

2006



Annual Report



Bentley
International Limited

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STOCK EXCHANGE

Australian Stock Exchange
Sydney, New South Wales

ASX CODE

BEL

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CORPORATE DIRECTORY**BOARD**

Farooq Khan	Chairman
Christopher B. Ryan	Director
Simon K. Cato	Director
Peter P. Simpson	Director

COMPANY SECRETARY

Victor P.H. Ho

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COMPANY PROFILE

Bentley International Limited (formerly Bentley Equities Limited and BT Global Asset Management Limited) is one of only a few investment companies listed on the Australian Stock Exchange (ASX) which invests solely in International equities.

The Company therefore provides exposure to a diversified portfolio of securities across a wide range of industry sectors in many recognised overseas stock markets.

At 30 June 2006, BEL had a market capitalisation of \$15.132 million (at 38.5 cents per share), net assets of \$19.384 million (at 49.3 cents NTA backing per share), 39,304,854 fully paid ordinary shares on issue, and 1,452 shareholders on its share register (30 June 2005: \$12.85 million market capitalisation (at 33 cents per share), net assets of \$17.54 million (at 45.1 cents post tax NTA backing per share), 38,942,213 shares on issue, and 1,633 shareholders).

During the year ended 30 June 2006, the Company paid an interim one cent per share fully franked dividend. On 31 August 2006, the Company paid a final dividend of one cent per share fully franked.

Company Objective

Bentley International Limited listed on the ASX in 1986 with the objective of achieving medium to long-term capital appreciation together with fully franked dividends through investment in securities listed on the world's share markets.

Investment Manager

Constellation Capital Management Limited (**Constellation**) was appointed manager in May 2004 to implement the International equities component of Constellation's HomeGlobal™ Investment Strategy. Constellation commenced managing the portfolio in September 2004 after the appointment of National Australia Bank Limited as custodian.

The investment portfolio currently comprises approximately 235 stocks in 11 overseas markets and across a wide range of industry sectors.

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). Constellation has also formed a strategic relationship with Zurich Financial Services Australia for the exclusive distribution and branding in Australia of pooled investment products using Constellation's risk controlled value approach. Constellation currently has in excess of \$1 billion funds under management.

THE HOMEGLOBAL™ INVESTMENT STRATEGY

Constellation has been mandated to invest the Company's funds in accordance with the international component of the HomeGlobal™ Investment Strategy.

The methodology at the centre of the HomeGlobal™ Investment Strategy relies on two key components:

1. The weightings within the 39 industrial sectors of the FTSE Global Equity Index Series, which is based on approximately 7,000 large, mid and small cap stocks representing 98% of global investable market capitalisation;
2. The recognition that the weightings of the stocks available in the Australian stock market when viewed in the context of the 39 industrial sectors identified by FTSE are substantially different from those in the FTSE Global Equity Index.

The HomeGlobal™ Investment Strategy, when constructed for Australian investors, comprises two steps:

1. investing in Australian stocks, within the FTSE industrial sector classifications up to the global industry sector weights where adequate stocks are available to do so – this is the **Australian component** of the HomeGlobal™ Investment Strategy;
2. investing in international stocks where the stocks available in Australia do not fill the industrial sector weightings of the FTSE Global Equity Index in order that the total portfolio construct matches the industrial sector weightings of the FTSE Global Equity Index – this is the **international component** of the HomeGlobal™ Investment Strategy.

Constellation invests the funds of Bentley International Limited solely in the international component of the HomeGlobal™ Investment Strategy, and this investment will complement the investment of Bentley shareholders in Australian securities. The rationale for this is the presumption that Bentley shareholders through their investments in the Australian market will have exposure to Australian stocks approximating the overall weightings of the Australian component of the HomeGlobal™ Investment Strategy. An investment in Bentley, if substantial enough in the context of the investor's portfolio, would result in the portfolio meeting the principles of the total HomeGlobal™ Investment Strategy.

Industry sector exposures have been achieved by investing in a sample of the major (by market capitalisation) stocks within each industry sector rather than all stocks). Currency is unhedged.

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 the 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.

The Company is the first client of Constellation's HomeGlobal™ Investment Strategy. The Company believes that the HomeGlobal™ approach 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.

THE HOMEGLOBAL™ INVESTMENT STRATEGY

HomeGlobal™ Portfolio Sample

A theoretical 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%	2.9%
Automobiles & Parts	2.2%	0.0%	0.0%	2.2%	5.0%
Banks	15.2%	26.9%	15.2%	0.0%	
Beverages	1.7%	2.1%	1.7%	0.0%	
Chemicals	2.1%	1.0%	1.0%	1.1%	2.6%
Construction & Materials	1.4%	3.1%	1.4%	0.0%	
Electricity	2.6%	0.0%	0.0%	2.6%	6.0%
Electronic & Electrical Equipment	1.5%	0.0%	0.0%	1.5%	3.4%
Equity Investment Instruments	0.0%	0.0%	0.0%	0.0%	
Fixed Line Telecommunications	2.9%	1.0%	1.0%	1.9%	4.5%
Food & Drug Retailers	1.6%	2.6%	1.6%	0.0%	
Food Producers	2.0%	0.8%	0.8%	1.2%	2.6%
Forestry & Paper	0.3%	0.2%	0.2%	0.1%	0.2%
Gas, Water & Multiutilities	1.6%	1.6%	1.6%	0.1%	0.2%
General Financial	3.9%	5.3%	3.9%	0.0%	
General Industrials	2.6%	1.1%	1.1%	1.6%	3.6%
General Retailers	3.3%	3.9%	3.3%	0.0%	
Health Care Equipment & Services	2.3%	1.1%	1.1%	1.1%	2.6%
Household Goods	1.4%	0.0%	0.0%	1.4%	3.1%
Industrial Engineering	1.5%	0.0%	0.0%	1.5%	3.4%
Industrial Metals	1.6%	2.4%	1.6%	0.0%	
Industrial Transportation	1.4%	2.8%	1.4%	0.0%	
Leisure Goods	1.1%	0.0%	0.0%	1.1%	2.4%
Life Insurance	2.0%	1.0%	1.0%	1.0%	2.3%
Media	2.8%	0.9%	0.9%	1.9%	4.4%
Mining	1.6%	15.7%	1.6%	0.0%	
Mobile Telecommunications	1.6%	0.0%	0.0%	1.6%	3.8%
Nonequity Investment Instruments	0.1%	0.0%	0.0%	0.1%	0.2%
Nonlife Insurance	3.6%	3.7%	3.6%	0.0%	
Oil & Gas Producers	8.3%	4.9%	4.9%	3.4%	7.8%
Oil Equipment, Services & Distribution	1.3%	0.5%	0.5%	0.8%	1.9%
Personal Goods	1.2%	0.3%	0.3%	1.0%	2.2%
Pharmaceuticals & Biotechnology	6.9%	1.7%	1.7%	5.2%	11.9%
Real Estate	2.0%	11.2%	2.0%	0.0%	
Software & Computer Services	3.1%	0.0%	0.0%	3.1%	7.1%
Support Services	1.4%	2.2%	1.4%	0.0%	
Technology Hardware & Equipment	5.7%	0.0%	0.0%	5.7%	13.1%
Tobacco	1.1%	0.0%	0.0%	1.1%	2.6%
Travel & Leisure	1.8%	2.2%	1.8%	0.0%	
TOTAL	100.0%	100.0%	56.5%	43.5%	100.0%

Source: DataStream, Constellation (30 June 2006)

The international component of the HomeGlobal™ Investment Strategy is represented by the portfolio construction in Column 5 of the above table.

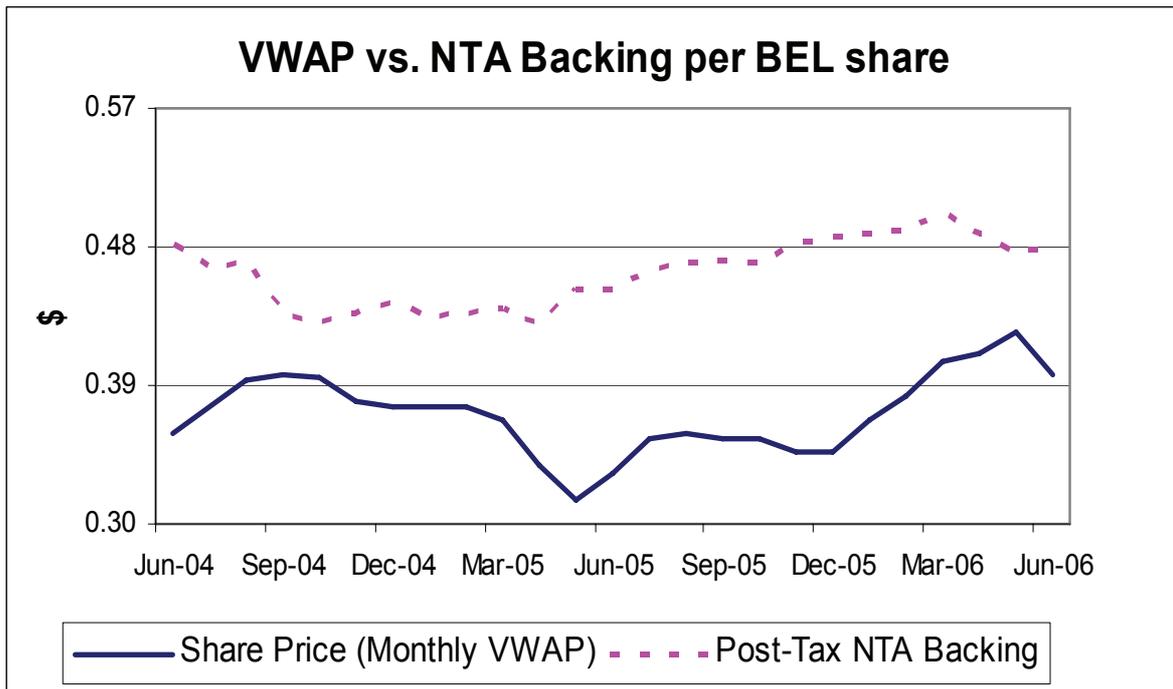
OVERVIEW OF PERFORMANCE

	2006 Year \$'000	2005 Year \$'000	% Change	Up / Down
Unrealised gains/(losses) on investments	2,050	(115)	1883%	Gains Up
Realised gains/ (losses) on investments	351	(858)	141%	Gains Up
Foreign exchange gains/ (losses)	2	(106)	102%	Gains Up
Other investment related income	430	528	19%	Down
Total investment income / (loss)	2,833	(551)	614%	Up
Investment manager's fees	178	136	31%	Up
Custodian fees	35	44	20%	Down
Other corporate and administration expenses	528	353	50%	Up
Total expenses	741	533	39%	Up
Profit/(Loss) before tax	2,092	(1,084)	293%	Profit Up
Income tax (expense)/benefit	(6)	369	102%	Expense Down
Profit/(Loss) after tax attributable to members	2,086	(715)	392%	Profit Up
Basic and diluted earnings / (loss) per share (cents)	5.3	(1.8)	392%	Earnings Up
Pre-Tax NTA backing per share (cents)	49.32	45.10	9%	Up
Post-Tax NTA backing per share (cents)	49.32	45.05	9%	Up

The Company increased its net profit during the current reporting period to \$2.092 million (pre tax) (up 293%) and \$2.086 million (post tax) (up 392%) compared with the previous corresponding period results of \$1.084 million net loss (pre tax) and \$0.715 million net loss (post tax).

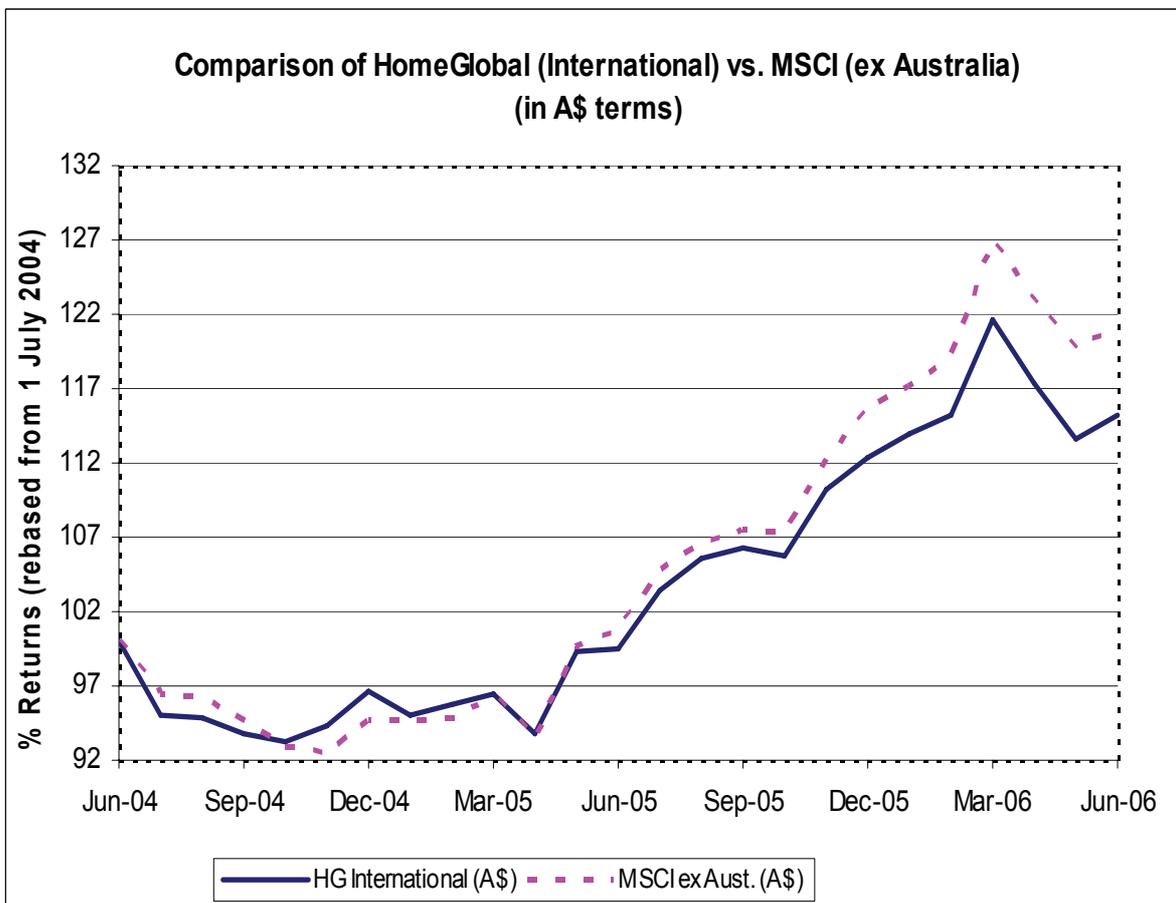
The Directors have also paid a final one cent per share fully franked dividend on 31 August 2006, which takes the total dividends paid for the year to 2 cents per share fully franked. The Company notes that the 31 August 2006 dividend is at the same rate of previous dividends paid on 26 April 2006 and 27 September 2004.

OVERVIEW OF PERFORMANCE



VWAP = volume weighted average BEL price for the month; NTA = net tangible asset backing at month end

Source: IRESS



Source: Constellation

THE BOARD'S REPORT

In September 2004, the Company's Investment Manager, Constellation Capital Management Limited, established the investment portfolio in accordance with the international component of Constellation's HomeGlobal™ Investment Strategy.

As at 30 June 2006, a direct investment in the Company provides indirect exposure to a diversified portfolio of approximately 235 securities across a wide range of industry sectors in 11 recognised overseas stock markets.

The Company has paid interim and final dividend totalling 2 cents per share fully franked.

The Board has identified the following specific challenges for the Company during 2005/2006:

- (1) To reduce the current significant share price discount to the Company's NTA backing;
- (2) To increase the capital base of the Company;
- (3) To continue to pay a regular and stable dividend stream to shareholders;
- (4) To continue to monitor and review the performance of the manager and its HomeGlobal™ Investment Strategy;
- (5) If appropriate, to canvass shareholders about the Board's implementation of the Company's objectives and investment mandate;
- (6) To report on the Company's performance within an appropriate Investor Relations strategy.

Investment Management Agreement

The investment management agreement with Constellation expired on 18 May 2006 and Constellation's mandate has continued thereafter pending the completion of the Board's review of the performance of Constellation and its HomeGlobal™ Investment Strategy.

After such review the Board will either:

- (1) seek to negotiate a renewal of Constellation's appointment as investment manager or seek the appointment of another appropriate investment manager, to manage the Company's funds in accordance with the Company's current investment mandate/objective to invest in international securities; or
- (2) seek to appoint Constellation or another appropriate investment manager, to manage the Company's funds in accordance with a new investment mandate/objective approved by shareholders.

Increases in Capital Base

The Board will consider opportunities to increase the Company's investment portfolio size to raise the Company's profile in the general investment community and generate economies of scale.

The Company has identified a number of reasons why the asset base of the Company should increase and these include the following:

- Given the relatively high and fixed nature of costs associated with the Company being listed on the ASX, the Company believes it is important to achieve economies of scale by increasing the size of the Company so that these costs are amortised across a larger asset base. Such amortisation should thereby assist in the overall percentage level of shareholder returns generated by the Company on its investment portfolio;
- A larger asset base should be more attractive to institutional investors and to increasing liquidity in the market for the Company's shares.

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 companies or managed funds.

