



# Bentley International Limited

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## HALF YEAR REPORTS:

ASX Appendix 4D - Results for Announcement to the Market  
Directors' Report  
Financial Statements  
Audit Review Report  
Auditor's Independence Declaration

**31 December 2004**

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

Bentley International Limited  
A.B.N. 87 008 108 218

(formerly Bentley Equities Limited and BT Global Asset Management Limited)

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**ASX Code: BEL**



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### STOCK EXCHANGE

Australian Stock Exchange  
Sydney, New South Wales

### ASX CODE

BEL

### SHARE REGISTRY

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Internet: [www.registriesltd.com.au](http://www.registriesltd.com.au)

## CORPORATE DIRECTORY

### BOARD

Farooq Khan	Chairman
Christopher Ryan	Director
Simon Cato	Director

### COMPANY SECRETARY

Victor Ho

### REGISTERED OFFICE

#### AND ACCOUNTING AND ADMINISTRATION

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### CHAIRMAN'S

#### AND COMPANY SECRETARIAL OFFICE

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### INVESTMENT MANAGER

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Telephone: +61 2 9231 2844  
Email: [reception@constellation.com.au](mailto:reception@constellation.com.au)  
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### CUSTODIAN

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National Australia Bank Limited  
Level 25, 255 George Street  
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## APPENDIX 4D

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

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

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2004 \$'000	December 2003 \$'000	% Change	Up/ Down
FX losses on investments	(108)	-	100	Down
Unrealised gains/(losses) on investments	(444)	-	100	Down
Realised losses on investments	(855)	749	214	Down
Other investment related income	343	146	135	Up
Total investment income from ordinary activities	(1,064)	895	219	Down
Total expenses from ordinary activities	277	125	122	Up
Profit/(loss) from ordinary activities before tax	(1,341)	770	274	Down
Income tax benefit	313	-	100	Up
Profit/(loss) from ordinary activities after tax benefit attributable to members	(1,028)	770	234	Down
Basic and Diluted Earnings per share (cents)	(2.64)	1.98	233	Down
Net Tangible Asset Backing per share pre and post tax (cents)	44.2	44.9	2	Down

### Dividends

The Company paid a fully franked dividend of one cent per share on 27 September 2004 (with 21 September 2004 being the record date for determining entitlements) at a cost of \$0.389 million.

### Brief Explanation of Results

On 30 August 2004, the Company fully redeemed its investment in the Vanguard International Shares Index Fund in order to transfer cash funds to new investment manager, Constellation Capital Management Limited ("**Constellation**") for management. This redemption realised a loss on investment of \$0.855 million (as the investment had depreciated in value since the last valuation as at 30 June 2004 carrying value). However, the Company realised an overall gain on such investment of \$0.664 million (based on the historical cost value of such investment).

As at 31 December 2004, Constellation's portfolio had \$0.444 million unrealised losses on investments.

The Company notes that since the construction of the investment portfolio between 7 - 9 September 2004 and to 31 December 2004, the Australian dollar has appreciated significantly against a number of currencies in which the investment portfolio is denominated. Illustratively, approximately 57% of the investment funds of the Company relate to US dollar investments, 11% relate to Japanese yen and 8% relate to investments denominated in UK pound sterling. Over such period, the Australian dollar has

## APPENDIX 4D

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appreciated against these currencies by the following amounts, 12% (US\$), 6% (Yen) and 4% (£). Constellation has confirmed that since September, the Company's investment portfolio has appreciated by 11% when expressed in \$US.

The Company has incurred foreign exchange losses of \$0.108 million for the half year arising principally from the construction of the initial investment portfolio by Constellation in September 2004.

### COMMENTARY ON RESULTS AND OTHER SIGNIFICANT INFORMATION

As at 30 June 2004, the Company's available funds of \$19.114 million were invested in the Vanguard International Shares Index Fund.

On 20 August 2004, the Company resolved the terms of and executed a custody agreement with National Australia Bank Limited ("NAB") whereby NAB was formally appointed as custodian of the Company for an initial term of 2 years.

On 30 August 2004, the Company redeemed its investment in the Vanguard International Shares Index Fund. This redemption realised a loss on investment of \$0.855 million (as the investment had depreciated in value since the last valuation as at 30 June 2004 carrying value). However, the Company realised an overall gain on such investment of \$0.664 million (based on the historical cost value of such investment).

In early September 2004, the Company transferred \$17.425 million of cash funds to its custodian for management by Constellation. Approximately \$0.8 million cash was retained to fund the \$0.39 million (one cent per share) dividend paid in September 2004 and for the working capital of the Company. The Company notes that the investment management fees and custodial fees are paid out of such working capital and not from the investment portfolio managed by Constellation. Constellation's mandate is to implement the international equities component of its HomeGlobal™ investment strategy. During early September 2004, Constellation established the international HomeGlobal™ portfolio for the Company comprising investments in more than 200 stocks in 11 overseas markets.

