

- (2) Queste Communications Ltd (QUE) (since 30 August 2000)
- (3) Alara Resources Limited (AUQ) (since 4 April 2007)

*Former position in other listed entities in past 3 years* – (1) Strike Resources Limited (SRK) (Secretary between 9 March 2000 and 30 April 2010 and Director between 12 October 2000 and 30 April 2010)

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the year (excluding Directors' circulatory resolutions) and the numbers of meetings attended by each Director of the Company:

Name of Director	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings
Farooq Khan	8	8	-	-	-	-
Christopher Ryan	13	13	4	4	-	-
William Johnson	13	13	4	4	-	-

## Board Committees

An Audit Committee was established in October 2009. The composition the Audit Committee is Christopher Ryan (as Chairman) and William Johnson. A copy of the [Audit Committee Charter](#) may be downloaded from the Company's website.

A Remuneration Committee was established in September 2011. The composition of the Remuneration Committee is Christopher Ryan (as Chairman) and William Johnson. A copy of the [Remuneration Committee Charter](#) may be downloaded from the Company's website.

# REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director of the Company.

The information provided under headings (1) to (5) below has been audited as required under section 308 (3) (c) of the *Corporations Act 2001*.

## (1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Company Executives (being a company secretary or senior manager) (**Key Management Personnel**) having regard to the Company's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

**Fixed Cash Short Term Employment Benefits:** The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of \$110,000 per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel during the year as follows:

### Executive Directors

- (1) Mr Farooq Khan (Executive Chairman) – a base salary of \$175,000 per annum plus employer superannuation contributions;
- (2) Mr William Johnson – a base salary of \$85,000 per annum plus employer superannuation contributions;

### Non-Executive Director

- (3) Mr Christopher Ryan – a base fee of \$26,400 per annum (including 10% GST) payable to Westchester Financial Services Pty Limited (trading as Westchester Corporate Finance), a corporate advisory company in which Mr Ryan is principal.

### Company Executives/Senior Managers

- (4) Mr Victor Ho (Company Secretary) – a base salary of \$85,000 per annum plus employer superannuation contributions; and
- (5) Mr Ben Loiterton (Chief Investment Officer or CIO) (resigned on 8 February 2012) – a base fee of \$272,500 per annum (including 10% GST) payable to Venturastar Pty. Limited, in which Mr Loiterton is principal.

**Special Exertions and Reimbursements:** Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement of all travelling, hotel and other expenses reasonably incurred by a Director for the purpose of attending meetings of the Board or otherwise in and about the business of the Company;
- (b) In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

**Long Term Benefits:** Key Management Personnel have no right to termination payments save for payment of accrued annual leave and long service leave (other than Non-Executive Directors).

**Equity Based Benefits:** The Company does not presently have any equity (shares or options) based remuneration arrangements for any personnel pursuant to any executive or employee share or option plan or otherwise.

# REMUNERATION REPORT

**Post Employment Benefits:** The Company does not presently provide retirement benefits to Key Management Personnel.

**Service Agreements:** The Company does not presently have formal service agreements or employment contracts with Key Management Personnel other than with the Chief Investment Officer.

**Performance Related Benefits and Financial Performance of Company:** The Company has implemented a Performance Bonus Scheme (**PBS**) (effective from 1 May 2010) with the conditions for payment being related to the Company's financial performance. If the conditions for payment under the PBS have been satisfied, the Company will pay cash bonuses to members of the Investment Committee (being the Executive Directors, Company Secretary and the CIO (where applicable)). Refer to Section (2) below for further information about the PBS.

The current remuneration of Non-Executive Directors is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

## (2) Performance Bonus Scheme (PBS)

In order to align the interests of the Investment Committee and shareholders of the Company and to provide an appropriate incentive for the achievement of superior-to-market investment returns, the Company has introduced a Performance Bonus Scheme (PBS) for members of the Investment Committee (effective 1 May 2010).

The key elements of the PBS are summarised as follows:

- (a) The performance of Bentley will be measured each financial half year (ending on 31 December and 30 June) by comparing the change over the half year in the net asset value of the Company with the change in the net assets of Bentley that would have resulted if the investment return was equal to that recorded by the ASX All Ordinaries Index (ASX code: XAO) (**Benchmark Index**).
- (b) 20% of any outperformance in excess of a performance threshold hurdle of \$250,000 relative to the Benchmark Index is available for distribution to the Investment Committee each half year (**Performance Bonus Pool**).
- (c) Any underperformance in a half year will be carried forward up to the next two half years, such that underperformance in a half year must be 'clawed back' by outperformance before a performance bonus can be paid in the following two half years. However, an underperformance value attributable to an unrealised loss on an asset (other than externally managed assets) that has not yet been realised at the end of the second carried forward half year period will continue to be carried forward thereafter until it has been 'clawed back' by outperformance.
- (d) The net assets of Bentley are valued in accordance with Bentley's accounting policies and Australian Accounting Standards (**Accounting Methodology**), save that:
  - (i) assets (other than externally managed assets) are carried at the lower of cost or value (whereas they would have been 'marked to market' under the Accounting Methodology); and
  - (ii) deferred tax assets and deferred tax liabilities (other than in respect of externally managed assets) are excluded from net assets but provision for income tax expense is included.
- (e) The terms of the PBS are to be reviewed annually by the Board.
- (f) The Performance Bonus Pool is distributed to members of the Investment Committee pursuant to a resolution of the Board. The Board has determined the following fixed entitlements:

# REMUNERATION REPORT

- (i) Farooq Khan and the CIO (where applicable) – 15% each; and
- (ii) William Johnson and Victor Ho – 10% each.
- (g) If Bentley has incurred a net loss for the financial half year, the Board may in exceptional circumstances at its absolute discretion withhold up to 50% of the Performance Bonus Pool applicable to that financial half year.
- (h) Any Director who shall form part of the Investment Committee shall not be present during the Board's deliberations in relation to setting the above entitlements under the PBS and shall abstain from voting on such determination by the Board.

The Company believes the principles adopted by the PBS are consistent with or exceed industry best practice, in that:

- A performance bonus on internally managed assets is paid only on realised (and not unrealised) gains, i.e. investments have to be sold (or otherwise crystallised) to contribute to a performance bonus. This eliminates the potential of a performance bonus being paid in a half year by reference to unrealised internally managed investments that may have substantially outperformed over that half year, yet may underperform subsequently.
- The 'clawback' of underperformance means that the Investment Committee will be highly motivated to avoid periods of underperformance.
- To achieve a performance bonus, the Investment Committee must not only outperform the Benchmark Index, but also additionally achieve an absolute return in excess of a \$250,000 (performance threshold hurdle) of the Benchmark Index for any half year. In other words, the first \$250,000 of outperformance in any half year does not generate a performance bonus.

There were no entitlements arising under the PBS during the financial year (i.e. in respect of each of the half years ending 31 December 2011 and 30 June 2012). There was an underperformance of \$29k and \$38k recorded for the half year ending 31 December 2011 30 June 2012 respectively. These underperformance values and the underperformance of \$1.28 million recorded for the half year ending 30 June 2011 will be carried forward into future half year periods until they have been 'clawed back' by outperformance.

### (3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each key management personnel paid or payable by the Company during the financial year are as follows:

Current Year: 2012		Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based	Total
Key Management Personnel	Performance related %	Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & Options \$	
<b>Executive Directors:</b>							
Farooq Khan	-	152,676	-	13,733	-	-	166,409
William Johnson	-	84,837	-	7,635	-	-	92,472
<b>Non-Executive Directors:</b>							
Christopher Ryan	-	26,400	-	-	-	-	26,400
<b>Chief Investment Officer (CIO):</b>							
Ben Loiterton	-	212,798	-	-	-	-	212,798
<b>Company Secretary:</b>							
Victor Ho	-	85,000	-	7,650	-	-	92,650

# REMUNERATION REPORT

Previous Year: 2011		Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based	Total
Key Management Personnel	Performance related %	Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & Options \$	
<b>Executive Directors:</b>							
Farooq Khan	-	160,616	-	14,445	-	-	175,061
William Johnson	-	85,000	-	7,650	-	-	92,650
<b>Non-Executive Directors:</b>							
Peter Simpson	-	8,800	-	-	-	-	8,800
Christopher Ryan	-	26,400	-	-	-	-	26,400
<b>Chief Investment Officer (CIO):</b>							
Ben Loiterton	-	176,987	-	-	-	-	176,987
Joseph Jayaraj	-	82,619	-	7,005	-	-	89,624
<b>Company Secretary:</b>							
Victor Ho	-	85,000	-	7,650	-	-	92,650

## Notes:

- (a) Ben Loiterton ceased as CIO on 8 February 2012. Mr Loiterton's fees were paid to Venturastar Pty. Limited, a company in which Mr Loiterton is principal, and was reported inclusive of GST.
- (b) Mr Ryan's Directors' fees have been paid to Westchester Financial Services Pty Limited (trading as Westchester Corporate Finance), a corporate advisory company in which Mr Ryan is principal, and is reported inclusive of GST.

## (4) Other Benefits Provided to Key Management Personnel

Bentley's registered office in Sydney is located within the office of Westchester, a corporate advisory company in which Non-Executive Director, Christopher Ryan is principal. This office has been utilised by the CIO and other Sydney based members of the Investment Team and accordingly, Bentley has agreed to contribute \$825 per month (inclusive of GST) towards Westchester's lease and related office service costs. During the financial year, the Company paid a total of \$7,425 (inclusive of GST) (2011: \$9,075) to Westchester. This is assessed on a month to month basis in light of Bentley's utilisation of the office.