Taxation Position

The Company has substantial prior year foreign tax losses (\$6.7 million) and available franking credits (\$3.7 million) as at 30 June 2006. The foreign losses can generally be carried forward indefinitely and claimed as a tax deduction against the same class of foreign income earned in later years (subject to compliance with the "continuity of ownership" or "same business" tests associated with claiming tax losses). The utilisation of franking credits is not dependent on the nature of profits earned by the Company.

Communications with shareholders

The Company is committed to communicating with its shareholders and appreciates their feedback on any matter of concern to them in relation to the Company and the Board.

The Company communicates with shareholders via its website, the release of announcements on ASX, including monthly NTA reports, and emailing company announcements to shareholders who have registered their email address with the Company.

Please email info@bel.com.au to register your email address with the Company.

THE INVESTMENT PORTFOLIO as at 30 June 2006

Asset Weighting

	<u>% Net Assets</u>
International Equities	98.9%
Cash (net other assets)	1.1%
TOTAL	100%

Regional and Currency Exposures

<u>Regions</u>	<u>% Net Assets</u>	<u>Currencies</u>	<u>% Net Assets</u>
North America	57.5%	United States	55.9%
Europe (ex UK)	17.2%	Japan	12.0%
Japan	11.9%	United Kingdom	9.7%
United Kingdom	9.4%	France	4.9%
Asia (ex Japan)	2.9%	Germany	4.3%
		Switzerland	4.2%
Cash (net other assets) *	1.1%	Netherlands	2.1%
TOTAL	100.0%	Canada	1.8%
		Taiwan	1.8%
		Sweden	1.7%
		Hong Kong	1.2%
		<u>Australia</u>	<u>0.3%</u>
		TOTAL	100%

* Cash (net other assets) includes cash held in various overseas currencies

The Company's funds are directly exposed to the overseas currencies in which the portfolio's investments (managed by Constellation) are denominated (i.e. the currencies of the stock exchanges on which equity holdings are listed) and, indirectly to the currencies in which the operations of its investments (many of which are large multinational companies) are denominated.

Constellation's investments in international securities are unhedged. The Company and Constellation have recently reviewed the issue of hedging and still considers the policy of not hedging the currency exposure of the investment portfolio appropriate.

The Company notes that an appreciation in an overseas currency against the Australian dollar will cause the underlying portfolio to appreciate in value when converted back into Australia dollars and vice versa (assuming no change in the underlying portfolio value). Accordingly, currency movements can reduce or exacerbate movements in the value of the underlying securities in the Company's portfolio when converted back into Australian dollars.

However, the Company continues to provide a vehicle through which Australian investors can diversify their investment exposure beyond the Australian market and beyond the Australia dollar.

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Top 20 Holdings

Stocks	% Portfolio /Net Assets	Sector exposures	Country
(1) MICROSOFT	2.4	Software & Computer Services	United States
(2) EXXON MOBIL	2.3	Oil & Gas Producers	United States
(3) PROCTER & GAMBLE	1.8	Household Goods	United States
(4) BP PLC	1.5	Oil & Gas	United Kingdom
(5) ALTRIA GROUP INCO.	1.5	Tobacco	United States
(6) JOHNSON & JOHNSON	1.4	Pharmaceuticals & Biotechnology	United States
(7) NOVARTIS 'R'	1.4	Pharmaceuticals & Biotechnology	Switzerland
(8) ENCANA	1.3	Oil & Gas Producers	Canada
(9) GLAXOSMITHKLINE	1.3	Pharmaceuticals & Biotechnology	United Kingdom
(10) INTERNATIONAL BUS.MACH.	1.3	Software & Computer Services	United States
(11) CISCO SYSTEMS	1.2	Technology Hardware & Equipment	United States
(12) TOYOTA MOTOR	1.2	Automobiles & Parts	Japan
(13) ROCHE HOLDINGS GSH.	1.2	Pharmaceuticals & Biotechnology	Switzerland
(14) INTEL	1.1	Technology Hardware & Equipment	United States
(15) TOTAL	1.1	Oil & Gas Producers	France
(16) NESTLE 'R'	1.0	Food Producers	Switzerland
(17) CONOCOPHILLIPS	1.0	Oil & Gas Producers	United States
(18) ERICSSON 'B'	0.9	Technology Hardware & Equipment	Sweden
(19) HEWLETT-PACKARD	0.9	Technology Hardware & Equipment	United States
(20) CANON	0.9	Technology Hardware & Equipment	Japan
TOTAL	26.7		

THE INVESTMENT PORTFOLIO as at 30 June 2006

Top 10 Performers - 12 Months to 30 June 2006

Stocks	Sector	Country	Return %	
			In Local Currency	In A\$
(1) ABB 'R'	Electronic & Electrical Equipment	Switzerland	90.6	104.5
(2) SCHERING	Pharmaceuticals & Biotechnology	Germany	80.7	95.9
(3) LANXESS	Chemicals	Germany	66.7	80.6
(4) SCHLUMBERGER	Oil Equipment, Services & Distribution	United States	73.0	77.5
(5) NINTENDO	Leisure Goods	Japan	71.3	70.3
(6) BG GROUP	Oil & Gas Producers	United Kingdom	58.9	68.2
(7) NOMURA HDG.	General Financial	Japan	65.7	64.8
(8) CATERPILLAR	Engineering & Machinery	United States	58.9	63.0
(9) CHINA MOBILE (HK)	Mobile Telecommunications	Hong Kong	57.5	61.7
(10) APPLE COMPUTERS	Technology Hardware & Equipment	United States	55.6	59.6

Bottom 10 Performers - 12 Months to 30 June 2006

Stocks	Sector	Country	Return %	
			In Local Currency	In A\$
(1) FRANCE TELECOM	Fixed Line Telecommunications	France	-26.3	-20.1
(2) HCA	Health Care Equipment & Services	United States	-22.9	-20.9
(3) ELECTRONIC ARTS	Leisure Goods	United States	-24.0	-22.0
(4) ST.JUDE MED.	Health Care Equipment & Services	United States	-25.7	-23.7
(5) INTEL	Technology Hardware & Equipment	United States	-25.8	-23.9
(6) SYMANTEC	Software & Computer Services	United States	-28.5	-26.7
(7) FORD MOTOR	Automobiles & Parts	United States	-29.0	-27.2
(8) JUNIPER NETWORKS	Technology Hardware & Equipment	United States	-36.5	-34.9
(9) BOSTON SCIENTIFIC	Health	United States	-37.6	-36.0
(10) DELL	Technology Hardware & Equipment	United States	-38.0	-36.4

THE INVESTMENT PORTFOLIO as at 30 June 2006

Industry Sector Weighting

SECTOR EXPOSURES	% Net Assets
Technology Hardware & Equipment	12.6%
Pharmaceuticals & Biotechnology	11.0%
Oil & Gas Producers	10.7%
Software & Computer Services	6.5%
Electricity	5.4%
Automobiles & Parts	4.7%
Media	3.9%
Electronic & Electrical Equipment	3.7%
Fixed Line Telecommunications	3.7%
Health Care Equipment & Services	3.2%
Mobile Telecommunications	3.1%
Aerospace & Defence	2.9%
Leisure Goods	2.8%
Industrial Engineering	2.8%
General Financial	2.8%
General Retailers	2.7%
Tobacco	2.3%
Household Goods	2.1%
Chemicals	2.0%
Personal Goods	1.8%
Food Producers	1.7%
General Industrials	1.4%
Nonlife Insurance	1.0%
Oil Equipment, Services & Distribution	0.7%
Food & Drug Retailers	0.5%
Life Insurance	0.4%
Gas, Water & Multiutilities	0.3%
Banks	0.04%
Other	2.3%
Sub-Total Equities	98.9%
Cash (net other assets)	1.1%
TOTAL	100%

The investment portfolio as at 30 June 2006 does not directly correlate with the 30 June 2006 theoretical weightings detailed in the HomeGlobal™ Investment Strategy section of this Annual Report at page 4 because (a) the investment portfolio does not hold all stocks within each industry sector in the theoretical index; (b) the Company is not fully invested - cash funds have been retained by the Investment Manager and the Company; (c) as a consequence of changes in sector weightings since the last re-balance of the portfolio in December 2005; and (d) as a consequence of the performance of the underlying securities within each industry sector.

Constellation has invested in a sample of (predominantly major) stocks within each industry sector rather than all stocks for efficiency/cost reasons as the present size of the fund would make it uneconomic (after taking into account transactions and on-going custodial costs) to invest in smallholdings of many stocks.

A full listing of the BEL investment portfolio as at 30 June 2006 is in the "List of Share Investments" section of this Annual Report on pages 74 to 78.

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Top 10 Holdings

Stock	Sector and Country	Profile
(1) MICROSOFT	Software & Computer Services United States	The Group's principal activity is to develop, manufacture, license and support a wide range of software products for a multitude of computing devices. The software products include scalable operating systems for servers, personal computers and intelligent devices; server applications for client or server environments; information worker productivity applications; business solutions applications and software development tools. The Group also provides consulting and product support services. The Group trains and certifies system integrators and developers. The Group sells the Xbox video game console and games, PC games and peripherals. The online businesses are MSN subscription and the Internet products and services. In 2005, the Group acquired assets of MessageCast Inc, Sybari Software Inc, Teleo Inc, FrontBridge Technologies Inc, Alacris Inc and Foldershare.com. On 07-Mar-2006, the Group acquired Apptimum Inc and the assets of Onfolio Inc.
(2) EXXON MOBIL	Oil & Gas United States	The Group's principal activities are exploration, production, transportation and sale of crude oil and natural gas. The Group manufactures petroleum products, which includes olefins, aromatics, polyethylene and polypropylene plastics and other specialty products. It is also involved in electric power generation. The Group operates through three segments: Upstream, Downstream and Chemicals. The Upstream operates to explore for and produce crude oil and natural gas. The Downstream segment manufactures and markets petroleum products. The Chemicals segment manufactures and markets petrochemicals. The Group operates and markets in the United States and about 200 other countries and territories.
(3) PROCTER & GAMBLE	Personal Care & Household Products United States	The Group's principal activity is to manufacture and market consumer products. The Group operates in five business segments: Fabric and home care, Beauty care, Baby and family care, Health care and Snacks and Beverages. Fabric and home care includes laundry care, dish care, fabric enhancers and hard surface cleaners. Beauty care includes cosmetics, hair care, skin care, deodorants, fragrances, and other products. Paper includes products for the Baby and family care such as tissues, towel, diapers and wipes. Health care includes personal health care, oral care, pharmaceuticals and pet health and nutrition. Snacks and beverage includes coffee, snacks, commercial services, juice, peanut butter, shortening and oil. The Group markets over 300 branded products in more than 160 countries around the world. On 01-Oct-2005, the Group acquired The Gillette Company.
(4) BP PLC	Oil & Gas United Kingdom	The Group's principal activities are carried out through five businesses: Refining and Marketing, Gas, Power and Renewables, Exploration and Production, and Other Businesses and Corporate. Under Refining and Marketing it focuses on oil supply and trading as well as refining and petrochemicals manufacturing, and marketing. The Gas, Power & Renewables activities include marketing and trading of natural gas, natural gas liquids, new market development, liquefied natural gas and solar and renewables. The Exploration and Production activities include oil and natural gas exploration and field development and production, together with pipeline transportation and natural gas processing. The Other Businesses and Corporate focuses on greenhouse gas emissions and oil spills. The Group operates in the United Kingdom, the Bahamas, Australia, the British Virgin Islands, Canada, the United States of America, France, Germany, the Netherlands, New Zealand, Norway and Spain.
(5) ALTRIA GROUP	Tobacco United States	The Group's principal activities are to manufacture and market various consumer products, including cigarettes, grocery products, snacks, beverages, cheese and convenient meals. The activities are carried out through its subsidiaries: Philip Morris USA Inc, Philip Morris International Inc, Kraft Foods Inc and Philip Morris Capital Corporation. Philip Morris USA Inc manufactures and markets cigarettes in the United States. Philip Morris International Inc manufactures and markets cigarettes internationally. The major brands include Marlboro, Philip Morris, Parliament, Virginia Slims and others. Kraft Foods Inc manufactures and markets branded foods and beverages in the United States, Canada, Europe, the Middle East, Africa, Latin America and Asia Pacific. The products are marketed to distributors, wholesalers, retailers, state-owned enterprises and armed services.

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Top 10 Holdings (continued)

(6) JOHNSON & JOHNSON	Pharmaceuticals & Biotechnology	The Group's principal activity is to manufacture and market a range of products in the health care field. The Group operates in three segments: Pharmaceutical segment provides worldwide franchises in the antifungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic and urology fields. Medical devices and diagnostics segment includes a broad range of products used by or under the direction of physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. Consumer segment manufactures and markets a broad range of products used in the baby and childcare, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. In 2005, it acquired Transform Pharmaceuticals Inc, CLOSURE Medical Corp, Peninsula Pharmaceuticals Inc and in 2006, Animas Corporation and Hand Innovations LLC.
	United States	
(7) NOVARTIS AG	Pharmaceuticals & Biotechnology	The Group's principal activity is the development and manufacture of pharmaceuticals and nutritional products. The Group operates through three divisions; Pharmaceutical, Consumer Health and Sandoz. Pharmaceuticals Division: Includes drugs for use in transplantations, central nervous system disorders, cardiovascular, endocrine and respiratory diseases, dermatology, oncology, hematology and rheumatism and bone and hormone replacement therapy. Consumer Health Division includes Generics/OTC and sells copies of prescription medicines no longer under patent protection; medical nutrition and self-medication. Sandoz Division: Manufactures, distributes and sells generic pharmaceutical products and substances no longer subject to patent protection. The Group acquired Hexal and Eon Labs in 2005.
	Switzerland	
(8) ENCANA	Oil & Gas Producers	The Group's principal activities are to explore, produce and market natural gas, crude oil and natural gas liquids. It operates through two segments namely: Upstream and Midstream and Marketing. Upstream focuses on the exploration, development and production of natural gas, crude oil and natural gas liquids (NGLs) and other related activities. The Midstream and Marketing division focuses on natural gas operations, NGLs processing and power generation operations. It also undertakes market optimization activities to enhance the sale of Upstream's proprietary production. The Group operates in the United States and Canada. The new venture exploration programs are focused on opportunities in Africa, South America, the Middle East and Greenland.
	Canada	
(9) GLAXOSMITHKLINE	Pharmaceuticals & Biotechnology	The Group's principal activity is creating, discovering, developing, manufacturing and marketing pharmaceutical products and consumer health-related products. The Group's principal pharmaceutical products include medicines in the following therapeutic areas: respiratory, central nervous system, anti-virals, anti-bacterials, anti-bacterials/anti-malarials, metabolic, vaccines, oncology and emesis, and cardiovascular and urogenital. Product brands include Serevent, Wellbutrin, Lamictal, Requip, Combivir, Ziagen, Trizivir, Zeffix, Valtrex, Augmentin, Zinnat, Malarone, Lapdap, Avandia, Avandamet, Avandaryl, Twinrix, Fluarix, Infanrix, Zofran, Hycamtin, Bexxar, Coreg, Levitra, Avodart, Arixtra, Fraxiparine, Integrilin, Seretide/Advair, Flixotidel/Flovent, Flixonase/Flonase, Beconase, Seroxat/Paxil, Imigran/Imitrex, Panadol, Zovirax, Abreva, Tums, Citrucel, Contac, Beechams, Commit, Nicorette, Nicoderm CQ, NiQuitin CQ, Nicabate CQ, Abtei, Aquafresh, Dr. Best and Odol.
	United Kingdom	
(10) IBM	Software & Computer Services	The Group's principal activity is to provide business and information technology services. The Group operates through five segments: Global Services segment provides IBM software and hardware and global outsourcing services. Hardware Product segment comprises of Systems and Technology Group which provides business solutions requiring advanced computing power and storage capabilities and Personal Systems Group which sells personal computers, business and computing solutions for retail stores. Software segment consists of middleware and operating systems software. Global Financing segment includes customer financing, commercial financing and remarketing. Enterprise Investments segment develops and provides industry-specific IT solutions. During the year, the Group acquired Micromuse, Cims Lab and Language Analysis Systems Inc.
	United States	

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Top 10 Performers (in A\$)