For and on behalf of the Directors,



Date: 28 February 2005

Victor Ho  
Company Secretary

Local Call: 1300 762 678  
Telephone: +61 8 9214 9757  
Email: [vho@bel.com.au](mailto:vho@bel.com.au)

## DIRECTORS' REPORT

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The Directors present their Directors' Report on Bentley International Limited ABN 87 008 108 218 (formerly Bentley Equities Limited from 16 April 2003 to 11 March 2004 and BT Global Asset Management Limited from 7 July 1986 to 15 April 2003) ("**Company**" or "**Bentley International**" or "**BEL**") for the financial half year ended 31 December 2004 ("**Balance Date**").

Bentley International is a company limited by shares that was incorporated in South Australia in June 1986 and is presently domiciled in New South Wales and has been listed on the Australian Stock Exchange ("**ASX**") since October 1986 as an "investment entity" as defined in the ASX Listing Rules.

Bentley International does not have any controlled entities.

### PRINCIPAL ACTIVITIES

Since admission to ASX in 1986, the principal investment objective of the Company is to achieve medium to long term capital appreciation. To achieve this, the Company will primarily invest in equity securities listed on the world's major stock markets. Its secondary objective is to generate income from dividend streams and the investment of a portion of the Company's portfolio in fixed interest securities and money market instruments denominated in various currencies.

The Company has made the following appointments in relation to the management and administration of its international equities portfolio:

- Constellation Capital Management Limited ("**Constellation**") as investment manager (appointed 18 May 2004 for an initial 2 year term). Constellation's mandate is to invest in the international equities component of its HomeGlobal™ Investment Strategy; and
- National Australia Bank Limited ("**NAB**") (appointed 20 August 2004 for an initial 2 year term) as custodian

### OPERATING RESULTS

	Dec 2004 \$'000	Dec 2003 \$'000
Profit/(loss) from ordinary activities before income tax benefit	(1,341)	770
Income tax benefit	313	-
Profit/(loss) from ordinary activities after income tax benefit	(1,028)	770

### EARNINGS PER SHARE

	Dec 2004	Dec 2003
Basic earnings per share (cents)	(2.64)	1.98
Diluted earnings per share (cents)	(2.64)	1.98
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earnings per share	38,942,213	38,942,213

## DIRECTORS' REPORT

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### NET TANGIBLE ASSET BACKING

	Dec 2004	Dec 2003
Net tangible assets (before tax on unrealised gains) (\$'000)	17,231	17,484
<b>Pre-tax NTA Backing per share (cents)</b>	<b>44.2</b>	<b>44.9</b>
Less: Potential tax liabilities on unrealised gains	-	-
Net tangible assets (after tax on unrealised gains) (\$'000)	17,231	17,484
<b>Post-tax NTA Backing per share (cents)</b>	<b>44.2</b>	<b>44.9</b>
Based on total issued share capital	38,942,213	38,942,213

### DIVIDENDS

The Directors have declared a fully franked dividend of one cent per share which was paid on 27 September 2004 (at a cost of \$0.389 million).

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.

The Company has \$8.79 million in prior year foreign tax losses and \$4.7 million available franking credits as at 31 December 2004.

The Company's Dividend Reinvestment Plan has been suspended since 1999/2000. The Directors propose to review and update such Dividend Reinvestment Plan prior to its re-introduction, which is not likely until a reduction in the discount between the Company's share price and its Net Tangible Asset ("NTA") backing is achieved.

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS

As at 30 June 2004, the Company had \$19.114 million invested in the Vanguard International Shares Index Fund.

On 20 August 2004, the Company resolved the terms of and executed a custody agreement with NAB whereby NAB was formally appointed as custodian of the Company for an initial term of 2 years. The appointment of an independent custodian is required in order to effect the proper administration of the Company investment portfolio in the various international markets in which the Company will invest.

On 30 August 2004, the Company redeemed its investment in the Vanguard International Shares Index Fund. This redemption realised a loss on investment of \$0.855 million (as the investment had depreciated in value since the last valuation as at 30 June 2004 carrying value). However, the Company realised an overall gain on such investment of \$0.664 million (based on the historical cost value of such investment).

In early September 2004, the Company transferred \$17.425 million of cash funds to its custodian for management by investment manager, Constellation. During early September 2004, Constellation established the international HomeGlobal™ portfolio for the Company comprising investments in more than 200 stocks in 11 overseas markets. Approximately \$0.8 million cash was retained to fund the \$0.39 million (one cent per share) dividend paid in September 2004 and for the working capital of the Company. The Company notes that the investment management fees and custodial fees are paid out of such working capital and not from the investment portfolio managed by Constellation.