No other Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

## (5) Voting and Comments on the Remuneration Report at the 2011 AGM

At the Company's most recent (2011) AGM, a resolution to adopt the prior year (2011) Remuneration Report was put to the vote and 76.4% of "yes" votes were cast by shareholders for adoption of the Remuneration Report. No comments were made on the Remuneration Report that was considered at the AGM.

This concludes the audited Remuneration Report.

# DIRECTORS' REPORT

## DIRECTORS' AND OFFICERS' INSURANCE

The Directors have not included details of the nature of the liabilities covered or the amount of premiums paid in respect of a Directors and Officers liability and legal expenses' insurance contract, as such disclosure is prohibited under the terms of the contract.

## DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001*), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- (a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001*); and
- (b) Subject to the terms of the deed and the *Corporations Act 2001*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

## LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of such proceedings. The Company was not a party to any such proceedings during and since the financial year.

## AUDITOR

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the financial year are set out below:

Audit & Review Fees	Non-Audit Services	Total
\$	\$	\$
37,962	3,905	41,867

The Board is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

# DIRECTORS' REPORT

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 23. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

## EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Note 23), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

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



**Farooq Khan**  
Chairman



**Christopher Ryan**  
Director

31 August 2012



31 August 2012

The Board of Directors  
Bentley Capital Limited  
Level 14, The Forrest Centre  
221 St Georges Terrace  
PERTH WA 6000

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF  
BENTLEY CAPITAL LIMITED**

As lead auditor of Bentley Capital Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bentley Capital Limited and the entities it controlled during the period.



**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>REVENUE</b>			
<b>Investment</b>			
	3		
Dividend Income		8,662	149,635
Interest Income		323,791	357,803
<b>Other</b>			
Net Gain on Financial Assets at Fair Value through Profit or Loss		-	1,306,400
Other Income		240,917	57,865
<b>TOTAL REVENUE</b>		<b>573,370</b>	<b>1,871,703</b>
<b>EXPENSES</b>			
	3		
Net Loss on Financial Assets at Fair Value through Profit or Loss		(1,181,703)	-
Investment Expenses		(101,839)	-
Occupancy Expenses		(118,827)	(139,083)
Finance Expenses		(4,643)	(4,676)
Corporate Expenses		(64,106)	(59,900)
Administration Expenses		(1,127,597)	(1,094,064)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(2,025,345)</b>	<b>573,980</b>
Income Tax Expense	4	-	-
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(2,025,345)</b>	<b>573,980</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other Comprehensive Income, Net of Tax		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>(2,025,345)</b>	<b>573,980</b>
<b>EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
Basic and Diluted Earnings/(Loss) per Share (cents)	8	(2.77)	0.79

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 30 June 2012

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	9	4,947,792	155,948
Financial Assets at Fair Value through Profit or Loss	10	15,171,413	28,467,511
Trade and Other Receivables	11	224,583	157,378
Other Current Assets	12	3,600	24,887
<b>TOTAL CURRENT ASSETS</b>		<b>20,347,388</b>	<b>28,805,724</b>
<b>NON-CURRENT ASSETS</b>			
Resource Projects	13	64,863	63,871
Property, Plant and Equipment	14	10,765	12,501
Deferred Tax Asset	17	5,188	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>80,816</b>	<b>76,372</b>
<b>TOTAL ASSETS</b>		<b>20,428,204</b>	<b>28,882,096</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	15	231,131	58,811
Provisions	16	120,046	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>351,177</b>	<b>58,811</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	-	16,813
Deferred Tax Liability	17	5,188	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,188</b>	<b>16,813</b>
<b>TOTAL LIABILITIES</b>		<b>356,365</b>	<b>75,624</b>
<b>NET ASSETS</b>		<b>20,071,839</b>	<b>28,806,472</b>
<b>EQUITY</b>			
Issued Capital	18	22,067,796	26,308,733
Retained Earnings/(Accumulated Losses)		(1,995,957)	2,497,739
<b>TOTAL EQUITY</b>		<b>20,071,839</b>	<b>28,806,472</b>

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended 30 June 2012

	Note	Issued Capital \$	Retained Earnings/ (Accumulated Losses) \$	Total \$
<b>BALANCE AT 1 JULY 2010</b>		26,168,592	3,366,803	29,535,395
Profit for the Year		-	573,980	573,980
Other Comprehensive Income		-	-	-
<b>Total Comprehensive Income for the Year</b>		-	573,980	573,980
<b>Transactions with Owners in their capacity as Owners:</b>				
Dividends Paid	7	-	(1,443,044)	(1,443,044)
Shares Issued under Dividend Reinvestment Plan	18	140,141	-	140,141
<b>BALANCE AT 30 JUNE 2011</b>		<b>26,308,733</b>	<b>2,497,739</b>	<b>28,806,472</b>
<b>BALANCE AT 1 JULY 2011</b>		<b>26,308,733</b>	<b>2,497,739</b>	<b>28,806,472</b>
Loss for the Year		-	(2,025,345)	(2,025,345)
Other Comprehensive Income		-	-	-
<b>Total Comprehensive Loss for the Year</b>		-	(2,025,345)	(2,025,345)
<b>Transactions with Owners in their capacity as Owners:</b>				
Dividends Paid	7	-	(2,468,351)	(2,468,351)
Shares Issued under Dividend Reinvestment Plan	18	310,196	-	310,196
Return of Capital	18	(4,406,350)	-	(4,406,350)
Share Buy-Back	18	(144,783)	-	(144,783)
<b>BALANCE AT 30 JUNE 2012</b>		<b>22,067,796</b>	<b>(1,995,957)</b>	<b>20,071,839</b>

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends Received		8,662	111,785
Interest Received		306,860	442,355
Other Income Received		190,643	91,447
Payments to Suppliers and Employees		(1,214,407)	(1,361,720)
Interest Paid		-	(2,001)
Sale/Redemption of Financial Assets at Fair Value through Profit or Loss		19,059,018	4,867,707
Purchase of Financial Assets at Fair Value through Profit or Loss		(6,944,623)	(18,380,764)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>9</b>	<b>11,406,153</b>	<b>(14,231,191)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Plant and Equipment	14	(1,773)	(8,520)
Payments for Exploration and Evaluation	13	(992)	(63,871)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,765)</b>	<b>(72,391)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends Paid	7	(2,158,155)	(1,302,903)
Return of Capital	18	(4,308,606)	-
Share Buy-Back	18	(144,783)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(6,611,544)</b>	<b>(1,302,903)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>4,791,844</b>	<b>(15,606,485)</b>
Cash and Cash Equivalents at Beginning of Financial Year		155,948	15,762,433
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>9</b>	<b>4,947,792</b>	<b>155,948</b>

The accompanying notes form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for the Consolidated Entity consisting of Bentley Capital Limited and its subsidiaries.

Bentley Capital Limited (the **Company**) is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

#### 1.1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### Compliance with IFRS

The consolidated financial statements of the Bentley Capital Limited Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### 1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of Bentley Capital Limited as at 30 June 2012 and the results of its subsidiaries for the year then ended. Bentley Capital Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity. Information on the controlled entity is contained in Note 2(b) to the financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

The controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

#### 1.3. Investments and Other Financial Assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

#### Financial liabilities

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

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial risk has been impaired. Impairment losses are recognised in the profit or loss.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit and loss".

#### 1.4. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as a "financial assets at fair value through profit and loss" and is carried at fair value based on the quoted last bid prices at reporting date (refer to Note 10).

### 1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

**Sale of Goods and Disposal of Assets** - Revenue from the sale of goods and disposal of other assets is recognised when the Consolidated Entity has passed control of the goods or other assets to the buyer.

**Interest Revenue** - Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**Dividend Revenue** - Dividend revenue is recognised when the right to receive a dividend has been established. The Consolidated Entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

**Other Revenues** - Other revenues are recognised on a receipts basis.

### 1.6. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences

between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### 1.7. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### 1.8. Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

### 1.9. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Rate	Method
Computer Equipment	25%-40%	Diminishing Value
Leasehold Improvement	7%-15%	Diminishing Value
Office Furniture	10%-15%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### 1.10. Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets (where applicable) to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets (where applicable) with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### 1.11. Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### 1.12. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### 1.13. Earnings Per Share

**Basic Earnings per Share** - is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

**Diluted Earnings per Share** - adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 1.14. Employee benefits

#### Short term obligations

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as an expense when incurred.

#### Other long term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

#### Performance bonus

The Consolidated Entity recognises a liability and an expense for cash bonuses payable to members of the Company's Investment Committee pursuant to a Performance Bonus Scheme implemented on 1 May 2010. The performance of the Consolidated Entity is measured each financial half year (ending on 31 December and 30 June) by comparing the change over the half year in the net asset value of the Consolidated Entity with the change in the net assets of the Consolidated Entity that would have resulted if the investment return was equal to that recorded by the ASX All Ordinaries Index. 20% of any outperformance in excess of a performance threshold hurdle of \$250,000 relative to the benchmark index is available for distribution to the Investment Committee each half year.

### 1.15. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the statement of financial position.

### 1.16. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 1.17. Segment reporting

The Consolidated Entity has applied AASB 8: *Operating Segments* which requires that segment information be presented on the same basis as that used for internal reporting purposes. During the financial year, the Board has determined that the sole operating segment is "Investments" based in one geographical location (Australia).

### 1.18. Dividends Policy

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### 1.19. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated (i.e. capitalised) in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 1.20. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial period.