Stock	Sector	Profile
(1) ABB LTD	Electronic & Electrical Equipment	The Group's principal activities are providing power and automation technologies that enable utility and industry customers to improve performance. The Group's activities are carried out through four divisions: Power Technologies, Automation Technologies, Non-core activities and Other. The Power Technologies division provides a range of products, systems and services for power transmission, distribution and power plant automation. The Automation Technologies division provides products, systems, software and services for the automation and optimization of industrial and commercial processes. The Non-core activities division's products include transformers, reactors, traction, phase-shifting, converter and extra high-voltage transformers, circuit breakers, switchgear and compact secondary substations. The Group's activities are located in Germany, Italy, Netherlands, United States, Sweden and Poland.
In A\$	+104.5%	Switzerland
(2) SCHERING	Pharmaceuticals & Biotechnology	The Group's principal activities are the development and manufacture of pharmaceuticals and diagnostic substances. The Group operates through four business units: Gynaecology and Andrology (fertility control and menopause management), Diagnostics (X-ray, MRI and ultrasound contrast media), Specialized Therapeutics (new treatment approaches for severe diseases, such as multiple sclerosis and crohn's disease), and Oncology (hematology and solid tumors).
In A\$	+95.9%	Germany
(3) LANXESS	Chemicals	The principal activities of the Group are to provide polymers and chemicals with a comprehensive product portfolio in the fields of polymers and basic, speciality and fine chemicals. The Group operates through the following four divisions: The Performance rubber division manufactures butyl rubber and polybutadiene rubber which are used in the manufacture of automobile and truck tyres. The Engineering Plastics division provides high-quality polybutylene terephthalate and polyamide plastics. The Chemical Intermediates division manufactures active ingredients and intermediates for the pharmaceuticals and crop protection industries, starting products for the electrical and electronics industry, as well as photo chemicals. The Performance Chemicals division produces and markets biocides and material protection agents for the areas of wood protection, disinfection and corrosion protection.
In A\$	80.6%	Germany
(4) SCHLUMBERGER	Oil Equipment, Services & Distribution	The Group's principal activities are to provide oilfield services, supply technology, project management and information solutions to the oil and gas industry. It operates through two segments, Oilfield Services and WesternGeco. The Oilfield Services supplies products, services and technical solutions to the oil and gas exploration and production industry. These Services are organized into seven technology product lines: Wireline, Drilling and Measurements, Well Services, Well Completions and Productivity, Integrated Project Management, Data and Consulting Services and Schlumberger Information Solutions. The WesternGeco provides worldwide reservoir imaging, monitoring, development services and multient seismic library.
In A\$	77.5%	United States
(5) NINTENDO	Leisure Goods	The Group's principal activity is to manufacture hardware and software for home video game systems namely Nintendo Gamecube and the Game Boy series. The operations are carried out through the following divisions: Games Hardware, Software and Other. The Other operations involve Japanese card games. The Group is further seeking ways to diversify applications of video games, such as electronic mail boxes. These products are marketed in both domestic as well as international markets namely North America, Canada, Holland, Germany, Britain, France, Taiwan, Spain, Italy and Australia.
In A\$	70.3%	Japan

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Top 10 Performers (in A\$) (continued)

Stock	Sector	Profile
(6) BG GROUP	Oil & Gas Producers	The Group's principal activity is that of an integrated gas company. Its activities cover the whole range of gas operations from exploration to the end consumer. These activities are Exploration and Production, Liquefied Natural Gas, Transmission and Distribution and Power Generation. Exploration and Production comprises exploration, development, production and marketing of hydrocarbons with a focus on gas. Liquefied Natural Gas (LNG) combines the development and use of LNG import and export facilities with the purchase, shipping and sale of LNG and regasified natural gas. Transmission and Distribution develops, owns and operates major pipelines and distribution networks, and supplies gas through these to the end customer. Power Generation develops, owns and operates natural gas-fired power generation plants around the world. The Group operates in Europe, South America, Asia and Middle East, North America and the Caribbean, Mediterranean Basin and Africa.
In A\$	+68.2%	United Kingdom
(7) NOMURA	General Financial	The Group's principal activity is the provision of investment and financing services with securities as the core business. The activities include securities brokerage, dealing, underwriting, distribution, assets management, advisory and consulting, financing and related services for diversified types of customers worldwide. The Group has three principal business segments: Domestic Retail: Provides investment consultation services to retail customers; Global Wholesale: Deals with fixed income and equity trading, investment banking and merchant banking in and outside Japan; Asset Management: Involved in development and management of investment trusts and advisory services.
In A\$	+64.8%	Japan
(8) CATERPILLAR	Engineering & Machinery	The Group's principal activity is to design, manufacture and market construction machinery and engines. The Group's operations are conducted through three business segments: Machinery, Engines and Financial Products. Machinery segment designs, manufactures and markets construction, mining and forestry machinery and related parts. Engines segment designs, manufactures and markets electric power generation systems, on-highway vehicles and locomotives, marine, petroleum, industrial, agricultural and related parts. Financial Products segment provides financing to customers and dealers for the purchase and lease of equipment, offers operating and finance leases, installment sale contracts, wholesale financing plans and insurance services. The Group's products are sold under the brand names Caterpillar, Cat, Solar Turbines, MaK, Perkins, FG Wilson and Olympian. It operates in the United States, Europe, Africa, Middle East, Asia Pacific, Latin America and North America.
In A\$	+63.0%	United States
(9) CHINA MOBILE	Mobile Teleco.	The Group's principal activity is the operation of mobile telecommunications. It also provides telecommunication network planning design and consulting services; network and business coordination center; optimizing construction-testing and supervising, technology support, development and training of Nokia GSM900/1800 mobile communication system; roaming clearance; technology platform and maintenance; mobile data solution, system integration and development. Other activity includes investment holding. Operations are carried out in the People's Republic of China, the British Virgin Islands and the Cayman Islands.
In A\$	+61.7%	Hong Kong
(10) APPLE COMPUTERS	Technology Hardware & Equipment	The Group's principal activities are to design, manufacture and market personal computers and related software, peripherals and personal computing and communicating solutions. The Group offers a range of personal computing products including desktop and notebook personal computers, related devices and peripherals, networking and connectivity products and various third-party hardware products. The customers of the Group include educators, creative professionals, consumer and business markets. The Group sells its products through its online stores, direct sales force, third-party wholesalers and resellers and its own retail stores. The Group has its foreign operations in Europe, Japan and Asia Pacific.
In A\$	+59.6%	United States

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Bottom 10 Performers (in A\$)

Stock	Sector	Profile
(1) FRANCE TELECOM	Fixed Line Telecommunications	The Group's principal activity is to provide a wide range of telecommunications services to residential, professional and large businesses. The Group offers services through six segments, which are Orange, Wanadoo, Equant, TP Group, Other big operators and International providers. Major lines of business include providing public fixed-line voiced telephone services, videoconferencing, mobile telecommunication services, broadcasting services and Internet and wireless applications. The Group sold off its Mobilcom activity in 2005, and also 34% of the capital that it held in PTK Centertel (mobile subsidiary of TP) to Telekomunikacja Polska (TP). It acquired all the assets and liabilities of Equant to accelerate the implementation of its integrated operator strategy in the services market. The Group acquired minority interests of Orange Slovensko in May 2005 and nearly 80% of shares of Auna Operadora de Telecomunicaciones SA (commercial name is Amena), in Nov 2005.
In A\$	-20.1%	France
(2) HCA	Health Care Equipment & Services	The Group's principal activities are to provide health care services by operating hospitals and related health care entities. The Group's general, acute care hospitals, freestanding outpatient surgery, diagnostic centers and rehabilitation facilities provide the outpatient and ancillary health care services. It also provides services to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. As on 31-Mar-2006, the Group operates 176 hospitals and 91 freestanding surgery centers located in 21 states in the US, England and Switzerland.
In A\$	-20.9%	United States
(3) ELECTRONIC ARTS	Leisure Goods	The Group's principal activities are to develop, publish and distribute interactive software games, personal computers, mobile platforms and cellular telephones over the Internet and other proprietary online networks. It mainly operates in five business segments: Consoles, PC, Co-publishing and Distribution, Internet Services, Licensing and Other and Mobility. The interactive software games are classified into two major categories: EA Studio products, Co-Publishing and Distribution products. The Group develops games under the brand names: EA SPORTS, EAAtm, EA SPORTS BIGtm and Pogotm division. Its EA Studios are located in San Francisco, Los Angeles, Orlando, Chicago, Vancouver, Montreal, London, Sweden, Tokyo and Shanghai. On 15-Feb-2006, the Group acquired JAMDAT Mobile Inc.
In A\$	-22.0%	United States
(4) ST. JUDE MEDICAL	Health Care Equipment & Services	The Group's principal activities are to develop, manufacture and distribute cardiovascular medical devices for the global cardiac rhythm management, cardiac surgery and cardiology and vascular access therapy areas. It operates in two segments: CRM/CS/Neuro and CD/AF. The Group's principal products in each of these therapy areas are bradycardia pacemaker systems, tachycardia implantable cardioverter defibrillator systems, electrophysiology catheters, mechanical and tissue heart valves, valve repair products, vascular closure devices, angiography catheters, guidewires and hemostasis introducers. These products are marketed primarily in the United States, Europe and Japan and also sold in Canada, Latin America, Australia, New Zealand and the Asia-Pacific region. On 29-Nov-2005, the Group acquired Advanced Neuromodulation Systems Inc and 31-Dec-2005 Savacor Inc.
In A\$	-23.7%	United States
(5) INTEL	Technology Hardware & Equipment	The Group's principal activities are to design, develop, manufacture and market computers, networking and communication products. The Group operates in two segments, namely Architecture Business and Communications Group. The Architecture Business segment produces microprocessors and related chipsets and motherboards. The Communications Group segment offers products such as flash memory, as well as platform solutions for the wireless handheld computing and communications market. In addition, Communication Group offers wired and wireless connectivity products and key networking and communications infrastructure components. The Group's customers include original equipment manufacturers, original design manufacturers, PC and network communications products users and other manufacturers. The Group's foreign operations are in Europe, Japan, China, Taiwan and the Asia Pacific.
In A\$	-23.9%	United States

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2006

Description of Stocks in Bottom 10 Performers (in A\$) (continued)

Stock	Sector	Profile
(6) SYMANTEC	Software & Computer Services	The Group's principal activities are to provide content and network security software and appliance solutions to enterprises, individuals and service providers. It operates in five segments. Consumer Products segment delivers security and problem-solving products to individual users, home, offices and small businesses. Enterprise Security segment provides Internet security technology, global response and services used for information security needs. Enterprise Administration segment offers products for use in information technology departments. Services segment provides information security solutions. Other segment comprises of sunset products and products nearing the end of their life cycle. It acquired VERITAS Software Corporation on 02-Jul-2005, XstreamLok Pty Limited in May 2005, WholeSecurity Inc and Sygate Technologies Inc in October 2005, BindView Development Corporation in January 2006 and IMlogic Inc and logic Inc in February 2006.
In A\$	-26.7%	United States
(7) FORD MOTOR	Automobiles & Parts	The Group's principal activity is to produce and sell cars and trucks. The Group is also engaged in other business such as financing and renting vehicles and equipment. The Group operates through two segments: Automotive and Financial Services sector. The Automotive segment consists of the design, manufacture, sale and service of cars and trucks, automotive components and systems. The Financial services segment consists of vehicle-related financing, leasing and insurance, renting and leasing of cars and trucks and renting industrial and construction equipment and other activities. The Financial sector is operated through two subsidiaries, The Ford Credit Company and The Hertz Corporation. The Group operates in North America, South America, Europe, Africa and Asia-Pacific.
In A\$	-27.2%	United States
(8) JUNIPER NETWORKS	Technology Hardware & Equipment	The Group's principal activity is to provide Internet infrastructure solutions to Internet service providers and other telecommunications service providers. The products, services and solutions of the Group enable service providers and other network-intensive businesses to support and deliver services and applications on a highly efficient and low cost integrated network. The products include the M-series, T-series and E-series infrastructure product families, Firewall and VPN Systems, Secure Access Secure Sockets Layer VPN Appliances, Intrusion Detection and Prevention Appliances. The Group's customers include network operators, government agencies, research and education institutions and information intensive enterprises worldwide. The Group markets its products through distributors and value-added resellers.
In A\$	-34.9%	United States
(9) BOSTON SCIENTIFIC CORP.	Health	The Group's principal activity is to develop, manufacture and market medical devices. It operates under three segments: Cardiovascular, Endosurgery and Neuromodulation. The Cardiovascular segment offers products and technologies for use in interventional cardiology, peripheral interventions, vascular surgery, electrophysiology and neurovascular procedures. The Endosurgery segment offers products and technologies for use in oncology, endoscopy, urology and gynecology procedures. Neuromodulation segment focuses on auditory disorders and chronic pain. The products are sold to the hospitals, clinics, out-patient facilities and medical offices. It operates in the United States, Europe, Japan and other countries.
In A\$	-36.0%	United States
(10) DELL	Technology Hardware & Equipment	The Group's principal activities are to design, develop, manufacture, market, sell and support a wide range of computer systems. These systems include Enterprise systems such as servers, storage, workstations and networking products; Client systems such as notebook and desktop computer systems; Printing and imaging systems, which include software and peripherals. The Group also offers various kinds of services, which include managed, professional, deployment services, training and certification services and also financial services such as asset management services. The customers of the Group consist of corporate, government, healthcare and education accounts, small-to-medium businesses and individual customers. The operations are conducted in the United States, Canada, Latin America, Europe, the Middle East and Africa, Japan, India, China, Australia and New Zealand. As on 08-May-2006, the Group acquired Alienware Corporation
In A\$	-36.4%	United States

Source: Constellation and Thompson Publications

THE INVESTMENT MANAGER'S REPORT

The following report has been prepared by the Investment Manager of the Company, Constellation Capital Management Limited:

Returns To: 30/06/2006	1mth (%)	3mths (%)	6mths (%)	1yr (%)	2yrs (% p.a.)	3yrs (% p.a.)	Incep* (% p.a.)
Gross Portfolio	1.5%	-4.9%	3.1%	15.6%	na	na	12.7%
Benchmark**	1.5%	-5.3%	2.4%	15.8%	na	na	13.1%
MSCI ex Australia	1.4%	-4.4%	4.9%	20.4%	na	na	15.6%

* Inception Date for performance: 30 September 2004

** HomeGlobal™ Index

Portfolio Summary*

30-Jun-06

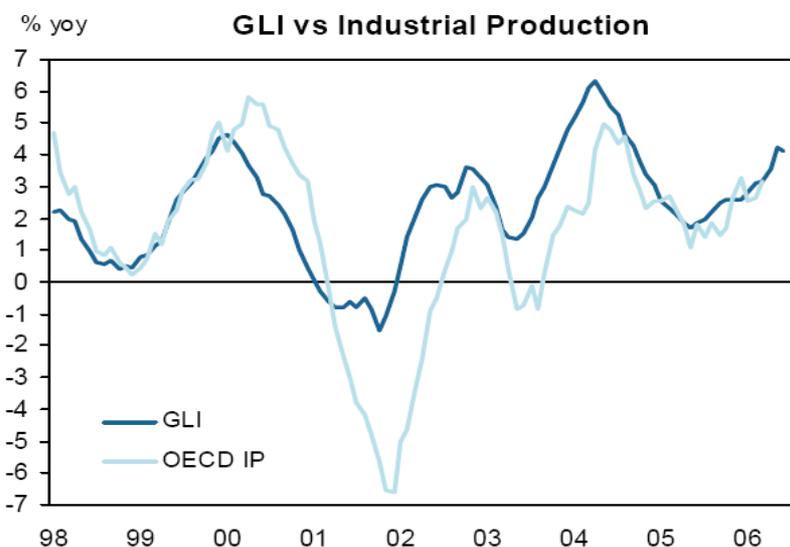
INTERNATIONAL EQUITIES	19,162,258
CASH	317,182
TOTAL	19,479,441

MARKET COMMENTARY

International Market Returns

International markets, as measured by the MSCI World ex Australia Index delivered a strong total return for the year ended 30 June 2006 of 17.4% (10% in 2005) in USD terms. This comprised growth in capital of 14.9% and dividends of approximately 2.5%. When account is taken of the fall in the \$A (from \$US0.763 at the start of the year to \$US0.743 at the end of the year), the return of the MSCI World ex Australia \$A Index was an impressive 20.4% versus the disappointing return of 1% in 2005.

The market advance was broader based than in 2005, although once again the material sector (mining and industrial metals shares) led the advance. This reflected the continued strength in global industrial production and a surge in commodity prices. In addition, other basic industry groups (such as industrial engineering) also performed very well. The following chart reflects movements in global leading indicators (GLI) and global industrial production ("IP"). This chart amply demonstrates the pickup in IP that has fuelled the growth in demand for resources and other basic materials during the year.



Source: Goldman Sachs

THE INVESTMENT MANAGER'S REPORT

Growth in economic activity was broader based than last year, with a pick up in the Eurozone and Japan adding to the growth in North America and the 9% plus growth in China. At the regional level, US listed stocks fared worst as reflected in the following share price index performance table:

Region	World	US	Europe	Japan	Non Japan Asia
Benchmark	MSCI World	S&P500	DJ Euro Stoxx	MSCI Japan	MSCI Far East ex Japan
\$US Return	14.9%	6.6%	24.3%	43.9%	20.4%

Source: DataStream

In the light of improving global economic activity over 2006, interest rates generally rose, led by continued monetary policy tightening in the US. This has impacted performance in the consumer sectors. Notably, the retailing sector (including food and drug retail, general retailers and household goods and services) significantly underperformed market average returns. The media sector also generated lower returns (c.11%), which in part reflected the changing structure on advertising, and the significant rise in on-line advertising at the expense of "old" media. The telecommunications sector delivered returns that were well below global average market returns, but appeared sensational when compared to the derisory performance of this sector in the Australian market.

Total market returns were skewed to the first half-year ended 31 December 2005, and market returns turned negative in the June 2006 quarter.

The table below sets out top five and bottom five individual sector performances over the year.

Sector Performance- FTSE World total returns for year to June 30 2006

Sector	AUD Return %
Top 5	
Mining	81
Industrial Metals	80
Industrial Engineering	51
Industrial Transportation	44
Investment Companies	33
Bottom 5	
Media	11
Software & Computer Services	11
Household Goods	10
General Retailers	9
Health Care Equipment & Services	3

Source DataStream

As usual, the key drivers of total portfolio returns during the year were changes in:

- Corporate earnings,
- Company distributions,
- PE multiples and
- Movements in the \$A.

THE INVESTMENT MANAGER'S REPORT

Corporate earnings and distributions

Growth in corporate earnings for international stocks underpinned growth in stock prices. The world appears on track for low double-digit (c.13%) earnings growth in CY06, following 16% growth in CY05. Earnings growth has been strongest in mining and energy, consumer discretionary and industrials and weakest in healthcare, telecommunications and utilities sectors. Interestingly, the IT sector is experiencing robust earnings growth, and so the disappointing investment returns are best explained by a continuation of the PE (see below) de-rating which the sector has experienced since the TMT crash.