Constellation's investments in international securities are unhedged. The Company has incurred foreign exchange losses of \$0.108 million for the half year arising principally from the construction of the initial investment portfolio by Constellation in early September 2004.

As at 31 December 2004, Constellation's portfolio had \$0.444 million unrealised losses on investments. The Company notes the comments of Constellation in Section 3 below that the strong appreciation in the value of the Australian dollar over the half year period has caused international stocks (as represented by the MSCI ex Australia index) to deliver a negative return of 2.7% over the same period when measured in Australian dollars.

Since the transition of cash funds to Constellation in early September 2004 to construct the investment portfolio and to 31 December 2004, the Australian dollar has appreciated significantly against a number of currencies in which the investment portfolio is denominated. Illustratively, approximately 57% of the investment funds of the Company relate to US dollar investments, 11% relate to Japanese yen and 8% relate to investments denominated in UK pound sterling. Since the construction of the Company's investment portfolio between 7 - 9 September 2004, the Australian dollar has appreciated against these currencies by the following amounts, 12% (US\$), 6% (Yen) and 4% (£). Constellation has confirmed that since September, the Company's investment portfolio has appreciated by 11% when expressed in \$US.

## DIRECTORS' REPORT

### 1. PORTFOLIO DETAILS AS AT 31 DECEMBER 2004

#### ASSET WEIGHTING

International Equities	96%
Cash	4%
<b>TOTAL</b>	<b>100%</b>

#### REGIONAL WEIGHTING

North America	57%
Europe (ex UK)	17%
Japan	11%
United Kingdom	8%
Asia (ex Japan)	3%
Australia	4%
<b>TOTAL</b>	<b>100%</b>

#### TOP 20 HOLDINGS

<u>Company</u>	<u>% of Net Assets</u>	<u>Sector exposures</u>	<u>Country</u>
1. MICROSOFT	2.90%	Software & Computer Services	United States
2. EXXON MOBIL	2.00%	Oil & Gas	United States
3. INTL.BUS.MACH.	1.80%	Software & Computer Services	United States
4. JOHNSON & JOHNSON	1.60%	Pharmaceuticals & Biotechnology	United States
5. INTEL	1.50%	Information Technology Hardware	United States
6. BP PLC	1.40%	Oil & Gas	United Kingdom
7. PROCTER & GAMBLE	1.40%	Personal Care & Household Products	United States
8. NOVARTIS R	1.40%	Pharmaceuticals & Biotechnology	Switzerland
9. ALTRIA GROUP	1.30%	Tobacco	United States
10. CISCO SYSTEMS	1.30%	Telecommunication Services	United States
11. VODAFONE GROUP	1.30%	Telecommunication Services	United Kingdom
12. GLAXOSMITHKLINE	1.20%	Pharmaceuticals & Biotechnology	United Kingdom
13. TOYOTA MOTOR	1.10%	Automobiles & Parts	Japan
14. DELL	1.10%	Information Technology Hardware	United States
15. ERICSSON B	1.00%	Information Technology Hardware	Sweden
16. TOTAL	1.00%	Oil & Gas	France
17. ENCANA	0.90%	Oil & Gas	Canada
18. SIEMENS (XET)	0.90%	Electronic & Electrical Equipment	Germany
19. NESTLE R	0.90%	Food Producers & Processors	Switzerland
20. ROCHE HOLDING GSH.	0.90%	Pharmaceuticals & Biotechnology	Switzerland
<b>TOTAL</b>	<b>26.90%</b>		



## DIRECTORS' REPORT

### INDUSTRY SECTOR WEIGHTING

Sector Exposures	% of Net Assets
Aerospace & Defence	2.8%
Automobiles & Parts	4.4%
Chemicals	2.6%
Diversified Industrials	0.9%
Electronic & Electrical Equipment	5.1%
Electricity	5.1%
Engineering & Machinery	2.5%
Food Producers & Processors	2.7%
General Retailers	3.4%
Household Goods & Textiles	1.7%
Health	3.8%
Information Technology Hardware	13.4%
Insurance	2.1%
Oil & Gas	9.5%
Personal Care & Household Products	3.5%
Pharmaceuticals & Biotechnology	11.3%
Software & Computer Services	8.0%
Speciality & Other Finance	4.5%
Tobacco	2.0%
Transport	0.0%
Telecommunication Services	6.7%
<b>Sub-Total Equities</b>	<b>96.0%</b>
<b>Cash</b>	<b>4.0%</b>
<b>TOTAL</b>	<b>100%</b>

## 2. INVESTMENT MANAGER'S HALF-YEARLY MARKET SUMMARY

The following information is provided by investment manager, Constellation:

International markets delivered a roller coaster ride over the six months, with sentiment dominated by a volatile oil price, which hit a record \$US 55/ barrel in October before retracing towards year end. The leading sectors internationally were energy, materials, telecommunications and utilities, with the strength in the Chinese economy dominating sentiment towards resources generally.