### 1.21 Summary of Accounting Standards Issued Not Yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.  AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: <ul style="list-style-type: none"> <li>• Power over investee (whether or not power used in practice)</li> <li>• Exposure, or rights, to variable returns from investee</li> <li>• Ability to use power over investee to affect the Entity's returns from investee.</li> </ul> Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.  Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements.  Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 1.21 Summary of Accounting Standards Issued Not Yet Effective (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i>	Annual periods commencing on or after 1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: <ul style="list-style-type: none"> <li>1 statement of comprehensive income - to be referred to as 'statement of profit or loss and other comprehensive income'</li> <li>2 statements - to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.</li> <li>OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.</li> </ul>	Annual periods commencing on or after 1 July 2012
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Bentley Capital Limited, as at 30 June 2012. The information presented below has been prepared using accounting policies outlined in Note 1.

	2012	2011
	\$	\$
Current Assets	11,404,355	11,425,352
Non-Current Assets	11,494,048	11,495,231
<b>TOTAL ASSETS</b>	<b>22,898,403</b>	<b>22,920,583</b>
Current Liabilities	7,289,279	59,868
Non-Current Liabilities	21,360	16,814
<b>TOTAL LIABILITIES</b>	<b>7,310,639</b>	<b>76,682</b>
<b>NET ASSETS</b>	<b>15,587,764</b>	<b>22,843,901</b>
Issued Capital	22,067,796	26,308,733
Accumulated Losses	(6,480,032)	(3,464,832)
<b>EQUITY</b>	<b>15,587,764</b>	<b>22,843,901</b>
Loss for the Year	(546,848)	(1,095,293)
Other Comprehensive Income	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(546,848)</b>	<b>(1,095,293)</b>
<b>(a) Current Assets</b>		
<b>Cash and Cash Equivalents</b>		
Cash at Bank	1,606,526	125,909
Term Deposits	5,000	5,000
	<b>1,611,526</b>	<b>130,909</b>
<b>Financial Assets at Fair Value through Profit and Loss</b>		
Listed Investments at Fair Value	9,459,181	6,646,770
Unlisted Investments at Fair Value	150,000	200,000
Units in unlisted FSP Equities Leaders Fund	111,963	4,322,288
	<b>9,721,144</b>	<b>11,169,058</b>
<b>(b) Non Current Assets</b>		
<b>Investments in Wholly Owned Subsidiaries</b>		
Shares in Controlled Entities - at cost	<b>11,485,843</b>	<b>11,485,843</b>

Details of percentage of Ordinary Shares held in Controlled Entities:		Ownership Interest	
Investment in Controlled Entities	Incorporated	2012	2011
Scarborough Equities Pty Ltd	Australia	100%	100%
Scarborough Resources Pty Ltd	Australia	100%	100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

2. PARENT ENTITY INFORMATION (continued)	Note	2012	2011
		\$	\$
<b>(c) Lease Commitments</b>			
Not longer than one year	21	78,630	104,929
Later than one year but not later than five years	21	-	110,176
		<u>78,630</u>	<u>215,105</u>

### 3. PROFIT/(LOSS) FOR THE YEAR

The Consolidated Entity's Operating Profit/(Loss) before Income Tax includes the following items of expense:

(a) Revenue	2012	2011
	\$	\$
<b>Investment</b>		
Dividend Income	8,662	149,635
Interest Income	323,791	357,803
	<u>332,453</u>	<u>507,438</u>
<b>Other</b>		
Net Gain on Financial Assets at Fair Value through Profit or Loss	-	1,306,400
Other Income	240,917	57,865
	<u>573,370</u>	<u>1,871,703</u>
<b>(b) Expenses</b>		
Net Loss on Financial Assets at Fair Value through Profit or Loss	1,181,703	-
<b>Investment Expenses</b>		
Subscriptions	49,918	18,306
Brokers Fees	18,723	1,197
Other Investment Expenses	33,198	-
Occupancy Expenses	118,827	139,083
Finance Expenses	4,643	4,676
<b>Corporate Expenses</b>		
ASX Fees	29,393	32,191
Share Registry	31,575	20,973
Other Corporate Expenses	3,138	6,736
<b>Administration Expenses</b>		
Salaries, Fees and Employee Benefits	688,116	652,907
Accounting, Taxation and Related Administration	129,027	100,714
Travel, Accommodation and Incidentals	40,382	87,003
Office Administration	94,409	82,036
Audit	41,867	43,666
Communications	24,861	34,954
Other Professional Fees	1,721	14,632
Insurance	16,075	11,946
Depreciation	3,509	2,722
Write-Off of Fixed Assets	-	1,020
Other Administration Expenses	87,630	42,961
	<u>2,598,715</u>	<u>1,297,723</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

4. INCOME TAX EXPENSE	Note	2012 \$	2011 \$
<b>(a) The components of Tax Expense comprise:</b>			
Current Tax		-	-
Deferred Tax	17	-	-
		<u>-</u>	<u>-</u>
<b>(b) The prima facie tax on Operating Profit before Income Tax is reconciled to the income tax as follows:</b>			
Prima facie tax payable on Operating Profit before Income Tax at 30% (2011: 30%)		(607,604)	172,194
Adjust tax effect of:			
Non-Deductible Expenses		22,016	5,700
Taxable Income in excess of Accounting Income		30,731	88,895
Current year tax losses not brought to account		554,857	-
Derecognition of previously recognised Tax Losses		-	64,950
Franking Credits and Tax Offsets		-	(193,397)
Movement in Deferred Taxes		-	(138,342)
Income tax attributable to entity		<u>-</u>	<u>-</u>
<b>(c) Unrecognised Deferred Tax balances</b>			
Unrecognised Deferred Tax Asset - Revenue Losses		4,227,822	3,536,228
Unrecognised Deferred Tax Asset - Capital Losses		313,098	313,098
Unrecognised Deferred Tax Asset - Other		381,456	505,103
		<u>4,922,376</u>	<u>4,354,429</u>

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2012.

The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2012	2011
	\$	\$
<b>Directors</b>		
Short-Term Employment Benefits	285,281	302,911
	<b>285,281</b>	<b>302,911</b>
<b>Other KMP</b>		
Short-Term Employment Benefits	305,448	359,261
	<b>305,448</b>	<b>359,261</b>
	<b>590,729</b>	<b>662,172</b>

There were no options, rights or equity instruments provided as remuneration to KMP and no shares issued on the exercise of any such instruments during the financial year.

#### KMP Shareholdings

	Balance at Start of Year	Balance at Appointment /Cessation	Net Change	Balance at End of Year
<b>30 June 2012</b>				
<b>Directors</b>				
Farooq Khan	-		-	-
William Johnson	-		-	-
Christopher Ryan	-		-	-
<b>Other KMP</b>				
Victor Ho (Company Secretary)	5,945		588	6,533
Ben Loiterton (CIO) (cease 7 Feb 2012)	-	-		
<b>30 June 2011</b>				
<b>Directors</b>				
Farooq Khan	-		-	-
William Johnson	-		-	-
Christopher Ryan	-		-	-
Peter Simpson (ceased 21 Oct 2010)	8,736,136	8,736,136		
<b>Other KMP</b>				
Victor Ho (Company Secretary)	5,945		-	5,945
Ben Loiterton (CIO) (commence 25 Oct 2010)		-	-	-
Joseph Jayaraj (CIO) (cease 24 Sep 2010)	-	-		

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (continued)

#### Other KMP Transactions

The Company's registered office in Sydney is located within the offices of Westchester Financial Services Pty Limited (trading as Westchester Corporate Finance) (Westchester), a corporate advisory company in which Non-Executive Director, Christopher Ryan is the principal. This office has been utilised by the CIO and other Sydney based members of the Investment Team and accordingly, Bentley has agreed to contribute \$825 per month (inclusive of GST) towards Westchester's lease and related office service costs. This is assessed on a month to month basis in light of Bentley's utilisation of the office.

	2012	2011
<b>Amounts recognised as expense</b>	<b>\$</b>	<b>\$</b>
Sydney office costs	7,425	9,075

There were no other transactions with KMP (or their personally related entities) during the financial year.

### 6. AUDITORS' REMUNERATION

During the year the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012	2011
<b>BDO Audit (WA) Pty Ltd</b>	<b>\$</b>	<b>\$</b>
Audit and Review of Financial Statements	37,962	37,167
Taxation Services	3,905	3,300
	<b>41,867</b>	<b>40,467</b>

The Consolidated Entity may engage BDO on assignments additional to their statutory audit duties where their expertise and experience with the Consolidated Entity are important. These assignments principally relate to taxation advice in relation to the tax notes to the financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

7. DIVIDENDS	2012	2011
	\$	\$
<b>Dividends Paid</b>		
	<b>Paid On</b>	
1 cent per share fully franked dividend	30-Sep-10	720,096
1 cent per share fully franked dividend	17-Mar-11	722,948
3.4 cents per share fully franked dividend	23-Sep-11	
	<u>2,468,351</u>	<u>1,443,044</u>
	<u><b>2,468,351</b></u>	<u><b>1,443,044</b></u>
Dividends paid in cash or satisfied by issue of shares under the Dividend Reinvestment Plan (DRP) were as follows:		
Paid in Cash	2,158,155	1,302,903
Satisfied by Issue of Shares under DRP	310,196	140,141
	<u>2,468,351</u>	<u>1,443,044</u>
	<u><b>2,468,351</b></u>	<u><b>1,443,044</b></u>
Franking credits available for subsequent periods based on a tax rate of 30% (2011: 30%)		
	<u>1,796,278</u>	<u>1,385,183</u>
	<u><b>1,796,278</b></u>	<u><b>1,385,183</b></u>

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) Franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