Overall, corporate margins remain at the highest levels enjoyed in 35 years. Return on Equity and Free Cash Flow generation were equally strong. Distribution of profits (via a combination of cash dividends and buybacks) is currently averaging about 55-60% of global earnings. Retained earnings are currently more than adequate to meet normal capital expenditure requirements. Dividend yields for the world ex financials average c.2.5%. Overall, corporate financial health is satisfactory.

PE Multiples

Unlike 2005, market returns in 2006 were not significantly effected by a contraction in PE multiples, although within the resources sectors i.e. materials and energy, PE multiples did contract. We believe this reflected investors' expectations that the current high commodity prices are not sustainable, whilst investors de-rated the IT sector.

PE Table- World

	30 June 2004	30 June 2005	30 June 2006
Market ex Financials	16.1	14.5	14.1
Energy	14.5	12.7	9.7
Materials	14.8	12.0	10.2
Industrials	17.4	15.3	18
Consumer Discretionary	17.2	16.3	14.8
Consumer Staples	17.7	16.8	16.5
Healthcare	18.2	18.0	16.4
Financials	12.2	11.6	11.5
Information Technology	22.0	19.8	17.1
Telecommunication	14.0	13.5	13.8
Utilities	13.0	14.2	14.6

Source UBS

Currencies- the \$A

At this time last year, we noted that 2005 returns had been adversely effected by a strengthening \$A. We also noted that the currency exposures from the investments of the portfolio were unhedged and with the \$A then slightly overvalued when compared to its purchasing power parity, there were grounds to believe that currency returns could make a positive contribution to future long term portfolio returns.

Notwithstanding the strength of commodity prices, the \$A did fall moderately during the year, and this fall supplemented total portfolio returns.

THE INVESTMENT MANAGER'S REPORT

Bentley Portfolio Returns

The portfolio has returned 15.6% (in \$A) for the year ended 30 June 2006, which is broadly in line with the portfolio benchmark return of 15.8% for the same period. This compares with a total portfolio return of 5.6% in the nine months from September 2004 (when Constellation assumed responsibility for managing the portfolio) to 30 June 2005.

When reviewing the portfolio performance against traditional benchmarks (such as the MSCI World ex Australia), we note that Bentley does not hold several of the higher performing sectors over the last twelve months, such as mining and industrial metal companies and the banking sector. This is because these sectors are readily available in the Australian market, and are well represented in many investor's domestic portfolios and in the domestic (i.e. Australian) component of the HomeGlobal™ portfolio.

Bentley only invests in securities within the international component of the HomeGlobal portfolio. In addition, we note the Bentley portfolio has significant exposure to the IT sector, which is not well represented in the Australian market and which underperformed the market average return in 2006. Accordingly, we note that global markets (as reflected by benchmarks such as the MSCI World ex Australia index), performed ahead of the Bentley portfolio over the year to 30 June 2006 primarily due to the out-performance of the banking and mining sectors. These sectors were major beneficiaries of the previously described boom in industrial production and the above trend growth in GDP, and the underperformance of IT stocks.

The most significant contributions by sector to portfolio returns over the year to 30 June are shown in the table below.

Top 10	Weight	Return	Contribution to Portfolio Return
Oil & Gas	10.1%	27.5%	2.8%
Pharmaceuticals & Biotechnology	10.8%	14.3%	1.5%
Information Technology Hardware	12.2%	11.3%	1.4%
Engineering & Machinery	2.4%	50.7%	1.2%
Automobiles & Parts	4.2%	28.6%	1.2%
Electronic & Electrical Equipment	4.1%	26.9%	1.1%
Electricity	5.4%	18.9%	1.0%
Telecommunication Services	6.3%	14.4%	0.9%
Software & Computer Services	7.1%	10.8%	0.8%
Speciality & Other Finance	2.5%	25.8%	0.7%
Bottom 10			
General Retailers	3.0%	9.2%	0.3%
Insurance	1.3%	20.9%	0.3%
Diversified Industrials	1.9%	12.4%	0.2%
Leisure, Entertainment & Hotels	1.5%	13.9%	0.2%
Household Goods & Textiles	1.9%	10.3%	0.2%
Media & Photography	1.7%	10.8%	0.2%
Health	3.8%	3.0%	0.1%
Life Assurance	0.2%	29.9%	0.0%
Utilities, Other	0.1%	25.4%	0.0%
Food & Drug Retailers	0.2%	11.8%	0.0%

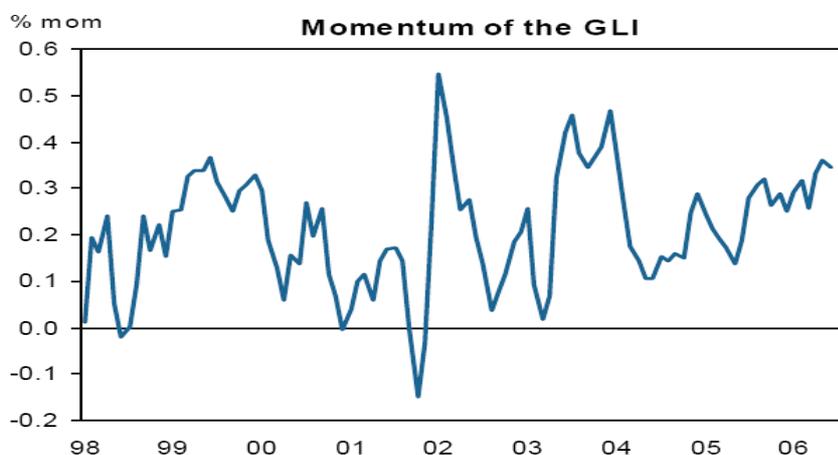
Source: Constellation

THE INVESTMENT MANAGER'S REPORT

Investment Outlook

As noted above investment returns turned negative in the June quarter and investor risk appetite reduced. This coincided with heightened inflationary fears in both the US and in Europe and commentaries by the US Federal Reserve of the need for further interest rate increases. The market's obsession with short-term interest rates was re-affirmed by the strong market response to Fed Chairman Bernanke's reassuring July 2006 comments that the US central bank's successive interest rate rises to fend off inflation might be almost finished. In his July testimony, Bernanke forecast slower economic growth in the US, a slight increase in unemployment and a broad based cooling of the housing market.

Whilst there are tentative signs of a slowdown in US activity, these influences have yet to feed through in any meaningful way in to momentum of global leading indicators (GLI) as shown in the following chart:



Source: Goldman Sachs

Central to a continuation of a positive investment outlook is investor confidence that the current efforts to manage a soft landing in the US are successful, and that continued growth in Europe, Japan and China is not destabilised by lack of success in these efforts. Given the current increased market volatility, the recent unfortunate events in the Middle East could not have come at a worse time as the market digests the unfolding events.

Experience suggests that a slowdown in global growth will not be good for corporate profitability, and the current mid-teen earnings growth forecasts for 2007 could easily turn down (to low teen or even single digit growth). A heightening of risk aversion and a lowering of earnings expectations is not normally conducive to share price growth. Accordingly there is the real potential for the current market volatility to continue for a little while yet.

THE INVESTMENT MANAGER'S REPORT

However, on the positive side, corporate gearing levels are on average lower than normal, and so corporations are increasingly well placed to meet any economic slowdown and/or further interest rate increases. In addition, PE multiples are comfortable when compared to history as shown in the following chart.



Source: UBS

As we said last year, investors will need to address the wall of worry, and 2007 will be no different. Finally, one must not forget the significant structural change in the world economy that is underway at present. Whilst most market indicators focus on US, Japan or Europe, emerging economies are increasingly influencing world growth, and the corporate world is a major beneficiary of this new growth engine. In a recent speech, Reserve Bank of Australia deputy Governor, Glen Stevens, noted that China, India and a range of smaller economies are offsetting slowdowns in mature economies and are engaging in the international economic and financial system. He argued that the openness of that system, if maintained, offers as much scope for strong growth (accompanied by price stability) as did the post-war (WWII) world.

The Bentley portfolio offers broad diversification across a range of stocks and sectors that are not adequately covered by the Australian market, and is well positioned to provide exposure to the continued growth in the world stock markets.

THE INVESTMENT MANAGER

On 18 May 2004, the Company entered into an Investment Management Agreement (**IMA**) with Constellation whereby Constellation was formally appointed as investment manager of the Company to implement the international equities component of Constellation's HomeGlobal™ Investment Strategy for an initial term of 2 years. Constellation commenced managing the portfolio in September 2004 after the appointment of National Australia Bank Limited as custodian.

1. 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.

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

Further information Constellation is available on their website: www.constellation.com.au

2. Manager's Board And Investment Management Team

2.1. Percy Allan AM, Chairman

MEc, BEc, FAICD, FCPA, FAIM

Mr Allan is a Visiting Professor at the Macquarie Graduate School of Management and is the Principal of Percy Allan & Associates, which advises on public policy, finance and management. Mr Allan has considerable experience in both the public and private sector and is well known for his past role as the Secretary of NSW Treasury and the Chairman of NSW Treasury Corporation. He is presently Chairman of the NSW Premier's Council on the Cost and Quality of Government.

2.2. Douglas Little, Managing Director

BCom, FCPA, FAICD, F Fin

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).

THE INVESTMENT MANAGER

2.3. **Jeremy Edmonds, Director**

MA (Hons) (Oxford), MBA

Mr Edmonds is Chief Executive of QSL, the trustee of one of Australia's largest superannuation funds which has provided capital backing for Constellation. Mr Edmonds is the trustee's representative on the Board. He has over twenty years experience in the financial services industry, having held senior positions with Trust Company Funds Management, AMP Henderson Global Investors and Rothschild Australia Asset Management.

2.4. **Olev Rahn, Director**

BEC, SA Fin

Mr Rahn has more than 36 years experience in the investment industry, beginning as an investment analyst with Sydney stockbroker Ord Minnett. He moved to London in the late 1960s joining merchant bank Robert Fleming & Co as an investment manager and transferred to affiliate Jardine Fleming & Co in Hong Kong in 1973. He returned to Australia in late 1975, joining a small team at Ord-BT Co, predecessor of Bankers Trust Australia, becoming investment director in 1978. Through the 1980s and 90s Bankers Trust Australia grew to be Australian's pre-eminent investment bank and fund manager. Mr Rahn retired from executive duties in early 2000 and as a director in 2002 to pursue selected consultant roles, charitable fundraising and private investment activities. Mr Rahn joined the Constellation board of directors in July 2003. Mr Rahn was also a founding Director of Bentley International Limited (then known as BT Global Asset Management Limited) when it floated on ASX in 1986. Mr Rahn is also a director of Everest Babcock & Brown Limited.

2.5. **Dr Peter Vann, Head of Investment Research**

PhD, MSc, BSc, F Fin

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 19 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 Visiting Fellow at Macquarie University's Applied Finance Centre, 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.

2.6. **Richard Morris, Investment Manager**

DipSM, BEc, F Fin

Mr Morris has been with Constellation for over six 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 11 years, including roles with WM Mercer in investment analysis and consulting and superannuation fund administration.

THE INVESTMENT MANAGER

3. Terms of Investment Management Agreement (IMA)

Some of the key terms of the IMA with Constellation are as follows:

- (1) Constellation is to invest and manage the portfolio in accordance with the international component of the HomeGlobal™ Investment Strategy;
- (2) The initial term of Constellation's appointment will be 2 years;
- (3) Authorised investments extend only to listed international equity securities (including exchange traded funds) that are traded on a recognised overseas stock exchange and certain cash and fixed interest securities. Constellation is not permitted to acquire derivatives, put options, call options, put and call options, to hedge, to borrow, or to pledge any assets of the portfolio or the Company. The Company's approval is required for Constellation to invest in a public listed company if such investment would be more than 10% of the market capitalisation of such company;
- (4) Constellation is permitted to maintain up to 5% of the portfolio in cash assets; and
- (5) The following management fees (exclusive of goods and services tax) are payable to Constellation:
 - (a) A base fee of \$69,000 per annum; and
 - (b) A variable fee of:
 - (i) 0.5% per annum of the portfolio value up to \$15m; and
 - (ii) 0.4% per annum of the portfolio value in excess of \$15m.

Examples of the management fee structure are:

Portfolio Size	Base Fee	Variable Fee		Total Fees	Total Fees as % of Portfolio Size
		0.5% up to \$15m	0.4% of excess over \$15m		
\$15m	\$69,000	\$75,000	\$0	\$144,000	0.96%
\$18m	\$69,000	\$75,000	\$12,000	\$156,000	0.87%
\$20m	\$69,000	\$75,000	\$20,000	\$164,000	0.82%
\$30m	\$69,000	\$75,000	\$60,000	\$204,000	0.68%
\$50m	\$69,000	\$75,000	\$140,000	\$284,000	0.57%
\$100m	\$69,000	\$75,000	\$340,000	\$484,000	0.48%

DIRECTORS' REPORT

The Directors present their Directors' Report on Bentley International Limited ABN 87 008 108 218 ("Company" or "Bentley International" or "BEL") for the financial year ended 30 June 2006 ("Balance Date").

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

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 investment 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. Constellation's mandate has continued after May 2006 and is currently the subject of review by the Board; and
- National Australia Bank Limited ("**NAB**") (appointed 20 August 2004 for an initial 2 year term) as custodian. NAB's custodial services have continued after August 2006 and is also currently being reviewed by the Board.

OPERATING RESULTS

	2006 \$'000	2005 \$'000
Unrealised gains/(losses) on investments	2,050	(115)
Realised gain/(losses) on investments	351	(858)
Foreign exchange gains/(losses)	2	(106)
Other investment related income	430	528
Total investment income/(loss)	2,833	(551)
Investment manager's fees	178	136
Custody fees	35	44
Other corporate and administration expenses	528	353
Total expenses	741	533
Profit/(Loss) before income tax expense	2,092	(1,084)
Income tax (expense)/benefit	(6)	369
Profit/(Loss) after income tax expense	2,086	(715)

DIRECTORS' REPORT

The Company increased its net profit during the current reporting period to \$2.092 million (pre tax) (up 293%) and \$2.086 million (post tax) (up 392%) compared with the previous corresponding period results of \$1.084 million net loss (pre tax) and \$0.715 million net loss (post tax).

EARNINGS PER SHARE

	2006	2005
Basic and diluted earnings/(loss) per share (cents)	5.3	(1.8)

FINANCIAL POSITION

	2006 \$'000	2005 \$'000
Investments	19,153	16,880
Cash	367	758
Other assets	43	41
Liabilities	(179)	(135)
Net assets	19,384	17,544
Issued capital	17,840	23,004
Accumulated losses	1,544	(5,460)
Total Equity	19,384	17,544

NET TANGIBLE ASSET BACKING

	2006 \$'000	2005 \$'000
Net tangible assets (before tax on unrealised gains)	19,384	17,599
Pre-tax NTA Backing per share (cents)	49.32	45.10
Less: Provision for tax on unrealised gains	-	(55)
Net tangible assets (after tax on unrealised gains)	19,384	17,544
Post-tax NTA Backing per share (cents)	49.32	45.05
Based on total issued share capital	39,304,854	38,942,213

DIVIDENDS

The Company has paid a final dividend as follows:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid	DRP Issue Price
One cent per share	29 August 2006	31 August 2006	Fully franked	\$393,049	36.7 cents

DIRECTORS' REPORT

The Company also paid the following interim dividend during the financial year:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid	DRP Issue Price
One cent per share	11 April 2006	26 April 2006	Fully franked	\$389,422	39.6 cents

Dividend Reinvestment Plan

The Directors reinstated a Dividend Reinvestment Plan ("DRP") in respect of the dividend paid in April 2006 (issued at 39.6 cents, being at a 2.5% discount to the volume weighted average price on ASX in the 5 day period up to and including the record date).

The DRP issue price in respect of the August 2006 final dividend was also set at a 2.5% discount to the Company's volume weighted average price on ASX in the 5 day period up to and including the record date, being an issue price of 36.7 cents per share.

The DRP allows shareholders, at their election, to automatically invest some or all of their dividend income into additional shares. As there are no transaction costs incurred, it also provides shareholders with an economical and convenient way to purchase additional shares in the Company. A copy of the DRP rules and related documentation may be obtained from the Company or downloaded from the Company's website.

Dividend Policy

It is the objective of the Company to provide a regular and stable dividend payment to shareholders after the announcement of its half year and full year operating results. These results are normally announced in February and August each year and the Company will endeavour to announce its dividend payments at this time.

The Company intends to distribute annually to shareholders at least 50% of the available net profits arising from the dividend, interest and other income it receives from its investments and the realised and unrealised gains on its investments, to the extent permitted by law and subject to prudent business practices. Dividends will be franked to the extent that available franking credits permit and in accordance with the stated objective of providing 2 dividend payments a year.

SECURITIES IN THE COMPANY

As at the date of this Directors' Report, the Company has 39,728,303 (30 June 2006: 39,304,854; 30 June 2005: 38,942,213) fully paid ordinary shares on issue. All such shares are listed on ASX. The Company has no other securities on issue.

On 26 April 2006, the Company issued 362,641 shares at 39.6 cents per share as a consequence of shareholders' participation under the DRP in respect of the April 2006 interim dividend payment.

On 31 August 2006, the Company issued 423,449 shares at 36.7 cents per share as a consequence of shareholders' participation under the DRP in respect of the August 2006 final dividend payment.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

As at 30 June 2006, a direct investment in the Company provides indirect exposure to a diversified portfolio of approximately 235 securities across 22 industry sectors in 11 recognised overseas stock markets.

