

2007



2007 Annual Report



Bentley
International Limited

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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

PRINCIPAL & REGISTERED OFFICE

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**CHAIRMAN'S
AND COMPANY SECRETARIAL OFFICE**

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AUDITORS

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SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871
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Web: www.asrshareholders.com

STOCK EXCHANGE

Australian Securities Exchange
Sydney, New South Wales

ASX CODE

BEL

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 Securities Exchange (ASX) which invests solely in International equities.

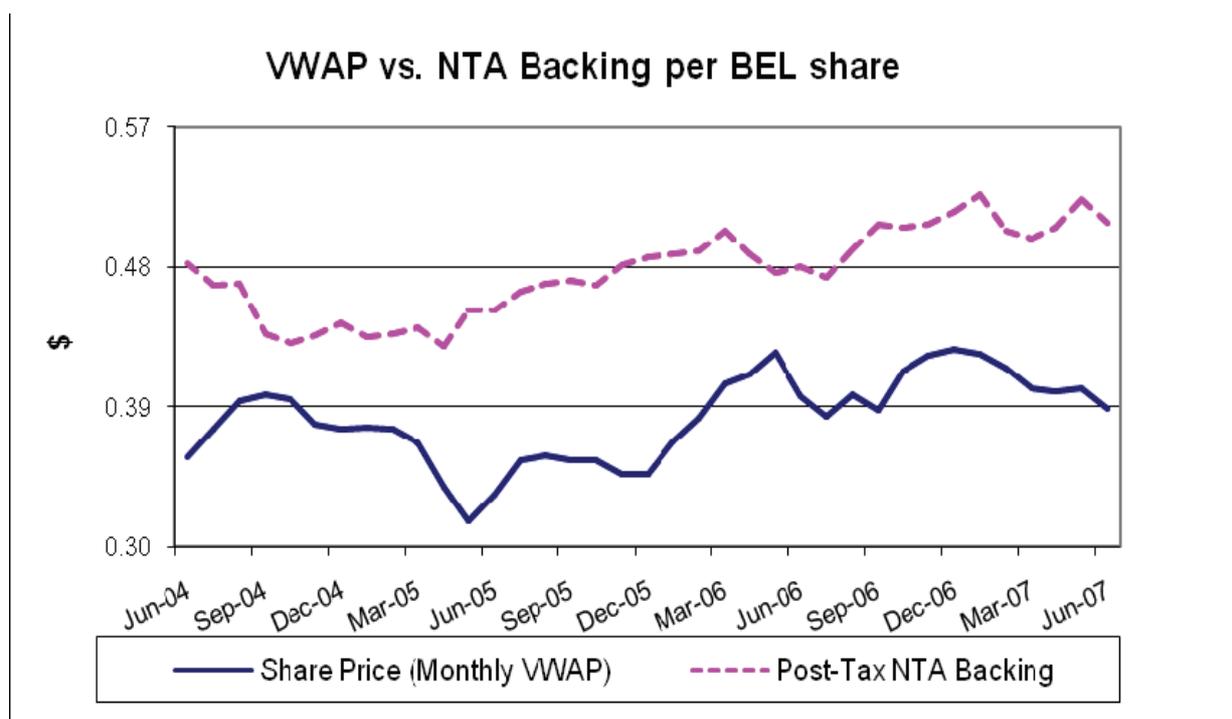
The Company therefore provides exposure to a diversified portfolio of securities across a wide range of industry sectors in many recognised overseas stock markets.

At 30 June 2007, BEL had a market capitalisation of \$15.494 million (at 39 cents per share), net assets of \$20.126 million (at 50.66 cents NTA backing per share), 39,728,303 fully paid ordinary shares on issue, and 1,312 shareholders on its share register (30 June 2006: \$15.132 million market capitalisation (at 38.5 cents per share), net assets of \$19.384 million (at 49.3 cents post tax NTA backing per share), 39,304,854 shares on issue, and 1,452 shareholders).

The Company has paid a one cent interim (on 8 March 2007) and a one cent final (on 28 September 2007) dividend per share fully franked based on \$1.352 million after tax net profits earned for the year ended 30 June 2007.

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.



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

Source: IRESS

OVERVIEW OF PERFORMANCE

| | 2007 Year \$'000 | 2006 Year \$'000 | % Change | Up/Down |
|---|---------------------|---------------------|-------------|-------------|
| Realised gains on investments | 3,053 | 351 | 768% | Up |
| Unrealised gains on investments | - | 2,050 | 100% | Down |
| Foreign exchange gains | - | 2 | 100% | Down |
| Other investment related income | 454 | 430 | 6% | Up |
| Total investment income | 3,507 | 2,833 | 24% | Up |
| Unrealised losses on investments | 1,311 | - | 100% | Up |
| Foreign exchange losses | 15 | - | 100% | Up |
| Investment manager's fees | 177 | 178 | 0.3% | Down |
| Custodian fees | 94 | 35 | 164% | Up |
| Other corporate and administration expenses | 553 | 528 | 5% | Up |
| Total expenses | 2,150 | 741 | 190% | Up |
| Profit before tax | 1,357 | 2,092 | 35% | Down |
| Income tax expense | 5 | 6 | 5% | Down |
| Profit after tax attributable to members | 1,352 | 2,086 | 35% | Down |
| Basic and diluted earnings per share (cents) | 3.4 | 5.3 | 36% | Down |
| Pre-Tax NTA backing per share (cents) | 50.59 | 49.32 | 3% | Up |
| Post-Tax NTA backing per share (cents) | 50.59 | 49.32 | 3% | Up |

The Company's net profit during the current reporting period was \$1.357 million (pre tax) (down 35%) and \$1.352 million (post tax) (down 35%) compared with the previous corresponding period results of \$2.092 million (pre tax) and \$2.086 million (post tax).

Fully franked dividends for the year totals two cents per share, which is the same rate of dividends paid in respect of the previous year.

The Company's NTA backing (net of the two cent per share dividends paid during the year), remains stable at 50.59 cents (pre and post tax) (up 3%) compared with the previous corresponding balance date results of 49.32 cents (pre and post tax).

Recent Dividends

| Dividend Rate per share | Record Date | Payment Date | Franking | Total Dividends Paid |
|----------------------------|-------------------|-------------------|---------------|----------------------|
| One cent per share | 24 September 2007 | 28 September 2007 | Fully franked | \$397,283 |
| One cent per share | 1 March 2007 | 8 March 2007 | Fully franked | \$397,283 |
| One cent per share | 29 August 2006 | 31 August 2006 | Fully franked | \$393,049 |
| One cent per share | 11 April 2006 | 26 April 2006 | Fully franked | \$389,422 |
| One cent per share | 21 September 2004 | 27 September 2004 | Fully franked | \$389,422 |

THE BOARD'S REPORT

As at 30 June 2007, a direct investment in the Company provides indirect exposure to a diversified portfolio of approximately 285 securities across 25 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 objectives for the Company during 2007/2008:

- (1) To reduce the current 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 report on the Company's performance within an appropriate Investor Relations strategy.

Investment Management

In September 2004, Constellation Capital Management Limited (**Constellation**), commenced management of an investment portfolio in accordance with the international component of Constellation's HomeGlobal™ Investment Strategy. The investment management agreement with Constellation expired on 18 May 2006 and Constellation's mandate has continued on a month to month basis after May 2006 in accordance with the terms therein.

The Board has determined that it is no longer appropriate for the Company to implement the HomeGlobal™ Investment Strategy and will seek to negotiate a renewal of Constellation's appointment as investment manager (under a different investment strategy) or seek the appointment of another appropriate investment manager to manage or internally manage the Company's funds in accordance with the Company's current investment mandate/objective to invest in international securities.

The decision to change the investment strategy was made after a review of Constellation's HomeGlobal™ portfolio (international component) on a number of criteria including but not limited to the performance of the strategy in absolute terms and relative to benchmark indices, feedback received from major shareholders that the Company should alter the passive/tracking nature of its investment portfolio and adopt a more active stock selection strategy, and an assessment of the costs associated with managing this investment portfolio.

The Board confirms that the new investment strategy will:

- Adopt an investment philosophy involving a more active stock selection strategy;

- Have the objective of outperforming a relevant benchmark index (such as MSCI World ex Australia) rather than merely tracking the performance of a global index;
- Continue to comprise direct investments in securities listed on the world's share markets, thus preserving the Company's ability to generate foreign investment income and utilise its substantial prior year foreign tax losses of \$4.6 million as at 30 June 2007; and
- support the Company's ability to continue to pay fully franked regular dividends twice a year.

The Company continues to be invested in Constellation's HomeGlobal™ (international component) portfolio until an appropriate transition to the new investment strategy and portfolio.

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, 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;
- 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 (\$4.6 million) and available franking credits (\$4.3 million) as at 30 June 2007. 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.

THE INVESTMENT PORTFOLIO

as at 30 June 2007

Asset Weighting

| | <u>% Net Assets</u> |
|-------------------------|---------------------|
| International Equities | 98.8 |
| Cash (net other assets) | <u>1.2</u> |
| TOTAL | <u>100</u> |

Regional and Currency Exposures

| <u>Regions</u> | <u>% Net Assets</u> | <u>Currencies</u> | <u>% Net Assets</u> |
|---------------------------|---------------------|-------------------|---------------------|
| North America | 54.1% | United States | 50.6% |
| Europe (ex UK) | 19.8% | Japan | 11.2% |
| Japan | 11.8% | United Kingdom | 9.5% |
| United Kingdom | 9.5% | France | 5.7% |
| Asia (ex Japan) | 3.7% | Germany | 5.4% |
| Cash (net other assets) * | <u>1.2%</u> | Switzerland | 4.0% |
| TOTAL | <u>100%</u> | Sweden | 3.5% |
| | | Canada | 2.9% |
| | | Netherlands | 2.4% |
| | | Taiwan | 2.3% |
| | | Hong Kong | 2.2% |
| | | Australia | <u>0.3%</u> |
| | | TOTAL | <u>100%</u> |

* 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 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.

The Company's investments in international securities are unhedged.

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 2007

Top 20 Holdings

| Stocks | % Portfolio /Net Assets | Sector exposures | Country |
|-----------------------------|----------------------------------|-----------------------------------|----------------|
| (1) MICROSOFT | 2.4 | Software & Computer Services | United States |
| (2) GENERAL ELECTRIC | 2.0 | General Industrials | United States |
| (3) EXXON MOBIL | 1.7 | Oil & Gas Producers | United States |
| (4) PROCTER & GAMBLE | 1.7 | Household Goods | United States |
| (5) VODAFONE GROUP | 1.5 | Mobile Telecommunications | United Kingdom |
| (6) INTERNATIONAL BUS.MACH. | 1.4 | Software & Computer Services | United States |
| (7) CISCO SYSTEMS | 1.3 | Technology Hardware & Equipment | United States |
| (8) JOHNSON & JOHNSON | 1.2 | Pharmaceuticals & Biotechnology | United States |
| (9) INTEL | 1.2 | Technology Hardware & Equipment | United States |
| (10) SOUTHERN | 1.2 | Electricity | United States |
| (11) ALTRIA GROUP | 1.1 | Tobacco | United States |
| (12) GLAXOSMITHKLINE | 1.1 | Pharmaceuticals & Biotechnology | United Kingdom |
| (13) GOOGLE 'A' | 1.0 | Software & Computer Services | United States |
| (14) PFIZER | 1.0 | Pharmaceuticals & Biotechnology | United States |
| (15) SIEMENS (XET) | 1.0 | Electronic & Electrical Equipment | Germany |
| (16) BP | 1.0 | Oil & Gas Producers | United Kingdom |
| (17) NESTLE 'R' | 0.9 | Food Producers | Switzerland |
| (18) NOVARTIS 'R' | 0.9 | Pharmaceuticals & Biotechnology | Switzerland |
| (19) HEWLETT-PACKARD | 0.9 | Technology Hardware & Equipment | United States |
| (20) DAIMLERCHRYSLER (XET) | 0.9 | Automobiles & Parts | Germany |
| TOTAL | 25.4 | | |

THE INVESTMENT PORTFOLIO

as at 30 June 2007

Top 10 Performers - 12 Months to 30 June 2007

| Stocks | Sector | Country | Return % | |
|---------------------------|-----------------------------------|---------------|-------------------|--------|
| | | | In Local Currency | In A\$ |
| (1) RESEARCH IN MOTION | Technology Hardware & Equipment | Canada | 175.6 | 152.3 |
| (2) NINTENDO | Leisure Goods | Japan | 137.4 | 92.5 |
| (3) APPLE | Technology Hardware & Equipment | United States | 113.1 | 86.6 |
| (4) CHINA MOBILE | Mobile Telecommunications | Hong Kong | 93.8 | 68.6 |
| (5) DAIMLERCHRYSLER (XET) | Automobiles & Parts | Germany | 82.1 | 68.4 |
| (6) ABB 'R' | Electronic & Electrical Equipment | Switzerland | 76.6 | 54.6 |
| (7) HON HAI PRECN.INDS. | Technology Hardware & Equipment | Taiwan | 72.6 | 48.9 |
| (8) BASF (XET) | Chemicals | Germany | 60.2 | 48.2 |
| (9) SIEMENS (XET) | Electronic & Electrical Equipment | Germany | 59.5 | 47.5 |
| (10) BAYER (XET) | Chemicals | Germany | 59.2 | 47.3 |

Bottom 10 Performers - 12 Months to 30 June 2007

| Stocks | Sector | Country | Return % | |
|---------------------------|----------------------------------|----------------|-------------------|--------|
| | | | In Local Currency | In A\$ |
| (1) SAP (XET) | Software & Computer Services | Germany | -6.5 | -13.5 |
| (2) GLAXOSMITHKLINE | Pharmaceuticals & Biotechnology | United Kingdom | -10.7 | -15.1 |
| (3) MATSUSHITA ELEC.INDL. | Leisure Goods | Japan | 2.5 | -16.9 |
| (4) GENENTECH | Pharmaceuticals & Biotechnology | United States | -7.5 | -19.0 |
| (5) ASTRAZENECA | Pharmaceuticals & Biotechnology | United Kingdom | -15.4 | -19.6 |
| (6) BOSTON SCIENTIFIC | Health Care Equipment & Services | United States | -8.9 | -20.2 |
| (7) MOTOROLA | Technology Hardware & Equipment | United States | -11.3 | -22.3 |
| (8) LEXMARK INTL.GP.A | Technology Hardware & Equipment | United States | -11.7 | -22.6 |
| (9) SANOFI-AVENTIS | Pharmaceuticals & Biotechnology | France | -19.2 | -25.3 |
| (10) ADOBE SYSTEMS | Software & Computer Services | United States | -19.8 | -29.7 |

THE INVESTMENT PORTFOLIO

as at 30 June 2007

Industry Sector Weighting

| SECTOR EXPOSURES | % Net Assets |
|--|--------------|
| Technology Hardware & Equipment | 12.8 |
| Pharmaceuticals & Biotechnology | 9.5 |
| Oil & Gas Producers | 7.7 |
| Software & Computer Services | 7.0 |
| Electricity | 6.1 |
| Automobiles & Parts | 5.2 |
| Media | 4.9 |
| Mobile Telecommunications | 4.3 |
| Industrial Engineering | 4.3 |
| Electronic & Electrical Equipment | 3.7 |
| General Industrials | 3.6 |
| Food Producers | 3.3 |
| Fixed Line Telecommunications | 3 |
| Aerospace & Defence | 3 |
| Household Goods | 2.9 |
| Chemicals | 2.7 |
| Life Insurance | 2.4 |
| Personal Goods | 2.4 |
| Leisure Goods | 2.4 |
| Health Care Equipment & Services | 2.3 |
| Tobacco | 2.2 |
| Oil Equipment, Services & Distribution | 1.3 |
| Gas, Water & Multiutilities | 0.6 |
| Nonlife Insurance | 0.4 |
| Other | 0.7 |
| Sub-Total Equities | 98.8 |
| Cash (net other assets) | 1.2 |
| TOTAL | 100 |

A full listing of the Company's investment portfolio as at 30 June 2007 is in the "List of Share Investments" section of this Annual Report on pages 64 to 69.