8. EARNINGS/(LOSS) PER SHARE (EPS)	2012	2011
	cents	cents
Basic and Diluted Earnings/(Loss) per Share	(2.77)	0.79
The following represents the profit/(loss) and weighted average number of shares used in the EPS calculations:		
	2012	2011
	\$	\$
Net Profit/(Loss) after Income Tax	(2,025,345)	573,980
	<b>Number of Shares</b>	<b>Number of Shares</b>
Weighted Average Number of Ordinary Shares	73,197,587	72,310,359

The Consolidated Entity has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings/(loss) per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 9. CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2012	2011
	\$	\$
Cash at Bank and in hand	1,942,792	150,948
Short-Term Deposits	3,005,000	5,000
	<u>4,947,792</u>	<u>155,948</u>

#### (b) Reconciliation of Operating Profit/(Loss) after Income Tax to Net Cash used in Operating Activities

Profit/(Loss) after Income Tax	(2,025,345)	573,980
Add Non-Cash Items:		
Depreciation	3,509	2,722
Net Gain on Financial Assets at Fair Value through Profit or Loss	-	(1,306,400)
Net Loss on Financial Assets at Fair Value through Profit or Loss	355,657	-
Write-Off of Fixed Assets	-	1,020
Changes in Assets and Liabilities		
Financial Assets at Fair Value through Profit or Loss	12,940,441	(13,685,153)
Trade and Other Receivables	(67,205)	273,300
Other Current Assets	21,287	(24,887)
Trade and Other Payables	172,320	(68,575)
Provisions	5,489	2,802
Deferred Tax	-	-
	<u>11,406,153</u>	<u>(14,231,191)</u>

#### (c) Risk Exposure

The Consolidated Entity's exposure to interest rate risk is discussed in Note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

### 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	\$	\$
<b>Current</b>		
Listed Investments at Fair Value	9,459,181	6,646,770
Unlisted Investments at Fair Value	150,000	200,000
Units in unlisted FSP Equities Leaders Fund	5,562,232	21,620,741
	<u>15,171,413</u>	<u>28,467,511</u>

#### (a) Risk Exposure

The Consolidated Entity's exposure to price risk is discussed in Note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

11. TRADE AND OTHER RECEIVABLES	2012	2011
	\$	\$
<b>Current</b>		
Deposits and Bonds	485	485
Interest and Dividends receivable	16,931	-
Income Distributions receivable	208,515	150,798
Other receivables	(1,348)	6,095
	<u>224,583</u>	<u>157,378</u>

**(a) Risk Exposure**

The Consolidated Entity's exposure to credit and interest rate risks is discussed in Note 20.

**(b) Impaired Trade Receivables**

None of the Consolidated Entity's receivables are impaired or past due.

12. OTHER CURRENT ASSETS	2012	2011
	\$	\$
Prepayments	<u>3,600</u>	<u>24,887</u>

**13. RESOURCE PROJECTS**

Opening Balance	63,871	-
Exploration and Evaluation Expenditure	992	63,871
<b>Closing Balance</b>	<u>64,863</u>	<u>63,871</u>

The exploration and evaluation expenditures relates to tenement application costs, a portion of which (\$57,032) is refundable if the applications are not granted or withdrawn.

14. PROPERTY, PLANT AND EQUIPMENT	2012	2011
	\$	\$
<b>Office Furniture</b>		
At Cost	5,572	5,572
Accumulated Depreciation	(3,402)	(3,130)
	<u>2,170</u>	<u>2,442</u>
<b>Leasehold Improvements</b>		
At Cost	764	764
Accumulated Depreciation	(279)	(239)
	<u>485</u>	<u>525</u>
<b>Computer Equipment</b>		
At Cost	19,055	17,283
Accumulated Depreciation	(10,945)	(7,749)
	<u>8,110</u>	<u>9,534</u>
	<u>10,765</u>	<u>12,501</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

#### (a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Office Furniture \$	Leasehold Improvements \$	Computer Equipment \$	Total \$
<b>BALANCE AT 1 JULY 2010</b>	<b>2,750</b>	<b>568</b>	<b>4,405</b>	<b>7,723</b>
Additions	-	-	8,520	8,520
Disposals	-	-	(1,020)	(1,020)
Depreciation expense	(308)	(43)	(2,371)	(2,722)
<b>BALANCE AT 30 JUNE 2011</b>	<b>2,442</b>	<b>525</b>	<b>9,534</b>	<b>12,501</b>
<b>BALANCE AT 1 JULY 2011</b>	<b>2,442</b>	<b>525</b>	<b>9,534</b>	<b>12,501</b>
Additions	-	-	1,773	1,773
Disposals	-	-	-	-
Depreciation expense	(272)	(40)	(3,197)	(3,509)
<b>BALANCE AT 30 JUNE 2012</b>	<b>2,170</b>	<b>485</b>	<b>8,110</b>	<b>10,765</b>

### 15. TRADE AND OTHER PAYABLES

	2012 \$	2011 \$
<b>Current</b>		
Trade Payables	1,478	11,093
Other Payables and Accrued Expenses	229,653	47,718
	<b>231,131</b>	<b>58,811</b>

#### (a) Risk Exposure

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 20.

### 16. PROVISIONS

	2012 \$	2011 \$
<b>Current</b>		
Employee Benefits - Annual Leave	1,052	-
Employee Benefits - Long Service Leave	21,250	-
Return of Capital - refer (b)	97,744	-
	<b>120,046</b>	<b>-</b>
<b>Non-Current</b>		
Employee Benefits - Long Service Leave	-	16,813
	<b>-</b>	<b>16,813</b>
	<b>120,046</b>	<b>16,813</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 16. PROVISIONS (continued)

#### (a) Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Return of Capital	Total
	\$	\$
Carrying Amount at Start of Year	-	-
Charged/(Credited) to Equity	4,406,350	4,406,350
Amounts paid during the year	(4,308,606)	(4,308,606)
Carrying Amount at End of Year	<u>97,744</u>	<u>97,744</u>

#### (b) Return of Capital

The Company returned five cents and one cent per share to shareholders in October 2011 and April 2012 (at a total cost of \$3,672,845 and \$733,506 respectively) pursuant to returns of capital approved by shareholders on 4 October 2011 and 4 April 2012 respectively. The provision reflects the return of capital unclaimed by shareholders. The return of capital has no effect on the total number of shares on issue nor the holdings of each shareholder.

#### (c) Amounts not expected to be settled within 12 months

The provision for annual leave and long service leave is presented as current since the Consolidated Entity does not have an unconditional right to defer settlement for any of these employee benefits. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances.

Based on past experience, the employees have never taken the full amount of long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

	2012	2011
	\$	\$
Leave obligations expected to be settled after 12 months	<u>21,250</u>	<u>16,813</u>

### 17. DEFERRED TAX

	2012	2011
	\$	\$
<b>Deferred Tax Assets - Non-Current</b>		
Employee Benefits	5,188	-
Tax Losses	-	-
Other	-	-
	<u>5,188</u>	<u>-</u>
<b>Deferred Tax Liabilities - Non-Current</b>		
Other	5,188	-
	<u>5,188</u>	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 17. DEFERRED TAX (continued)

(a) Movements - Deferred Tax Assets	Employee Benefits	Tax Losses	Other	Total
	\$	\$	\$	\$
AT 1 JULY 2010	-	95,484	34,714	130,198
Credited/(charged) to the profit and loss	-	(95,484)	(34,714)	(130,198)
AT 30 JUNE 2011	-	-	-	-
AT 1 JULY 2011	-	-	-	-
Credited/(charged) to the profit and loss	5,188	-	-	5,188
AT 30 JUNE 2012	5,188	-	-	5,188
(b) Movements - Deferred Tax Liabilities			Other	Total
			\$	\$
AT 1 JULY 2010			(25,722)	(25,722)
Credited/(charged) to the profit and loss			25,722	25,722
AT 30 JUNE 2011			-	-
AT 1 JULY 2011			-	-
Credited/(charged) to the profit and loss			5,188	5,188
AT 30 JUNE 2012			5,188	5,188

18. ISSUED CAPITAL	2012	2011	2012	2011
	Number	Number	\$	\$
Fully paid ordinary shares	73,350,541	72,598,802	22,067,796	26,308,733
Movement in Ordinary shares	Date of Issue	2011 Number	Issue Price \$	2011 \$
AT 1 JULY 2010		72,009,635		26,168,592
Issued under the DRP - refer (b)	30-Sep-10	285,129	0.2325	66,291
Issued under the DRP - refer (b)	17-Mar-11	304,038	0.2429	73,850
AT 30 JUNE 2011		72,598,802		26,308,733
AT 1 JULY 2011		72,598,802		26,308,733
Issued under the DRP - refer (b)	26-Sep-11	1,417,700	0.2188	310,196
Return of capital - refer (c)	14-Oct-11	-		(3,672,845)
Return of capital - refer (c)	18-Apr-12	-		(733,505)
Share buy-back - refer (d)	Sep-11	(559,600)	0.2262	(126,602)
Share buy-back - refer (d)	Oct-11	(106,361)	0.1709	(18,181)
AT 30 JUNE 2012		73,350,541		22,067,796

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 18. ISSUED CAPITAL (continued)

(a) **Ordinary Shares**

Fully paid ordinary shares carry one vote per share and the right to dividends.

(b) **Dividend Reinvestment Plan (DRP)**

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares issued under the plan during the current and previous financial year were set at a 2.5% discount to the volume weighted average market price over five trading days up to and including the relevant dividend record date.