Based on information provided by Constellation, the investment portfolio returned 15.6% during the financial year (which includes realised gains of \$0.351 million and unrealised gains of \$2.050 million), reflecting an improvement in world markets (the MSCI ex Australia Index returned 17.4% in US\$ terms compared with 10% in the previous year) and favourable exchange rate movements (the MSCI ex Australia Index returned 20.4% in A\$ terms compared with 1% in the previous year).

Whilst the value of the portfolio benefited from a small decline in the \$A and from the gains in the value of the portfolio when expressed in local currencies, Constellation advises that it did not have exposure to the top performing sectors (e.g. the FTSE Mining and Industrial Metals sectors returned 81% and 80% respectively in A\$ terms) as its investment portfolio has been structured towards sectors not represented in the Australian market, as consistent with its overseas focussed HomeGlobal™ Investment Strategy.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

The Directors note that the investment management agreement with Constellation expired on 18 May 2006 and Constellation's mandate has continued thereafter pending the completion of the Board's review of the performance of Constellation and its HomeGlobal™ Investment Strategy. After such review the Board will either:

- (1) seek to negotiate a renewal of Constellation's appointment as investment manager or seek the appointment of another appropriate investment manager, to manage the Company's funds in accordance with the Company's current investment mandate/objective to invest in international securities; or
- (2) seek to appoint Constellation or another appropriate investment manager, to manage the Company's funds in accordance with a new investment mandate/objective approved by shareholders.

In the opinion of the Directors, it may prejudice the interests of the Company to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and business strategies and operations of the Company and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION

The Company is not 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 the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

DIRECTORS' REPORT

DIRECTORS

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

Farooq Khan – Chairman

Appointed – Director since 2 December 2003; Chairman since 10 February 2004

Qualifications – BJuris, LLB. (UWA)

Experience – 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 and has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.

Relevant interest in shares – 11,276,014 ordinary shares (not held directly¹)

Special Responsibilities – Chairman of the Board

Other current directorships – Current Chairman and Managing Director of:

in listed entities (1) Queste Communications Limited (since 10 March 1998);

Current Chairman of:

(2) Scarborough Equities Limited (since 29 November 2004).

Current Executive Director of:

(2) Strike Resources Limited (since 3 September 1999).

Former directorships in other – (1) Altera Capital Limited (9 November 2001 to 18 October 2005);

listed entities in past 3 years (3) Sofcom Limited (3 July 2002 to 18 October 2005).

Peter P. Simpson – Non-Executive Director

Appointed – 6 September 2005

Qualifications – Ass.Dip.Bus, F.A.I.M., F.C.D.I.

Experience – Mr Simpson has substantial business and commercial experience. Mr Simpson is Executive Chairman of Bridge Finance Australia Pty Ltd, which has broad interests including horticulture, publishing and in the IT sector. Mr Simpson is also Chairman of Eudunda Farmers' Limited an unlisted property and supermarket group. Mr Simpson has substantial interests in two private investment companies and is also a director and shareholder in Wirra Wirra Vineyards in South Australia.

Relevant interest in shares – 1,560,679 shares (held indirectly)

Special Responsibilities – None

Other current directorships – None
in listed entities

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

¹ Held by Orion Equities Limited (OEQ), a company in which Queste Communications Limited (QUE) is a controlling shareholder; Farooq Khan (and associated companies) have a deemed relevant interest in the BEL shares in which QUE has a relevant interest by reason of having >20% voting power in QUE.

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 Schrodgers Australia for 27 years. At Schrodgers, 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 – None

Other current directorships – Current Chairman of:

- in listed entities*
- (1) Golden Cross Resources Limited (since 25 March 2003);
 - (2) Blue Ensign Technologies Limited (since 22 August 2002).

Current Director of:

- (3) Scarborough Equities Limited (since 29 November 2004).

Former directorships in other listed entities in past 3 years – Volant Petroleum Limited (11 December 2003 to 23 May 2006)

Simon K. Cato – Non-Executive Director

Appointed – 5 February 2004

Qualifications – B.A. (USYD), MSDIA

Experience – 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 ASX in Sydney and Perth in the companies department most recently as Manager, Companies for ASX Perth. Over the last 16 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.

Relevant interest in shares – None

Special Responsibilities – None

Other current directorships – Current Director of:

- in listed entities*
- (1) Scarborough Equities Limited (since 29 November 2004).
 - (2) The Gold Company Limited (since 21 February 2006);
 - (3) Sofcom Limited (since 8 January 2004).

Former directorships in other listed entities in past 3 years –

- (1) Altera Capital Limited (8 January 2004 to 8 August 2006)
- (2) Elemental Minerals Limited (19 February 2004 to 5 July 2006);
- (3) Medusa Mining Limited (5 February 2002 to 13 April 2006).

DIRECTORS' REPORT

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.

Relevant interest in shares – 15,945 ordinary shares

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

- (1) Strike Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000);
- (2) Orion Equities Limited (Secretary since 2 August 2000 and Director since 4 July 2003);
- (3) Sofcom Limited (Director since 3 July 2002 and Secretary since 23 July 2003).

Current Company Secretary of:

- (4) Scarborough Equities Limited (Secretary since 29 November 2004);
- (5) Queste Communications Limited (Secretary since 30 August 2000)

Former position in other listed entities in past 3 years – Altera Capital Limited (resigned 8 August 2006; Director from 9 November 2001 and Secretary from 26 November 2001)

DIRECTORS' MEETINGS

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

Name of Director	Meetings Attended	Maximum Possible Meetings
Farooq Khan	22	22
Christopher Ryan	22	22
Simon Cato	22	22
Peter Simpson	16	16

There were no meetings of committees of the Board.

Board Committees

As at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Company's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

DIRECTORS' REPORT

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director and Executive Officer of the Company.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Executive Officers 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.

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 Non-Executive Director remuneration as follows:

- (a) Mr Farooq Khan (Non-Executive Chairman) – a base fee of \$30,000 per annum plus 9% employer superannuation contributions;
- (b) Mr Christopher Ryan (Non-Executive Director) – a base fee of \$24,000 per annum plus 10% goods and services tax payable to Westchester Financial Services Pty Limited (trading as Westchester Corporate Finance), a corporate advisory company in which Mr Ryan is principal;
- (c) Mr Simon Cato (Non-Executive Director) – a base fee of \$21,000 per annum plus 9% employer superannuation contributions;
- (d) Mr Peter Simpson (Non-Executive Director) – a base fee of \$21,000 per annum plus 10% goods and services tax payable to Bridge Finance Australia Pty Ltd, a company in which Mr Simpson is a controlling director and shareholder.

Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement of all traveling, 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) 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).

The Company does not presently have any equity (shares or options) based remuneration arrangements pursuant to any executive or employee share or option plan or otherwise.

The Company does not presently provide retirement benefits or incentive/performance based benefits related to the Company's performance to Directors or the sole Executive Officer.

The Company does not presently have formal service agreements or employment contracts with the Directors or the sole Executive Officer.

There is no relationship between the Company's current remuneration policy and the Company's performance.

DIRECTORS' REPORT

(2) Details of Remuneration of Directors

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

Name of Director	Office Held	Directors' Fees \$	Superannuation \$	Other Payments \$	Total \$
Farooq Khan	Non-Executive Chairman	49,365	4,443	-	53,808
Christopher Ryan	Non-Executive Director	26,400	-	-	26,400
Simon Cato	Non-Executive Director	17,850	3,150	-	21,000
Peter Simpson	Non-Executive Director	19,250	-	-	19,250

Notes:

- (a) 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 goods and services tax ("GST").
- (b) Mr Simpson's Directors' fees have been paid to Bridge Finance Australia Pty Ltd, a company in which Mr Simpson is a controlling director and shareholder, and is reported inclusive of GST.

(3) Details of Remuneration of Executive Officer

The Company only had one Executive Officer during the financial year. Details of the nature and amount of each element of remuneration of such Executive Officer paid or payable by the Company during the financial year are as follows:

Name of Executive Officer	Office Held	Salary \$	Superannuation \$	Total \$
Victor Ho	Company Secretary	43,624	3,926	47,550

(4) 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.

(5) Directors' Deeds

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

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

DIRECTORS' REPORT

Such deeds (in respect of Messrs Khan, Ryan, Cato and Simpson) were approved by shareholders at the 2005 AGM.

(6) Other Directors' Benefits

No Director of the Company has, since the end of the previous 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.

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.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). A reconciliation of adjustments arising on the transition to AIFRS is included in note 2 to the financial statements.

AUDITOR

Details of the amounts paid or payable to the auditor (BDO, Chartered Accountants & Advisers) for audit and non-audit services provided during the financial year are set out below:

Audit & Review Fees	Fees for Other Services	Total
\$	\$	\$
28,658	Nil	28,658

There has been no provision of non-audit services by the auditor during the year.

AUDITORS' 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 38. 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 22), 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.

DIRECTORS' REPORT

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



Farooq Khan
Chairman



Peter Simpson
Non-Executive Director

11 September 2006



Chartered Accountants
& Advisers

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www.bdo.com.au

11 September 2006

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

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF BENTLEY INTERNATIONAL LIMITED

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.

Yours faithfully

BDO
Chartered Accountants

BG McVeigh
Partner



INCOME STATEMENT

for the year ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
Revenue	3 a	429	524
Other income		2,404	4
Expenses	3 (b)		
Investment expenses			
- Unrealised changes in the net fair value of investments		-	(115)
- Realised losses on sale of investments		-	(858)
- Foreign exchange losses		-	(106)
- Withholding tax		(51)	(44)
Occupancy expenses		(71)	-
Finance expenses		(1)	-
Borrowing cost		-	-
Corporate expenses		(260)	(218)
Administration expenses		(358)	(271)
Profit/(Loss) before income tax expense		2,092	(1,084)
Income tax (expense)/ benefit	4	(6)	369
Profit/ (Loss) after income tax expense		2,086	(715)
Dividends per share (cent per share)	7	1.0	1.0
Basic earnings (loss) (cents per share)	8	5.3	(1.8)

The accompanying notes form part of this financial report

BALANCE SHEET

as at 30 June 2006

	2006	2005
Note	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	9	367
Financial assets at fair value	10	19,153
Trade and other receivables	11	28
Other	12	6
TOTAL CURRENT ASSETS	19,554	17,665
NON CURRENT ASSETS		
Property, plant and equipment	13	9
Deferred tax assets	15	-
TOTAL NON CURRENT ASSETS	9	14
TOTAL ASSETS	19,563	17,679
CURRENT LIABILITIES		
Trade and other payables	14	179
Provision for income tax	15	-
TOTAL CURRENT LIABILITIES	179	129
NON CURRENT LIABILITIES		
Deferred tax liabilities	15	-
TOTAL NON CURRENT LIABILITIES	-	6
TOTAL LIABILITIES	179	135
NET ASSETS	19,384	17,544
EQUITY		
Issued capital	16	17,840
Retained earnings/ (Accumulated losses)		1,544
TOTAL EQUITY	19,384	17,544

The accompanying notes form part of this financial report

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

		Issued Capital	Reserves *	Retained Earnings (Accumulated Losses)	Total
	Note	\$'000	\$'000	\$'000	\$'000
At 1 July 2004		23,004	1,069	(5,425)	18,648
Loss for the year		-	-	(715)	(715)
Total recognised income and expense for the year		-	-	(715)	(715)
Dividends paid		-	-	(389)	(389)
Reduction of share capital to the extent not represented by assets	16	-	(1,069)	1,069	-
At 30 June 2005		<u>23,004</u>	<u>-</u>	<u>(5,460)</u>	<u>17,544</u>
At 1 July 2005		23,004	-	(5,460)	17,544
Adoption of AASB 132 and 139					
Revaluation of investments		-	-	54	54
Deferred tax liability		-	-	(16)	(16)
sub-total		-	-	38	38
Profit for the year		-	-	2,048	2,048
Total recognised income and expense for the year		-	-	2,048	2,048
Dividends paid		-	-	(389)	(389)
Issue under Dividend Reinvestment Plan		143	-	-	143
Reduction of share capital to the extent not represented by assets	16	(5,307)	-	5,307	-
At 30 June 2006		<u>17,840</u>	<u>-</u>	<u>1,544</u>	<u>19,384</u>

* The Reserve was used to record the cumulative after tax unrealised gains or losses on investments

The accompanying notes form part of this financial report

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Note	Company	
		2006 \$'000	2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		412	486
Interest received		9	18
Other income received		-	4
Investment manager's fees paid		(133)	(93)
Other expenses paid		(517)	(391)
Income tax paid		(47)	(28)
Proceeds from sale of investments		2,116	18,327
Purchase of investments		(2,057)	(17,089)
		<hr/>	<hr/>
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	9(a)	(217)	1,234
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(246)	(389)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(246)	(389)
		<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		(463)	845
Cash and cash equivalents at the beginning of the year		758	19
Effect of exchange rate changes on cash		72	(106)
		<hr/>	<hr/>
CLOSING CASH AND CASH EQUIVALENTS AT END OF YEAR	9	367	758

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

1. SUMMARY OF ACCOUNTING POLICIES

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Bentley International Limited (the **Company**) is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Stock Exchange (**ASX**). The Company does not have any controlled entities.

Compliance with IFRS

The financial report complies with all Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial statements of Bentley International Limited comply with International Financial Reporting Standards (IFRS) save that the Company has elected to apply the relief provided in respect of certain disclosure requirements pursuant to *AASB 132 Financial Instruments: Disclosure and Presentation*.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The Company has prepared financial statements in accordance with AIFRS from 1 July 2005. In accordance with the requirements of *AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, adjustments to the Company's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied.

The Company has elected to adopt the exemptions available under AASB 1 relating to *AASB 132: Financial Instruments: Disclosure and Presentation* and *AASB 139: Financial Instruments: Recognition and Measurement* and have not restated comparative information for the 30 June 2005 financial period. Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

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.

1.1. Investments and Other Financial Assets

From 1 July 2005 to 30 June 2006

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 assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of *AASB 139: Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments - These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

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

From 1 July 2004 to 30 June 2005

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. The accounting policy applying to such 2005 comparatives are:

Classification - The investment objectives of the Company include earning revenue from dividends and holding investments for market appreciation and trading opportunities. Investments held are readily marketable and are traded as future market conditions dictate. Constellation Capital Management Limited ("Constellation") has been appointed investment manager with a mandate to invest in the international equities component of its HomeGlobal™ Investment Strategy. The investment portfolio of the Company comprises investments in more than 200 stocks in 11 overseas markets.

Valuation - Investments are stated at net fair value as at the reporting date. Net fair value of investments is the last sale price quoted on the relevant exchange at the close of business at year end, less an appropriate allowance for costs expected to be incurred in realising the investments. The net fair value of any monetary asset where no last sale price exists is based upon discounting the expected future cash flows by the rate interest for assets with similar risk profiles. Certain costs in acquiring investments, such as brokerage and stamp duty, are capitalised in the initial cost of the investment.

Unrealised gains and losses - Changes in the net fair value of investments represent the unrealised gains or losses on investments arising from the increment or decrement between the net fair value at the reporting date and the net fair value as at the prior year end (or cost if the investment was acquired during the year).

The unrealised gains or losses are transferred to the unrealised profits and losses reserve to the extent the Company is in a net unrealised gain position, net of any potential tax charge that may arise from the future sale of investments. The balance in the unrealised profits and losses reserve is equal to the cumulative after tax unrealised gains or losses on investments.

1.2. 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 Company 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 Company 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 Company for similar financial instruments.

The Company's investment portfolio (comprising listed 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.

1.3. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST). 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 Company has passed control of the goods or other assets to the buyer.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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 Company brings dividend revenue to account on the applicable ex-dividend entitlement date.

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

1.4. 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 notional 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 Company 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 parent entity 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.

1.5. 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 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.

1.6. 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.

1.7. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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 Company 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	Depreciation Rate	Depreciation Method
Computer Equipment	25%-40%	Straight Line

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.

1.8. Impairment of Assets

At each reporting date, the Company 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.

1.9. 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.

1.10. 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 securities for the acquisition of assets are included in the cost of the acquisition as part of the purchase consideration.

1.11. 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.

1.12. Employee Entitlements

Provision is made for the Company'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 Company in accordance with statutory obligations and are charged as an expense when incurred.

1.13. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Company's segment reporting is contained in note 19 of the notes to the financial statements.

1.14. Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

1.13 Changes in Accounting Policy

The Company has adopted the following accounting standards for application on or after 1 January 2005:

- (i) AASB 132: Financial Instruments: Disclosure and Presentation; and
- (ii) AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the Company's financial instruments.