THE INVESTMENT PORTFOLIO

as at 30 June 2007

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. Its operating in seven segments: Client; Server and Tools, Information Worker, Microsoft Business Solutions, MSN, Mobile and Embedded Devices and Home and Entertainment. 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. It also provides consulting and product support services. It trains and certifies system integrators and developers. It 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 fiscal year 2006, it acquired Frontbridge Technologies Inc, Teleo Inc and MediaStreams.com AG. |
| (2) GENERAL ELECTRIC | General Industrials United States | The Group's principal activity is to develop, manufacture and market a wide variety of products for the generation, transmission, distribution, control and utilization of electricity. The products include major appliances, lighting products, industrial automation products, medical diagnostic imaging systems, bioscience assays and separation technology products, electrical distribution and control equipment. The Group offers financial and other services including consumer financing, commercial and industrial financing, real estate financing, asset management and leasing, mortgage services, consumer savings and insurance services. The Group's products and services are sold to a diverse worldwide commercial and residential customer base in the transportation, industrial, pharmaceutical and healthcare markets. Major acquisitions of the Group during 2006 include ZENON Environmental Inc, IDX Systems Corporation, Biacore International AB and iVillage Inc. |
| (3) EXXON MOBIL | Oil & Gas Producers United States | The Group's principal activities are exploration, production, transportation and sale of crude oil and natural gas. 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 manufactures petroleum products, which includes olefins, aromatics, polyethylene and polypropylene plastics and other specialty products. It is also a major worldwide manufacturer and marketer of petrochemicals and participates in electric power generation. The Group operates and markets in the United States, Canada, Europe, Africa, Asia Pacific/Middle East, Russia/Caspian and South America. |
| (4) PROCTER & GAMBLE | Household Goods United States | The Group's principal activity is to manufacture and market consumer products. It operates in seven business segments: Beauty; Health Care; Fabric Care and Home Care; Pet Health, Snacks and Coffee; Baby Care and Family Care; Blades and Razors and Duracell and Braun. 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. Baby and family care segment includes products such as tissues, towel, diapers, 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 and shortening and oil. The products are sold in more than 180 countries around the world. On 01-Oct-2005, the Group acquired The Gillette Company. |
| (5) VODAFONE GROUP | Mobile Telecommunications United Kingdom | The Group's principal activity is providing mobile telecommunications services. The Group's operations are carried out through its Mobile Telecommunications and Other Operations divisions. Mobile Telecommunications division provides a range of mobile telecommunications services including voice and data telecommunications. This division focuses on telecommunications, infotainment and IT productivity. This division offers multimedia messaging services such as pictures, music, sound, video and text to other compatible phones. Other Operations relates to fixed line telecommunications with its own voice and data network offering its customers a range of services for voice and data transfer including complete ISDN/DSL connection services. This division also provides fixed line telephone services to residential and business customers as well as special corporate services ranging from network and customer relations management to Internet-intranet hosting services. |

THE INVESTMENT PORTFOLIO

as at 30 June 2007

Description of Stocks in Top 10 Holdings (continued)

| Stock | Sector and Country | Profile |
|---|--|---|
| (6) INTERNATIONAL BUSINESS MACHINES (IBM) | Software & Computer Services United States | The Group's principal activity is to provide business and information technology services. It operates through five segments: Global Technology Services segment reflects infrastructure services, delivering value through the company's global scale, standardization and automation. Global Business Services segment primarily reflects professional services, delivering business value and innovation to clients through solutions which leverage industry and business process expertise. Systems and Technology Group provides IBM's clients with business solutions requiring advanced computing power and storage capabilities. Software consists primarily of middleware and operating systems software. Global Financing segment includes customer financing, commercial financing and remarketing. The Group operates in the United States, Japan and other countries. During the year 2006, it acquired Micromuse Inc, FileNet Corporation, Internet Security Systems Inc and MRO Software Inc. |
| (7) CISCO SYSTEMS | Technology Hardware & Equipment United States | The Group's principal activities are to design, manufacture and sell networking and other products related to the communications and information technology industry and provide services associated with these products and their use. The Group offers its products in five categories that is, Switches, Advanced Technologies, Routers, Service, and Other. The products of the Group include Routing technology, switching technology and network management software. The customers of the Group include corporations, public institutions, telecommunication companies and commercial enterprises. The international operations are located in Europe, the Middle East, Africa, Asia Pacific and Japan. The Group acquired Scientific-Atlanta in February 2006. During Fiscal 2007 the Group acquired Arroyo Video Solutions, Inc, Meetinghouse Data Communications Inc, Tivella, Inc, Orative Corporation and Greenfield Networks Inc. |
| (8) JOHNSON & JOHNSON | Pharmaceuticals & Biotechnology United States | 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 child care, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. In 2006 it acquired Animas Corporation and Hand Innovations LLC. |
| (9) INTEL | Technology Hardware & Equipment United States | 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. |
| (10) THE SOUTHERN COMPANY | Electricity United States | The Group's principal activities are to acquire, develop, build, own and operate power production and delivery facilities. The Group operates in two segments: Electric Utilities and Other. Electric Utilities generate and sell electricity to retail and wholesale customers in the Southeast. The other segment provides telecommunications, energy products and services and investment in synthetic fuels and leveraged lease projects. The energy related services are provided to utilities and industrial companies. The Group operates its business through its five retail operating companies including Alabama Power, Georgia Power, Gulf Power, Mississippi Power and Savannah Electric. It solely operates in domestic market. |

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2007

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

| Stock | Sector | Profile |
|------------------------|---------------------------------|--|
| (1) RESEARCH IN MOTION | Technology Hardware & Equipment | The Group's principal activity is to design, manufacture and market innovative wireless solutions for the mobile communications market. The Group provides platforms and solutions for access to time-sensitive information including email, phone, SMS messaging, Internet and intranet-based applications. The Group's technology also enables a broad array of third party developers and manufacturers to enhance their products and services with wireless connectivity to data. The operations of the Group are carried out in the United States, Canada and other countries. During 2007, the Group acquired Slipstream Data Inc. |
| In A\$ | +152% | Canada |
| (2) 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\$ | +93% | Japan |
| (3) APPLE | 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. It 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 Group also designs, develops and markets a line of portable digital music players along with related accessories and services, including the online sale of third-party audio and video 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. It has its operations in the United States, Europe, Japan and Asia Pacific. As on 31-Jan-2007, the Group operated 170 stores. |
| In A\$ | +87% | United States |
| (4) CHINA MOBILE | Mobile Telecommunications | 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 centre; optimising construction-testing of its network structure, 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\$ | +69% | Hong Kong |
| (5) DAIMLERCHRYSLER | Automobiles & Parts | The Group's principal activities are the manufacture and distribution of passenger cars, sport-utility vehicles, minivans and pickups and commercial vehicles. The Group's activities are carried out through five divisions. The Chrysler Group develops, produces and distributes passenger cars, minivans, sport-utility vehicles and light trucks. The Mercedes Car Group develops, designs, manufactures, assembles and sells passenger cars and off-road vehicles under various brands. The Commercial Vehicles segment develops, designs, manufactures, assembles and sells vans, trucks, buses and Unimogs as well as related parts and accessories. The Services division comprises tailored financing and leasing packages for dealers and customers and also provides services such as insurance and fleet management. The Group's production facilities are located at The United States, France, South Africa, Brazil, India, Malaysia, Canada, Mexico, Thailand and Vietnam. |
| In A\$ | +68% | Germany |

THE INVESTMENT PORTFOLIO

as at 30 June 2007

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

| Stock | Sector | Profile |
|--|-----------------------------------|---|
| (6) ABB 'R' | Electronic & Electrical Equipment | The Group's principal activity is to offer power and automation technologies. The Group operates under five major segments, Power products, Power systems, Automation products, Process automation and Robotics. Under Power products, the Group offers components used to transmit electricity such as transformers, switchgear, circuit breakers and cables. Under Power systems, the Group offers systems for substation and network automation. Under Automation Products, the Group offers drives, motors and generators, low voltage products, instrumentation and analytical and power electronics. Under Process automation, the Group offers integrated solutions for plant optimisation and industry-specific application knowledge for the oil and gas, power and chemical industry. Under Robotics, the Group offers robot software, peripheral equipment and modular manufacturing cells for the automotive and manufacturing industries. The Group operates mainly in Europe and the United States. |
| In A\$ | +55% Switzerland | |
| (7) HON HAI PRECISION INDUSTRY COMPANY | Technology Hardware & Equipment | The Group's principal activities are manufacturing, selling and servicing of communication equipment, automatic equipment, precision machines, automobiles and consumer electronic products. Products include connectors, computer casing, radiator, wired or wireless communication products, optical products and power supply module. The Group exports its products in Asia Pacific, the United States of America and Europe. |
| In A\$ | +49% Taiwan | |
| (8) BASF | Chemicals | The Group's principal activity is to produce and distribute chemical products. The Group operates under five major segments, Chemicals, Plastics, Performance Products, Agricultural Products and fine chemicals and Oil & Gas. Under Chemicals, the Group offers petrochemicals and inorganic products used in pharmaceuticals, construction, textile and automotive industries. Under Plastics, the Group offers styrene and styrene based polymers, nylons and engineering plastics. Under Performance Products, the Group offers products such as pigments, printing inks, and fuel and lubricant additives. Under Agricultural Products and fine chemicals, the Group offers herbicides, insecticides, vitamins and UV absorbers. Under Oil and Gas, the Group explores, produces and trades crude oil and natural gas. The Group operates mainly in Europe, Asia Pacific and the United States. In 2006, the Group acquired Pemeas GMBH and Engelhard Corporation. |
| In A\$ | +48% Germany | |
| (9) SIEMENS | Electronic & Electrical Equipment | The Group's activities are carried out through six segments. The Information and Communications segment offers IT solutions and services for the private and public sectors. The Automation and Control segment supplies products, systems, solutions and services for industrial and building automation. The Power segment offers energy solutions. The Transportation segment supplies products and systems for railway and automotive industries. The Medical segment provides products, solutions, services and consulting for the health care community. The Lighting segment provides lighting sources, electronic control gear and light management systems. The Financing services area offers financial solutions in the areas of financing, investment, treasury and fund management. The Real estate area manages, develops, buys and sells real estate. |
| In A\$ | +48% Germany | |
| (10) BAYER | Chemicals | The Group's principal activity is to develop and produce pharmaceutical and medical products. The Group operates under three major segments, Health care, Material Science and Crop science. Under Health care, the Group researches, develops, manufactures and markets innovative products for disease prevention, diagnosis and treatment. Under Material Science, the Group offers polycarbonate plastics, polyurethanes, coating raw materials and colorants. Under Crop Sciences, the Group offers crop protection and non-agricultural pest control products such as fungicides, herbicides, insecticides and seed treatment products. The Group operates mainly in Europe, Asia Pacific, Latin America and North America. In 2006, the Group acquired Bayer Schering Pharma AG, Metrika Inc. and Icon Genetics AG. |
| In A\$ | +47% Germany | |

Source: Constellation and Thompson Publications

THE INVESTMENT PORTFOLIO

as at 30 June 2007

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

| Stock | Sector | Profile |
|---------------------------------------|---------------------------------|---|
| (1) SAP | Software & Computer Services | The Group's principal activity is to develop, market, and sell a variety of software solutions for corporations, government agencies and educational institutions. The Group's activities are carried out through three business segments. The Product segment markets and licenses the Group's software products and performs maintenance services. The maintenance services include technical support for the Group's products, assistance in resolving problems, updates and new releases, versions and support packages. The Consulting segment assists customers in the implementation of Group's software products and provides customer support in project planning, organizational consulting and system adaptation. The Training segment provides educational services on the use of Group's software products and related topics for customers and partners. In 2006, the Group acquired Khimetrics, Virsa Systems and Frictionless Commerce. |
| In A\$ | -13% | Germany |
| (2) GLAXOSMITH-KLINE | 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 therapeutic areas of 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. |
| In A\$ | -15% | United Kingdom |
| (3) MATSUSHITA ELECTRIC INDUSTRIAL CO | Leisure Goods | The Group's principal activities are to manufacture consumer electric and electronic products. The Group's operations are carried out through the following divisions: AVC Networks; MEW and PanaHome; Home Appliances; Components and Devices; JVC and Other. AVC Networks division deals with video, audio equipment and information and communication equipment. Home Appliances division deals with refrigerators, washing machines, vacuum cleaners, microwave ovens and air conditioners. Components and Devices division deals with semiconductors, electric motors, dry batteries and rechargeable batteries. MEW and panaHome division deals with lighting fixtures, wiring devices, exterior and interior finishing materials, bathroom and fixtures. JVC division deals with VCR, camcorders, TV and CD radio cassette recorders and Other division deals with industrial robots, welding equipment, elevators and escalators. |
| In A\$ | -17% | Japan |
| (4) GENENTECH | Pharmaceuticals & Biotechnology | The Group's principal activities are to discover, develop, manufacture and commercialize biotherapeutics for unmet medical needs. The Group manufactures and markets biotechnology products and licenses several additional products to other companies. Activase, Avastin TM , Cathflo Activase, Herceptin, Lucentis TM , Nutropin Depot, Nutropin AQ, Nutropin, Protropin, Pulmozyme, Raptiva TM , INKase TM , Rituxan, etc. are some of the registered trademarks owned by the Group. The Group also provides certain customer service programs relating to products. The Group has foreign operations in Asia Pacific, Canada, Switzerland, Germany, France, Italy, Great Britain and other countries. The major customers of the Group are Amerisource/Bergen, Corp., Cardinal Health, Inc. and McKesson, Inc. |
| In A\$ | -19% | United States |
| (5) ASTRAZENECA | Pharmaceuticals & Biotechnology | The Group's principal activity is researching, developing, producing and marketing medicines for serious health conditions. The Group's operation is focused on six therapy areas namely, Cardiovascular, Gastrointestinal, Neuroscience, Oncology, Respiratory and Inflammation, and Infection. Cardiovascular brands are Crestor, Atacand, Selok/Toprol-XL, Plendil and Zestril. Gastrointestinal products comprise Nexium, Losec/Prilosec and Entocort. Neuroscience brands covers Seroquel, Zomig, Diprivan, Naropin and Xylocaine. Oncology brands are Armidex, Faslodex, Casodex, Zoladex, Iressa, Nolvadex and Abraxane. Respiratory and Inflammation products comprise Symbicort, Pulmicort, Oxis, Rhinocort and Accolate. Infection product brand is Merrem/Meronem and a pipeline product under the CytoFab brand. The Group operates in the United Kingdom, Belgium, France, Germany, Italy, Spain, Sweden, the Netherlands, Canada, Puerto Rico, the United States of America, Australia and Japan. |
| In A\$ | -20% | United Kingdom |

