



Bentley
International Limited

ANNUAL GENERAL MEETING CHAIRMAN'S REVIEW

COMPANY AFFAIRS

During the past year, the Company has continued to work through its state of transition which began in December 2002 with the resignation of BT Funds Management as Investment Manager.

At the Company's 2003 Annual General Meeting on 28 October 2003, a resolution proposed by the former Board to seek support for the appointment of Select Asset Management Limited as the investment manager to implement Select's hedge fund and derivatives strategies was not approved.

Subsequent to that AGM, Sofcom Limited, a substantial shareholder of the Company, proposed the appointment of Constellation Capital Management Limited as new investment manager and the appointment of a new Board to take Bentley into the future.

This proposal was considered by shareholders at a General Meeting held on 5 February 2004, which proposed the appointment of new Directors to implement a new investment strategy via the appointment of Constellation as new investment manager.

Shareholders overwhelmingly supported such proposal leading to the appointment of a new Board. Shareholders also approved a change of name for the Company to "Bentley International Limited".

I would like to take this opportunity to thank former Chairman, Tony Hartnell and former directors, Ross Finley and Clive Powell, for their many years of service to the Company and for ensuring a smooth transition to the new Board.

The new Board with the effective mandate of shareholders then negotiated the terms of formal appointment of Constellation as new investment manager and National Australia Bank Limited as new custodian for initial terms of 2 years. The

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last of such appointments were concluded in August and Constellation formally took over as investment manager in early September 2004.

Constellation's investment mandate is to invest in the international equities component of its HomeGlobal™ Investment Strategy – consistent with the principal investment objective of the Company to achieve medium to long term capital appreciation by primarily investing in equity securities listed on the world's major stock markets.

Constellation's Managing Director, Doug Little, will be making a presentation about its HomeGlobal™ Investment Strategy and the current status of the Company's Investment Portfolio after my address to shareholders.

The Directors have also recently declared a fully franked interim 2004/05 dividend of one cent per share which was paid on 27 September 2004 as a result of the profits made on realisation of the Company's investment in the Vanguard International Shares Index Fund prior to transferring cash funds to Constellation for management.

Such dividend re-establishes the dividend paying record of the Company since 1986 and the Directors hope to be able to declare dividends on a regular basis to provide a franked dividend income stream to shareholders. Indeed, the Directors hope that under Constellation's management, the investments made by the Company will allow for a final fully franked dividend of at least one cent per share to be paid in respect of the current 2004/05 financial year.

FINANCIAL PERFORMANCE

Now turning to the Company's financial performance during the past year:

Net profit after tax was \$1.9 million compared with a net loss of \$4 million for the previous period.

Earnings per share was 5 cents per share compared with a loss of 10 cents per share for the previous period.

This turn-around in net profits was largely due to an improvement in the value of the Company's investments in the Vanguard International Shares Index Fund and the fact that heavy losses were crystallised in the previous year on the liquidation of the Company's international investment portfolio as a consequence of the resignation of BT Funds Management as investment manager.

The Company was not in a position to pay dividends notwithstanding such profit due the policy of paying dividends only from realised gains made on the sale of investments and investment income received. As the Company's after tax net profit of \$1.9 million was based upon a \$2.5 million unrealised gains on investment, the Company was not in a position to pay a final dividend for the 2003/04 year.

Pre and post tax NTA backing was 49 and 48 cents per share respectively as at 30 June 2004. This compares with a pre and post tax NTA backing of 43 cents per share as at 30 June 2003.

The one year return to 30 June 2004 on the Company's post-tax NTA backing was 11.71%. This compares with 19.36% net return on the Vanguard International Shares Index Fund and a 19.38% return on the MSCI World ex Australia Index.

A reason why the Company performance did not track Vanguard's performance was that not all of the Company's net available funds were invested in the Vanguard International Shares Index Fund for the whole of the financial year. This was as a consequence of the old Board's determination in late 2002 to invest only 80% of the Company's net available funds into the Vanguard International Shares Index Fund with the balance placed in an at call bank account.

The current status of the Company's investment portfolio will be discussed by Doug Little during Constellation's presentation after my address.

However, I note that the Company's NTA backing was 43.55 cents per share as at 30 September 2004 – this is after the one cent per share dividend paid on 27 September 2004.

Further details about the matters I have spoken about to date are also outlined in the Company's 2004 Annual Report.

AGM RESOLUTIONS

Now turning to the resolutions to be considered at this AGM.