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in preparation of the preparation of the financial statements at reporting date.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard"	Application date for Company
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-4	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-10	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 101: <i>Presentation of Financial Statements</i> AASB 114: <i>Segment Reporting</i> , AASB 133: <i>Earnings per Share</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> AASB 1: <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 119: <i>Employee Benefits</i> ,	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

2. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) Reconciliation of Profit or Loss for 30 June 2005	AIFRS		
	AGAAP \$'000	Impact \$'000	AIFRS \$'000
Revenue			
Dividends and trust distribution	485		485
Interest	39		39
Other Income			
Unrealised changes in the net fair value of investments	(115)		(115)
Realised gains on sale of investments	(858)		(858)
Foreign exchange losses	(106)		(106)
Other	4		4
	<u>(551)</u>	-	<u>(551)</u>
Expenses			
Investment manager's fees	(136)		(136)
Audit fees	(26)		(26)
Directors' fees	(23)		(23)
Custodian fees	(44)		(44)
Accounting	(43)		(43)
Withholding tax	(44)		(44)
Other	(217)		(217)
Loss before income tax expense	<u>(1,084)</u>	-	<u>(1,084)</u>
Income tax benefit	369		369
Loss after income tax expense	<u>(715)</u>	-	<u>(715)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(ii) Reconciliation of equity

	Reconciliation of equity at 1 July 2004			Reconciliation of equity at 30 June 2005		
	AIFRS			AIFRS		
	AGAAP \$'000	Impact \$'000	AIFRS \$'000	AGAAP \$'000	Impact \$'000	AIFRS \$'000
CURRENT ASSETS						
Cash and cash equivalents	19		19	758		758
Financial assets at fair value	19,114		19,114	16,880		16,880
Trade and other receivables	-		-	20		20
Other	24		24	7		7
TOTAL CURRENT ASSETS	19,157	-	19,157	17,665	-	17,665
NON CURRENT ASSETS						
Property, plant and equipment	9		9	7		7
Deferred tax assets	7		7	7		7
TOTAL NON CURRENT ASSETS	16	-	16	14	-	14
TOTAL ASSETS	19,173	-	19,173	17,679	-	17,679
CURRENT LIABILITIES						
Trade and other payables	75		75	80		80
Short term provision	-		-	49		49
TOTAL CURRENT LIABILITIES	75	-	75	129	-	129
NON CURRENT LIABILITIES						
Deferred tax liabilities	450		450	6		6
TOTAL NON CURRENT LIABILITIES	450	-	450	6	-	6
TOTAL LIABILITIES	525	-	525	135	-	135
NET ASSETS	18,648	-	18,648	17,544	-	17,544
EQUITY						
Issued capital	23,004		23,004	23,004		23,004
Reserves	1,069		1,069	-		-
Accumulated losses	(5,425)		(5,425)	(5,460)		(5,460)
TOTAL EQUITY	18,648	-	18,648	17,544	-	17,544

(iii) Cash Flow Statement

There are no material impacts on the Cash Flow Statement as a consequence of the adoption of AIFRS.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

3. PROFIT/LOSS

The operating profit/ (loss) before income tax includes the following items of revenue and expense:

	2006	2005
	\$'000	\$'000
(a) Revenue		
Dividends and trust distribution	420	485
Interest	9	39
Other Income		
Unrealised changes in the net fair value of investments	2,050	-
Realised gains on sale of investments	351	-
Foreign exchange gains	2	-
Other	1	4
Total Income	<u>2,833</u>	<u>528</u>
(b) Expenses		
Investment expenses		
- Unrealised changes in the net fair value of investments	-	115
- Realised losses on sale of investments	-	858
- Foreign exchange losses	-	106
- Withholding tax	51	44
Occupancy expenses	71	-
Finance expenses	1	-
Borrowing cost	-	-
Corporate expenses		
- Management fees	178	136
- Custodian fees	35	44
- ASX fees	18	15
- Share registry fees	17	23
- Other	12	-
Administration expenses		
- Communications	13	-
- Accounting	49	43
- Audit fee	29	25
- Office administrator	24	-
- Personnel	166	131
- Personnel- employee benefits	1	-
- Depreciation	3	2
- Travel	14	4
- Other	59	66
	<u>741</u>	<u>1,612</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

4. INCOME TAX EXPENSE	2006	2005
	\$'000	\$'000
(a) The major components of income tax expense are:		
Current tax	-	75
Deferred tax (Note 15)	1	(444)
	<u>1</u>	<u>(369)</u>
(b) The prima facie income tax on profit/ (loss) from ordinary activities before income tax is reconciled to the income tax provided in the accounts as follows:		
Profit/ (Loss) before income tax	<u>2,092</u>	<u>(1,084)</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)	628	(325)
Tax effect of timing differences		
Unrealised (gains) losses on investments	-	36
Non allowable items	15	-
Assessable taxable income	-	(49)
	<u>643</u>	<u>(338)</u>
(Over) / under provision in respect to prior years	(637)	-
Carried forward losses utilised against current year provision	-	(6)
Realised loss on disposal of investments	-	456
Withholding tax	-	(31)
Reversal of prior year unrealised investment losses	-	(450)
Income tax expense / (benefit)	<u>6</u>	<u>(369)</u>
The applicable weighted average effective tax rate are as follows:	1%	34%
(c) Deferred Tax Asset not brought to account at 30%		
- temporary differences	2,012	2,669

The benefits of the Deferred Tax Asset not brought to account for the 2006 year will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) the Company is able to meet the continuity of ownership and/or continuity of business tests.

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

Farooq Khan	Non-Executive Chairman
Christopher Ryan	Non-Executive Director
Simon Cato	Non-Executive Director
Peter Simpson	Non-Executive Director (Appointed 6 September 2005)
Victor Ho	Company Secretary

	2006	2005
Number of employees (including key management personnel)	<u>5</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(b) Compensation of key management personnel (directors)

Directors 2006	Performance Related %	Short term Benefits		Post employment	Total
		Salaries & Fees \$	Other Benefits \$	Superannuation \$	
Farooq Khan	-	49,365	-	4,443	53,808
Christopher Ryan	-	26,400	-	-	26,400
Simon Cato	-	17,850	-	3,150	21,000
Peter Simpson	-	19,250	-	-	19,250
		112,865	-	7,593	120,458
2005					
Farooq Khan	-	44,930	-	4,008	48,938
Christopher Ryan	-	29,703	1,655	-	31,358
Simon Cato	-	17,850	-	3,150	21,000
		92,483	1,655	7,158	101,296

(c) Compensation of other key management personnel

2006	Performance Related %	Short term Benefits		Post employment	Total
		Salaries & Fees \$	Other Benefits \$	Superannuation \$	
Victor Ho	-	43,624	-	3,926	47,550
2005					
Victor Ho	-	27,789	-	2,647	30,436

(d) Shareholdings of key management personnel

2006	Balance at 1 July 2005	Balance at Appointment	Net Changes	Balance at 30 June 2006
Directors				
Farooq Khan	9,708,920		1,267,996	10,976,916
Christopher Ryan	-		-	-
Simon Cato	-		-	-
Peter Simpson		1,197,306	321,980	1,519,286
Other key management personnel				
Victor Ho	15,945		(10,000)	5,945
2005				
Directors	Balance at 1 July 2004		Net Changes	Balance at 30 June 2005
Farooq Khan	7,669,323		2,039,597	9,708,920
Christopher Ryan	-		-	-
Simon Cato	-		-	-
Peter Simpson				
Other key management personnel				
Victor Ho	15,945		-	15,945

The disclosures of equity holdings are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(e) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments to directors of the Company is as follows: The Board determines the remuneration structure of all Directors and Executive Officers 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.

6. AUDITORS' REMUNERATION

	2006	2005
Amounts received or due and receivable by:	\$	\$
Auditing of the financial report		
- current year expense	12,976	25,553
- prior year underprovision	15,682	-
	<u>28,658</u>	<u>25,553</u>

7. DIVIDENDS

	2006	2005
	\$'000	\$'000
Declared and paid during the year		
Dividends on ordinary shares		
One cent per share fully franked paid on 27 September 2004	-	389
One cent per share fully franked paid on 26 April 2006	389	-
	<u>389</u>	<u>389</u>

On 31 August 2006, the Directors paid a final dividend of one cent per share fully franked dividend. The record date was 29 August 2006. This dividend was declared on 11 August 2006.

Post balance date dividends paid

One cent per share fully franked paid on 31 August 2006	393	-
	<u>393</u>	<u>-</u>

Franking credit balance

Balance of franking account at year end adjusted for franking credits arising from:	3,860	4,664
Franking debits arising from payment of dividends post balance date	(168)	(166)
	<u>3,692</u>	<u>4,498</u>

8. EARNINGS PER SHARE

	2006	2005
Basic earnings (loss) per share (cents)	5.3	(1.8)
Net profit/ (loss) after income tax (\$'000)	<u>2,086</u>	<u>(715)</u>

Weighted average number of ordinary shares during the year used in calculation of basic earnings per share

39,006,793	38,942,213
<u>39,006,793</u>	<u>38,942,213</u>

Diluted loss per share has not been disclosed, as it does not show a position which is inferior to basic earnings per share. The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earning per share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

9. CASH AND CASH EQUIVALENTS	2006	2005
	\$'000	\$'000
Cash at bank	367	758

(a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

Net Profit (loss) after income tax	2,086	(715)
Unrealised changes in the net fair value of investments	(2,050)	115
Depreciation	3	2
Realised (gains) losses on sale of investments	(351)	858
Net foreign exchange (gains) losses	(2)	106
(Increase)/ decrease in assets:		
Investments	58	1,238
Receivables	(8)	(20)
Prepayment	1	16
Tax assets	7	50
Increase/(decrease) in liabilities:		
Payables	94	27
Tax liabilities	(55)	(443)
Net cash flows from operating activities	(217)	1,234

(b) Disclosure of non-cash financing and investing activities

\$143,642 of interim dividends (one cent per share fully franked) were reinvested by shareholders on 26 April 2006 under a Dividend Reinvestment Plan resulting in the issue of 362,641 ordinary shares (at 39.6 cents per share).

10. FINANCIAL ASSETS AT FAIR VALUE	2006	2005
	\$'000	\$'000
Investment Portfolio	19,153	16,880

11. TRADE AND OTHER RECEIVABLES		
Dividends and interest receivable	28	20

12. OTHER CURRENT ASSETS		
Prepayments	6	7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

13. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment \$'000	Total \$'000
2006		
At 1 July 2005, net of accumulated depreciation and impairment	7	7
Additions	5	5
Depreciation expense	(3)	(3)
At 30 June 2006, net of accumulated depreciation and impairment	<u>9</u>	<u>9</u>
At 1 July 2005		
Cost	9	9
Accumulated depreciation and impairment	(2)	(2)
Net carrying amount	<u>7</u>	<u>7</u>
At 30 June 2006		
Cost	14	14
Accumulated depreciation and impairment	(5)	(5)
Net carrying amount	<u>9</u>	<u>9</u>
2005		
At 1 July 2004, net of accumulated depreciation and impairment	-	-
Additions	9	9
Depreciation expense	(2)	(2)
Disposal	-	-
At 30 June 2005, net of accumulated depreciation and impairment	<u>7</u>	<u>7</u>
At 1 July 2004		
Cost	9	9
Accumulated depreciation and impairment	-	-
Net carrying amount	<u>9</u>	<u>9</u>
At 30 June 2005		
Cost	9	9
Accumulated depreciation and impairment	(2)	(2)
Net carrying amount	<u>7</u>	<u>7</u>
14. TRADE AND OTHER PAYABLES		
	2006	2005
	\$'000	\$'000
Trade creditors	49	80
Amounts payable to related parties	102	-
Other creditors and accruals	28	-
	<u>179</u>	<u>80</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

15. TAX

Assets		2006	2005
Non Current		\$'000	\$'000
Deferred tax asset comprise:			
Other		-	7
		<u>-</u>	<u>7</u>
Liabilities			
Current			
Income tax		-	49
		<u>-</u>	<u>49</u>
Non Current			
Deferred income tax comprises of fair value gain adjustments		-	6
		<u>-</u>	<u>6</u>
Reconciliations			
Gross movement			
The overall deferred tax account is as follows			
Opening balance		1	(443)
(Charge) / credit to income statement		(1)	444
Closing balance		<u>-</u>	<u>1</u>
Deferred tax asset - Other			
The movement in deferred tax asset for each temporary difference during the year is as follows:			
Opening balance		7	7
(Charge) / credit to income statement		(7)	-
Closing balance		<u>-</u>	<u>7</u>
Deferred tax liability - Fair Value Gain Adjustments			
The movement in deferred tax liability for each temporary difference during the year is as follows:			
Opening balance		6	450
(Charge) / credit to income statement		(6)	(444)
Closing balance		<u>-</u>	<u>6</u>

16. ISSUED CAPITAL

Fully paid ordinary shares	Number of shares	2006 \$'000	Number of shares	2005 \$'000
	39,304,854	17,840	38,942,213	23,004
Movement in Ordinary Share Capital	Date of movement	Number of shares	2006 \$'000	2005 \$'000
At 1 July 2004		38,942,213	23,004	23,004
At 1 July 2005		<u>38,942,213</u>	<u>23,004</u>	<u>23,004</u>
Reduction of share capital				
to the extent not represented by assets	24-Nov-05	-	(5,307)	
Issue under dividend reinvestment plan	26-Apr-06	362,641	143	
At 30 June 2006		<u>39,304,854</u>	<u>17,840</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

At the Annual General Meeting held on 24 November 2005, shareholders approved a reduction in the value of the Company's share capital against accumulated losses by \$5,307,237, being an amount not represented by available assets, pursuant to section 258F of the Corporations Act. This was essentially an accounting entry that allowed the Company to remove from retained earnings historical carried forward losses that effects the ability of the Company to retain earnings from which future dividends may be paid. The reduction has no effect on the carried forward tax losses of the Company nor did it change the number of shares on issue or the net asset position of the Company.

17. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Entity with deemed significant influence over the Company	Note	Amount owed to related parties
Orion Equities Limited (OEQ)	14	\$60,425
Entity with deemed control over OEQ		
Qeste Communications Ltd (QUE)	14	\$41,703

As at balance date, OEQ held 27.93% of the ordinary shares in the Company. QUE holds 48% of the ordinary shares in OEQ. During the financial year, there were transactions between the Company, OEQ and QUE pursuant to shared office and administration expense arrangements on a cost recovery basis. Interest is not charged on such outstanding amounts.

18. SEGMENT REPORTING

Business Segment

The Company is incorporated in Australia. The Company's principal activity is investment in equity securities listed on overseas stock markets.

Geographical exposure

Constellation Capital Management Limited manages the Company's investment portfolio, to implement the international equities component of Constellation's HomeGlobal investment strategy. While the Company operates from Australia only, it has investment exposures in different countries. The geographical locations of these exposures are outlined below:

	Segment Revenues		Carrying Amounts of Segment Assets		Acquisitions of Investments	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia	7	227	235	415	-	
Europe	787	64	3,354	2,928	293	2,794
United Kingdom	386	31	1,877	1,579	98	1,463
North America	1,035	175	11,189	10,323	1,389	10,301
Asia	92	4	575	537	176	448
Japan	526	27	2,333	1,897	101	2,083
	<u>2,833</u>	<u>528</u>	<u>19,563</u>	<u>17,679</u>	<u>2,057</u>	<u>17,089</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS

Financial Risk Management

The Company's financial instruments consists of deposits with banks, accounts receivable and payable and investments in overseas listed securities held by National Australia Bank Limited as custodian and managed by investment management, Constellation Capital Management Limited. The principal activity of the Company is the management of these investments - "financial assets at fair value" (refer to Note 10).

The Company's investments are subject to price (which includes interest rate, currency and market risk), credit and liquidity risks.

(a) Interest Rate Risk Exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The Company has no borrowings. The effective weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

	Weighted Average Interest Rate	Variable Interest Rate \$'000	Fixed Interest Rate (less than 1 year) \$'000	Non-Interest Bearing \$'000	Total \$'000
30 June 2006					
Financial Assets					
Cash and cash equivalents	5.83%	367	-	-	367
Investments		-	-	19,153	19,153
Receivables		-	-	28	28
Total Financial Assets		367	-	19,181	19,548
Financial Liabilities					
Payables		-	-	(179)	(179)
Total Financial Liabilities		-	-	(179)	(179)
Net Financial Assets		367	-	19,002	19,369
30 June 2005					
Financial Assets					
Cash and cash equivalents	4.98%	758	-	-	758
Investments		-	-	16,880	16,880
Receivables		-	-	20	20
Total Financial Assets		758	-	16,900	17,658
Financial Liabilities					
Payables		-	-	(80)	(80)
Total Financial Liabilities		-	-	(80)	(80)
Net Financial Assets		758	-	16,820	17,578

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS (continued)	2006	2005
	\$'000	\$'000
Reconciliation of net financial assets to net assets		
Net financial assets as above	19,369	17,578
Non-financial assets and liabilities		
Prepayments	6	7
Property, plant and equipment	9	7
Net Deferred Tax Asset (Liabilities)	-	1
Provisions	-	(49)
Net Assets per Balance Sheet	<u>19,384</u>	<u>17,544</u>

(b) Liquidity Risk Exposure

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has no borrowings. The Company's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

(c) Credit Risk Exposure

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 Company. Concentrations of credit risk are minimised primarily by the investment manager/custodian carrying out all market transactions through recognised and creditworthy brokers and the monitoring of receivable balances. The Company's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

Market prices of listed financial instruments generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of such assets in the financial statements as they are marked to market at balance date.

The Company measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Company's maximum exposure to credit risk.

(d) Market Price Risk Exposure

Market price risk represents the risk that 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 a listed investment company, the Company will always be subject to market risk as it invests its capital in securities that are not risk free - the market price of these securities can fluctuate. The Company does not manage this risk through entering into derivative contracts, futures, options or swaps.