In \$US, international shares as measured by the MSCI ex Australia index returned 9.7% over the 6 months to December 2004, in part a reflection of strong growth in corporate profits. However, when account is taken of the strong rise in the value of the Australian dollar over the period (from \$US 0.699 to \$US0.781), international stocks (as represented by the MSCI ex Australia index) when measured in \$A delivered a negative return of 2.7%. Similarly, the strength of the \$A since September 2004 has converted the Company's portfolio performance under Constellation's management from 11% when expressed in \$US to 2.6% when expressed in \$A, which is in line with the HomeGlobal™ benchmark return of 3.0% over the same period.

## DIRECTORS' REPORT

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### 3. THE HOMEGLOBAL™ INVESTMENT STRATEGY

Constellation believes that its HomeGlobal™ Investment Strategy is a major advance on the current domestic/international investment paradigm in Australia.

Constellation's HomeGlobal™ Investment Strategy approach resolves three key issues of concern to equity investors:

- (1) the dominance of certain stocks and industries in domestic markets;
- (2) the impact of globalisation on diversification benefits; and
- (3) the home country bias.

The HomeGlobal™ Investment Strategy is stated by Constellation to:

- Provide a more relevant global equity exposure to industry sectors not available in Australia;
- Avoid wasteful over-allocation of portfolio to global industry sectors already adequately represented in the Australian market such as banks and mining;
- Capture global growth industries not adequately represented in Australia such as pharmaceuticals and biotech, IT hardware and software and some well established global old economy industries such as auto, oil & gas, branded retailers;
- Resolve Australian industry and stock concentrations;
- Provide an international equities portfolio with more balanced industry weights and a spread of country exposures, thus benefiting from the diversification benefits of both these factors.

Constellation's HomeGlobal™ Strategy has two effective components - an international equities portfolio and a domestic (Australian) equities portfolio.

The Company is the first client of Constellation's HomeGlobal™ Investment Strategy. The Company believes that the HomeGlobal™ approach has merit and offers a potential solution to the issue of home country bias in equity portfolios. The Directors believe that a rationale for investing in the Company is to diversify risk whilst accessing under-represented industry sectors in Australia. Whilst the HomeGlobal™ approach lacks a "track record", re-constructed ten year performance analytics show gains in returns and falls in risk (volatility) compared with relevant market indices.

The HomeGlobal™ Investment Strategy has also been considered by ASX in the February 2004 and December 2004 editions of ASX's Taking Stock Newsletter. The ASX article considers Constellation's HomeGlobal™ Investment Strategy as an alternative approach to the current domestic/international investment strategies paradigm and highlights it as a positive investment opportunity for Australian listed investment companies. Such articles may be viewed from the Company's website - [www.bel.com.au](http://www.bel.com.au)

## DIRECTORS' REPORT

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### 3.1. Investment Philosophy

The HomeGlobal™ Investment Strategy is based on the notion that 'home country bias' in investors' equity portfolios will lead to sub-optimal industry weightings in their overall equity portfolio. It assumes that within the equity sector, industries are at least as important as countries in driving returns.

At the centre of the HomeGlobal™ Investment Strategy is the recognition that because Australian investors typically have a natural domestic bias towards investing in local equities, traditional international investment strategies tend to result in over-exposure to sectors which are already strongly represented domestically - e.g. banking. The HomeGlobal™ Investment Strategy seeks to redress such inadequacies by adopting a global portfolio approach, investing in companies in industries represented in the Australian market where this can be done (the Australian equities HomeGlobal™ portfolio) and in international equities in industries not adequately available to Australian domestic investors (the international equities HomeGlobal™ portfolio - being the Bentley International portfolio).

For example, the Australian share market offers more than adequate opportunity to invest in bank stocks so there is no net portfolio diversification benefit from investing internationally in more bank stocks because this would overly concentrate industry risk exposures. Conversely, since the Australian share market does not offer adequate exposure to aerospace, information technology hardware and software or pharmaceutical and biotechnology stocks, for example, the HomeGlobal™ Investment Strategy will invest internationally to secure exposure in such industry sectors and therefore provide a more balanced global portfolio structure.

### 3.2. Style and Process

Constellation has a mandate to invest only in the international portion of the HomeGlobal™ Investment Strategy. The approach begins by setting overall industry weightings of the total portfolio (Australian and international) to world index weights. In each industry, exposure is first taken in Australian stocks up to the lower of the Australian market weight or the world index weight. All outstanding required industry exposure is then taken in international equities.

As stated, Constellation has invested the Company's funds in the international portion of the HomeGlobal™ Investment Strategy, so that the resultant portfolio is heavily invested in sectors such as IT hardware/software and pharmaceuticals & biotechnology (which are not well represented in the Australian market), with no investments in sectors such as banks and media (which are highly weighted in the Australian market).