THE INVESTMENT PORTFOLIO

as at 30 June 2007

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

| Stock | Sector | Profile |
|-----------------------|----------------------------------|---|
| (6) BOSTON SCIENTIFIC | Health Care Equipment & Services | 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 2006 the Group acquired EndoTex Interventional Systems Inc, Rubicon Medical Corporation and Guidant Corporation. |
| In A\$ | -20% | United States |
| (7) MOTOROLA | Technology Hardware & Equipment | The Group's principal activity is to develop and market products, services and applications through broadband, embedded systems and wireless networks. It operates through three segments: Mobile Devices: Designs, manufactures, sells and services wireless handsets with integrated software and accessory products, and licenses intellectual property. Networks and Enterprise: Delivers mission critical secure two-way radio, cellular and wireless broadband systems to meet the needs of public safety, government, private, service provider and enterprise customers worldwide. Connected Home Solutions: Provides integrated, end-to-end systems that deliver digital entertainment, information and communications services over a variety of wired and wireless broadband network architectures. During the first quarter of 2007, the Group acquired Symbol Technologies Inc, Good Technology Inc and Netopia Inc. |
| In A\$ | -22% | United States |
| (8) LEXMARK INTL | Technology Hardware & Equipment | The Group's principal activity is to develop, manufacture and supply printing and image solutions for offices and homes. The Group operates in two reportable segments: Business and Consumer market. The Business market segment primarily sells laser products and primarily serves business customers, but also include consumers who choose laser products. Laser products can be divided into two major categories- shared workgroup products and lower-priced desktop products. Its customers fall into six specific industry groups: finance, services, retail, manufacturing, public sector and health care. The Consumer market segment predominantly sells inkjet products to consumers but also includes business users who may choose inkjet products as a lower-priced alternative or supplement to laser products for personal desktop use. The products are sold in over 150 countries in North and South America, Europe, the Middle East, Africa, Asia, the Pacific Rim and the Caribbean. |
| In A\$ | -23% | United States |
| (9) SANOFI-AVENTIS | Pharmaceuticals & Biotechnology | The Group's principal activities are the research, production and distribution of pharmaceuticals through the following therapeutic areas: Cardiovascular, thrombosis, central nervous system, oncology, metabolic disorders, internal medicine and vaccines. Cardiovascular disorders include Arterial hypertension, Atrial fibrillation, Heart failure and Atherosclerosis. Central nervous system disorders include sleep disorders, Alzheimer's disease, Parkinson's disease and multiple sclerosis. Treatment for oncology includes dissemination of cancer cells. Metabolic disorders are diabetes, dyslipidemia and obesity. Internal medicine is used to treat asthma, rheumatoid arthritis and osteoporosis. Vaccines are utilized for treating tetanus, whooping cough, diphtheria, HIV/AIDS and hepatitis B. Their brands include Actonel, Optinate, Lantus, Taxotere, Plavix and Acrel. Their main competitors are Novartis, Pfizer and AstraZeneca. The Group is present in more than 100 countries. |
| In A\$ | -25% | France |
| (10) ADOBE SYSTEMS | Software & Computer Services | The Group's principal activity is to provide a line of software and services for consumers, creative professionals and enterprises. The Group operates in five business segments: The Creative Solutions segment provides professional solutions for professional publishing, Web design, professional photography, video production, animation and motion graphic production. The Knowledge Worker Solutions segment focuses on the needs of knowledge worker customers, providing essential applications and services. Enterprise and Developer Solutions provides server-based enterprise interaction solutions that automate people-centric processes. Mobile and Device Solutions segment provides solutions that create compelling experiences through rich content, user interfaces, and data services on mobile and non-PC devices. Other segment includes the Print and Classic Publishing and Platform segments. The Group operates in the Americas, Europe, Middle East, Africa and Asia. |
| In A\$ | -30% | 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 and was provided to the Company on 20 July 2007:

| Returns To: | 1mth | 3mths | 6mths | 1yr | 2yrs | 3yrs | Incep* |
|--------------------------------|-------|-------|-------|-------|----------|----------|----------|
| 30/06/2007 | (%) | (%) | (%) | (%) | (% p.a.) | (% p.a.) | (% p.a.) |
| Gross Portfolio | -2.1% | 3.3% | 2.7% | 11.2% | 9.9% | na | 12.1% |
| Benchmark** | -1.7% | 3.7% | 3.5% | 11.9% | 10.2% | na | 12.7% |
| MSCI ex Australia | -3.3% | 1.5% | 1.4% | 8.3% | 10.5% | na | 12.8% |
| Net Funds Flow, \$ '000 | -200 | -800 | -800 | -1550 | -2,350 | na | -2,350 |

* Inception Date for performance: 30 September 2004

** HomeGlobalTM Index

Portfolio Summary

30-Jun-07

| | |
|------------------------|-------------------|
| INTERNATIONAL EQUITIES | 19,810,290 |
| CASH | 235,309 |
| TOTAL | 20,045,599 |

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 2007 of 23.6% (17.4% in 2006) in USD terms. This comprised growth in capital of 21.4% and dividends of approximately 2.3%. When account is taken of the rise in the \$A (from \$US0.743 at the start of the year to \$US0.848 at the end of the year), the return of the MSCI World ex Australia \$A Index was a more subdued 8.3% versus the return of 20.4% in 2006.

The market advance was broad based as was the case in 2006, and once again the materials sector (mining and industrial metals shares) led the advance. This reflected the continued strength in global industrial production and further growth in most commodity prices. The notable exception was a modest 4% fall in oil prices. Weakness in oil prices was reflected in an increase in the volatility in prices of oil shares over the year, with the energy sector posting positive returns for seven months and negative returns for five months.

Growth in global economic activity continued notwithstanding a slowdown in growth in the US. Real economic growth in China of c.10% (off an increasingly large base) is having a significant impact on global demand, especially in raw materials. In addition to its impact on the global economy, China's increasing financial muscle, including its growth in foreign exchange reserves, is being felt globally. A momentary correction in the Chinese stock market advance in late February caused collateral damage on world markets. Within the US, concerns over sub-prime lending were manifested in problems at New Century Financial, and an increase in credit spreads from their low point in February. M&A activity was very strong globally, triggered by both corporates and cashed up private equity firms. Sub-prime was the storm cloud on the horizon that caused some market weakness in June, as was a spike in bond yields (impacting equity valuations and funding costs of private equity) and oil rebounded back over US\$70/barrel.

THE INVESTMENT MANAGER'S REPORT

At the regional level, all markets advanced as reflected in the following share price index performance table:

| Region | World | US | Europe | Japan | Hong Kong |
|-------------|------------|--------|---------------|------------|-----------|
| Benchmark | MSCI World | S&P500 | DJ Euro Stoxx | Nikkei 225 | Hang Seng |
| \$US Return | 21.4% | 18.3% | 34.0% | 16.9% | 33.8% |

Source: DataStream

Total market returns were positive in ten of twelve months, and positive for each of the four quarters. Investors benefited from an ideal environment for equities - strong company earnings growth and/or profit guidance upgrades, coupled with a benign inflationary environment as the Federal Reserve ended its two-year streak of interest rate rises.

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

Sector Performance- FTSE World total returns for year to June 30 2007

| SECTOR | RETURNS (AUD) |
|---------------------------------|------------------|
| Top 5 | |
| INDUSTRIAL METALS | 42% |
| MOBILE TELECOMMUNICATIONS | 33% |
| INDUSTRIAL ENGINEERING | 29% |
| CONSTRUCTION & MATERIALS | 23% |
| CHEMICALS | 22% |
| Bottom 5 | |
| BEVERAGES | 9% |
| GENERAL INDUSTRIALS | 9% |
| FORESTRY & PAPER | 9% |
| FOOD & DRUG RETAILERS | 9% |
| PHARMACEUTICALS & BIOTECHNOLOGY | -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 high single digit (c.9%) earnings growth in CY07, following c. 13% growth in CY06. Earnings growth has been strongest in materials, capital goods, industrials, transport and IT and weakest in energy, media and telecommunications.

Corporate margins remain at peak levels. Return on Equity and Free Cash Flow generation were equally strong. 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

Market returns in 2007 were not significantly effected by a variation in PE multiples, although within the resources sectors i.e. materials and energy, PE multiples did expand a little, compared to their contraction in 2006. Whilst investors de-rated the IT sector, Telco PE multiples expanded, in part reflecting M&A activity.

PE Table - World

| | 2005 | 2006 | 2007 |
|------------------------|------|------|------|
| Market ex Financials | 14.7 | 15.1 | 15.2 |
| Energy | 9.2 | 10.0 | 11.1 |
| Materials | 10.7 | 11.1 | 11.4 |
| Industrials | 16.7 | 16.9 | 16.2 |
| Consumer Discretionary | 16.1 | 17.5 | 17.6 |
| Consumer Staples | 17.3 | 17.7 | 17.9 |
| Healthcare | 17.8 | 17.5 | 16.8 |
| Information Technology | 20.6 | 20.6 | 18 |
| Telecommunication | 14.0 | 14.2 | 15.5 |
| Utilities | 14.4 | 16.0 | 16.4 |

Source UBS

Currencies - the \$A

Following last year's modest fall, the \$A has surged in 2007, on the back of a continuing improvement in terms of trade, which has been described by the Governor of the Reserve Bank of Australia as a "one in 50 year event". Since the currency exposures from the investments of the portfolio were unhedged, this increase in the \$A has had a detrimental impact on \$A returns.

THE INVESTMENT MANAGER'S REPORT

Bentley Portfolio Returns

The portfolio has returned 11.2% (in \$A) for the year ended 30 June 2007, which is broadly in line with the portfolio benchmark return of 11.9% for the same period, but significantly higher than the broad based MSCI World ex Australia return of 8.3%.

When reviewing the portfolio performance against traditional benchmarks (such as the MSCI World ex Australia), we note that Bentley did not have large exposures to the underperforming financial sector. This is because this sector is readily available in the Australian market, and is well represented in many investors' 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 outperformed the market average return in 2007. Accordingly, we note that the Bentley portfolio performed ahead of global markets (as reflected by benchmarks such as the MSCI World ex Australia index), over the year to 30 June 2007. The most significant contributions by sector to portfolio returns over the year to 30 June 2007 are shown in the table below.

| Top 10 | Weight | Return | Contribution to Return |
|--|---------------|---------------|-------------------------------|
| TECHNOLOGY HARDWARE & EQUIPMENT | 12.9% | 10% | 1.3% |
| MOBILE TELECOMMUNICATIONS | 3.9% | 33% | 1.3% |
| OIL & GAS PRODUCERS | 10.7% | 11% | 1.1% |
| ELECTRICITY | 5.1% | 16% | 0.8% |
| AUTOMOBILES & PARTS | 4.5% | 18% | 0.8% |
| INDUSTRIAL ENGINEERING | 2.5% | 29% | 0.7% |
| ELECTRONIC & ELECTRICAL EQUIPMENT | 4.1% | 15% | 0.6% |
| FIXED LINE TELECOMMUNICATIONS | 2.8% | 21% | 0.6% |
| SOFTWARE & COMPUTER SERVICES | 6.8% | 8% | 0.6% |
| CHEMICALS | 2.1% | 22% | 0.5% |
| Bottom 10 | | | |
| PERSONAL GOODS | 2.0% | 11% | 0.2% |
| GENERAL INDUSTRIALS | 1.3% | 9% | 0.1% |
| NONLIFE INSURANCE | 1.0% | 10% | 0.1% |
| GAS, WATER & MULTIUTILITIES | 0.3% | 20% | 0.1% |
| OIL EQUIPMENT, SERVICES & DISTRIBUTION | 0.6% | 7% | 0.0% |
| FOOD & DRUG RETAILERS | 0.5% | 9% | 0.0% |
| HOUSEHOLD GOODS | 2.1% | 2% | 0.0% |
| GENERAL RETAILERS | 3.0% | 1% | 0.0% |
| LIFE INSURANCE | 0.3% | 5% | 0.0% |
| PHARMACEUTICALS & BIOTECHNOLOGY | 11.1% | -3% | -0.4% |

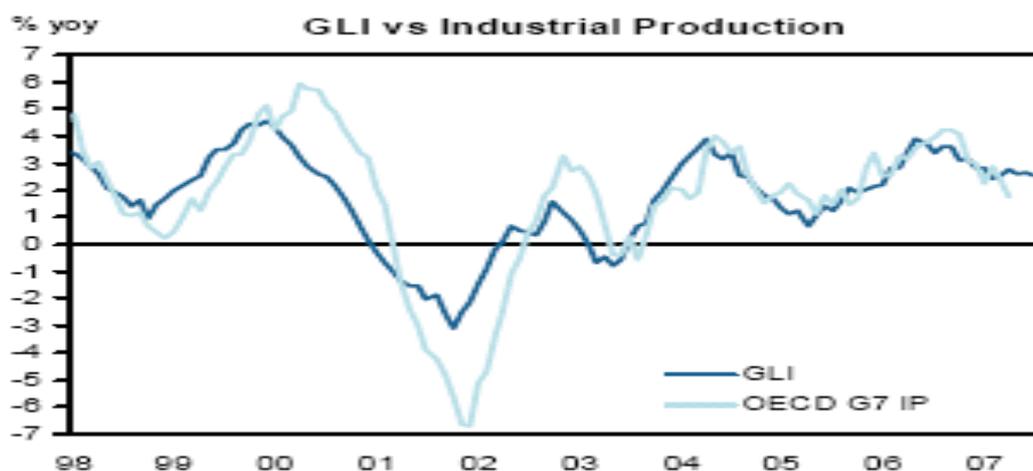
Source: Constellation

THE INVESTMENT MANAGER'S REPORT

Investment Outlook

As noted above investment returns turned negative in June and investor risk appetite reduced, with heightened fears in financial markets flowing from the sub-prime lending meltdown. This has seen share prices of US banks and homebuilders come under pressure at the start of the new financial year. Like a slow motion train wreck, the full implications of the sub-prime meltdown are slowly becoming apparent. It now appears that few analysts or investors really understood the inherent risks (both credit and liquidity) of the CDO's and other securities that constituted packaged and on-sold sub-prime debt. Ratings agencies have furiously back-peddled by slashing credit ratings, hedge funds have reported huge losses (they think, because there is often no ready market nor other pricing mechanism for the securities) and others have suspended redemptions until the whole mess can be sorted out. It seems there must be more pain to come, given some investors 'geared into' these products, the underlying housing situation and rising (adjustable rate) mortgage rates. However, the extent of the contagion into the broader US economy or global economy is still unclear. Whilst the US has been growing below trend, the rest of the world continues to advance, led by strong growth in China and other emerging economies and continued strength in Euroland.