(c) **Return of Capital**

The Company returned five cents and one cent per share to shareholders in October 2011 and April 2012 (at a total cost of \$3,672,845 and \$733,506 respectively) pursuant to a return of capital approved by shareholders on 4 October 2011 and 4 April 2012 respectively. The return of capital has no effect on the total number of shares on issue nor the holdings of each shareholder.

(d) **Share Buy-Back**

The shares bought-back relates to an on-market share buy-back announced by the Company on 17 August 2011. This buy-back expires on 31 August 2012.

During the financial year, the Company cancelled 665,961 shares bought back at a total cost of \$144,783 (at an average cost (including brokerage) of \$0.217).

(e) **Capital Risk Management**

The Company's objectives when managing its capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and the payment of dividends.

The Consolidated Entity has no external borrowings. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

### 19. SEGMENT INFORMATION

As at the balance date, the Consolidated Entity's principal activity is the management of its investments. The Board considers the Consolidated Entity to have only one operating segment in one geographical region which is Australia.

The operating segments are reported in a manner consistent with the internal reporting provided to the "Chief Operating Decision Maker". The "Chief Operating Decision Maker", who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 20. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, accounts receivable and payable, investments in listed securities, investments in the unlisted FSP Equities Leaders Fund and other unlisted securities. The principal activity of the Consolidated Entity is the management of these investments - "financial assets at fair value" (refer to Note 10). The Consolidated Entity's investments are subject to price (which includes interest rate and market risk), credit and liquidity risks.

The Board is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Investment Committee.

The Consolidated Entity holds the following financial instruments:

		2012	2011
	Note	\$	\$
<b>Financial Assets</b>			
Cash and Cash Equivalents	9	4,947,792	155,948
Financial Assets at Fair Value through Profit or Loss	10	15,171,413	28,467,511
Trade and Other Receivables	11	224,583	157,378
		<b>20,343,788</b>	<b>28,780,837</b>
<b>Financial Liabilities</b>			
Trade and Other Payables	15	(231,131)	(58,811)
		<b>(231,131)</b>	<b>(58,811)</b>
<b>NET FINANCIAL ASSETS</b>		<b>20,112,657</b>	<b>28,722,026</b>

#### (a) Market Risk

##### (i) Price Risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position at fair value through profit or loss. The Consolidated Entity is exposed to commodity price risk in respect of its investments indirectly via market risk and equity securities price risk.

The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. By its nature as an investment company, the Consolidated Entity will always be subject to market risk as it invests its capital in securities that are not risk free, reflected in the market price of these securities which can and will fluctuate. The Consolidated Entity does not manage this risk through entering into derivative contracts, futures, options or swaps.

Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market Risk (continued)

##### (i) Price Risk (continued)

The Consolidated Entity is advised by investment manager, FSP Equities Management Limited, that the unlisted FSP Equities Leaders Fund comprise underlying investments in a diversified portfolio both in terms of number of securities held and exposure to a wide range of industry sectors.

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity securities price risk for listed and unlisted financial assets at fair value through profit or loss. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The S&P/ASX 200 Accumulation Index was utilised as the benchmark for the unlisted FSP Equities Leaders Fund at fair value through profit or loss and the All Ordinaries Accumulation Index was utilised as the benchmark for the unlisted and listed shares portfolio.

	Impact on Post-Tax Profit		Impact on Other Components of Equity	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>S&amp;P ASX 200 Accumulation Index</b>				
Increase 5%	106,932	755,011	106,932	755,011
Decrease 5%	(106,932)	(755,011)	(106,932)	(755,011)
<b>ASX All Ordinaries Accumulation Index</b>				
Increase 5%	157,285	155,323	157,285	155,323
Decrease 5%	(157,285)	(155,323)	(157,285)	(155,323)

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the term deposits for the year for the table below is 4.97% (2011: 4.95%).

	2012	2011
	\$	\$
Cash at Bank and in hand	1,942,792	150,948
Short-Term Deposits	3,005,000	5,000
	<b>4,947,792</b>	<b>155,948</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit Risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by the investment manager carrying out all market transactions through recognised and creditworthy brokers and the monitoring of receivable balances. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2012	2011
<b>Cash and Cash Equivalents</b>	\$	\$
AA	-	155,948
AA-	4,947,792	-
	<u>4,947,792</u>	<u>155,948</u>
<b>Trade Receivables (due within 30 days)</b>		
No external credit rating available	<u>224,583</u>	<u>157,378</u>

#### (c) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. The Consolidated Entity's non-cash investments can be realised to meet trade and other payables arising in the normal course of business. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

#### (d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As at 1 July 2009, the Consolidated Entity has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### (d) Fair Value Measurements (continued)

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at 30 June 2012.

	Level 1	Level 2	Level 3	Total
2012	\$	\$	\$	\$
Financial Assets at Fair Value through Profit or Loss:				
Listed Investments at Fair Value	9,459,181	-	-	9,459,181
Unlisted Investments at Fair Value	-	-	150,000	150,000
Units in unlisted FSP Equities Leaders Fund	-	5,562,232	-	5,562,232
<b>2011</b>				
Financial Assets at Fair Value through Profit or Loss:				
Listed Investments at Fair Value	6,646,770	-	-	6,646,770
Unlisted Investments at Fair Value	-	-	200,000	200,000
Units in unlisted FSP Equities Leaders Fund	-	21,620,741	-	21,620,741

The fair value of the unlisted FSP Equities Leaders Fund, is determined from unit price information provided by investment manager, FSP Equities Management Limited and as such this financial instrument is included in level 2. Investments in unlisted shares are considered a level 3 investment as their fair value is unable to be derived from market data.

### 21. COMMITMENTS

	2012	2011
	\$	\$
Not longer than one year	157,261	209,859
Later than one year but not later than five years	-	220,352
	<u>157,261</u>	<u>430,211</u>

The non-cancellable operating lease commitment is the Consolidated Entity's share of the office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a 7 year term expiring 30 June 2013 and contains a rent review increase each year alternating between 5% and the greater of market rate or CPI + 1%.

### 22. CONTINGENCIES

The Consolidated Entity does not have any contingent assets or liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2012

### 23. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) Subsequent to balance date and to the date of this report, the Company:
- (i) Realised \$1.98 million from the sale of listed securities; and
  - (ii) Invested a further \$1.68 million in listed securities.
- (b) On 31 August 2012, the Company announced its intention to seek shareholder approval to undertake a one cent per share return of capital (Return of Capital). The Return of Capital is to be effected by the Company seeking shareholder approval for a reduction in the share capital of the Company by returning one cent per share to shareholders – this equates to an aggregate reduction of share capital by approximately \$0.733 million based upon the Company's 73,350,541 shares currently on issue. No shares will be cancelled as a result of the Return of Capital. Accordingly, the number of shares held by each shareholder will not change as a consequence of the Return of Capital. The Return of Capital will have no effect on the number of shares on issue. The Return of Capital is subject to shareholder approval which will be sought at the upcoming 2012 annual general meeting scheduled for 16 November 2012. Meeting documentation advising details of the meeting together with relevant explanatory materials will be despatched to shareholders and sent to the ASX in due course. The meeting documentation will include details of the record date for determining eligibility to participate in the Return of Capital and the expected payment date, assuming the requisite resolution is passed by shareholders. If all conditions are met, including shareholder approval, the Directors aim to have Return of Capital paid in late November/early December 2012.

No other matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes as set out on pages 24 to 50 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
  - (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 17 to 20 (as the audited Remuneration Report) comply with section 300A of the *Corporate Act 2001*;
4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Executive Chairman (the person who, in the opinion of the Directors, performs the chief executive function) and Company Secretary (the person who, in the opinion of the Directors, performs the chief financial officer function); and
5. The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.



**Farooq Khan**  
Chairman



**Christopher Ryan**  
Director

31 August 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENTLEY CAPITAL LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Bentley Capital Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bentley Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion:

- (a) the financial report of Bentley Capital Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Bentley Capital Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 31<sup>st</sup> day of August 2012

# CORPORATE GOVERNANCE

## Compliance with Corporate Governance Council's Principles

The extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition, August 2007) is as follows:

Principle	Compliance	CGS References / Comments
<b>Principle 1: Lay solid foundations for management and oversight</b>		
Companies should establish and disclose the respective roles and responsibilities of board and management		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	2, 3.2, 3.5, 4.1, 4.2
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	3.12
1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1.  The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> <li>an explanation of any departure from Recommendation 1.1, 1.2 or 1.3.</li> <li>whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> </ul> A statement of matters reserved for the board or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	Yes	CGS Annual Reports Website
<b>Principle 2: Structure the board to add value</b>		
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties		
2.1 A majority of the board should be independent directors.	No	3.5, 3.6
2.2 The chair should be an independent director.	No	3.2, 3.6
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Not applicable	3.2, 4.1  Note: the Company has an Executive Chairman but does not have a Chief Executive Officer or Managing Director
2.4 The board should establish a nomination committee.	Yes	4.2 Remuneration Committee Charter
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	3.12
2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.  The following material should be included in the corporate governance statement in the annual report: <ul style="list-style-type: none"> <li>the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.</li> <li>the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.</li> <li>the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships.</li> <li>a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.</li> <li>the period of office held by each director in office at the date of the annual report.</li> <li>the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out.</li> </ul>	Yes  (as applicable)	CGS Annual Reports Website



# CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
<ul style="list-style-type: none"> <li>whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> <li>an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:</p> <ul style="list-style-type: none"> <li>a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors.</li> <li>the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</li> <li>the board's policy for the nomination and appointment of directors.</li> </ul>		
<b>Principle 3: Promote ethical and responsible decision making</b> Companies should actively promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	Code of Conduct
3.1.1 the practices necessary to maintain confidence in the company's integrity.		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning trading in company securities by directors officers and employees and disclose the policy or a summary of that policy.	Yes	3.9 Website
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	3.17 CGS
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Annual Reports Website
3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3. An explanation of any departures from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	Yes	CGS Annual Reports Website
<ul style="list-style-type: none"> <li>any applicable code of conduct or a summary.</li> <li>the diversity policy or a summary of its main provisions.</li> </ul>		
<b>Principle 4: Safeguard integrity in financial reporting</b> Companies should have a structure to independently verify and safeguard the integrity of their financial reporting		
4.1 The board should establish an audit committee.	Yes	4.2
4.2 Structure the audit committee so that it: <ul style="list-style-type: none"> <li>consists only of non-executive directors.</li> <li>consists of a majority of independent directors.</li> <li>is chaired by an independent chair, who is not chair of the board.</li> <li>has at least three members.</li> </ul>	No (save that the Chair is an independent Non-Executive Director)	4.2
4.3 The audit committee should have a formal charter.	Yes	Audit Committee Charter Website

# CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
<p>4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.</p> <p>The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> <li>• details of the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee or, where a company does not have an audit committee, how the functions of an audit committee are carried out.</li> <li>• the number of meetings of the audit committee and the names of the attendees.</li> <li>• explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>• the audit committee charter.</li> <li>• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.</li> </ul>	Yes  (as applicable)	CGS  Annual Reports  Website
<p><b>Principle 5: Make timely and balanced disclosure</b></p> <p>Companies should promote timely and balanced disclosure of all material matters concerning the company</p>		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	8.2
<p>5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.</p> <p>An explanation of any departures from Recommendation 5.1 or 5.2 should be included in the corporate governance statement in the annual report..</p> <p>The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's web site in a clearly marked corporate governance section.</p>	Yes	CGS  Annual Reports  Website
<p><b>Principle 6: Respect the rights of shareholders</b></p> <p>Companies should respect the rights of shareholders and facilitate the effective exercise of those rights</p>		
6.1 Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	8.1
<p>6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6.</p> <p>An explanation of any departures from best practice recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.</p> <p>The company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section.</p>	Yes	CGS  Annual Reports  Website
<p><b>Principle 7: Recognise and manage risk</b></p> <p>Companies should establish a sound system of risk oversight and management and internal control</p>		
7.1 Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies.	Yes	7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7.1
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	7.1

# CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
<p>7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7.</p> <p>The following material should be included in the corporate governance section of the annual report:</p> <ul style="list-style-type: none"> <li>• an explanation of any departures from best practice recommendations 7.1, 7.2, 7.3 or 7.4.</li> <li>• whether the board has received the report from management under Recommendation 7.2.</li> <li>• whether the board has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>• a summary of the company's policies on risk oversight and management of material business risks.</li> </ul>	Yes	CGS Annual Reports Website
<p><b>Principle 8: Remunerate fairly and responsibly</b></p> <p>Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear</p>		
8.1 The board should establish a remuneration committee.	Yes	4.2
<p>8.2 The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members</li> </ul>	No (save that the Chair is an independent Non-Executive Director)	4.2 Remuneration Committee Charter
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Remuneration Report in the Directors' Report (within Annual Reports)
<p>8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8.</p> <p>The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> <li>• the names of the members of the remuneration committee and their attendance at meetings of the committee or, where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out.</li> <li>• the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors.</li> <li>• an explanation of any departure from Recommendations 8.1, 8.2 or 8.3.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</li> <li>• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.</li> </ul>	Yes (as applicable)	CGS Annual Reports Website

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT (CGS)

### 1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining high standards of corporate governance. Good corporate governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Corporate Governance Principles and Recommendations developed by the ASX Corporate Governance Council ("Council"). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of the Council's recommendations can be found on the ASX website at:  
<http://www.asx.com.au/governance/corporate-governance.htm>

### 2. Board of Directors - Role and Responsibilities

In general the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the matters set out below, subject to delegation as specified elsewhere in this Statement or as otherwise appropriate:

- (1) formulation and approval of the strategic direction, objectives and goals of the Company;
- (2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- (3) the resourcing, review and monitoring of executive management and the Investment Committee;

- (4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (5) the identification of significant business risks and ensuring that such risks are adequately managed;
- (6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- (7) the establishment and maintenance of appropriate ethical standards; and
- (8) the Board takes advice from the Audit Committee and the Remuneration Committee on matters within their respective Charters, however the Board retains final decision-making authority on those matters.

### 3. Board of Directors - Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the current size and the scale and nature of the Company's activities. The names of the Directors currently in office and their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

#### 3.1. Skills, Knowledge and Experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board recognises its need to contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration and director-level business or corporate experience, having regard to the scale and nature of the Company's activities. A Director is initially appointed by the Board and retires (and may stand for re-election) at the next Annual General Meeting after their appointment.

#### 3.2. Executive Chairman

The Executive Chairman leads the Board and has responsibility for ensuring that the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Executive Chairman of the Company is Mr Farooq Khan, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012. The Company does not have a Managing Director or Chief Executive Officer.

#### 3.3. Executive Director

Mr William Johnson is an Executive Director of the Company. His qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

# CORPORATE GOVERNANCE

## 3.4. Non-Executive Director

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Christopher Ryan is a Non-Executive Director. His qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

## 3.5. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

## 3.6. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last 3 years has not been employed in an Executive capacity by the Company or another group member;
- (3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the provision of material professional or consulting services;
- (4) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (5) has no material contractual relationship with the Company other than as a Director of the Company; and
- (6) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Messrs Farooq Khan and William Johnson are not regarded as independent Directors as they are Executive Directors of the Company.

Mr Christopher Ryan is regarded as an independent Non-Executive Director.

## 3.7. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

- (1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or his duties to any other parties and the interests of the

Company in carrying out the activities of the Company; and

- (2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters to which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

## 3.8. Related-Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

## 3.9. Share Dealings and Disclosures

The Company has adopted a [Securities Trading Policy](#) (dated 31 December 2010), a copy of which is available for viewing and downloading from the Company's website.

## 3.10. Board Nominations

The Board (on recommendations received from the Remuneration Committee) will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

## 3.11. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director (other than a Managing Director) may not retain office for more than three calendar years or beyond the third Annual General Meeting following their election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (save for a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

The initial appointment and last re-election dates of each Director are listed below.

Director	Appointed	AGM Last Re-elected
Farooq Khan	2 December 2003	19 November 2010
William Johnson	13 March 2009	20 November 2009 (standing for re-election at 2012 AGM)
Christopher Ryan	5 February 2004	11 November 2011

# CORPORATE GOVERNANCE

## 3.12. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively and that individual and collective performance is regularly and fairly reviewed. Directors are encouraged to attend director training and professional development courses, as required, at the Company's expense. New Directors will have access to all employees to gain full background on the Company's operations.

The Remuneration Committee is responsible for reviewing the performance and remuneration of the Executive Directors and reporting to the Board on the results of their review and their recommendations arising therein.

## 3.13. Meetings of the Board

The Board holds regular meetings approximately monthly and holds additional Board meetings whenever necessary to deal with specific matters requiring attention. Directors' Circulatory Resolutions are also utilised where appropriate either in place of or in addition to formal Board meetings. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

## 3.14. Independent Professional Advice

Subject to prior approval by the Chairman/Board (as applicable), each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

## 3.15. Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to Company Executives. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential all information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

## 3.16. Directors' and Officers' Deeds

The Company has also entered into a deed with each of the current Directors and the Company Secretary to regulate certain matters between the Company and each officer, both during the time the officer holds office and after the officer ceases to be an officer of the Company (or of any of its wholly-owned subsidiaries). A summary of the terms of such deeds is contained within the Remuneration Report in the Directors' Report for the financial year ended 30 June 2012 and in the 2009 Notice of AGM dated 13 October 2009.

## 3.17. Board Diversity

The Board, senior management and workforce of the Company currently comprises individuals that are multiculturally diverse together with an appropriate blend of qualifications and skills.

The Company recognises the positive advantages of a diverse workplace and is committed to:

- (1) creating a working environment conducive to the appointment of well qualified employees, senior management and Board candidates; and
- (2) identifying ways to promote a corporate culture which embraces diversity.

The Board has delegated the responsibility of monitoring and ensuring workplace diversity to the Executive Chairman.

Given the relatively small size of the Company workforce and the current nature and scale of the Company's activities at this time, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity. The Board will monitor the progress and assess the effectiveness of diversity within the Company on an ongoing basis. The Board will further consider the establishment of objectives for achieving gender diversity as the Company develops and its circumstances change.

The Company does not currently have any women in senior executive roles or on the Board. 46% of the Company's current employees are female.

## 4. Management

### 4.1. Executives

The Company does not presently have a Managing Director, Chief Executive Officer or Chief Financial Officer.

The Board has determined that the Executive Chairman is the appropriate person to make the Chief Executive Officer equivalent declaration and the Company Secretary is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the financial year ended 30 June 2012, as required under section 295A of the Corporations Act and recommended by the Council.

### 4.2. Board and Management Committees

**Investment Committee:** In March 2009, the Board established an Investment Committee which currently comprises the Executive Chairman, Mr Farooq Khan, Executive Director, Mr William Johnson, and the Company Secretary, Mr Victor Ho. The Investment Committee's role is to implement the Company's Investment Mandate, approved by shareholders in February 2009 and Company's investment strategies approved by the Board.