Under the HomeGlobal™ investment strategy, the Company's investment portfolio is not overly exposed to one company or one particular industry sector of the market. The Company has a diversified investment portfolio both in terms of number of securities and industry sectors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(e) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in note 1. The aggregate fair value and carrying amount of financial assets and financial liabilities at balance date are:

	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	2006	2006	2005	2005
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	367	367	758	758
Investments	19,153	19,153	16,880	16,880
Receivables	28	28	20	20
Total Financial Assets	19,548	19,548	17,658	17,658
Financial Liabilities				
Payables	(179)	(179)	(80)	(80)

(f) Currency Risk Exposure

The Company has financial instruments (listed securities and bank deposits) denominated in the following currencies which can significantly affect the balance sheet through foreign currency exchange rate movements. The Company's current policy is not to hedge its overseas currency exposure. The Company's exposure to foreign exchange rate movements on its financial instruments is as follows:

	US Dollar	Euro	UK Pound Sterling	Japanese Yen	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006						
Currency exposure	10,844	2,207	1,877	2,333	2,067	19,328
2005						
Currency exposure	10,054	1,933	1,584	1,903	1,849	17,323

20. CONTINGENT ASSETS AND LIABILITIES

The Company does not have any contingent assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

21. COMMITMENTS

The Company has expenditure commitments pursuant to the following agreements:

(a) Investment Management Agreement

On 18 May 2004 the Company entered into an investment management agreement (IMA) with Constellation Capital Management Limited for Constellation to implement the international equities component of its HomeGlobal™ investment strategy for an initial term of 2 years. The following management fees (exclusive of goods and services tax) are payable to Constellation:

- (i) The base fee of \$69,000 per annum; and
- (ii) A variable fee of:
 - 0.5% per annum of the portfolio value of \$15m; and
 - 0.4% per annum of the portfolio value in excess of \$15m.

No performance related fees are payable to Constellation.

Management fees accrues daily and are paid quarterly.

The Directors note that the IMA with Constellation expired on 18 May 2006 and Constellation's mandate has continued thereafter pending the completion of the Board's review of the performance of Constellation and its HomeGlobal™ investment strategy. After such review the Board will either:

- (i) seek to negotiate a renewal of Constellation's appointment as investment manager or seek the appointment of another appropriate investment manager, to manage the Company's funds in accordance with the Company's current investment mandate/objective to invest in international securities; or
- (ii) seek to appoint Constellation or another appropriate investment manager, to manage the Company's funds in accordance with a new investment mandate/objective approved by shareholders.

(b) Custody Agreement

On 20 August 2004 the Company entered into a custody agreement with National Australia Bank Limited for NAB to provide custodian services for an initial term of 2 years.

Various fees are payable by the Company for the provision of custodial and reporting services by NAB. The minimum fees payable are \$26,400 (exclusive of goods and services tax) per annum.

NAB's custodial services have continued after August 2006 and is also currently being reviewed by the Board.

(c) Lease Commitments

	2006	2005
	\$'000	\$'000
Non-cancellable operating lease commitments:		
Not longer than one year	24,960	-
Between 12 months and 5 years	99,840	-
Greater than 5 years	49,920	-
	174,720	-
	174,720	-

The lease commitment is the Company's share of the Chairman's and Company Secretarial 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%.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

22. EVENTS AFTER BALANCE SHEET DATE

- (a) On 31 August 2006, the Directors paid a final dividend of one cent per share fully franked dividend. The record date was 29 August 2006.
- (b) On 31 August 2006, the Company issued 423,449 shares pursuant to participation under the Dividend Reinvestment Plan (DRP). The DRP issue price was 36.7 cents per share, being a 2.5% discount to the Company's volume weighted average price on ASX in the 5 day period up to and including the dividend record date.
The Company's post DRP issued share capital is 39,728,303 shares.

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and accompanying notes as set out on pages 39 to 62 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2006 and of its 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 Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Company Secretary (the person who performs the chief executive and chief financial officer functions for the purposes of section 295A), who has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements are in accordance with the *Corporations Act 2001*, comply with Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (c) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

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



Peter Simpson
Non-Executive Director

11 September 2006



Chartered Accountants
& Advisers

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BENTLEY INTERNATIONAL LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Bentley International Limited (the company), for the year ended 30 June 2006.

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.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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



Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion, the financial report of Bentley International Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO

Chartered Accountants



BG McVeigh

Partner

Perth, Western Australia

Dated this 11th day of September 2006

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES

The extent to which the Company has followed the ASX Corporate Governance Council's 10 principles of good corporate governance and best practice recommendations are as follows:

Principle 1: Lay solid foundations for management and oversight	Compliance	CGS References / Comments
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	2, 3.3, 4.1
1.2 Provide the information indicated in guide to reporting on Principle 1. The following material should be included in the corporate governance section of the annual report: • an explanation of any departure from best practice recommendation 1.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • the statement of matters reserved for the board or a summary of the board charter or the statement of delegated authority to management.	Yes	Annual Reports Website CGS
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	No	3.5
2.2 The chairperson should be an independent director	No	3, 3.3, 3.5
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	N/A	3, 3.2, 3.3, 4.1
2.4 The board should establish a nomination committee	No	4.2
2.5 Provide the information indicated in guide to reporting on Principle 2. The following material should be included in the corporate governance section of the annual report: • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report • the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds • 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 • the term of office held by each director in office at the date of the annual report • the names of members of the nomination committee and their attendance at meetings of the committee • an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the procedure for the selection and appointment of new directors to the board • the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee • the nomination committee's policy for the appointment of directors.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle 3: Promote ethical and responsible decision-making		
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	No	6
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Disclose the policy concerning trading in company securities by directors officers and employees.	Yes	3.8
3.3 Provide the information indicated in guide to reporting on Principle 3. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> • explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> • any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10. • the trading policy or a summary of its main provisions. 	Yes	Annual Reports Website CGS 3.8
Principle 4: Safeguard integrity in financial reporting		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	4.1, 7
4.2 The board should establish an audit committee.	No	4.2
4.3 Structure the audit committee so that it consists of:	No	4.2, 3
• only non-executive directors		
• a majority of independent directors		
• an independent chairperson, who is not chairperson of the board		
• at least three members.		
4.4 The audit committee should have a formal charter.	No	4.2
4.5 Provide the information indicated in guide to reporting on Principle 4. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> • details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee • the number of meetings of the audit committee and the names of the attendees • explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> • the audit committee charter • information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. 	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle 5: Make timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	7, 8.2
5.2 Provide the information indicated in guide to reporting on Principle 5. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendation 5.1 or 5.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Yes	Annual Reports Website CGS
Principle 6: Respect the rights of shareholders		
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Yes	8.1
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Annual General Meetings
6.3 Provide the information indicated in guide to reporting on Principle 6. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 6.1 or 6.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the arrangements the company has to promote communication with shareholders.	Yes	Annual Reports Website CGS
Principle 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management.	Yes	7
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	Yes	7
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.		
7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.		
7.3 Provide the information indicated in guide to reporting on Principle 7. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 7.1, 7.2 or 7.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the company's risk management policy and internal compliance and control system.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle 8: Encourage enhanced performance		
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	3.11
8.2 Provide the information indicated in guide to reporting on Principle 8. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> • whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted • an explanation of any departure from best practice recommendation 8.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> • a description of the process for performance evaluation of the board, its committees and individual directors, and key executives. 	Yes	Annual Reports Website CGS
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the report link between remuneration paid to directors and key executives and corporate performance.	Yes	Annual Reports
9.2 The board should establish a remuneration committee.	No	4.2
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Annual Reports
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	N/A	No equity-based executive remuneration in place
9.5 Provide the information indicated in guide to reporting on Principle 9. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> • disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1 • the names of the members of the remuneration committee and their attendance at meetings of the committee • the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors • an explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> • the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee. 	Yes	Annual Reports Website CGS
Principle 10: Recognise the legitimate interests of stakeholders		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations.	No	6
10.2 Provide the information indicated in guide to reporting on Principle 10. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> • an explanation of any departure from best practice recommendation 10.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> • any applicable code of conduct or a summary of its main provisions. 	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CGS)

1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. 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 Principles of Good Corporate Governance and Best Practice 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 all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au/supervision/governance/index.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.

In view of the current composition of the Board (which comprises four Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by an audit, nominations and remuneration committee are dealt with by the full Board.

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 following.

- (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, including the Investment Manager;
- (4) the management of funds not under the management of the Investment Manager, which funds are retained by the Company for working capital purposes;
- (5) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (6) the identification of significant business risks and ensuring that such risks are adequately managed;
- (7) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- (8) the establishment and maintenance of appropriate ethical standards;
- (9) responsibilities typically assumed by an audit committee including:
 - (a) reviewing and approving the audited annual and reviewed half yearly financial reports;
 - (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;
- (10) responsibilities typically assumed by a remuneration committee including:
 - (a) reviewing the remuneration and performance of both Executive and Non-Executive Directors;
 - (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executive's performance, including, setting goals and reviewing progress in achieving those goals;
 - (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.
- (11) responsibilities typically assumed by a nomination committee including:
 - (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors;
 - (b) oversight of Board and Executive succession plans.

CORPORATE GOVERNANCE

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 its current size and the scale and nature of the Company's activities. The names of the Directors and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

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 should 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 activities of the Company.

3.2. Non-Executive and Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. All Directors of the Company are currently Non-Executive Directors.

3.3. Chairman

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

3.4. 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 currently Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.5. 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 been a Director after ceasing to hold any such employment;
- (3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with a service provider;
- (4) is not a material supplier or customer of the Company, 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;
- (6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (7) 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.

Mr Farooq Khan (Chairman) is not regarded as an independent Director as he does not meet criteria (1) for independence adopted by the Company, having a relevant interest in Orion Equities Limited's substantial shareholding in the Company and being a director in former substantial shareholder Sofcom Limited.

Mr Christopher Ryan is not regarded as an independent Director as he does not meet the Company's criteria (3) for independence, as he is principal of a corporate advisory firm that provided services to the Company and substantial shareholders in the Company.

On 1 July 2005, Sofcom Limited ceased to be a substantial shareholder of the Company. As a consequence Mr Cato (a director of Sofcom) is currently regarded as an independent Director. Messrs Khan and Ryan continue to be regarded as non-independent Directors, but their experience makes their contribution to the Board such that it is appropriate for them to remain on the Board.

Mr Peter Simpson was appointed Non-Executive Director on 2 September 2005. Mr Simpson has a relevant interest in approximately 3.9% of the total issued share capital of the Company. Such holding does not qualify as a "substantial" shareholder under the Corporations Act (which prescribes disclosure requirements in respect of shareholdings of 5% or more) and accordingly Mr Simpson is regarded as an independent Director.

3.6. 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 and the interests of any other parties 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 about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

CORPORATE GOVERNANCE

3.7. 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.

3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities, is set by the Board. The Board restricts Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

3.9. Board Nominations

The Board 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.

3.10. 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 the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his election, whichever is longer, without submitting himself 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.

3.11. 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. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

3.12. Meetings of the Board

The Chairman and Company Secretary generally schedules monthly formal Board meetings. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place or in addition formal Board meetings. Board meetings are held predominantly by telephone conferencing as not all Directors are resident in the one city. However, the Board will convene face to face meetings from time to time as is appropriate based on the particular items of business for consideration.

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.

3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, 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.

3.14. Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential, 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.

3.15. Directors' Deeds

The Company has also entered into a deed with each of the current Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries). A summary of the terms of such deed is contained within the Remuneration Report in the Director's Report for the year ended 30 June 2006.

4. Management

4.1. Executives

The Company does not presently have a Managing Director, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or an Executive team (other than the Company Secretary). The Board has determined that the Company Secretary is the appropriate person to make the chief executive and CFO declarations required under section 295A and recommended by the Council.

CORPORATE GOVERNANCE

4.2. Board and Management Committees

In view of the current composition of the Board (which comprises four Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations, remuneration and general management functions would contribute little to its effective management.

4.3 Investment Manager

The Board has appointed Constellation Capital Management Limited as Investment Manager to invest the Company's funds according to the terms set out in the Investment Management Agreement between the Company and the Investment Manager dated 18 May 2004.

The Board maintains regular contact with the Investment Manager who provide monthly portfolio reports to the Company. The Investment Manager's performance is reviewed by the Board at regular intervals under the terms of the Investment Management Agreement.

4.4 Custodian

The Board has appointed National Australia Bank Limited as Custodian for an initial term of 2 years to effect the proper administration of the Company investment portfolio in the various international markets in which the Company will invest according to the terms set out in a custody agreement between the Company and the Custodian dated 20 August 2004.

5 Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2006.

6 Code of Conduct and Ethical Standards

The Company is not of a size that warrants the establishment of a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

7 Internal Control and Risk Management

The Board acknowledges that it is responsible for the overall internal control framework but 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 the Investment Manager (currently Constellation Capital Management Limited) and Custodian (currently National Australia Bank Limited).

The Board has determined that the Company Secretary is the appropriate person to make the chief executive and CFO declarations on the risk management and internal compliance and control systems recommended by the Council.

8 Communications

8.1 Communications to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- (1) Monthly NTA Backing announcements released to ASX;
- (2) The Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- (3) The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- (4) The Half-Yearly Directors' and Financial Reports;
- (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.

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 or the ASX website: 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 timelier 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 the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- (1) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- (2) that 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.

20 September 2006

LIST OF SHARE INVESTMENTS as at 30 June 2006

Industry	Security Name	% of Portfolio / Net Assets	Country Name
AEROSPACE & DEFENSE	BAE SYSTEMS PLC	0.31	UNITED KINGDOM
	BOEING COMPANY	0.67	UNITED STATES
	GENERAL DYNAMICS	0.29	UNITED STATES
	HONEYWELL INTERNATIONAL INC	0.45	UNITED STATES
	L-3 COMMUNICATIONS HOLDINGS INCORPORATED	0.04	UNITED STATES
	LOCKHEED MARTIN CORPORATION	0.38	UNITED STATES
	NORTHROP GRUMMAN CORPORATION	0.26	UNITED STATES
	RAYTHEON COMPANY	0.23	UNITED STATES
	ROCKWELL COLLINS	0.05	UNITED STATES
	UNITED TECHNOLOGIES	0.63	UNITED STATES
AUTOMOBILES & COMPONENTS	TOYOTA MOTOR COMPANY	1.2	JAPAN
	NISSAN MOTOR COMPANY ORDINARY SHARES Y50	0.59	JAPAN
	DAIMLERCHRYSLER AG ORD NPV	0.53	GERMANY
	HONDA MOTOR CO DEFERRED DELIVERY	0.44	JAPAN
	HONDA MOTOR CO JPY 50 COMMON	0.44	JAPAN
	BRIDGESTONE Y50	0.27	JAPAN
	RENAULT SA FRF25	0.24	FRANCE
	DENSO CORPORATION	0.23	JAPAN
	BAYERISCHE MOTOR WORKS BMW	0.17	GERMANY
	JOHNSON CONTROLS INCORPORATED	0.15	UNITED STATES
	GENERAL MOTORS COMMON SHARES	0.15	UNITED STATES
	HARLEY DAVIDSON INC	0.14	UNITED STATES
FORD MOTOR COMPANY COMMON STOCK USD 0.01	0.11	UNITED STATES	
BIOTECHNOLOGY	GENENTECH INC	0.28	UNITED STATES
	GILEAD SCIENCES INC	0.2	UNITED STATES
	BIOGEN IDEC INC	0.13	UNITED STATES
	GENZYME CORPORATION	0.12	UNITED STATES
CAPITAL MARKETS	MORGAN STANLEY	0.43	UNITED STATES
	THE GOLDMAN SACHS GROUP INC	0.41	UNITED STATES
	NOMURA HOLDINGS INC	0.39	JAPAN
	MERRILL LYNCH AND COMPANY	0.35	UNITED STATES
	AMERIPRISE FINANCIAL INC	0.07	UNITED STATES
	LEHMAN BROTHERS HOLDINGS INC	0.07	UNITED STATES
CHEMICALS	BASF DEM5	0.58	GERMANY
	BAYER AG NPV	0.41	GERMANY
	AIR LIQUIDE	0.35	FRANCE
	DUPONT DE NEMOURS	0.27	UNITED STATES
	DOW CHEMICAL COMMON SHARES	0.24	UNITED STATES
	LANXESS AG	0.05	GERMANY
	AIR LIQUID SA DEFERRED DELIVERY	0.03	FRANCE
	ARKEMA RIGHTS	0.02	FRANCE