Industry sector exposures are achieved by stratified sampling using stocks (i.e. by investing in a sample of the major stocks within each industry sector rather than all stocks). Currency is unhedged.

## DIRECTORS' REPORT

### 3.3. HomeGlobal™ Portfolio Sample

A table representation of the HomeGlobal™ Investment Strategy portfolio constructed as above is:

Industry Sectors	1	2	3	4	5
	Market weights		HomeGlobal™ Weights		HomeGlobal Portfolio Weights
	Global	Australian	Australian	International	International Component
Aerospace & Defence	1.3%	0.0%	0.0%	1.3%	2.69%
Automobiles & Parts	2.4%	0.1%	0.1%	2.3%	4.76%
Banks	13.8%	28.5%	13.8%	0.0%	
Beverages	2.1%	3.0%	2.1%	0.0%	
Construction & Building Materials	1.3%	3.1%	1.3%	0.0%	
Chemicals	2.1%	1.1%	1.1%	1.0%	2.04%
Diversified Industrials	3.0%	2.5%	2.5%	0.5%	1.14%
Electronic & Electrical Equipment	2.5%	0.0%	0.0%	2.5%	5.11%
Electricity	2.4%	0.0%	0.0%	2.4%	4.96%
Engineering & Machinery	1.4%	0.2%	0.2%	1.2%	2.52%
Food & Drug Retailers	1.2%	2.5%	1.2%	0.0%	
Food Producers & Processors	2.2%	0.8%	0.8%	1.4%	2.92%
Forestry & Paper	0.6%	0.5%	0.5%	0.1%	0.11%
General Retailers	3.9%	2.2%	2.2%	1.7%	3.51%
Household Goods & Textiles	1.2%	0.7%	0.7%	0.5%	1.05%
Health	2.5%	0.6%	0.6%	1.9%	4.00%
Investment Companies	0.2%	0.6%	0.2%	0.0%	
Information Technology Hardware	7.1%	0.0%	0.0%	7.1%	14.86%
Insurance	3.8%	3.5%	3.5%	0.3%	0.61%
Life Assurance	1.3%	2.6%	1.3%	0.0%	
Leisure, Entertainment & Hotels	1.3%	1.9%	1.3%	0.0%	
Mining	1.1%	13.0%	1.1%	0.0%	
Media & Photography	3.6%	9.9%	3.6%	0.0%	
Oil & Gas	7.2%	2.7%	2.7%	4.6%	9.54%
Personal Care & Household Products	1.8%	0.0%	0.0%	1.8%	3.75%
Pharmaceuticals & Biotechnology	8.1%	1.2%	1.2%	6.9%	14.33%
Real Estate	1.2%	6.8%	1.2%	0.0%	
Software & Computer Services	4.1%	0.0%	0.0%	4.1%	8.47%
Speciality & Other Finance	4.1%	1.9%	1.9%	2.2%	4.59%
Steel & Other Materials	0.8%	1.1%	0.8%	0.0%	
Support Services	1.7%	2.4%	1.7%	0.0%	
Tobacco	0.9%	0.0%	0.0%	0.9%	1.87%
Transport	1.3%	3.5%	1.3%	0.0%	
Telecommunication Services	5.2%	1.8%	1.8%	3.4%	7.07%
Utilities, Other	1.3%	1.2%	1.2%	0.0%	0.10%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>52.0%</b>	<b>48.0%</b>	<b>100.00%</b>

Source: Constellation Capital Management Limited (August 2004)

The international component of the HomeGlobal™ Investment Strategy is represented by the portfolio construction in Column 5 of the above table. The weightings as above are proposed to be adjusted at least annually by Constellation.

As at 31 December 2004, Constellation's international HomeGlobal™ portfolio for the Company comprise more than 200 stocks in 11 overseas markets – please refer to section 1 of Review of Operations above for further details of the Company's portfolio. The industry sector weightings for such portfolio will differ from the "theoretical" weightings as reflected in column 5 above as a consequence of variations in the value of stocks invested within each sector from time to time and because it is not practical and cost efficient for Constellation to seek to invest in all stocks within each sector – Constellation has invested in a selection of the major stocks within each sector in constructing the investment portfolio for the Company.

## DIRECTORS' REPORT

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### 4. ABOUT CONSTELLATION CAPITAL MANAGEMENT LIMITED

Constellation is an experienced fund manager, 50% owned by Qantas Superannuation Limited as trustee for the Qantas Superannuation Plan (which is one of Australia's largest corporate superannuation funds) and 50% by interests associated with Constellation's management. Constellation's management team has collectively many years experience in financial management disciplines and is well regarded in the industry.

Constellation offers specialist investment management services on a wholesale basis to superannuation funds, retail financial service providers, corporations, charities, trusts and endowments, and Governments and related entities.