- (1) Resolution 1 is an ordinary resolution and seeks the re-election of Simon Cato as director. Simon was appointed a director by the Board on 5 February 2004;
- (2) Resolution 2 is a special resolution and seeks the voluntarily winding up of the Company as a consequence of a "triggering" of the Company's existing voluntarily winding up mechanism. The Directors' calculation shows that the weighted average of the Company's weighted average share price as a percentage of NTA backing in each of the 3 months to 30 June 2004 was 75%. Accordingly, as this figure was less than the 90% minimum threshold, the voluntary winding up mechanism has been "triggered."
- (3) If Resolution 2 is passed by shareholders, Resolution 3, which is an ordinary resolution, seeks the appointment of Hall Chadwick partner, Geoffrey McDonald, as liquidator of the Company as well as other related matters dealing with the liquidator's remuneration and the early destruction of the Company's records after liquidation;
- (4) If Resolution 2 is not passed, Resolution 4, which is a special resolution, seeks an amendment to the Company's constitution to enshrine the voluntarily winding up mechanism in the Company's constitution.

Special Resolutions 2 and 4 must be passed by at least 75% of the votes cast by shareholders entitled to vote on each resolution and present in person, by proxy, by attorney or by authorised representative at the general meeting.

As disclosed in the Notice of AGM, the Directors have unanimously recommended that shareholders vote against special Resolution 2 for the voluntary winding up of the Company, which resolution is required to be put to shareholders as a result of a "triggering" of the Company's existing voluntarily winding up mechanism. Such mechanism was implemented by resolution of the founding directors of the Company in 1986 (and is not formalised within the Company's constitution) and was last triggered in 30 June 2000 (at which time the resolution put to shareholders for the voluntary winding up of the Company was, obviously, not passed).

The Board's reasons for recommending against the winding up of the Company are outlined in the Notice of AGM. The key factors are as follows:

- (i) The Directors do not believe it is appropriate to wind up the Company just as a new investment manager has been adopted by the Company.
- (ii) The Company provides shareholders with a distinctive investment option, as there are only a small number of listed investment companies in Australia offering shareholders exposure to securities listed on the world's sharemarkets.
- (iii) The Company also has significant prior year tax losses and franking credits which would be lost upon liquidation.
- (iv) The Directors believe that a significant number of shareholders wish the Company to continue in existence as an international equities listed investment company. In this regard, the Company's substantial shareholder, who holds 7 million shares or 18% of the issued capital of the Company, had advised the Board that it intended to vote against special Resolution 2.

On this last point, based on the proxy forms received for this AGM, it would appear that an overwhelming majority of shareholders and proxy votes also support the continued existence of the Company and have voted against Resolution 2.

If special Resolution 2 is not passed by shareholders, ordinary Resolution 3 (dealing with the appointment of a liquidator) will not be put to shareholders.

Special Resolution 4 relates to formalising, in the Company's constitution, the members voluntary winding up mechanism that was adopted by the founding directors in 1986. The Company believes shareholders should determine whether this mechanism should continue to be applied to the Company, rather than rely on a decision on this matter by a previous Board. In essence, if shareholders:

- (a) vote in favour of Resolution 4, they will be voting for the voluntary winding up mechanism to be formalised in the Company's constitution; or
- (b) vote against Resolution 4, they will effectively be voting to abandon such voluntary winding up mechanism.

There are pros and cons for each position and some of these views are outlined in the Explanatory Statement to the Notice of AGM.

Given the nature of the resolution proposed, the Directors have made no recommendation to shareholders as to voting on Special Resolution 4.

However, I note that based on the proxy forms received for this AGM, it would appear that a significant majority of proxy votes are against Special Resolution 4.

Further details about the AGM matters I have spoken about are outlined in the Notice of AGM and Explanatory Statement.

If the voluntary winding up resolution is not passed by shareholders (as the proxies indicate), the Directors will seek to promote the merits of the Company's investment strategy under Constellation's mandate and endeavour to decrease the current discount in the Company's share price to its NTA backing to create a basis to expand the capital base of the Company and thereby reduce its current management expense ratio.

On this basis, I along with all shareholders look forward to a positive future for the Company with Constellation and its investment mandate.

In closing, shareholders are reminded that the Company has a new website – www.bel.com.au - which was launched in May 2004. The website contains further details on the HomeGlobal™ Investment Strategy and other corporate information for shareholders and investors.

I also encourage shareholders to register their email address with the Company to receive the Company's announcements and releases. Please email info@bel.com.au to join the Company's emailing list.

I thank you all for attending today.

Farooq Khan
Chairman