Global leading indicators (GLI) still show a positive outlook for activity as shown in the following chart:



Source: Goldman Sachs July 2007

In addition, the latest OECD report on its composite leading indicators also signalled a continued positive outlook for major global economies and in particular highlighted continued strength in Brazil, Russia, Indian and China (BRIC) economies.

With an accommodating economic environment, corporate earnings growth should remain supportive of a further market advance. In addition continuing low corporate leverage provides scope for earnings accretive buybacks or other re-leveraging strategies and/or private equity inspired M&A activity. PE multiples are comfortable when compared to history. In summary, the macro-economic environment remains relatively friendly, with key risks being credit risk volatility and rising oil prices. As we said last year, investors will need to address the wall of worry, and 2008 will be no different. 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.

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 2007 ("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 Securities Exchange ("ASX") since October 1986 as an investment company (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 investment management mandate has continued on a month to month basis after May 2006 in accordance with the terms therein; and
- National Australia Bank Limited ("NAB") (appointed 20 August 2004 for an initial 2 year term) as custodian. NAB's custodial services mandate have continued on a quarterly basis after August 2006 in accordance with the terms therein.

OPERATING RESULTS

| | 2007 \$'000 | 2006 \$'000 |
|---|----------------|----------------|
| Realised gains on investments | 3,053 | 351 |
| Unrealised gains on investments | - | 2,050 |
| Foreign exchange gains | - | 2 |
| Other investment related income | 454 | 430 |
| Total investment income | 3,507 | 2,833 |
| Unrealised losses on investments | 1,311 | - |
| Foreign exchange losses | 15 | - |
| Investment manager's fees | 177 | 178 |
| Custodian fees | 94 | 35 |
| Other corporate and administration expenses | 553 | 528 |
| Total expenses | 2,150 | 741 |
| Profit before tax | 1,357 | 2,092 |
| Income tax expense | 5 | 6 |
| Profit after tax attributable to members | 1,352 | 2,086 |

The Company's net profit during the current reporting period was \$1.357 million (pre tax) (down 35%) and \$1.352 million (post tax) (down 35%) compared with the previous year's results of \$2.092 million (pre tax) and \$2.086 million (post tax).

DIRECTORS' REPORT

EARNINGS PER SHARE

| | 2007 | 2006 |
|--|------|------|
| Basic and diluted earnings per share (cents) | 3.4 | 5.3 |

FINANCIAL POSITION

| | 2007 \$'000 | 2006 \$'000 |
|---------------------|----------------|----------------|
| Investments | 19,797 | 19,153 |
| Cash | 761 | 367 |
| Other assets | 6 | 43 |
| Liabilities | (464) | (179) |
| Net assets | 20,100 | 19,384 |
| Contributed Equity | 17,995 | 17,840 |
| Retained earnings | 2,105 | 1,544 |
| Total equity | 20,100 | 19,384 |

NET TANGIBLE ASSET BACKING

| | 2007 \$'000 | 2006 \$'000 |
|--|----------------|----------------|
| Net tangible assets (before tax on unrealised gains) | 20,100 | 19,384 |
| Pre-tax NTA Backing per share (cents) | 50.59 | 49.32 |
| Less: Provision for tax on unrealised gains | | - |
| Net tangible assets (after tax on unrealised gains) | 20,100 | 19,384 |
| Post-tax NTA Backing per share (cents) | 50.59 | 49.32 |
| Based on total issued share capital | 39,728,303 | 39,304,854 |

DIVIDENDS

The Company will be paying a final dividend as follows:

| Dividend Rate | Record Date | Expected Payment Date | Franking | Total Dividends Payable |
|--------------------|-------------------|-----------------------|---------------|-------------------------|
| One cent per share | 24 September 2007 | 28 September 2007 | Fully franked | \$397,283 |

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

| Dividend Rate | Record Date | Payment Date | Franking | Total Dividends Paid |
|--------------------|--------------|--------------|---------------|----------------------|
| One cent per share | 1 March 2007 | 8 March 2007 | Fully franked | \$397,283 |

DIRECTORS' REPORT

Dividend Reinvestment Plan (DRP)

The DRP issue price in respect of the September 2007 dividend will be set at a 5% discount to the Company's volume weighted average price on ASX in the 5 day period up to and including the record date.

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 up to approximately 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 2007: 39,728,303; 30 June 2006: 39,304,854) fully paid ordinary shares on issue. All such shares are listed on ASX. The Company has no other securities on issue.

REVIEW OF OPERATIONS

As at 30 June 2007, a direct investment in the Company provides indirect exposure to a diversified portfolio of approximately 285 securities across 25 industry sectors in 11 recognised overseas stock markets.

Based on information provided by Constellation, the (unhedged) investment portfolio returned 11.2% in A\$ terms during the financial year (which includes realised gains of \$3.053 million and unrealised losses of \$1.311 million). This reflected an improvement in world markets (for example, the MSCI ex Australia Index returned 23.6% in US\$ terms compared with 17.4% in the previous year).

When account is taken of the rise in the Australian dollar (from \$US0.743 at the start of the year to \$US0.848 at the end of the year) during the year, the return of the MSCI World ex Australia Index in A\$ terms was 8.3% compared with 20.4% in the previous year.

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.

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

The Directors note that the investment management agreement with Constellation expired on 18 May 2006 and Constellation's mandate has continued on a month to month basis thereafter in accordance with the terms therein. During the 2007/08 year, the Board may:

- (1) seek to negotiate a renewal of Constellation's appointment as investment manager or seek the appointment of another appropriate investment manager to manage or internally 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 or internally manage the Company's funds in accordance with an expanded 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 in the investment, mining and financial services sector. He 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 in listed entities – Current Chairman and Managing Director of:

(1) Queste Communications Ltd (since 10 March 1998)

Current Chairman of:

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

(3) Orion Equities Limited (since 23 October 2006)

Current Executive Director of:

(4) Strike Resources Limited (since 3 September 1999)

(5) Alara Uranium Limited (since 18 May 2007)

Former directorships in other listed entities in past 3 years – (1) Altera Capital Limited (9 November 2001 to 18 October 2005)

(2) 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 listed oil and gas junior company, Drillsearch Energy Limited and 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 – 1,734,279 shares (held indirectly)

Special Responsibilities – None

Other current directorships in listed entities – None

Former directorships in other listed entities in past 3 years – Current Chairman of:

(1) Drillsearch Energy Limited (since 24 October 2006).

¹ Held by Orion Equities Limited (OEQ), a company in which Queste Communications Ltd (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

Simon K. Cato – Non-Executive Director

Appointed – 5 February 2004

Qualifications – B.A. (USYD), MSDIA

Experience – Mr Simon Cato has had over 25 years capital markets experience in broking, regulatory roles and as director of listed companies. He initially was employed by the ASX in Sydney and in Perth. Over the last 17 years he has been an executive director and/or responsible executive of three stockbroking firms and in those roles he has been involved in many aspects of broking including management issues such as credit control and reporting to regulatory bodies in the securities industry. As a broker he has also been involved in the underwriting of a number of IPO's and has been through the process of IPO listings in the dual role of broker and director. Currently he holds a number of executive and non executive roles with listed companies in Australia.

Relevant interest in shares – None

Special Responsibilities – None

Other current directorships in listed entities – Current Chairman of:

- (1) Convergent Minerals Limited (since 25 July 2006)
- (2) Sofcom Limited (since 8 January 2004)

Current Director of:

- (3) Greenland Minerals and Energy Lid (formerly The Gold Company Limited) (since 21 February 2006)
- (4) Scarborough Equities Limited (since 29 November 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)

Christopher B. Ryan – Non-Executive Director

Appointed – 5 February 2004

Qualifications – BEcon (UIWA), MBA (UNSW)

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

Relevant interest in shares – None

Special Responsibilities – None

Other current directorships in listed entities – Current Chairman of:

- (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)

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 – 5,945 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) Alara Uranium Limited (since 4 April 2007)
- (5) Scarborough Equities Limited (Secretary since 29 November 2004)
- (6) Queste Communications Ltd (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 | 9 | 9 |
| Christopher Ryan | 9 | 9 |
| Simon Cato | 9 | 9 |
| Peter Simpson | 8 | 9 |

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 Company Executive of the Company.

The information provided under headings (1) to (4) below in this Remuneration Report includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in (5) and (6) below in this Remuneration Report are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

(1) Remuneration Policy

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

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

The Board has determined current Key Management Personnel remuneration as follows:

- (a) Mr Farooq Khan (Non-Executive Chairman) – a base fee of \$40,000 per annum inclusive of employer superannuation contributions (currently 9%);
- (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 inclusive of employer superannuation contributions (currently 9%);
- (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; and
- (e) Mr Victor Ho (Company Secretary) – a base fee of \$40,000 per annum plus employer superannuation contributions (currently 9%).

Special Exertions and Reimbursements: 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).

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

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

DIRECTORS' REPORT

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

Performance Related Benefits: The Company does not presently provide incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses. The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

Service Agreements: The Company does not presently have formal service agreements or employment contracts with any Key Management Personnel.

Financial Performance of Company: There is no relationship between the Company's current remuneration policy and the Company's performance.

(2) Details of Remuneration of Key Management Personnel - 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 | Short Term Employment Benefits | | Post Employment Benefits | Long Term Benefits | Equity Based Benefits | Total | Performance Related | Percentage of Total Related to Equity Based Benefits (including shares and options) |
|------------------|------------------------|--------------------------------|--------------|--------------------------|--------------------|-----------------------|--------|---------------------|---|
| | | Cash Fees | Cash Bonuses | Superannuation | | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Farooq Khan | Non-Executive Chairman | 27,523 | - | 2,477 | - | - | 30,000 | - | - |
| Christopher Ryan | Non-Executive Director | 26,400 | - | - | - | - | 26,400 | - | - |
| Simon Cato | Non-Executive Director | 1,487 | - | 19,513 | - | - | 21,000 | - | - |
| Peter Simpson | Non-Executive Director | 23,100 | - | - | - | - | 23,100 | - | - |

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 any Key Management Personnel - Company Executive

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

| Name of Executive Officer | Office Held | Short Term Employment Benefits | | Post Employment Benefits | Long Term Benefits | Equity Based Benefits | Total | Performance Related | Percentage of Total Related to Equity Based Benefits (including shares and options) |
|---------------------------|-------------------|--------------------------------|--------------|--------------------------|--------------------|-----------------------|--------|---------------------|---|
| | | Cash Salary | Cash Bonuses | Superannuation | | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Victor Ho | Company Secretary | 41,573 | - | 3,742 | - | - | 45,315 | - | - |

DIRECTORS' REPORT

(4) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 30 June 2007 financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

(5) 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.

(6) 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

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

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITOR

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

| Audit & Review Fees \$ | Fees for Other Services \$ | Total \$ |
|---------------------------|-------------------------------|-------------|
| 13,115 | 2,750 | 15,865 |

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

BDO Kendalls Audit & Assurance (WA) Pty Ltd, formerly BDO continue in office in accordance with Section 327 of the Corporations Act 2001.

DIRECTORS' REPORT

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 31. 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 20), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

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



Farooq Khan
Chairman



Simon Cato
Director

31 August 2007

31 August 2007

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

Dear Sirs

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

As lead auditor of Bentley International Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Bentley International Ltd and the entities it controlled during the period.

Yours faithfully
BDO Kendalls Audit & Assurance (WA)



BG McVeigh
Partner

INCOME STATEMENT

for the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|------------------|------------------|
| Revenue from continuing operations | 2 a | 445,119 | 428,569 |
| Other income | | 3,061,972 | 2,404,141 |
| Total Revenue | | <u>3,507,091</u> | <u>2,832,710</u> |
| Expenses | 2 b | | |
| Investment expenses | | | |
| - Unrealised losses in the net fair value of investments | | (1,311,183) | - |
| - Foreign exchange losses | | (14,888) | - |
| - Withholding tax | | (55,701) | (50,719) |
| Occupancy expenses | | (24,544) | (70,995) |
| Finance expenses | | (484) | (741) |
| Borrowing cost | | (2) | (19) |
| Corporate expenses | | (395,550) | (260,499) |
| Administration expenses | | (348,118) | (358,006) |
| | | <u>1,356,621</u> | <u>2,091,731</u> |
| Profit before income tax expense | | 1,356,621 | 2,091,731 |
| Income tax expense | 3 | (5,439) | (5,713) |
| | | <u>1,351,182</u> | <u>2,086,018</u> |
| Profit for the year | | 1,351,182 | 2,086,018 |
| | | <u>1,351,182</u> | <u>2,086,018</u> |
| Profit attributable to members of the company | | 1,351,182 | 2,086,018 |
| | | <u>1,351,182</u> | <u>2,086,018</u> |
| Dividends per share (cent per share) | 6 | 2.0 | 1.0 |
| Basic earnings (cents per share) | 7 | 3.41 | 5.35 |
| Diluted earnings (cents per share) | 7 | n/a | n/a |

The accompanying notes form part of this financial report

BALANCE SHEET

as at 30 June 2007

| | | 2007 | 2006 |
|--|----|-------------------|-------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 761,486 | 366,757 |
| Financial assets at fair value through Profit and Loss | 9 | 19,797,040 | 19,152,864 |
| Trade and other receivables | 10 | - | 28,187 |
| Other | 11 | - | 6,180 |
| TOTAL CURRENT ASSETS | | <u>20,558,526</u> | <u>19,553,988</u> |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 6,163 | 9,046 |
| Deferred tax asset | 14 | 187,015 | - |
| TOTAL NON CURRENT ASSETS | | <u>193,178</u> | <u>9,046</u> |
| TOTAL ASSETS | | <u>20,751,704</u> | <u>19,563,034</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 464,472 | 179,125 |
| TOTAL CURRENT LIABILITIES | | <u>464,472</u> | <u>179,125</u> |
| NON CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 14 | 187,015 | - |
| TOTAL CURRENT LIABILITIES | | <u>187,015</u> | <u>-</u> |
| TOTAL LIABILITIES | | <u>651,487</u> | <u>179,125</u> |
| NET ASSETS | | <u>20,100,217</u> | <u>19,383,909</u> |
| EQUITY | | | |
| Contributed Equity | 15 | 17,995,366 | 17,839,908 |
| Retained earnings | | 2,104,851 | 1,544,001 |
| TOTAL EQUITY | | <u>20,100,217</u> | <u>19,383,909</u> |