On 30 March 2004, Constellation announced it was forming a strategic relationship with Zurich Financial Services Australia ("**Zurich**") for the distribution and management of Australian equity funds management services. Under this arrangement, Zurich will have exclusive distribution and branding in Australia of pooled investment products using Constellation's risk controlled value approach.

Constellation advises it currently has in excess of \$1 billion funds under management.

Constellation's investment management team comprises:

#### 4.1. Douglas Little, Managing Director

BCom, FCPA, FAICD, ASIA

Mr Little founded Constellation in 1999. He was formerly Group Investment Director of Tyndall Australia Limited and has more than 35 years experience in investment markets in Australia, London and New York, including more than twenty five years in investment management. He commenced his career at AMP in 1966 as an investment analyst and until 1981 he was a senior investment executive for AMP Society. In the 1980's he successfully established and managed investment operations in New York for Potter Partners (acquired by Warburg/UBS) and Bain & Co (acquired by Deutsche Bank).

#### 4.2. Dr Peter Vann, Head of Investment Research

PhD, MSc, BSc, ASIA

Dr Vann, formerly Head of Structured Investment Group at County Investment Management (now INVESCO) has been involved within the investment management and managed funds industry for more than 15 years. Since joining the financial community, Dr Vann has been a major contributor to the industry and related institutions. He is the founder and past President of the Australian Institute for Quantitative Research in Finance (Q Group Australia), is a Principal Lecturer for the Securities Institute of Australia course in Applied Portfolio Management, an Associate Editor for the Journal of Investing and is on the Review Board for the Journal of Indexes. Peter was also Chairman of the School Advisory Committee, School of Finance and Economics at UTS.

#### 4.3. Richard Morris, Investment Manager

DipSM, BEc, ASIA

Mr Morris has been with Constellation for four and a half years and has played an integral role in the development of Constellation's portfolio management systems. He was formerly a senior Investment Analyst with ASSIRT Research, a member of the St. George Banking group. He has been involved in the superannuation and managed funds industry for over 10 years, including roles with WM Mercer in investment analysis and consulting and superannuation fund administration.

Further information Constellation is available on their website: [www.constellation.com.au](http://www.constellation.com.au)

## DIRECTORS' REPORT

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### 5. CORPORATE

#### 5.1. Voluntary Winding Up Mechanism

At the Company's Annual General Meeting held on 15 October 2004:

- (1) Shareholders rejected a special resolution to voluntarily wind up the Company pursuant to a "triggering" of the Company's existing but not formalised (within the Company's constitution) voluntarily winding up mechanism.

Such mechanism was formulated by the founding directors of the Company in 1986 and involves testing the Company's 3 month weighted average share price ("WASP") to 30 June (every two years commencing in 30 June 1992) against its net tangible asset ("NTA") backing over the same period. If such WASP is less than 90% of such NTA backing, the mechanism provided for the Directors to call a general meeting within 90 days to consider the voluntary winding up of the Company.

The Company's 3 month WASP to 30 June 2004 was less than 90% of its NTA backing to 30 June 2004 and accordingly, such voluntary winding up mechanism was "triggered."

- (2) Shareholders rejected a special resolution to consider an amendment to the Company's constitution to enshrine the Company's voluntarily winding up mechanism as formulated by the founding Directors in the constitution.

As this constitutional enshrinement of the voluntary winding up mechanism was not passed by shareholders, the Directors have regarded the voluntary winding up mechanism as being at an end as it would not be appropriate to maintain such informal bi-annual testing of a mechanism formulated under a directors' resolution in 1986 in circumstances where a shareholder's resolution to formalise such mechanism in the Company's constitution had been rejected in 2004.

Please refer to the Notice of AGM dated 13 September 2004 for further information about the above 2 resolutions. This document may be viewed from the Company's website.

#### 5.2. Capital Base

The Directors are considering ways to increase its investment portfolio size to raise the Company's profile in the general investment community as one of the few listed investment companies ("LIC's") specialising in international equities and reduce the Company's management expense ratio ("MER"). The latter is particularly relevant as the Directors have negotiated a 2 tier management fee structure with Constellation such that the ratio of total management fees decreases as the portfolio size increases.

The Board will consider the expansion of the capital base of the Company through the issue of equity capital or mergers (through schemes or takeovers) with other listed investment entities.

The Board is also reviewing the general investment mandate of the Company with a view to expanding the nature, type and geographic exposure of investments capable of being invested by the Company as an LIC.

## DIRECTORS' REPORT

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### SECURITIES IN THE COMPANY

At the date of this Directors' Report, the Company has 38,942,213 fully paid ordinary shares on issue. All such shares are listed on ASX. The Company has no other securities on issue.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Company during the financial half year other than that referred to in this Directors' Report or the financial statements or notes thereto.