The Investment Committee's authority is subject to limits on the categories of investments it can make (imposed by the Investment Mandate) and financial limits within those categories, imposed by the Board. The Investment Committee reports regularly to the Board.

# CORPORATE GOVERNANCE

**Audit Committee:** In October 2009, the Board established an Audit Committee which currently comprises independent Non-Executive Director, Mr Christopher Ryan (appointed Chair of the Committee) and Executive Director, Mr William Johnson. Their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

The Audit Committee has a formal charter to prescribe its role and responsibilities, composition, structure and the membership requirements of the Committee and to govern its operation, which includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor. The [Audit Committee Charter](#) may be viewed and downloaded from the Company's website.

**Remuneration Committee:** In October 2010, the Board established a Remuneration Committee which currently comprises independent Non-Executive Director, Mr Christopher Ryan (appointed Chair of the Committee) and Executive Director, Mr William Johnson. Their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

The Remuneration Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has:

- (a) a remuneration function (with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Executive Directors, including equity-based remuneration and assist the Executive Chairman to determine the remuneration benefits of senior management and advise on those determinations); and
- (b) a nomination function (with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Managing Director (where applicable), the development and review of Board succession plans and addressing Board diversity).

The [Remuneration Committee Charter](#) may be viewed and downloaded from the Company's website.

## 4.3. Investment Manager

In March 2009, FSP Equities Management Limited (FSP) – then Investment Manager to Scarborough Equities Limited (now known as Scarborough Equities Pty Ltd and a wholly owned subsidiary of the Company) (Scarborough) – became an Investment Manager to the Company under the merger with Scarborough. As Investment Manager, FSP will invest Company funds placed with it in its FSP Equities Leaders Fund (FSP Fund) – a wholesale fund not open to retail investors. FSP's investment management team is lead by Mr Ronni Chalmers. The Board maintains regular contact with the Investment Manager who provides regular reports in relation to the performance of the FSP Fund.

## 5. Remuneration Policy

Please refer to the Remuneration Report in the Directors' Report for the financial year ended 30 June 2012. Directors do not currently have any equity-based remuneration.

## 6. Code of Conduct and Ethical Standards

The Company has developed a formal [Code of Conduct](#), which may be viewed and downloaded from the Company's website. The Code sets and creates awareness of the standard of conduct expected of Directors, officers, employees and contractors in carrying out their roles. The Company seeks to encourage and develop a culture which will maintain and enhance its reputation as a valued corporate citizen and an employer which personnel enjoy working for.

The Code sets out policies in relation to various corporate and personal behaviour including safety, discrimination, respecting the law, anti-corruption, interpersonal conduct, conflicts of interest and alcohol and drugs.

## 7. Internal Control, Risk Management and Audit

### 7.1. Internal Control and Risk Management

The Board of Directors is responsible for (but takes advice from the Audit Committee in relation thereto) the overall internal control framework (which includes risk management) and oversight of the Company's policies on and management of risks that have the potential to impact significantly on operations, financial performance or reputation.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably-qualified and experienced service providers such as Investment Manager, FSP, and suitably-qualified and experienced management personnel. The effectiveness of the system is monitored and continually reviewed by management on an on-going basis and at least annually by the Board. On a day-to-day basis, managing the various risks inherent in the Company's operations is the responsibility of the Executive Directors and the Company Secretary. Risks facing the Company can be divided into the broad categories of operations, compliance and market risks.

Operations risk refers to risks arising from day to day operational activities which may result in direct or indirect loss from inadequate or failed internal processes, decision-making, exercise of judgment, people or systems or external events. The Executive Directors and the Company Secretary have delegated responsibility from the Board for identification of operations risks generally, for putting processes in place to mitigate them and monitoring compliance with those processes.

The Company has clear accounting and internal control systems to manage risks to the accuracy of financial information and other financial risks.

# CORPORATE GOVERNANCE

Compliance risk is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on the Company's business, reputation and financial condition. The Company's compliance risk management strategy ensures compliance with key legislation affecting the Company's activities. The Company's compliance strategy is kept current with advice from senior external professionals and the ongoing training of Executives and other senior personnel involved in compliance management. The Company Secretary has oversight responsibility for managing the Company's compliance risk.

The Company has policies on responsible business practices and ethical behaviour including conflict of interest and share trading policies to maintain confidence in the Company's integrity and ensure legal compliance.

Market risk encompasses risks to the Company's performance from changes in equity prices, interest rates, currency exchange rates, capital markets and economic conditions generally. The Company has appointed an Investment Committee as the first line in managing this risk, under the supervision of the Board. The Board retains final responsibility to assess the Company's exposure to these risks and set the strategic direction for managing them. Further details are in the Note 20 (Financial Instruments) to the financial statements for the financial year ended 30 June 2012.

The Company's approach to risk management is not stationary; it evolves constantly in response to developments in operations and changing market conditions.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

## 7.2. Audit

The Company's external auditor (**Auditor**) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company's audits is rotated every three years. The Auditor is invited to attend the Company's annual general meetings (in person or by teleconference) to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

## 8. Communications

### 8.1. Market and Shareholder Communications

The Company is owned by shareholders. Increasing shareholder value is the Company's key mission. Shareholders require an understanding of the Company's operations and performance to enable them to see how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors need to be able to ascertain the shareholders' views on matters affecting the Company.

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including:

- (1) monthly NTA Backing announcements released to ASX, which are posted on the Company's website;
- (2) the Annual Report which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company's website;
- (3) the Annual General Meeting (**AGM**) and other general meetings called in accordance with the Corporations Act and to obtain shareholder approvals as appropriate. The Executive Chairman and the Investment Manager (as appropriate) gives addresses at the AGM updating shareholders on the Company's investment activities;
- (4) Half-Yearly Directors' and Financial Reports which are posted on the Company's website; and
- (5) other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which is also posted on the Company's website.

Shareholders communicate with Directors through various means including:

- (1) having the opportunity to ask questions of Directors at all general meetings;
- (2) the availability of the external auditor at Annual General Meetings to take shareholder questions on any issue relevant to their capacity as auditor;
- (3) the Company's policy of expecting Directors to be available to meet shareholders at Annual General Meetings; and
- (4) the Company making Directors and selected senior employees available to answer shareholder questions submitted by telephone, email and other means.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: [www.bel.com.au](http://www.bel.com.au) or the ASX website: [www.asx.com.au](http://www.asx.com.au) under ASX code "BEL". The Company also maintains an email list for the distribution of the Company's announcements via email in a timely manner.

### 8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX.



# CORPORATE GOVERNANCE

In accordance with the Corporations Act and ASX Listing Rule 3.1 the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform the Executive Director to whom they report or, in their absence, another Executive Director of any potentially price-sensitive information. In general, the Company will not respond to market speculation or rumours unless required to do so by law or by the ASX Listing Rules.

The Executive Chairman has general responsibility to speak to the media, investors and analysts on the Company's behalf. Other Directors or senior Executives may be given a brief to do so on particular occasions.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Directors are authorised to determine whether to seek a trading halt.

*22 October 2012*

# INVESTMENT MANDATE

The Investment Objectives of Bentley are to:

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

## 1. INVESTMENT STRATEGY

Bentley will implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

Bentley will not allocate a fixed proportion of funds into each or any of the above investment categories, as it believes that complete flexibility to invest across these categories is key to maximising medium-term value growth for shareholders.

For each strategic and non-strategic investment, Bentley will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for the investment portfolio in aggregate, Bentley will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

### (a) Strategic Investments

Bentley will seek to undertake investments in which it 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.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on Bentley's ability to identify, attract and exploit unique opportunities.

### (b) Non-Strategic Investments

Bentley will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where Bentley sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments Bentley does not envisage that it will take an active role in the management of the investment.

## 2. PORTFOLIO ALLOCATION

In executing its Investment Strategy, Bentley may, from time to time, hold a high proportion of net assets in cash, preferring to be patient and selective rather than filling its investment portfolio with mediocre or underperforming investments for the sake of becoming "fully-invested".

Bentley will not be limited to the principles of broad diversification; in other words, Bentley may invest a significant proportion of funds in any single investment that represents an exceptional opportunity.

## 3. INVESTMENTS

Investments may be made by Bentley in Australia and overseas and into any underlying industry, business or sector, in accordance with Bentley's stated Investment Objectives and Strategies.

In pursuit of the Investment Objectives and execution of the Investment Strategies outlined above, Bentley will have absolute discretion in applying its equity and any debt funds to a universe or range of potential investments in assets, businesses, securities, hybrid securities, cash, bills of exchange, other negotiable investments, debentures and other investments and structures.

## 4. MANAGEMENT OF INVESTMENTS

Bentley's investment decisions are carried out by its Investment Committee which currently comprises Executive Chairman, Farooq Khan, Executive Director, William Johnson and Company Secretary, Victor Ho (in conjunction with external consultants and advisers where appropriate). If it believes that it is in the best interests of Bentley, the Board may chose to delegate part or all of the responsibility for making investment decisions to an external investment manager, subject to the investment manager having appropriate capabilities, experience and the necessary Australian Financial Services licences(s).