The accompanying notes form part of this financial report

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

| | Contributed Equity \$ | Retained Earnings \$ | Total \$ |
|--|-----------------------------|----------------------------|-------------------|
| At 1 July 2005 | 23,003,503 | (5,459,832) | 17,543,671 |
| Adoption of AASB 132 and 139 | | | |
| Revaluation of investments | | 54,080 | 54,080 |
| Deferred tax liability | | (16,224) | (16,224) |
| sub-total | - | 37,856 | 37,856 |
| Profit for the year | - | 2,048,162 | 2,048,162 |
| Total recognised income and expense for the year | - | 2,048,162 | 2,048,162 |
| Dividends paid | | (389,422) | (389,422) |
| Issue under Dividend Reinvestment Plan | 143,642 | - | 143,642 |
| Reduced share capital against accumulated losses | (5,307,237) | 5,307,237 | - |
| At 30 June 2006 | <u>17,839,908</u> | <u>1,544,001</u> | <u>19,383,909</u> |
| | | | |
| At 1 July 2006 | 17,839,908 | 1,544,001 | 19,383,909 |
| Profit for the year | - | 1,351,182 | 1,351,182 |
| Total recognised income and expense for the year | - | 1,351,182 | 1,351,182 |
| Dividends paid | | (790,332) | (790,332) |
| Issue under Dividend Reinvestment Plan | 155,458 | - | 155,458 |
| At 31 December 2006 | <u>17,995,366</u> | <u>2,104,851</u> | <u>20,100,217</u> |

The accompanying notes form part of this financial report

CASH FLOW STATEMENT

for the year ended 30 June 2007

| | | 2007 | 2006 |
|--|--------------|------------------|------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Dividends received | | 742,973 | 412,021 |
| Interest received | | 10,755 | 8,890 |
| Other income received | | 8,730 | - |
| Investment manager's fees paid | | (132,268) | (133,423) |
| Other expenses paid | | (663,271) | (516,715) |
| Interest paid | | (2) | - |
| Income tax paid | | (18,615) | (47,043) |
| Proceeds from sale of investments | | 16,315,800 | 2,115,573 |
| Purchase of investments | | (15,179,535) | (2,056,705) |
| | | <hr/> | <hr/> |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 8 (a) | 1,084,567 | (217,402) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (1,694) | - |
| | | <hr/> | <hr/> |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (1,694) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (634,874) | (245,780) |
| | | <hr/> | <hr/> |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | | (634,874) | (245,780) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD | | | |
| Cash and cash equivalents at the beginning of the year | | 366,757 | 757,934 |
| Effect of exchange rate changes on cash | | (53,270) | 72,005 |
| | | <hr/> | <hr/> |
| CLOSING CASH AND CASH EQUIVALENTS AT END OF YEAR | 8 | 761,486 | 366,757 |

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

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, Australian Accounting 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 Securities 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.

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

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.

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".

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

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 (refer to Note 9).

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.

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 national income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation

and the anticipation that the 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

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. Contributed Equities

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 16 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 2007

1.15 New Standards And Interpretations Released and Adopted

| AASB reference | Title and Affected Standard(s): | Applies to: | Application date: |
|---|---|---|--|
| AASB 101 (revised Oct 2006) | Presentation of Financial Statements | Removes Australian specific paragraphs (economic dependence and where functional currency is different to presentation currency) and example formats for balance sheet and income statement in appendix. | Periods commencing on or after 1 January 2007 |
| AASB 2007-1 (issued Feb 2007) | Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2] | Consequential amendments to AASB 2: Share-based Payment arising from AASB Interpretation 11: AASB 2 - Group and Treasury Share Transactions. Affects equity transactions with employees whether shares given by / issued by shareholders or apparent entity. | Periods commencing on or after 1 March 2007 |
| AASB 2007-4 (issued Apr 2007) | Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038] | Implements the proposals in ED 151: Australian additions to, and Deletions from, IFRSs. Changes to 34 standards. Introduction of new accounting policy choices and removal of various Australian-specific disclosure requirements (internationalising specific Australian treatments). Allows choice of reporting in cash flow statement from direct only to now include indirect, proportionate consolidation now allowed for joint ventures, tax reconciliation can now be done on tax rate basis, and changes to accounting for government grants. | Periods commencing on or after 1 July 2007 |
| AASB Interpretation 10 (issued Sept 2006) | Interim Financial Reporting and Impairment AASB 134: Interim Financial Reporting, AASB 136: Impairment of Assets, and AASB 139: Financial Instruments: Recognition and Measurement | Prevents the reversal of impairment losses between interim and final reporting periods in respect of goodwill, investments in equity instruments, and financial assets carried at cost because fair value cannot be reliably determined. | Periods commencing on or after 1 November 2006 |
| AASB Interpretation 11 (issued Feb 2007) | AASB 2 - Group and Treasury Share Transactions | Addresses the classification of a share-based payment transaction (as equity or cash settled) under AASB 2: Share-based Payment. It clarifies that when an entity's employees are granted rights to the entity's equity instruments either by the entity or its shareholders, the transactions are accounted for as equity-settled transactions. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. | Periods commencing on or after 1 March 2007 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1.16 New Standards And Interpretations Released But Not Yet Adopted.

There is no impact on the accounts/financial statements or the associated notes to the accounts.

| AASB reference | Title and Affected Standard(s): | Applies to: | Application date: |
|--|---|---|---|
| AASB 7 (issued Aug 2005) | Financial Instruments: Disclosures | Significant new disclosures of financial instruments – replaces and expands parts of AASB 132. This new standard affects disclosure only and will have no impact on accounting policies. | Periods commencing on or after 1 January 2007 |
| AASB 2005-10 (issued Sept 2005) | Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] | Changes to AASB 132 and 9 other standards arising from the issue of AASB 7 (see above). Amends AASB 101 to require the disclosure of the entity's objectives, policies and processes for managing capital (for reporting entities under Part 2M.3 of the Corps Act). | Periods commencing on or after 1 January 2007 |
| AASB 2007-2 (issued Feb 2007) | Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] | Consequential amendments to 8 standards arising from AASB Interpretation 12: Service Concession Arrangements | Periods commencing on or after 1 January 2008 |
| AASB 8 (issued Feb 2007) | Operating Segments | Disclosure of operating segments – replaces AASB 114: Segment Reporting. Applies to listed entities and similar only. Early adoption is permitted and likely to occur for many unlisted reporting entities to avoid segment reporting disclosures. Significantly changes the way segment information is given. | Periods commencing on or after 1 January 2009 |
| AASB 2007-3 (issued Feb 2007) | Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] | Changes to 10 standards arising from the issue of AASB 8 (see above) | Periods commencing on or after 1 January 2009 |
| AASB 2007-7 (issued Jun 2007) | Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] | Makes editorial amendments to six Standards, removes the encouragement in AASB 107: Cash Flow Statements to adopt a particular format for the cash flow statement and deletes superseded implementation guidance accompanying AASB 4 Insurance Contracts. | Periods commencing on or after 1 July 2007 |
| AASB Interpretation 12 (issued Feb 2007) | Service Concession Arrangements (recognition and measurement) | Addresses the accounting principles on recognising and measuring obligations and related rights for Service Concession Arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services e.g. toll roads, airports | Periods commencing on or after 1 January 2008 |
| AASB Int 129 (issued Feb 2007) | Service Concession Arrangements: Disclosures [revised] | Addresses the appropriate disclosures for Service Concession Arrangements e.g. toll roads, airports | Periods commencing on or after 1 January 2008 |
| AASB Interpretation 4 (revised Feb 2007) | Determining whether an Arrangement contains a Lease [revised] | Determining whether an Arrangement contains a Lease. Treats lease-like arrangements as leases. The Interpretation's scope has been amended to exclude service concession arrangements because these are now covered by AASB Interpretation 12. | Periods commencing on or after 1 January 2008 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

2. PROFIT

The operating profit before income tax includes the following items of revenue and expense:

| | 2007 | 2006 |
|---|------------------|------------------|
| | \$ | \$ |
| (a) Revenue from continuing operations | | |
| Dividends | 434,364 | 419,660 |
| Interest | 10,755 | 8,909 |
| Other Income | | |
| Realised gains on sale of investments | 3,053,242 | 351,592 |
| Unrealised gains in the net fair value of investments | - | 2,050,242 |
| Foreign exchange gains | - | 1,652 |
| Other | 8,730 | 655 |
| Total revenue | <u>3,507,091</u> | <u>2,832,710</u> |
| | | |
| (b) Expenses | | |
| Investment expenses | | |
| - Unrealised losses in the net fair value of investments | 1,311,183 | - |
| - Foreign exchange losses | 14,888 | - |
| - Withholding tax | 55,701 | 50,719 |
| Occupancy expenses | 24,544 | 70,995 |
| Finance expenses | 484 | 741 |
| Borrowing cost | 2 | 19 |
| Corporate expenses | | |
| - Investment management fees | 177,403 | 177,995 |
| - Custodian fees | 93,710 | 35,536 |
| - Provision for realisation costs in investment portfolio | 69,290 | - |
| - ASX fees | 20,730 | 18,456 |
| - Share registry fees | 15,065 | 16,808 |
| - Other | 19,352 | 11,704 |
| Administration expenses | | |
| - Communications | 5,417 | 12,657 |
| - Accounting | 40,382 | 49,290 |
| - Audit and other services | 15,865 | 28,658 |
| - Office administration | 25,450 | 24,287 |
| - Personnel | 131,252 | 166,060 |
| - Personnel- employee benefits | 4,267 | 1,062 |
| - Depreciation | 4,578 | 2,866 |
| - Travel | 10,111 | 14,409 |
| - Other | 110,796 | 58,717 |
| | <u>2,150,470</u> | <u>740,979</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

3. INCOME TAX EXPENSE

| | 2007 | 2006 |
|---|-------------------------|-------------------------|
| (a) The major components of income tax expense are: | \$ | \$ |
| Current tax | 5,439 | 5,713 |
| Deferred tax (Note 14) | - | - |
| | <u>5,439</u> | <u>5,713</u> |
| (b) The prima facie income tax on profit before income tax is reconciled to the income tax provided in the accounts as follows: | | |
| Profit/ (Loss) before income tax | <u>1,356,621</u> | <u>2,091,731</u> |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%) | 406,986 | 627,519 |
| Tax effect of timing differences | | |
| Non deductible expenses | 50,757 | 15,348 |
| | <u>457,743</u> | <u>642,867</u> |
| Recoupment of prior year tax losses not previously brought to account | (457,743) | - |
| (Over) / under provision in respect to prior years | 5,439 | (637,154) |
| Income tax expense | <u>5,439</u> | <u>5,713</u> |
| The applicable weighted average effective tax rate are as follows: | 1% | 1% |
| (c) Deferred Tax Asset not brought to account at 30% - temporary differences | 1,367,229 | 2,011,987 |

The Deferred Tax Asset is not fully brought to account for the 2007 year as it 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.

Refer to Note 14 for the Deferred Tax Asset that is brought to account.

4. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel - directors

| | |
|------------------|------------------------|
| Farooq Khan | Non-Executive Chairman |
| Christopher Ryan | Non-Executive Director |
| Simon Cato | Non-Executive Director |
| Peter Simpson | Non-Executive Director |

Details of other key management personnel

| | |
|-----------|-------------------|
| Victor Ho | Company Secretary |
|-----------|-------------------|

| | 2007 | 2006 |
|--|----------|----------|
| Number of employees (including key management personnel) | <u>5</u> | <u>5</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

(b) Compensation of key management personnel (directors)

| | 2007 | 2006 |
|---|---------|---------|
| | \$ | \$ |
| Directors | | |
| Short-term employee benefits - cash fees | 78,510 | 112,865 |
| Post-employment benefits - superannuation | 21,990 | 7,593 |
| Long-term benefits | - | - |
| Share-based payments | - | - |
| | 100,500 | 120,458 |
| Other key management personnel | | |
| Short-term employee benefits - cash fees | 41,573 | 43,624 |
| Post-employment benefits - superannuation | 3,742 | 3,926 |
| Long-term benefits | - | - |
| Share-based payments | - | - |
| | 45,315 | 47,550 |

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 11 to 13.

(c) Options provided as remuneration and shares issued on exercise of such options

There were no options provided as remuneration to key management personnel and no shares issued on the exercise of such options during the financial year.

(d) Shareholdings of key management personnel

| | Balance at 1 July 2006 | Balance at Appointment | Net Changes | Balance at 30 June 2007 |
|---------------------------------------|---------------------------|---------------------------|----------------|----------------------------|
| Directors | | | | |
| Farooq Khan | 10,976,916 | | 299,098 | 11,276,014 |
| Christopher Ryan | | | - | - |
| Simon Cato | | | - | - |
| Peter Simpson | 1,519,286 | | 214,993 | 1,734,279 |
| Other key management personnel | | | | |
| Victor Ho | 5,945 | | - | 5,945 |
| | | | | |
| | 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 |

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 2007

(e) Option holdings of key management personnel

The Company does not have any options on issue.

(f) Loans to key management personnel

There were no loans to key management personnel (or their personally related entities) during the financial year.

(g) Other transactions with key management personnel

There were no transactions with key management personnel (or their personally related entities) during the financial year.