### DIRECTORS

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

**Farooq Khan** LLB, BJuris  
Chairman

Mr Khan was appointed a director of the Company on 2 December 2003 and re-elected Director at a General Meeting on 5 February 2004. Mr Khan has previously practised law for a number of years, principally in the field of corporate law. Mr Khan has extensive experience in the securities industry and the promotion and executive management of ASX listed companies. Mr Khan also has considerable experience in the strategic review of public listed companies, capital raisings and corporate takeovers and restructuring. Mr Khan is also currently Chairman of 5 other public listed companies - Queste Communications Limited, Fast Scout Limited, Altera Capital Limited, Sofcom Limited and Rivkin Financial Services Limited.

**Christopher B. Ryan** BEcon, MBA  
Non -Executive Director

Mr Ryan was elected a director of the Company at a General Meeting on 5 February 2004. Mr Ryan is the Principal of Westchester Corporate Finance, a Sydney based corporate advisory firm specialising in advising ASX listed companies on fund raising, mergers and acquisitions and associated transactions. Prior to forming Westchester in July 1996, Christopher was with Schroders Australia Limited for 27 years. At Schroders, he served 3 years in the investment division, 2 years as an economist monitoring influences on interest rates 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. In addition, he has been the chairman and/or a director at various times of a number of Australian companies listed on the ASX. He is currently Chairman of Golden Cross Resources Limited and Bligh Ventures Limited and a director of Rivkin Financial Services Limited.

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

Mr Cato was appointed a director on 5 February 2004 and re-elected at the AGM on 15 October 2004. Mr Cato has more than 20 years capital markets experience within the Australian securities industry both in investment broking and in regulatory roles. He has been employed by the Australian Stock Exchange in Sydney and Perth in the companies department (which oversees the activities of listed companies) most recently as Manager, Companies for ASX Perth. Over the last 12 years Mr Cato has been an Executive Director of two stockbroking firms and in these roles has been involved in a diverse range of management and capital investment activities. Mr Cato is currently a broker and consultant with Kirke Securities Limited and a Non-Executive Director of ASX listed Medusa Mining Limited, Altera Capital Limited, Sofcom Limited and Rivkin Financial Services Limited.

## DIRECTORS' REPORT

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### 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 or the financial statements or notes thereto, 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 half years.

### AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements to the nearest \$1,000 or in certain cases to the nearest dollar. Amounts have been rounded off in the Directors' Report and financial statements in accordance with this class order.

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



**Farooq Khan**  
Chairman

28 February 2005



**Statement of Financial Performance**  
For the half-year ended 31 December 2004

	Notes	31 December 2004 \$'000	31 December 2003 \$'000
<b>Investment income</b>			
Dividends and Trust Distributions		301	41
Interest		28	83
Unrealised changes in the net fair value of investments		-	749
Other		14	22
		<hr/>	<hr/>
<b>Total investment income from ordinary activities</b>		343	895
<b>Expenses</b>			
Unrealised changes in the net fair value of investments		444	-
Realised losses on sale of investments		855	-
Foreign exchange losses		108	-
Investment manager's fees		63	-
Audit fees		14	10
Director's fees		58	33
Custody fees		27	1
Accounting fees		38	43
Withholding tax		16	-
Other		61	38
		<hr/>	<hr/>
<b>Total expenses from ordinary activities</b>		1,684	125
<b>Profit/(Loss) from ordinary activities before income tax benefit</b>		(1,341)	770
Income tax benefit		(313)	-
		<hr/>	<hr/>
<b>Profit/(Loss) from ordinary activities after income tax benefit</b>		(1,028)	770
<b>Net Profit/(Loss) attributable to members of Bentley International Limited</b>		<hr/>	<hr/>
		(1,028)	770
<b>Total revenues, expenses &amp; valuation adjustments attributable to members of Bentley International Limited recognised directly in equity</b>		<hr/>	<hr/>
		-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<hr/>	<hr/>
		(1,028)	770
		<hr/>	<hr/>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	4	(2.64)	1.98
Diluted earnings per share	4	(2.64)	1.98

*The above Statement of Financial Performance should be read in conjunction with the accompanying Notes to the Financial Statements.*

**Statement of Financial Position**  
**As at 31 December 2004**

	<b>31 December</b>	<b>30 June</b>
	<b>2004</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments</b>	16,555	19,114
<b>Current assets</b>		
Cash assets	823	19
Receivables	19	-
Prepayments	40	24
Current tax assets	6	-
<b>Total current assets</b>	888	43
<b>Non-Current assets</b>		
Deferred Tax Assets	6	7
Property Plant and Equipment	8	9
<b>Total Non-Current Assets</b>	14	16
<b>Total assets</b>	17,457	19,173
<b>Current liabilities</b>		
Payables	91	75
Current tax liabilities	135	450
<b>Total current liabilities</b>	226	525
<b>Total liabilities</b>	226	525
<b>Net assets</b>	17,231	18,648
<b>Equity</b>		
Contributed equity	23,004	23,004
Reserves	(444)	1,069
Accumulated losses	(5,329)	(5,425)
<b>Total equity</b>	17,231	18,648