LIST OF SHARE INVESTMENTS as at 30 June 2006

Industry	Security Name	% of Portfolio / Net Assets	Country Name
COMMUNICATIONS	CISCO SYSTEMS INC	1.25	UNITED STATES
	ERICSSON TELEFON AB B SHS	0.92	SWEDEN
	QUALCOMM INC	0.61	UNITED STATES
	MOTOROLA INCORPORATED	0.46	UNITED STATES
	CORNING INC	0.39	UNITED STATES
	NORTEL NETWORKS CORPORATIONS COMMON SHARES	0.35	CANADA
	ALCATEL	0.24	FRANCE
	LUCENT TECHNOLOGIES INC	0.12	UNITED STATES
	JUNIPER NETWORKS INC	0.1	UNITED STATES
	RESEARCH IN MOTION LTD	0.08	CANADA
COMPUTER & PERIPHERALS	INTERNATIONAL BUISNESS MACHINECOMMON SHARES	1.27	UNITED STATES
	HEWLETT-PACKARD COMPANY	0.92	UNITED STATES
	DELL INC FULLY PAID ORDINARY SHARES	0.57	UNITED STATES
	APPLE COMPUTER	0.51	UNITED STATES
	ASUSTEK COMPUTER INC	0.27	TAIWAN
	EMC CORPORATION MASS	0.27	UNITED STATES
	SUN MICROSYSTEMS COM USD0.0007	0.16	UNITED STATES
	LEXMARK INTL INC	0.09	UNITED STATES
CONSUMER FINANCE	CAPITAL ONE FINANCIAL CORPORDINARY US\$0-01	0.04	UNITED STATES
	SLM CORPORATION	0.04	UNITED STATES
	AMERICAN EXPRESSCOMMON SHARES	0.35	UNITED STATES
DIVERSIFIED FINANCIALS	ING GROEP NV	0.37	NETHERLANDS
	BANK AMERICA CORP	0.06	UNITED STATES
ELECTRICAL EQUIPMENT	HITACHI LTD Y50	0.59	JAPAN
	MURATA MANUFACTURINGJPY 50 COMMON	0.4	JAPAN
	KYOCERA CORPORATIONJPY 50 COMMON	0.38	JAPAN
	AU OPTRONICS CORP	0.36	TAIWAN
	AGILENT TECHNOLOGIES INC	0.2	UNITED STATES
ELECTRICAL UTILITIES	KANSAI ELEC POWER Y500	0.51	JAPAN
	TXU CORPORATION	0.51	UNITED STATES
	CHUBU ELECTRIC PWRY500	0.5	JAPAN
	TOKYO ELECTRIC POWER YEN 500	0.42	JAPAN
	EXELON CORPORATION	0.41	UNITED STATES
	CLP HOLDINGS LTD HKD5	0.34	HONG KONG
	SCOTTISH & SOUTHERN ENERGY PLC	0.3	UNITED KINGDOM
	SOUTHERN CO	0.27	UNITED STATES
	SCOTTISH POWER PLC	0.24	UNITED KINGDOM
	FIRST ENERGY CORP COM NPV	0.23	UNITED STATES
	EDISON INTERNATIONALN/CHANGE FROM SCE CORP	0.2	UNITED STATES
	ENTERGY CORPORATION	0.2	UNITED STATES
	FPL GROUP INCORPORATED	0.2	UNITED STATES
	PROGRESS ENERGY INC	0.15	UNITED STATES
ELECTRICAL EQUIPMENT & SERVICES	ABB LIMITED CHF 2-5	0.57	SWITZERLAND
	EMERSON ELECTRIC	0.4	UNITED STATES
	SCHNEIDER ELECTRICAL SA(EX SPIE BATIGNOLLES)	0.32	FRANCE
ENERGY EQUIPMENT & SERVICES	SCHLUMBERGER LIMITED	0.67	UNITED STATES

LIST OF SHARE INVESTMENTS as at 30 June 2006

Industry	Security Name	% of Portfolio / Net Assets	Country Name
FOOD & STAPLES RETAIL	WAL-MART STORES INC	0.68	UNITED STATES
	SYSCO CORPORATION	0.18	UNITED STATES
FOOD PRODUCTS	NESTLE SA-REGISTERED	0.96	SWITZERLAND
	UNILEVER NV	0.38	NETHERLANDS
	UNILEVER PLC	0.29	UNITED KINGDOM
	CADBURY SCHWEPPE'S ORD 12-5P	0.25	UNITED KINGDOM
	GENERAL MILLS	0.2	UNITED STATES
	CONAGRA FOOD INCORPORATED	0.13	UNITED STATES
	SARA LEE CORPORATION	0.13	UNITED STATES
HEALTHCARE	MEDTRONIC INCORPORATED	0.47	UNITED STATES
EQUIPEMENT & SUPPLIES	BAXTER INTERNATIONAL	0.23	UNITED STATES
	BOSTON SCIENTIFIC CORP	0.2	UNITED STATES
	BECTON DICKINSON COMMON	0.19	UNITED STATES
	ST JUDE MEDICAL INCORPORATED	0.15	UNITED STATES
	ZIMMER HOLDINGS INC	0.15	UNITED STATES
	BIOMET INC COM	0.1	UNITED STATES
HEALTHCARE PROVIDERS & SERVICES	UNITED HEALTH GROUP USD0-01	0.67	UNITED STATES
	CARDINAL HEALTH INC	0.29	UNITED STATES
	AETNA INC-NEW	0.28	UNITED STATES
	CAREMARK RX INC	0.27	UNITED STATES
	WELLPOINT INC	0.25	UNITED STATES
	HCA INC	0.23	UNITED STATES
HOUSEHOLD DURABLES	MATSUSHITA ELECTRIC INDUSTRIESY50	0.88	JAPAN
	PHILIPS ELECTRONICS N.V.	0.58	NETHERLANDS
	SONY CORPORATIONJPY 50 COMMON	0.37	JAPAN
	SHARP CORPORATION YEN 50	0.33	JAPAN
HOUSEHOLD & PERSONAL PRODUCTS	PROCTER & GAMBLE	1.76	UNITED STATES
	KAO CORPORATION Y50	0.54	JAPAN
	RECKITT BENCKISER PLC	0.29	UNITED KINGDOM
	KIMBERLEY CLARK CORPORATION	0.28	UNITED STATES
	COLGATE PALMOLIVE	0.1	UNITED STATES
INDUSTRIAL CONGLOMERATES	SIEMENS REGISTERED	0.87	GERMANY
	GENERAL ELECTRIC COMPANYCOMMON	0.48	UNITED STATES
	3M CO	0.13	UNITED STATES
	TYCO INTERNATIONAL LTD	0.11	UNITED STATES
INSURANCE	ALLIANZ AG HOLDING DDM5 (REGD)	0.34	GERMANY
	AXA FRF60	0.32	FRANCE
	ALLSTATE CORPORATION	0.32	UNITED STATES
INTERNET SOFTWARE & SERVICES	EBAY INC	0.3	UNITED STATES
	YAHOO INC	0.28	UNITED STATES
	GOOGLE INC - CL A	0.17	UNITED STATES
INTERNET RETAIL	LIBERTY MEDIA HOLDING CORPORATION - INTERACTIVE SERIES A	0.13	UNITED STATES
IT CONSULTING & SERVICES	ELECTRONIC DATA SYSTEMS CORPORATION ISIN:US2856611049	0.18	UNITED STATES
	COMPUTER SCIENCE CORP	0.13	UNITED STATES
MACHINERY	VOLVO AB B SEK 6	0.79	SWEDEN
	CATERPILLAR INCCOMMON SHARES	0.76	UNITED STATES
	ILLINOIS TOOL WORK	0.53	UNITED STATES
	DEERE	0.41	UNITED STATES
	PACCAR INC	0.29	UNITED STATES
	EATON COMPANY	0.21	UNITED STATES

LIST OF SHARE INVESTMENTS as at 30 June 2006

Industry	Security Name	% of Portfolio /Net Assets	Country Name	
MEDIA	VIVENDI SA	0.58	FRANCE	
	TIME WARNER INC	0.55	UNITED STATES	
	DISNEY WALT CO (INTERNET GROUP)	0.5	UNITED STATES	
	COMCAST CORP CLASS A NEW SHARES	0.4	UNITED STATES	
	NEWS CORPORATION INC - CLASS A	0.32	UNITED STATES	
	COMCAST CORP CL A SPECIAL NEW	0.31	UNITED STATES	
	MCGRAW HILL INCORPORATED	0.22	UNITED STATES	
	CLEAR CHANNEL COMMUNICATIONS INC	0.21	UNITED STATES	
	OMNICOM GROUP INC	0.21	UNITED STATES	
	VIACOM INC CLASS B	0.21	UNITED STATES	
	CBS CORPORATION - CLASS B SHARES	0.16	UNITED STATES	
	LIBERTY MEDIA HOLDING CORPORATION - CAPITAL SERIES A	0.12	UNITED STATES	
	MULTILINE RETAIL	TARGET CORPORATION	0.47	UNITED STATES
	MULTI-UTILITIES	DUKE ENERGY CORP NEW	0.31	UNITED STATES
DOMINION RESOURCES INC (VIRGINIA) COM NPV		0.28	UNITED STATES	
PUBLIC SERVICES ENTERPRISESGROUP		0.22	UNITED STATES	
PG & E CORPORATION COM USD5-00		0.21	UNITED STATES	
CONSOLIDATED EDISON INC COMPANY		0.15	UNITED STATES	
OFFICE ELECTONICS	CHINA MOBILE LTD	0.81	HONG KONG	
	CANON INCORPORATED	0.6	JAPAN	
	CANON INCORPORATED DEFERRED DELIVERY	0.3	JAPAN	
	XEROX CORPORATION	0.15	UNITED STATES	
OIL & GAS	EXXON MOBIL CORPORATION	2.27	UNITED STATES	
	BP PLC	1.54	UNITED KINGDOM	
	ENCANA CORPORATION	1.34	CANADA	
	TOTAL	1.07	FRANCE	
	CONOCOPHILLIPS	0.96	UNITED STATES	
	CHEVRON CORP	0.85	UNITED STATES	
	ROYAL DUTCH SHELL PLC-B SHS TRANSPORT AND TRADE	0.73	UNITED KINGDOM	
	BG GROUP ORD GBP0-10	0.6	UNITED KINGDOM	
	ROYAL DUTCH SHELL PLC	0.54	UNITED KINGDOM	
	OCCIDENTAL PETROLEUM	0.46	UNITED STATES	
	ANADARKO PETROLIUM	0.33	UNITED STATES	
PERSONAL PRODUCTS	L-OREAL EUR 0-2	0.27	FRANCE	
	AVON PRODUCTS	0.14	UNITED STATES	
PHARMACEUTICALS	JOHNSON AND JOHNSON	1.4	UNITED STATES	
	NOVARTIS AG REG SHS	1.35	SWITZERLAND	
	GLAXOSMITHKLINE PLC	1.32	UNITED KINGDOM	
	ROCHE HOLDING AG - GENUSSS	1.15	SWITZERLAND	
	TAKEDA PHARMACEUTICAL COMPANYLIMITED	0.86	JAPAN	
	ASTRAZENECA PLC USD0-25	0.82	UNITED KINGDOM	
	SANOFI AVENTIS	0.8	FRANCE	
	MERCK AND COMPANY INCORPORATED	0.63	UNITED STATES	
	ABBOTT LABORATORIES	0.53	UNITED STATES	
	LILLY (ELI) & CO	0.51	UNITED STATES	
	WYETH	0.46	UNITED STATES	
	BRISTOL MYERS SQUIBB	0.39	UNITED STATES	
	SCHERING AG DDM5	0.37	GERMANY	
	PFIZER INC	0.35	UNITED STATES	

LIST OF SHARE INVESTMENTS as at 30 June 2006

Industry	Security Name	% of Portfolio / Net Assets	Country Name
PHARMACEUTICALS (continued)	ASTELLAS PHARMA INC	0.28	JAPAN
	SCHERING PLOUGH CORPORATION	0.22	UNITED STATES
	ALLERGAN INC	0.14	UNITED STATES
	FOREST LABS INC.	0.13	UNITED STATES
SEMICONDUCTOR EQUIPMENT & SERVICES	INTEL CORPORATION	1.11	UNITED STATES
	TAIWAN SEMICONDUCTOR TW\$10	0.62	TAIWAN
	TEXAS INSTRUMENTS	0.53	UNITED STATES
	UNITED MICROELECTRONICS CORP	0.38	TAIWAN
	APPLIED MATERIALS INC	0.29	UNITED STATES
	ROHM CO LTD	0.25	JAPAN
	STMICROELECTRONICS	0.13	NETHERLANDS
	LINEAR TECHNOLOGY	0.13	UNITED STATES
	MAXIM INTEGRATED PRODUCTS INC	0.13	UNITED STATES
	XILINX INC	0.11	UNITED STATES
	FREESCALE SEMICONDUCTOR CLASSB	0.07	UNITED STATES
	TAIWAN SEMICONDUCTOR DEFERREDDELIVERY	0.02	TAIWAN
	SOFTWARE & SERVICES	MICROSOFT CORP	2.37
ORACLE CORPORATION		0.83	UNITED STATES
SAP AG NPV		0.63	GERMANY
NINTENDO Y50		0.46	JAPAN
ADOBE SYSTEMS INC		0.26	UNITED STATES
ELECTRONIC ARTS INC COM STKNPV		0.22	UNITED STATES
SOFTWARE & SERVICES	INTUIT INC	0.18	UNITED STATES
	SYMANTEC CORPORATION	0.15	UNITED STATES
SPECIALTY RETAIL	HOME DEPOT INCORPORATED	0.58	UNITED STATES
	LOWES COS INCORPORATED	0.52	UNITED STATES
	ABERCROMBIE & FITCH CO CLASSA COM USD0-01	0.18	UNITED STATES
TELECOMMUNICATION SERVICES	AT&T INC	0.7	UNITED STATES
	KONINKLIJKE KPN NV	0.63	NETHERLANDS
	VERIZON COMMUNICATIONS	0.62	UNITED STATES
	BELLSOUTH CORPORATION	0.58	UNITED STATES
	BT GROUP PLC-W/I	0.42	UNITED KINGDOM
	DEUTSCHE TELEKOM AG	0.39	GERMANY
	FRANCE TELECOM SA ORDS	0.29	FRANCE
	ALLTEL CORP COM US1 1	0.29	UNITED STATES
	EMBARQ CORPORATION	0.06	UNITED STATES
TEXTILE & APPAREL & LUXURY GOODS	LVMH MOET HENNESSY	0.36	FRANCE
	CIE/FINANC RICHEMONT	0.07	SWITZERLAND
THRIFTS & MORTGE	FANNIE MAE	0.29	UNITED STATES
	FREDDIE MAC	0.26	UNITED STATES
	COUNTRYWIDE FINANCIAL CORP	0.04	UNITED STATES
	GOLDEN WEST FINANCE	0.04	UNITED STATES
TOBACCO	ALTRIA GROUP INC	1.49	UNITED STATES
	BRITISH AMERICAN TOBACCO PLC GBP 25P	0.49	UNITED KINGDOM
	IMPERIAL TOBACCO GROUP PLC	0.35	UNITED KINGDOM
WIRELESS COMMUNICATION SERVICES	VODAFONE GROUP PLC	0.82	UNITED KINGDOM
	SPRINT NEXTEL CORPORATION	0.59	UNITED STATES
	NTT DOMOCO INCORPORATED	0.58	JAPAN
	HON HAI PRECISION INDUSTRY CO	0.09	TAIWAN
	Sub-total Equities	98.9%	

ADDITIONAL ASX INFORMATION as at 19 September 2006

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,000	128	52,480	0.132%
1,001	-	5,000	402	1,210,047	3.045%
5,001	-	10,000	310	2,367,180	5.958%
10,001	-	100,000	553	14,564,716	36.660%
100,001	-	and over	35	21,533,880	54.202%
Total			1,428	39,728,303	99.997%

Unmarketable Parcel

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,298	162	90,041	0.227%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 1,298, shares or less being valued of \$500 or less in total, based upon the Company's last bid share price on ASX on 19 September 2006 of \$0.385 per share.

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.

TRANSACTIONS AND BROKERAGE

During the financial year, the Investment Manager entered into ~69 transactions for the purchase and sale of securities, incurring brokerage fees totalling ~\$42,123.

INVESTMENT MANAGEMENT AGREEMENT

A summary of the terms of the Investment Management Agreement (IMA) dated 18 May 2004 with Constellation Capital Management Limited is contained in the Investment Manager's section of this Annual Report at page 26. Management fees of \$176,842 were paid or accrued during the financial year. No performance fees are payable to Constellation under the IMA.

ADDITIONAL ASX INFORMATION

as at 19 September 2006

TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	* ORION EQUITIES LIMITED*		11,276,014	28.382
2	INVIA CUSTODIAN PTY LIMITED <WAM CAPITAL LIMITED A/C>		1,858,746	4.678
3	ROCHESTER NO 39 PTY LTD	795,221		
	BARBRIDGE TRUSTS PTY LTD <PETER SIMPSON FAMILY A/C>	332,715		
	PENSON HOLDINGS PTY LTD	251,469		
	BARBRIDGE TRUSTS PTY LTD <P S F T A/C>	155,382		
	PENSON (MANAGEMENT) PTY LTD <NIKANKO ACCOUNT>	25,892		
		<u>Sub-total</u>	1,560,679	3.928
4	MR JAMES STUART CRAIG		1,172,178	2.950
5	MR JOHN ROBERT DILLON		968,141	2.436
6	PATJEN PTY LIMITED		557,441	1.403
7	NENDAR PTY LTD <THE LITTLE FAMILY S/F A/C>	300,000		
	NENDAR PTY LTD <LFIUT ACCOUNT>	100,000		
	NENDAR PTY LTD	52,658		
		<u>Sub-total</u>	452,658	1.139
8	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>		452,193	1.138
9	MR MILTON MELROSE FORSTER		325,000	0.818
10	AVANTEOS INVESTMENTS LIMITED <SYMETRY RETIRE SVS 1006 A/C>		254,145	0.639
11	DR SPENCER DAVID <DAVID FAMILY INV FUND A/C>		251,951	0.634
12	LINAKA PTY LTD		200,000	0.503
13	MRS LEANNE MAREE ROCKEFELLER		192,364	0.484
14	MR ROGER PAUL TIDMARSH		189,600	0.477
15	MS JAN ELIZABETH BURNETT-MCKEOWN		182,970	0.460
16	AVANTEOS INVESTMENTS LIMITED <SYMETRY DELEGATES A/C>		176,000	0.443
17	MR BARRY ROBERT LEANE & MRS LYNETTE JULIE LEANE <HOLDFAST SUPER FUND A/C>		170,670	0.429
18	MRS LENA SOONG		168,765	0.424
19	K J & M L GILROY PTY LTD <SUPERANNUATION A/C>		150,000	0.377
20	MR STANLEY GEORGE JOHANSON & MRS IRENE CECILIA JOHANSON		149,464	0.376
TOTAL			20,708,979	50.118%

* Substantial shareholders

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