# LIST OF SHARE INVESTMENTS

## SHARE INVESTMENT PORTFOLIO AS AT 30 JUNE 2012

Listed Investment	ASX Code	Industry	No of units	Market Value (\$)	% of Portfolio
MEO Australia Limited	MEO	Energy	27,025,257	6,486,062	42.75%
Buru Energy Limited	BRU	Energy	280,000	873,600	5.76%
Beach Energy Limited	BPT	Energy	620,000	582,800	3.84%
Spotless Group Limited	SPT	Materials	201,329	511,376	3.37%
Kimberley Rare Earths Limited	KRE	Materials	5,500,000	352,000	2.32%
Yancoal Australia Limited – Contingent Value Rights	YALN	Materials	121,325	293,607	1.94%
Yancoal Australia Limited	YAL	Materials	121,325	146,803	0.97%
Miscellaneous listed securities	Various	Various	N/A	212,934	1.40%
<b>Total Listed Investments</b>				<b>9,459,182</b>	<b>62.35%</b>
<b>Unlisted Investment</b>					
Miscellaneous unlisted securities <sup>1</sup>			N/A	150,000	0.99%
<b>Total Unlisted Investments</b>				<b>150,000</b>	<b>0.99%</b>
<b>Unit Trust (Unlisted)</b>					
FSP Equities Leaders Fund (FSP Fund)			5,173,350	5,562,231	36.66%
<b>Total Unit Trust Funds</b>				<b>5,562,231</b>	<b>36.66%</b>
<b>TOTAL</b>				<b>\$15,171,413</b>	<b>100.00%</b>

## SHARE INVESTMENT PORTFOLIO AS AT 30 SEPTEMBER 2012

Listed Investment	ASX Code	Industry	No of units	Market Value (\$)	% of Portfolio
MEO Australia Limited	MEO	Energy	11,422,168	2,455,766	20.73%
Beach Energy Limited	BPT	Energy	1,300,000	1,638,000	13.83%
Cash Converters Limited	CCV	Retailing	699,761	528,320	4.46%
Mesbon China Nylon Limited	MES	Consumer Durables	1,562,347	523,386	4.42%
Kimberley Rare Earths Limited	KRE	Materials	5,500,000	357,500	3.02%
Miscellaneous listed securities	Various	Various	N/A	288,931	2.44%
<b>Total Listed Investments</b>				<b>5,791,903</b>	<b>48.90%</b>
<b>Unlisted Investment</b>					
Miscellaneous unlisted securities <sup>1</sup>			N/A	150,000	1.27%
<b>Total Unlisted Investments</b>				<b>150,000</b>	<b>1.27%</b>
<b>Unit Trust (Unlisted)</b>					
FSP Equities Leaders Fund			5,173,350	5,903,413	49.84%
<b>Total Unit Trust Funds</b>				<b>5,903,413</b>	<b>49.84%</b>
<b>TOTAL</b>				<b>\$11,845,316</b>	<b>100.00%</b>

1. The unlisted securities are valued at Directors' valuation.

# ADDITIONAL ASX INFORMATION

## TRANSACTIONS AND BROKERAGE

During the financial year, the Company entered into 151 (2011: 19) transactions for the purchase and sale of securities, incurring brokerage fees totalling \$42,990 (2011: \$15,685). The Company undertook 1 investment into and 2 redemptions from the FSP Fund. There are no entry or exit fees applicable to the FSP Fund.

## INVESTMENT MANAGEMENT AGREEMENTS

- (a) An Investment Management Agreement dated 9 December 2004 (**IMA**) between Scarborough Equities Pty Ltd (**Scarborough**) (a wholly owned subsidiary of Bentley) and FSP Equities Management Limited ABN 120 098 327 809 AFSL 246790 (**FSP**) expired on 9 December 2006 and FSP's mandate has continued on a month to month basis in accordance with the terms therein. Under the terms of the IMA: (a) FSP is to invest and manage Scarborough's investment portfolio in the FSP Fund and (b) the management fees normally payable by participants in the FSP Fund is 1% per annum base management fee and a performance fee of 20% of the performance of the fund in excess of the S&P/ASX 200 Accumulation Index benchmark. The Company has negotiated a variable fee structure that represents a favourable rebate to the normal fees charged by the FSP Fund, whilst still providing a material incentive to the Investment Manager for investment out performance of the benchmark. The payment of management fees to FSP occur through the deduction by the manager of monies invested within the FSP Fund. The value of the investment in the FSP Fund is therefore net of fees payable to the manager from time to time.
- (b) The Company established an Individually Managed Account (on 22 May 2012) with Leyland Private Asset Management Pty Ltd ABN 75 081 890 799 AFSL 223419 (**Leyland**) which operates as a "managed discretionary account" whereby Leyland has authority and discretion to undertake investments in listed securities which are held in the Company's name. Leyland is entitled to receive a 1.5% per annum base management fee and a performance fee of 10% of the outperformance of the portfolio benchmarked against the ASX 200 Accumulation Index subject to a "high water mark" (which effectively requires a claw back of any previous underperformance and investment management fees (which are paid from the portfolio account)). The account may be terminated on 2 week's notice. The fees on the account (which was opened on 22 May 2012) to 30 June 2012 were waived by Leyland and as such, nil fees were paid/are payable to Leyland for the financial year ended 30 June 2012.
- (c) The Company has established a Managed Discretionary Account (on 22 May 2012) with Sentinel Financial Group Pty Ltd ABN 26 104 456 288 AFSL 230542 (**Sentinel**) whereby Sentinel has authority and discretion to undertake investments in listed securities which are held in the Company's name. Sentinel is entitled to receive a performance fee of 20% of the absolute performance of the portfolio subject to a rolling 4 quarter "high water mark" (which effectively requires a claw back of any underperformance in the previous 4 quarters). The account may be terminated on 10 business day's notice. \$3,000 fees were paid/are payable to Sentinel for the financial year ended 30 June 2012.

## ON-MARKET SHARE BUY-BACK

On 17 August 2011<sup>4</sup>, Bentley announced its intention to conduct an on-market share buy-back of up to 6,599,890 shares (**Buy-Back**). A total of 559,600 shares have been bought back at a total cost of \$125,910 (at an average buy-back price of \$0.225) (with the last trade occurring on 14 October 2011). These shares were cancelled on 27 September 2011. The Buy-Back expired on 31 August 2012 after 12 months.

## VOTING RIGHTS

- At any meeting of the members, each member entitled to vote may vote in person or by proxy or by power of 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 power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

<sup>4</sup> Refer 17 August 2011 ASX market announcement ["Intention to Conduct On-Market Share Buy-Back"](#) and [Appendix 3C - Announcement of Buy-Back dated 17 August 2011](#)

# ADDITIONAL ASX INFORMATION

## as at 30 September 2012

### DISTRIBUTION OF LISTED ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,000	261	128,277	0.175%
1,001	-	5,000	775	2,392,400	3.262%
5,001	-	10,000	404	2,915,403	3.975%
10,001	-	100,000	560	14,846,506	20.240%
100,001	-	and over	71	53,067,955	72.348%
<b>Total</b>			<b>2,071</b>	<b>73,350,541</b>	<b>100%</b>

### Unmarketable Parcel

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	3,030	651	955,060	1.302%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 3,030 shares or less, being a value of \$500 or less in total, based upon the Company's closing share price on ASX on 30 September 2012 of \$0.165 per share.

### SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Registered Shareholder	Number of Shares held	Voting Power
Orion Equities Limited (OEQ)	OEQ	20,513,783	27.97%
Queste Communications Ltd (QUE)	QUE	1,740,625	30.34% <sup>(1)</sup>
	OEQ	20,513,783	
Mr Azhar Chaudhri, Renmuir Holdings Limited and Chi Tung Investments Ltd	QUE	1,740,625	30.34% <sup>(2)</sup>
	OEQ	20,513,783	
Data Base Systems Limited (DBS)	DBS	11,717,586	15.98% <sup>(3)</sup>

Notes:

- (1) Based on the [substantial shareholding notice filed by QUE dated 15 October 2009](#)
- (2) Based on the [substantial shareholding notice filed by Azhar Chaudhri dated 1 May 2012](#)
- (3) Based on the [substantial shareholding notice filed by DBS and Ambreen Chaudhri dated 15 May 2012](#)

# ADDITIONAL ASX INFORMATION

## as at 30 September 2012

### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares Held	% Issued Capital
1	ORION EQUITIES LIMITED	20,513,783	27.967
2	DATABASE SYSTEMS LTD	11,717,586	15.975
3	3 <sup>RD</sup> PULITANO INCORPORATION PTY LTD	1,876,164	2.558
4	QUESTE COMMUNICATIONS LTD	1,740,625	2.373
5	MR JOHN ROBERT DILLON	1,489,019	2.030
6	MR COLIN JOHN VAUGHAN & MRS ROBIN VAUGHAN	887,945	1.211
7	BLUEDALE PTY LTD	748,332	1.020
8	PATJEN2 PTY LIMITED	557,441	0.760
9	AVENUE ATHOL PTY LTD	536,046	0.731
10	DENE NOMINEES PTY LTD	536,045	0.731
11	MRS KERRY ELIZABETH DRAFFIN	530,598	0.723
12	MR MICHAEL BRUCE SMITH & MRS KAY SMITH	481,044	0.656
13	LEIBLER SUPERANNUATION NOMINEES PTY LTD	457,743	0.624
14	CHARLES W ROCKEFELLER PTY LTD	407,721	0.552
15	MANAR NOMINEES PTY LTD	390,773	0.533
16	MON NOMINEES PTY LTD	390,000	0.532
17	MRS LEANNE MAREE ROCKEFELLER	386,827	0.527
18	DALEREGENT PTY LTD	376,121	0.513
19	AVANTESOS INVESTMENTS LIMITED	322,767	0.440
20	EDDAGATE PTY LIMITED	316,000	0.431
<b>TOTAL</b>		<b>44,662,580</b>	<b>60.887%</b>

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**BENTLEY CAPITAL LIMITED**  
ABN 87 008 108 218

[www.bel.com.au](http://www.bel.com.au)

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