*The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.*

**Statement of Cash Flows**  
For the half-year ended 31 December 2004

	<b>31 December</b>	<b>31 December</b>
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Dividends received	282	-
Interest received	28	83
Other income received	14	23
Investment manager's fees paid	(30)	-
Other expenses paid	(253)	(203)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>41</b>	<b>(97)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	18,540	-
Purchase of investments	(17,221)	-
<b>Net cash inflow from investment activities</b>	<b>1,319</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(389)	-
<b>Net cash outflow from financing activities</b>	<b>(389)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	971	(97)
Cash at the beginning of the half year	19	3,739
Effect of exchange rate changes on cash	(167)	-
<b>Cash at the end of the half year</b>	<b>823</b>	<b>3,642</b>
 <b>Non-cash financing activities</b>	 <b>-</b>	 <b>84</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.*

**Notes to the Financial Statements**  
For the half-year ended 31 December 2004

**1 Summary of significant accounting policies**

**Basis of accounting**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of Accounting Standard 1029: Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is recommended that this half-year financial report be read in conjunction with the Annual Report for the year ending 30 June 2004 and any public announcements made by the company during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies are consistent with those applied in the 30 June 2004 Annual Report.

The half-year report does not include disclosures of the type normally included in an annual financial report.

**2 Dividends**

The following dividends were provided for or paid during the half-year.

	<b>Dividend Rate</b>	<b>Total Amount \$ '000</b>	<b>Date of Payment</b>	<b>Tax Rate for Franking credit</b>	<b>% Franked</b>
Ordinary Shares Interim	1cps	389	27/09/2004	30%	100%

**3 Segment information**

**Business segments**

The company operates solely in the business of managing its investments.

**Geographical exposures**

At 30 June 2004, the Company had invested in the Australian domiciled unlisted Vanguard International Shares Index Fund. In September 2004, Constellation Capital Management Limited began managing the Company's investment portfolio, to implement the International equities component of Constellation's HomeGlobal investment strategy.

<b>Country</b>	<b>31 December 2004 Net fair value \$'000</b>	<b>31 December 2004 % of total net fair value</b>	<b>30 June 2004 Net fair value \$'000</b>	<b>30 June 2004 % of total net fair value</b>
Australia	682	3.91	17,527	100.00
Europe	2,861	16.39	-	-
United Kingdom	1,442	8.26	-	-
North America	10,012	57.35	-	-
Japan	1,983	11.36	-	-
Asia (ex Japan)	477	2.73	-	-
<b>Total investments</b>	<b>17,457</b>	<b>100.00</b>	<b>17,527</b>	<b>100.00</b>

The geographical exposure of investments takes into account, where applicable, the effects of derivative financial instruments held by the Company.

The geographical exposure values include investments, cash assets and accrued interest and dividends, net of unsettled trades.

**Notes to the Financial Statements**  
**For the half-year ended 31 December 2004**

**4 Earnings per share**

	<u>2004</u>	<u>2003</u>
Basic earnings per share (cents per share)	(2.64)	1.98
Diluted earnings per share (cents per share)	(2.64)	1.98
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	38,942,213	38,942,213

No adjustments are made to the profit/(loss) from ordinary activities after income tax benefit shown on the statement of financial performance in deriving earnings used in the calculation of basic earnings per share.

Diluted earnings per share is the same as basic earnings per share. The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

**5 Contingent liabilities**

No contingent liabilities existed at 31 December 2004.

**6 Subsequent Events**

No matters or circumstances have arisen since the end of the reporting period which have significantly effected or may significantly effect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

**7 International Financial Reporting Standards (IFRS)**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS is:

**Income Tax**

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the equivalent to International Accounting Standards IAS 12, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 20 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the Bentley International Limited's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
- (b) there are reasonable grounds to believe that Bentley International Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



**Farooq Khan**  
Chairman

28 February 2005

## Independent review report to the members of Bentley International Limited

### Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Bentley International Limited (the Company) for the half-year ended 31 December 2004 included on Bentley International Limited's web site. The Company's directors are responsible for the integrity of the Bentley International Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Bentley International Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Bentley International Limited as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Bentley International Limited, for the half-year ended 31 December 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Chris Cooper*

Chris Cooper  
Partner

28 Sydney  
February 2005



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## Auditors' Independence Declaration

As lead auditor for the review of Bentley International Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bentley International Limited during the period.



Chris Cooper  
Partner  
PricewaterhouseCoopers

Sydney  
28 February 2005