5. AUDITORS' REMUNERATION

| | 2007 | 2006 |
|--|---------------|---------------|
| | \$ | \$ |
| Amounts received or due and receivable by: | | |
| Auditor of the parent entity | | |
| Audit and review of financial reports | 13,115 | 28,658 |
| Other services - Tax Consultation | 2,750 | - |
| | <u>15,865</u> | <u>28,658</u> |

6. DIVIDENDS

Declared and paid during the year

Dividends on ordinary shares

| | | |
|---|----------------|----------------|
| One cent per share fully franked paid on 26 April 2006 | - | 389,422 |
| One cent per share fully franked paid on 31 August 2006 | 393,049 | - |
| One cent per share fully franked paid on 20 February 2007 | 397,283 | - |
| | <u>790,332</u> | <u>389,422</u> |

Post balance date dividends declared

| | | |
|--|---------|---------|
| One cent per share fully franked paid on 31 August 2006 | | 393,049 |
| One cent per share fully franked dividend (record date is 24 September 2007 with the payment expected on 28 September 2007) | 397,283 | |

Franking credit balance

| | | |
|---|------------------|------------------|
| Balance of franking account at year end adjusted for franking credits arising from: | 4,319,479 | 3,859,790 |
| Franking debits arising from payment of dividends post balance date | (170,264) | (168,450) |
| | <u>4,149,215</u> | <u>3,691,340</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

| 7. EARNINGS PER SHARE | 2007 | 2006 |
|--|------------|------------|
| Basic earnings per share (cents) | 3.41 | 5.35 |
| Net profit | 1,351,182 | 2,086,018 |
| Weighted average number of ordinary shares during the year used in calculation of basic earnings per share | 39,656,375 | 39,006,793 |

Diluted earnings 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.

| 8. CASH AND CASH EQUIVALENTS | 2007 | 2006 |
|------------------------------|---------|---------|
| | \$ | \$ |
| Cash at bank | 761,486 | 366,757 |

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

| | | |
|---|-------------|-------------|
| Net Profit after income tax | 1,351,182 | 2,086,018 |
| Unrealised changes in the net fair value of investments | 1,311,183 | (2,050,242) |
| Depreciation | 4,578 | 2,866 |
| Realised gains on sale of investments | (3,053,242) | (351,592) |
| Net foreign exchange losses/(gains) | 14,888 | (1,652) |
| (Increase)/decrease in assets: | | |
| Investments | 1,136,265 | 58,869 |
| Receivables | 28,187 | (7,639) |
| Prepayment | 6,180 | 799 |
| Tax assets | 7,230 | 7,230 |
| Increase/(decrease) in liabilities: | | |
| Payables | 285,346 | 94,398 |
| Tax liabilities | (7,230) | (56,457) |
| Net cash flows from operating activities | 1,084,567 | (217,402) |

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

On 31 August 2006, the Company issued 423,449 ordinary shares at 36.7 cents per share as a consequence of shareholders' participation under a Dividend Reinvestment Plan.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 30 June 2007**

| | | | |
|--|--------------------|------------------|--------------|
| 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS | | 2007 | 2006 |
| | | \$ | \$ |
| Investment Portfolio | | 19,797,040 | 19,152,864 |
| | | | |
| 10. TRADE AND OTHER RECEIVABLES | | | |
| Dividends and interest receivable | | - | 28,187 |
| | | | |
| 11. OTHER CURRENT ASSETS | | | |
| Prepayments | | - | 6,180 |
| | | | |
| 12. PROPERTY, PLANT AND EQUIPMENT | | | |
| | Leasehold | Computer | Total |
| | Improvement | Equipment | |
| 2007 | \$ | \$ | \$ |
| At 1 July 2006, net of accumulated depreciation and impairment | - | 9,046 | 9,046 |
| Additions | 382 | 1,313 | 1,695 |
| Depreciation expense | (24) | (4,554) | (4,578) |
| At 30 June 2007, net of accumulated depreciation and impairment | 358 | 5,805 | 6,163 |
| | | | |
| At 1 July 2006 | | | |
| Cost or fair value | - | 14,191 | 14,191 |
| Accumulated depreciation and impairment | - | (5,145) | (5,145) |
| Net carrying amount | - | 9,046 | 9,046 |
| | | | |
| At 30 June 2007 | | | |
| Cost or fair value | 382 | 15,504 | 15,886 |
| Accumulated depreciation and impairment | (24) | (9,699) | (9,723) |
| Net carrying amount | 358 | 5,805 | 6,163 |
| | | | |
| 2006 | | | |
| At 1 July 2005, net of accumulated depreciation and impairment | - | 6,680 | 6,680 |
| Additions | - | 5,232 | 5,232 |
| Depreciation expense | - | (2,866) | (2,866) |
| At 30 June 2006, net of accumulated depreciation and impairment | - | 9,046 | 9,046 |
| | | | |
| At 1 July 2005 | | | |
| Cost or fair value | - | 8,960 | 8,960 |
| Accumulated depreciation and impairment | - | (2,280) | (2,280) |
| Net carrying amount | - | 6,680 | 6,680 |
| | | | |
| At 30 June 2006 | | | |
| Cost or fair value | - | 14,191 | 14,191 |
| Accumulated depreciation and impairment | - | (5,145) | (5,145) |
| Net carrying amount | - | 9,046 | 9,046 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

| | | |
|---|-------------------------|-----------------------|
| 13. TRADE AND OTHER PAYABLES | 2007 | 2006 |
| | \$ | \$ |
| Trade creditors | 91,335 | 48,763 |
| Amounts payable - unsettled trades | 280,422 | - |
| Amounts payable to Director-related entities | - | 102,128 |
| Other creditors and accruals | 92,715 | 28,234 |
| | <u>464,472</u> | <u>179,125</u> |
| | <u><u>464,472</u></u> | <u><u>179,125</u></u> |
| | | |
| 14. TAX | | |
| | | |
| <u>Assets</u> | | |
| Non Current | | |
| Deferred tax asset | <u>187,015</u> | - |
| | <u><u>187,015</u></u> | <u><u>-</u></u> |
| | | |
| <u>Liabilities</u> | | |
| Current | | |
| Income tax | - | - |
| | <u>-</u> | <u>-</u> |
| Non Current | | |
| Deferred tax liability | <u>(187,015)</u> | - |
| | <u><u>(187,015)</u></u> | <u><u>-</u></u> |
| | | |
| <u>Reconciliations</u> | | |
| Gross movement | | |
| The overall deferred tax account is as follows | | |
| Opening balance | - | 1,084 |
| (Charge) / credit to income statement | - | (1,084) |
| Closing balance | <u>-</u> | <u>-</u> |
| | <u><u>-</u></u> | <u><u>-</u></u> |
| | | |
| Deferred tax asset - Other | | |
| The movement in deferred tax asset for each temporary difference during the year is as follows: | | |
| Opening balance | - | 7,231 |
| (Charge) / credit to income statement | 187,015 | (7,231) |
| Closing balance | <u>187,015</u> | <u>-</u> |
| | <u><u>187,015</u></u> | <u><u>-</u></u> |
| | | |
| Deferred tax liability - Fair Value Gain Adjustment | | |
| The movement in deferred tax liability for each temporary difference during the year is as follows: | | |
| Opening balance | - | 6,147 |
| (Charge) / credit to income statement | (187,015) | (6,147) |
| Closing balance | <u>(187,015)</u> | <u>-</u> |
| | <u><u>(187,015)</u></u> | <u><u>-</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

| 15. CONTRIBUTED EQUITY | Number of shares | 2007 \$ | Number of shares | 2006 \$ |
|---|---------------------|------------|---------------------|-------------|
| Fully paid ordinary shares | 39,728,303 | 17,995,366 | 39,304,854 | 17,839,908 |
| Movement in Ordinary Share Capital | | | | |
| At 1 July 2005 | | 38,942,213 | 23,003,503 | 23,003,503 |
| Reduce share capital value against accumulated losses | 24-Nov-05 | - | (5,307,237) | (5,307,237) |
| Issue under dividend reinvestment plan | 26-Apr-06 | 362,641 | 143,642 | 143,642 |
| At 30 June 2006 | | 39,304,854 | 17,839,908 | 17,839,908 |
| Issue under dividend reinvestment plan | 31-Aug-06 | 423,449 | 155,458 | |
| At 30 June 2007 | | 39,728,303 | 17,995,366 | |

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

16. SEGMENT REPORTING

Business Segments

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

Geographical exposures

Constellation Capital Management Limited managed the Company's investment portfolio, implementing the international equities component of Constellation's HomeGlobal investment strategy. While the Company operates from Australia only, it has investment exposures in different countries which includes investments in listed securities, cash assets and accrued interest and dividends and is net of unsettled trades. The geographical locations of these exposures are outlined below:

| Country | Segment Revenues | | Carrying Amount of Segment Assets | | Acquisitions of Investments | |
|----------------|------------------|------------|--------------------------------------|------------|--------------------------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Australia | 10,515 | 6,453 | 114,829 | 234,660 | - | - |
| Europe | 1,007,691 | 787,469 | 4,077,278 | 3,354,385 | 3,810,956 | 293,099 |
| United Kingdom | 353,969 | 386,241 | 1,911,859 | 1,877,460 | 1,748,723 | 98,214 |
| North America | 1,653,703 | 1,034,515 | 10,755,148 | 11,188,720 | 7,228,795 | 1,388,433 |
| Asia | 176,113 | 92,460 | 920,493 | 574,608 | 637,060 | 176,101 |
| Japan | 305,100 | 525,572 | 2,259,178 | 2,333,200 | 1,754,001 | 100,858 |
| | 3,507,091 | 2,832,710 | 20,038,784 | 19,563,034 | 15,179,535 | 2,056,705 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

17. FINANCIAL INSTRUMENTS

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 through profit and loss" (refer to Note 9).

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 | Variable Interest Rate | Non- Interest Bearing | Total |
|------------------------------------|--|---------------------------------------|--------------------------------------|-------------------|
| | | \$'000 | \$'000 | \$'000 |
| 30 June 2007 | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 6.00% | 761,486 | - | 761,486 |
| Investments | | - | 19,797,040 | 19,797,040 |
| Receivables | | - | - | - |
| Total Financial Assets | | 761,486 | 19,797,040 | 20,558,526 |
| Financial Liabilities | | | | |
| Payables | | - | (464,472) | (464,472) |
| Total Financial Liabilities | | - | (464,472) | (464,472) |
| Net Financial Assets | | 761,486 | 19,332,568 | 20,094,054 |
| 30 June 2006 | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 4.98% | 366,757 | - | 366,757 |
| Investments | | | 19,152,864 | 19,152,864 |
| Receivables | | | 28,187 | 28,187 |
| Total Financial Assets | | 366,757 | 19,181,051 | 19,547,808 |
| Financial Liabilities | | | | |
| Payables | | | (179,125) | (179,125) |
| Total Financial Liabilities | | - | (179,125) | (179,125) |
| Net Financial Assets | | 366,757 | 19,001,926 | 19,368,683 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

| 17. FINANCIAL INSTRUMENTS (continued) | 2007 | 2006 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Reconciliation of net financial assets to net assets | | |
| Net financial assets as above | 20,094,054 | 19,368,683 |
| Non-financial assets and liabilities | | |
| Prepayments | - | 6,180 |
| Property, plant and equipment | 6,163 | 9,046 |
| Net Deferred Tax Asset (Liabilities) | - | - |
| Net Assets per Balance Sheet | <u>20,100,217</u> | <u>19,383,909</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

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

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 and will 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 2007

(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 |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|
| | 2007 | 2007 | 2006 | 2006 |
| Financial Assets | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 761,486 | 761,486 | 366,757 | 366,757 |
| Investments | 19,797,040 | 19,797,040 | 19,152,864 | 19,152,864 |
| Receivables | - | - | 28,187 | 28,187 |
| Total Financial Assets | <u>20,558,526</u> | <u>20,558,526</u> | <u>19,547,808</u> | <u>19,547,808</u> |
| Financial Liabilities | | | | |
| Payables | (464,472) | (464,472) | (179,125) | (179,125) |

(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 | Others * | Total |
|-------------------|------------|-----------|----------------------|-----------|-----------|------------|
| 2007 | \$ | \$ | \$ | \$ | \$ | \$ |
| Currency exposure | 10,095,783 | 2,106,981 | 1,911,859 | 2,259,178 | 3,550,154 | 19,923,955 |
| 2006 | | | | | | |
| Currency exposure | 10,844,192 | 2,206,551 | 1,877,460 | 2,333,200 | 2,066,971 | 19,328,374 |

* Others include Swiss francs, Swedish kronors, Canadian dollars, Hong Kong dollars and Taiwanese dollars.

18. 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 2007

19. COMMITMENTS

| Lease Commitments | 2007 | 2006 |
|--|----------------|----------------|
| | \$ | \$ |
| Non-cancellable operating lease commitments: | | |
| Not longer than one year | 24,960 | 24,960 |
| Between 12 months and 5 years | 99,840 | 99,840 |
| Greater than 5 years | 24,960 | 49,920 |
| | <u>149,760</u> | <u>174,720</u> |

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%.

20. EVENTS AFTER BALANCE SHEET DATE

The Company will pay a final dividend of 1 cent per share (100% franked) in respect of net profits derived for the year ended 30 June 2007. The record date will be 24 September 2007 with payment to be effected on or about 28 September 2007.

The Board has determined that the Dividend Reinvestment Plan issue price in respect of such final dividend will be at a 5% discount to the Company's volume weighted average price on ASX in the 5 day period up to and including the record date. The Company will lodge a market announcement advising the final DRP issue price after the record date

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 entity, the results of those operations, or the state of affairs of the entity 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 32 to 52 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2007 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 audited remuneration disclosures set out in the Directors' Report on page 27 to 29 comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporate Regulations 2001; and
4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Company Secretary (the person in the opinion of the Directors 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 2007 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



Simon Cato
Director

31 August 2007

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BENTLEY INTERNATIONAL LIMITED**

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Bentley International Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 27 – 29 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Bentley International Limited on 31 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

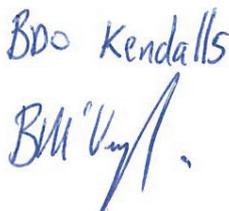
In our opinion the financial report of Bentley International Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 27 to 29 of the directors' report comply with Accounting Standard AASB 124.

BDO Kendall's Audit & Assurance (WA) (formerly BDO)



BG McVeigh
Partner

Perth, Western Australia
Dated the 31st day of August 2007

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 |
| <ul style="list-style-type: none"> • only non-executive directors | | |
| <ul style="list-style-type: none"> • a majority of independent directors | | |
| <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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

CORPORATE GOVERNANCE

identifying specific individuals for nomination as Directors;

- (b) oversight of Board and Executive succession plans.

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 2007.

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 2007.

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.

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 Orion Equities Limited.

Mr Cato is currently regarded as an independent Director.

Mr Simpson currently has a relevant interest in approximately 4.7% 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 2007.

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 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 2007.

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, which are posted on to the Company's website;
- (2) The Annual Report which is distributed to shareholders if they have elected to receive a printed version and otherwise available for viewing and downloading from the Company's website;
- (3) The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- (4) The Half-Yearly Directors' and Financial Reports, which are posted on to the Company's website;
- (5) Other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which are posted on to the Company's website.

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.

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LIST OF SHARE INVESTMENTS

as at 30 June 2007

| Industry | Security Name | % of Portfolio / Net Assets | Country Name |
|-----------------------------------|--|--------------------------------|----------------|
| AEROSPACE & DEFENCE | BOEING COMPANY | 0.66 | UNITED STATES |
| | LOCKHEED MARTIN CORPORATION | 0.39 | UNITED STATES |
| | GENERAL DYNAMICS | 0.35 | UNITED STATES |
| | BAE SYSTEMS PLC | 0.31 | UNITED KINGDOM |
| | NORTHROP GRUMMAN CORPORATION | 0.31 | UNITED STATES |
| | RAYTHEON COMPANY | 0.3 | UNITED STATES |
| | HONEYWELL INTERNATIONAL INC | 0.29 | UNITED STATES |
| | EUROPEAN AERONAUTIC DEFENSE AND SPACE COMPANY | 0.2 | NETHERLANDS |
| | COBHAM PLC | 0.17 | UNITED KINGDOM |
| | SAFRAN SA EUR 0-2 | 0.16 | FRANCE |
| | ALLIANT TECHSYSTEMS INC | 0.15 | UNITED STATES |
| ROLLS ROYCE GROUP B SHARES | 0 | UNITED KINGDOM | |
| AUTO COMPONENTS | CONTINENTAL AG NPV | 0.35 | GERMANY |
| | MICHELIN (CGDE) B ORD FRF12(REGD) | 0.33 | FRANCE |
| | AISIN SEIKI COMPANY | 0.3 | JAPAN |
| | AUTOLIV INC COM USD0-01 | 0.27 | UNITED STATES |
| | BOSCH CORPORATION | 0.26 | JAPAN |
| | BRIDGESTONE Y50 | 0.25 | JAPAN |
| | DENSO CORPORATION | 0.23 | JAPAN |
| AUTOMOBILES | DAIMLERCHRYSLER AG ORD NPV | 0.87 | GERMANY |
| | HONDA MOTOR COJPY 50 COMMON | 0.62 | JAPAN |
| | NISSAN MOTOR COMPANYORDINARY SHARES Y50 | 0.45 | JAPAN |
| | FORD MOTOR COMPANY COMMON STOCK USD 0.01 | 0.37 | UNITED STATES |
| | BAYERISCHE MOTOR WORKS BMW | 0.34 | GERMANY |
| | PEUGEOT SAFRF 35 | 0.31 | FRANCE |
| | GENERAL MOTORS CPCOMMON SHARES | 0.16 | UNITED STATES |
| | HARLEY DAVIDSON INC | 0.13 | UNITED STATES |
| BIOTECHNOLOGY | AMGEN | 0.41 | UNITED STATES |
| | GENENTECH INC | 0.25 | UNITED STATES |
| | BIOGEN IDEC INC | 0.13 | UNITED STATES |
| | GENZYME CORPORATION | 0.11 | UNITED STATES |
| | GILEAD SCIENCES INC | 0.11 | UNITED STATES |
| CHEMICALS | BASF DEM5 | 0.3 | GERMANY |
| | CLARIANT CHF50 REGD | 0.27 | SWITZERLAND |
| | BAYER AG NPV | 0.27 | GERMANY |
| | DUPONT DE NEMOURS | 0.26 | UNITED STATES |
| | CIBA SPECIALTY CHEMICALS CHF10REG | 0.25 | SWITZERLAND |
| | DOW CHEMICALCOMMON SHARES | 0.25 | UNITED STATES |
| | LINDE AG | 0.23 | GERMANY |
| | AIR PRODUCTS & CHEM | 0.16 | UNITED STATES |
| | SHIN-ETSU CHEMICAL | 0.13 | JAPAN |
| | ASAHI KASEI CORPORATION | 0.12 | JAPAN |
| | DAICEL CHEMICAL INDUSTRIES | 0.11 | JAPAN |
| | ASHLAND INC NEW | 0.1 | UNITED STATES |
| | SUMITOMO CHEMICAL Y50 | 0.08 | JAPAN |
| | SYNGENTA AG | 0.06 | SWITZERLAND |
| COMMUNICATION SERVICE & SUPPLY | DAI NIPPON PRINTING YEN 50 | 0.26 | JAPAN |
| | KOKUYO CO Y50 | 0.06 | JAPAN |

LIST OF SHARE INVESTMENTS

as at 30 June 2007

| Industry | Security Name | % of Portfolio /Net Assets | Country Name |
|---|---|-------------------------------|----------------|
| COMMUNICATION EQUIPMENT | CISCO SYSTEMS INC | 1.27 | UNITED STATES |
| | ERICSSON TELEFON AB B SHS | 0.85 | SWEDEN |
| | QUALCOMM INC | 0.63 | UNITED STATES |
| | RESEARCH IN MOTION LTD | 0.45 | CANADA |
| | MOTOROLA INCORPORATED | 0.4 | UNITED STATES |
| | CORNING INC | 0.38 | UNITED STATES |
| | ALCATEL LUCENT | 0.33 | FRANCE |
| | NORTEL NETWORKS CORPORATION | 0.3 | CANADA |
| | JUNIPER NETWORKS INC | 0.14 | UNITED STATES |
| COMPUTER & PERIPHERAL | INTERNATIONAL BUSINESS MACHINECOMMON SHARES | 1.44 | UNITED STATES |
| | HEWLETT-PACKARD COMPANY | 0.94 | UNITED STATES |
| | APPLE INC | 0.83 | UNITED STATES |
| | DELL INC FULLY PAID ORDINARY SHARES | 0.6 | UNITED STATES |
| | EMC CORPORATION MASS | 0.38 | UNITED STATES |
| | HIGH TECH COMPUTER CORP | 0.32 | TAIWAN |
| | ASUSTEK COMPUTER INC | 0.21 | TAIWAN |
| | FUJITSU Y50 | 0.09 | JAPAN |
| | LEXMARK INTL INC | 0.07 | UNITED STATES |
| CONSTRUCTION & ENGINEER | CHIYODA CORPORATIONJPY 50 COMMON | 0.11 | JAPAN |
| CONTAIN & PACKING | BALL CORPORATION | 0.11 | UNITED STATES |
| | BEMIS COMPANY INC | 0.1 | UNITED STATES |
| DISTRIBUTORS | CHINA RESOURCES ORD HK\$1 | 0.13 | HONG KONG |
| DIVERSIFIED FINANCIALS | ALLIANCE TRUST PLC | 0.11 | UNITED KINGDOM |
| | ING GROEP NV | 0.55 | NETHERLANDS |
| ELECTRICAL EQUIPMENT & INSTRUMENTS | HITACHI LTD Y50 | 0.45 | JAPAN |
| | AGILENT TECHNOLOGIES INC | 0.22 | UNITED STATES |
| | ALPS ELECTRIC Y50 | 0.18 | JAPAN |
| | AMPHENOL CORPORATION CLASS ACOM STK USD 0-01 | 0.16 | UNITED STATES |
| | CENTURYTEL INC | 0.09 | UNITED STATES |
| | HON HAI PRECISION INDUSTRY CO | 0.02 | TAIWAN |
| | AU OPTRONICS CORP | 0 | TAIWAN |
| ELECTRIC UTILITY | SOUTHERN CO | 1.16 | UNITED STATES |
| | EXELON CORPORATION | 0.5 | UNITED STATES |
| | KANSAI ELEC POWER Y500 | 0.39 | JAPAN |
| | DRAX GROUP PLC | 0.38 | UNITED KINGDOM |
| | CHUBU ELECTRIC PWRY500 | 0.36 | JAPAN |
| | ELECTRICITE DE FRANCE | 0.34 | FRANCE |
| | CLP HOLDINGS LTD HKD5 | 0.34 | HONG KONG |
| | FPL GROUP INCORPORATED | 0.31 | UNITED STATES |
| | BRITISH ENERGY GROUP PLC | 0.25 | UNITED KINGDOM |
| | CHUGOKU ELEC POWER Y500 | 0.23 | JAPAN |
| | E ON AG | 0.2 | GERMANY |
| | PROGRESS ENERGY INC | 0.13 | UNITED STATES |
| | HONG KONG ELECTRICCHK1 | 0.12 | HONG KONG |
| | KYUSHU ELECTRIC POWER CO INC | 0.12 | JAPAN |
| ELECTRICAL EQUIPMENT | ABB LIMITED CHF 2-5 | 0.62 | SWITZERLAND |
| | EMERSON ELECTRIC | 0.37 | UNITED STATES |
| | SCHNEIDER ELECTRICAL SA(EX SPIE BATIGNOLLES) | 0.35 | FRANCE |
| | ALSTOM | 0.2 | FRANCE |
| | FUJI ELECTRIC HOLDINGS CO LTD | 0.18 | JAPAN |
| | LEGRAND SA | 0.13 | FRANCE |

LIST OF SHARE INVESTMENTS

as at 30 June 2007

| Industry | Security Name | % of Portfolio /Net Assets | Country Name |
|-----------------------------------|---|-------------------------------|----------------|
| ENERGY EQUIPEMENT & SERVICES | SCHLUMBERGER LIMITED | 0.49 | UNITED STATES |
| | BAKER HUGHES INC | 0.24 | UNITED STATES |
| | HALLIBURTON COMPANY | 0.23 | UNITED STATES |
| | B J SERVICES | 0.17 | UNITED STATES |
| | SPECTRA ENERGY CORPORATION | 0.07 | UNITED STATES |
| FOOD & DRUG RETAIL | CVS CAREMARK CORP | 0.4 | UNITED STATES |
| FOOD PRODUCTS | NESTLE SA-REGISTERED | 0.94 | SWITZERLAND |
| | UNILEVER NV | 0.46 | NETHERLANDS |
| | KRAFT FOODS INC-A | 0.32 | UNITED STATES |
| | KONINKLIJKE NUMICO NV | 0.26 | NETHERLANDS |
| | DANONE GROUPE | 0.24 | FRANCE |
| | CADBURY SCHWEPPES ORD 12-5P | 0.22 | UNITED KINGDOM |
| | GENERAL MILLS | 0.18 | UNITED STATES |
| | GROUPE DANONE | 0.15 | FRANCE |
| | ARCHER-DANIELS MIDLAND | 0.15 | UNITED STATES |
| | CONAGRA FOOD INCORPORATED | 0.14 | UNITED STATES |
| | SARA LEE CORPORATION | 0.12 | UNITED STATES |
| | ASSOCIATED BRITISH FOODS PLC | 0.11 | UNITED KINGDOM |
| | BUNGE LIMITED | 0.09 | BERMUDA |
| AJINOMOTO | 0.07 | JAPAN | |
| EZAKI GLICO CO Y50 | 0.06 | JAPAN | |
| HLTHCARE EQUIPMENT & SUPPLIES | MEDTRONIC INCORPORATED | 0.41 | UNITED STATES |
| | ZIMMER HOLDINGS INC | 0.18 | UNITED STATES |
| | BOSTON SCIENTIFIC CORP | 0.15 | UNITED STATES |
| | BIOMET INC COM | 0.13 | UNITED STATES |
| | ST JUDE MEDICAL INCORPORATED | 0.06 | UNITED STATES |
| HEALTHCARE PRODUCTS & SERVICES | UNITED HEALTH GROUP USD0-01 | 0.45 | UNITED STATES |
| | AETNA INC-NEW | 0.3 | UNITED STATES |
| | ALFRESA HOLDINGS CORPORATION | 0.16 | JAPAN |
| HOUSEHOLD DURABLE | PHILIPS ELECTRONICS N.V. | 0.61 | NETHERLANDS |
| | MATSUSHITA ELECTRIC INDUSTRIESY50 | 0.47 | JAPAN |
| | CASIO COMPUTER CO Y50 | 0.15 | JAPAN |
| | PERSIMMON PLC | 0.08 | UNITED KINGDOM |
| | SEKISUI HOUSEJPY 50 COMMON | 0.08 | JAPAN |
| | DAIWA HOUSE INDUSTRIES Y50 | 0.08 | JAPAN |
| | CENTEX CORP | 0.07 | UNITED STATES |
| | NEWELL RUBBERMAID INC | 0.07 | UNITED STATES |
| | BLACK AND DECKER CORPORATION | 0.06 | UNITED STATES |
| | PULTE HOMES INC | 0.05 | UNITED STATES |
| HOUSEHOLD PRODUCT | PROCTER & GAMBLE | 1.66 | UNITED STATES |
| | KAO CORPORATION Y50 | 0.45 | JAPAN |
| | RECKITT BENCKISER PLC | 0.3 | UNITED KINGDOM |
| | HENKEL KGAA NON VTG PREF DEM5 | 0.24 | GERMANY |
| | KIMBERLEY CLARK CORPORATION | 0.24 | UNITED STATES |
| | COLGATE PALMOLIVE | 0.23 | UNITED STATES |
| | CLOROX COMPANY | 0.07 | UNITED STATES |
| IND.CONGLOMERATES | GENERAL ELECTRIC COMPANYCOMMON | 1.96 | UNITED STATES |
| | SIEMENS REGISTERED | 0.98 | GERMANY |
| | TYCO INTERNATIONAL LTD | 0.31 | BERMUDA |
| | 3M CO | 0.31 | UNITED STATES |
| | HUTCHISON WHAMPOA LIMITEDHK\$0.25 | 0.23 | HONG KONG |
| | BEIJING ENTERPRISES HOLDINGSH SHS HKD0-10 | 0.09 | HONG KONG |

LIST OF SHARE INVESTMENTS

as at 30 June 2007

| Industry | Security Name | % of Portfolio /Net Assets | Country Name |
|--|---|-------------------------------|----------------|
| INSURANCE | MANULIFE FINANCIAL CORPORATION F/PAID ORD SHARES | 0.33 | CANADA |
| | AEGON NV | 0.31 | NETHERLANDS |
| | AVIVA PLC | 0.22 | UNITED KINGDOM |
| | METLIFE INC | 0.21 | UNITED STATES |
| | SUN LIFE FINANCIAL INC OF CANADA F/PAID ORD SHARES | 0.18 | CANADA |
| | ACE LIMITED | 0.18 | UNITED STATES |
| | ALLSTATE CORPORATION | 0.18 | UNITED STATES |
| | PRUDENTIAL ORD 5P | 0.14 | UNITED KINGDOM |
| | GREAT-WEST LIFECO INC | 0.12 | CANADA |
| | AMERICAN FAMILY LIFE ASSURANCE COMPANY INC | 0.12 | UNITED STATES |
| | FRIENDS PROVIDENT PLC | 0.08 | UNITED KINGDOM |
| | LEGAL & GENERAL GROUP PLC 2-5P | 0.08 | UNITED KINGDOM |
| | ASSURANT INC | 0.06 | UNITED STATES |
| | INTERNET SOFTWARE & SERVICES | YAHOO INC | 0.19 |
| AKAMAI TECHNOLOGIES INC | | 0.27 | UNITED STATES |
| GOOGLE INC - CL A | | 1.05 | UNITED STATES |
| IT CONSULT & SERVICE | CSK HOLDINGS CORP (9737) | 0.25 | JAPAN |
| | COMPUTER SCIENCE CORP | 0.14 | UNITED STATES |
| LEISURE EQUIPMENT & PRODUCTS | FUJI FILM HOLDINGS CORP | 0.24 | JAPAN |
| | BRUNSWICK CORPORATION | 0.14 | UNITED STATES |
| | EASTMAN KODAK COY | 0.15 | UNITED STATES |
| LIFE SCIENCE TOOL & SERVICES | APPLERA CORPORATION APPLIED BIOSYSTEMS | 0.24 | UNITED STATES |
| MACHINERY | SANDVIK AB | 0.56 | SWEDEN |
| | ILLINOIS TOOL WORK | 0.48 | UNITED STATES |
| | ATLAS COPCO AB-A SHARES SEK5 | 0.46 | SWEDEN |
| | ATLAS COPLO AB DEFERRED DELIVERY | 0.44 | SWEDEN |
| | CATERPILLAR INCOMMON SHARES | 0.4 | UNITED STATES |
| | KOMATSU Y50 | 0.34 | JAPAN |
| | DEERE | 0.25 | UNITED STATES |
| | MITSUBISHI HEAVY IND LTD | 0.23 | JAPAN |
| | PACCAR INC | 0.2 | UNITED STATES |
| | VALLOUREC SA | 0.19 | FRANCE |
| | MAN ORD | 0.18 | GERMANY |
| | CUMMINS INCORPORATED | 0.14 | UNITED STATES |
| | ISHIKAWAJIMA HARIMA HEAVY INDUSTRIES LTD | 0.13 | JAPAN |
| | AMADA CO Y50 | 0.07 | JAPAN |
| | HEIDELBERGER DRUCKMASCHINEN | 0.06 | GERMANY |
| | DANAHER CORP | 0.03 | UNITED STATES |
| | MEDIA | TIME WARNER INC | 0.65 |
| COMCAST CORP CLASS A NEW SHARES | | 0.54 | UNITED STATES |
| NEWS CORPORATION INC - CLASS A | | 0.39 | UNITED STATES |
| COMCAST CORP CL A SPECIAL NEW | | 0.37 | UNITED STATES |
| CBS CORPORATION - CLASS B SHARES | | 0.34 | UNITED STATES |
| BRITISH SKY BROADCASTING GROUP ORD 50P | | 0.32 | UNITED KINGDOM |
| LAGARDERE SCA | | 0.27 | FRANCE |
| CABLEVISION SYSTEMS CORPORATION - CLASS A | | 0.26 | UNITED STATES |
| AEGIS GR | | 0.24 | UNITED KINGDOM |
| ASATSU - DK INC | | 0.24 | JAPAN |
| JC DECAUX SA | | 0.22 | FRANCE |

LIST OF SHARE INVESTMENTS

as at 30 June 2007

| Industry | Security Name | % of Portfolio / Net Assets | Country Name |
|-----------------------------|---|--------------------------------|----------------|
| MEDIA (continued) | CLEAR CHANNEL COMMUNICATIONS INC | 0.22 | UNITED STATES |
| | OMNICOM GROUP INC | 0.21 | UNITED STATES |
| | VIACOM INC CLASS B | 0.21 | UNITED STATES |
| | TELEVISION FRANCAISE (T.F.I.)EUR0.02 | 0.07 | FRANCE |
| | REED ELSEVIER PLC | 0.05 | UNITED KINGDOM |
| | WPP GROUP PLC | 0.03 | UNITED KINGDOM |
| | CITADEL BROADCASTING COMPANY | 0.01 | UNITED STATES |
| METALS & MINING | mitsubishi materials | 0.13 | JAPAN |
| MULTI-UTILITIES | DOMINION RESOURCES INC (VIRGINIA) COM NPV | 0.38 | UNITED STATES |
| | PUBLIC SERVICES ENTERPRISESGROUP | 0.32 | UNITED STATES |
| | AES CORPORATION | 0.26 | UNITED STATES |
| | CHINA RESOURCES POWER HOLDINGSCOMPANY LIMITED | 0.2 | HONG KONG |
| | ALLIANT ENERGY CORPORATION | 0.2 | UNITED STATES |
| | CONSOLIDATED EDISON INC COMPANY | 0.13 | UNITED STATES |
| | RWE AG - NEW | 0.12 | GERMANY |
| | DUKE ENERGY CORP NEW | 0.12 | UNITED STATES |
| | CENTERPOINT ENERGY INC | 0.1 | UNITED STATES |
| OFFICE ELECTONICS | ricoh co ltd | 0.14 | JAPAN |
| | BROTHER INDUSTRIESJPY 50 COMMON | 0.17 | JAPAN |
| | CANON INCORPORATED | 0.65 | JAPAN |
| OIL & GAS | EXXON MOBIL CORPORATION | 1.71 | UNITED STATES |
| | BP PLC | 0.97 | UNITED KINGDOM |
| | ROYAL DUTCH SHELL PLC-B SHS TRANS & TRD | 0.85 | UNITED KINGDOM |
| | TOTAL | 0.83 | FRANCE |
| | CHEVRON CORP | 0.8 | UNITED STATES |
| | CONOCOPHILLIPS | 0.62 | UNITED STATES |
| | BG GROUP ORD GBP0-10 | 0.41 | UNITED KINGDOM |
| | ENCANA CORPORATION | 0.4 | CANADA |
| | CANADIAN NATIONAL RESOURCES | 0.39 | CANADA |
| | APACHE CORP | 0.3 | UNITED STATES |
| | ANADARKO PETROLIUM | 0.29 | UNITED STATES |
| | TRANSCANADA CORP | 0.17 | CANADA |
| SUNCOR ENERGY INC COM | 0.13 | CANADA | |
| PERSONAL PRODUCTS | L-OREAL EUR 0-2 | 0.2 | FRANCE |
| | SHISEIDO Y50 | 0.13 | JAPAN |
| | ALBERTO-CULVER COMPANY | 0.05 | UNITED STATES |
| | AVON PRODUCTS | 0.14 | UNITED STATES |
| PHARMACEUTICALS | JOHNSON AND JOHNSON | 1.23 | UNITED STATES |
| | GLAXOSMITHKLINE PLC | 1.05 | UNITED KINGDOM |
| | PFIZER INC | 1.02 | UNITED STATES |
| | NOVARTIS AG REG SHS | 0.94 | SWITZERLAND |
| | MERCK AND COMPANY INCORPORATED | 0.75 | UNITED STATES |
| | SANOFI AVENTIS | 0.55 | FRANCE |
| | ABBOTT LABORATORIES | 0.54 | UNITED STATES |
| | ASTRAZENECA PLC USD0-25 | 0.52 | UNITED KINGDOM |
| | BRISTOL MYERS SQUIBB | 0.43 | UNITED STATES |
| | LILLY (ELI) & CO | 0.42 | UNITED STATES |
| | ROCHE HOLDING AG - BEARER | 0.32 | SWITZERLAND |
| | ASTELLAS PHARMA INC | 0.26 | JAPAN |
| | ALLERGAN INC | 0.21 | UNITED STATES |
| | FOREST LABS INC. | 0.13 | UNITED STATES |
| | ALTANA IND-AKTIEN U-ANL AG | 0.08 | GERMANY |

LIST OF SHARE INVESTMENTS

as at 30 June 2007

| | | | |
|---|--|----------------|----------------|
| REAL ESTATE INVESTMENT | NEW WORLD DEVELOPMENTS COMPANY<HOLDINGS CODE> | 0 | HONG KONG |
| | SWIRE PACIFIC A HKD0.60 | 0.13 | HONG KONG |
| | LEOPALACE21 CORPORATION | 0.08 | JAPAN |
| SEMICONDUCTOR EQUIPMENT & PRODUCTS | SMITHS GROUP PLC CLASS B | 0.01 | UNITED KINGDOM |
| | SMITHS GROUP PLC | 0.02 | UNITED KINGDOM |
| | INTEL CORPORATION | 1.16 | UNITED STATES |
| | TAIWAN SEMICONDUCTOR TW\$10 | 0.69 | TAIWAN |
| | APPLIED MATERIALS INC | 0.34 | UNITED STATES |
| | ROHM CO LTD | 0.21 | JAPAN |
| | STMICROELECTRONICS | 0.21 | NETHERLANDS |
| | UNITED MICROELECTRONICS CORP | 0.2 | TAIWAN |
| | ADVANTEST CORP | 0.18 | JAPAN |
| | ADVANCE MICRO DEVICES | 0.16 | UNITED STATES |
| | ALTERA CORPORATION | 0.16 | UNITED STATES |
| | LINEAR TECHNOLOGY | 0.12 | UNITED STATES |
| | XILINX INC | 0.11 | UNITED STATES |
| | MAXIM INTEGRATED PRODUCTS INC | 0.11 | UNITED STATES |
| TAIWAN SEMICONDUCTOR DEFERREDELIVERY | 0 | TAIWAN | |
| SOFTWARE | MICROSOFT CORP | 2.43 | UNITED STATES |
| | SAP AG NPV | 0.52 | GERMANY |
| | NINTENDO Y50 | 0.43 | JAPAN |
| | ADOBE SYSTEMS INC | 0.36 | UNITED STATES |
| | FUJI SOFT INCORPORATED JPY50 | 0.23 | JAPAN |
| | ELECTRONIC ARTS INC COM STKNPV | 0.19 | UNITED STATES |
| | SYMANTEC CORPORATION | 0.17 | UNITED STATES |
| HIKARI TSUSHIN INC | 0.25 | JAPAN | |
| TELECOM SERVICES | AT&T INC | 0.8 | UNITED STATES |
| | VERIZON COMMUNICATIONS | 0.76 | UNITED STATES |
| | DEUTSCHE TELEKOM AG | 0.61 | GERMANY |
| | FRANCE TELECOM SA ORDS | 0.46 | FRANCE |
| | ALLTEL CORP COM US1 1 | 0.39 | UNITED STATES |
| | BT GROUP PLC-W/I | 0.23 | UNITED KINGDOM |
| CABLE & WIRELESS ORD 25P | 0.1 | UNITED KINGDOM | |
| TEXTILE & APPAREL | CIE/FINANC RICHEMONT | 0.34 | SWITZERLAND |
| | THE SWATCH GROUP AG-B | 0.22 | SWITZERLAND |
| | HERMES INTERNATIONAL | 0.12 | FRANCE |
| | ASICS CORP | 0.07 | JAPAN |
| | ADIDAS AG | 0.06 | GERMANY |
| CHRISTIAN DIOR SA EUR 2 | 0.05 | FRANCE | |
| TOBACCO | IMPERIAL TOBACCO GROUP PLC | 0.28 | UNITED KINGDOM |
| | BRITISH AMERICAN TOBACCO PLC GBP 25P | 0.41 | UNITED KINGDOM |
| | JAPAN TOBACCO Y50000 | 0.26 | JAPAN |
| | REYNOLDS AMERICAN INC | 0.16 | UNITED STATES |
| | ALTRIA GROUP INC | 1.07 | UNITED STATES |
| TRADE CO & DIST | ABC MART INCORPORATED | 0.07 | JAPAN |
| WIRELESS COMMUNICATION SERVICES | VODAFONE GROUP PLC | 1.46 | UNITED KINGDOM |
| | CHINA MOBILE LTD | 0.69 | HONG KONG |
| | NTT DOMOCO INCORPORATED | 0.5 | JAPAN |
| | ROGERS COMMUNICATIONS INCCOM STK CLASS 'B' | 0.41 | CANADA |
| | NII HOLDINGS INC CL B | 0.31 | UNITED STATES |
| | CHINA UNICOM LTD | 0.26 | HONG KONG |
| | HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED | 0.05 | HONG KONG |

ADDITIONAL ASX INFORMATION

as at 19 October 2007

DISTRIBUTION OF LISTED ORDINARY SHARES

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|--------------|----|----------|-------------------|-------------------|---------------------------|
| 1 | - | 1,000 | 126 | 50,104 | 0.124 |
| 1,001 | - | 5,000 | 366 | 1,091,060 | 2.711 |
| 5,001 | - | 10,000 | 262 | 1,988,035 | 4.941 |
| 10,001 | - | 100,000 | 502 | 13,696,440 | 34.041 |
| 100,001 | - | and over | 40 | 23,408,504 | 58.180 |
| Total | | | 1,296 | 40,234,143 | 99.997% |

Unmarketable Parcels

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|--------|----|----------|-------------------|------------------|---------------------------|
| 1 | - | 1,282 | 161 | 89,237 | 0.22 |

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 1,282, shares or less being valued of \$500 or less in total, based upon the Company's last bid share price on ASX on 19 October 2007 of \$0.39 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 Company entered into ~619 (2006: ~69) transactions for the purchase and sale of securities, incurring brokerage fees totalling ~\$62,933 (2006: ~\$42,123).

INVESTMENT MANAGEMENT AGREEMENT

Management fees of \$177,403 (2006: \$177,995) were paid or accrued during the financial year to Constellation Capital Management Limited. Management fees are calculated on a base fee of \$69,000 per annum plus a variable fee of 0.5% per annum of the portfolio value up to \$15 million and a 0.4% per annum of the portfolio value in excess of \$15 million. No performance fees are payable to Constellation under the investment management agreement. The investment management agreement with Constellation expired on 18 May 2006 and Constellation's mandate has continued on a month to month basis after May 2006 in accordance with the terms therein.

However, the Board has recently determined¹ that it is no longer appropriate for the Company to implement Constellation's HomeGlobal™ Investment Strategy and will seek to negotiate a renewal of Constellation's appointment as investment manager (under a different investment strategy) or seek the appointment of another appropriate investment manager to manage or internally manage the Company's funds in accordance with the Company's current investment mandate/objective to invest in international securities.

¹ Refer ASX Market Announcement of 18 October 2007 titled "Investment Manager Update"

ADDITIONAL ASX INFORMATION

as at 19 October 2007

TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

| Rank | Shareholder | Shares Held | Total Shares Held | % Issued Capital |
|------|---|------------------|-------------------|------------------|
| 1 | * ORION EQUITIES LIMITED* | | 11,587,938 | 28.801 |
| 2 | MR JAMES STUART CRAIG | 1,351,102 | | |
| | MR ROBERT JAMES CRAIG | 500,000 | | |
| | MR MICHAEL DAVID CRAIG | 50,000 | | |
| | | <u>Sub-total</u> | 1,901,102 | 4.725 |
| 3 | ROCHESTER NO 39 PTY LTD | 995,621 | | |
| | BARBRIDGE TRUSTS PTY LTD <PETER SIMPSON FAMILY A/C> | 341,920 | | |
| | PENSON HOLDINGS PTY LTD | 258,426 | | |
| | BARBRIDGE TRUSTS PTY LTD <P S F T A/C> | 159,680 | | |
| | PENSON (MANAGEMENT) PTY LTD <NIKANKO ACCOUNT> | 26,609 | | |
| | | <u>Sub-total</u> | 1,782,256 | 4.429 |
| 4 | INVIA CUSTODIAN PTY LIMITED <WAM CAPITAL LIMITED A/C> | | 1,708,748 | 4.247 |
| 5 | MR JOHN ROBERT DILLON | | 1,079,045 | 2.681 |
| 6 | UBS NOMINEES PTY LTD | | 607,405 | 1.509 |
| 7 | PATJEN PTY LIMITED | | 557,441 | 1.385 |
| 8 | 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 | 1.125 |
| 9 | MR JAMES LAWRENCE HADLEY & MRS MARIA MARLENA HADLEY <HADLEY FAMILY SUPERFUND A/C> | | 324,724 | 0.807 |
| 10 | MR DONALD GORDON MACKENSIE & MRS GWENNETH EDNA MACKENSIE | | 268,458 | 0.667 |
| 11 | DR SPENCER DAVID <DAVID FAMILY INV FUND A/C> | | 251,951 | 0.626 |
| 12 | MRS LEANNE MAREE ROCKEFELLER | | 207,962 | 0.516 |
| 13 | MR CHARLES GILBERT FARER-HICKEY & MR CLAUDE FARER-HICKEY | | 200,000 | 0.497 |
| 14 | MS JAN ELIZABETH BURNETT-MCKEOWN | | 182,970 | 0.454 |
| 15 | TAYDYN PTY LTD | | 177,501 | 0.441 |
| 16 | MRS LENA SOONG | | 168,765 | 0.419 |
| 17 | MR MILTON MELROSE FORSTER | | 165,000 | 0.410 |
| 18 | MR BARRY ROBERT LEANE & MRS LYNETTE JULIE LEANE <HOLDFAST SUPER FUND A/C> | | 152,512 | 0.379 |
| 19 | K J & M L GILROY PTY LTD <SUPERANNUATION A/C> | | 150,000 | 0.372 |
| 20 | CHRISTOPHER TIPLER AND ASSOCIATES PTY LTD <THE COLLINS HILL SUPER A/C> | | 150,000 | 0.372 |
| | TOTAL | | 22,076,452 | 54,487 |

* Substantial shareholders

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ABN 87 008 108 218

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