



# Bentley Capital Limited

## NOTICE OF GENERAL MEETING

<b>Time and: Date of Meeting</b>	11:00 am Sydney time on Friday, 9 October 2009
<b>Place of Meeting:</b>	Swissôtel Sydney Oak Room Lobby Level 68 Market Street Sydney, New South Wales

### IMPORTANT NOTICE

This document is important and requires your immediate attention. If you are unsure what to do or have any questions in relation to the General Meeting, you should contact your legal, financial or other professional adviser as soon as possible. If you have already sold all of your Bentley Shares, please ignore this document.

**Shareholder Information Line:**  
1300 762 678 (within Australia) or (08) 9214 9757

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## INDICATIVE TIMETABLE

<b>Date</b>	<b>Event</b>
1 September 2009	Release to ASX of Bentley's audited financial statements for the year ended 30 June 2009
9 October 2009	Shareholder vote to approve the Buy-Back Resolution
14 October 2009	Ex-entitlement date (Shares bought on or after this date will not carry an entitlement to participate in the Buy-Back)
20 October 2009	Record Date to determine entitlements to participate in the Buy-Back
23 October 2009	Buy-Back booklet and tender form sent to Shareholders
23 October 2009	Buy-Back tender opens
13 November 2009	Latest time for submission of Buy-Back tender forms
16 November 2009	Announcement date for result of Buy-Back and scale back (if any), Buy-Back agreements entered into and Shares bought back cancelled
20 November 2009	Expected dispatch of cheques for Buy-Back consideration to participating Shareholders

The Company may change these dates by making a market announcement on ASX.

## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Bentley Capital Limited A.B.N. 87 008 108 218 (**Bentley or Company**) will be held at **Swissôtel Sydney, Oak Room, Lobby Level**, 68 Market Street, Sydney, New South Wales at 11:00 am Sydney time on Friday, 9 October 2009.

### AGENDA

#### ORDINARY BUSINESS

**1. Resolution 1 - Approval of buy-back of shares**

To consider, and if thought fit, to pass the following as an ordinary resolution of the Company:

*"That the Company authorises and approves:*

- (a) the terms of, and the entry into, any Buy-Back agreement as described in the Explanatory Statement accompanying this Notice of Meeting; and*
- (b) any agreement in those terms entered into during the 12 months commencing on the date of this resolution to the extent that such agreement would not result in the Company buying back more than 25 million of its Shares at a price of 35 cents per share."*

The Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. Terms used in this Notice of Meeting are defined in the Glossary of Terms.

**Dated: 3 September 2009**

**By order of the Board,**



**Victor Ho**  
**Company Secretary**

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## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders of the Company in understanding the business to be put to Shareholders for their consideration at the General Meeting of the Company. You are urged to consider this Notice of Meeting, including this Explanatory Statement, carefully. If you are in doubt as to how to deal with the Notice of Meeting and Explanatory Statement, you should consult your legal, financial or other professional adviser as soon as possible.

This Explanatory Statement is not an offer to Buy-Back your Shares. If the Buy-Back Resolution is passed at the General Meeting, a separate Buy-Back offer booklet and tender form will be sent to all eligible Shareholders. Voting in favour of the Buy-Back Resolution does not mean you must offer your Shares to the Company under the Buy-Back.

Participation in the Buy- Back, if it is approved, will be entirely voluntary.

### 1. Background

The Company notes that a requisitioned Shareholders' meeting held on 7 August 2009 for the removal of two out of the five directors of Bentley was defeated.

In addition to seeking the removal of two directors, the requisitioners of this meeting had a stated ultimate objective of encouraging the Board to consider returning almost all of the Company's capital to Shareholders, which, if undertaken, would effectively be the end for Bentley as a viable listed investment company (LIC).

Whilst the Board considers the result of the 7 August 2009 meeting as an endorsement by Shareholders of the Company's investment mandate which was approved in March this year, the Board does however acknowledge that there are some Shareholders who still favour a return of capital. The Board has given consideration to the desire of these Shareholders balanced with the desire of the majority of Shareholders who wish to see the Company continue as a viable LIC.

Taking a balanced position, the Board has accordingly determined, as announced on 14 August 2009, that it would seek Shareholder approval for the Company to undertake an off market buy-back of up to 25 million Shares at \$0.35 per Share, at a total cost to the Company of up to approximately \$8.75 million.

Bentley intends that following completion of the Buy-Back it will continue to invest its capital in pursuing the investment mandate that was approved by Shareholders in March this year. Section 9 below contains further information on the investment mandate of the Company.

### 2. Overview and purpose of the Resolution

The Resolution seeks approval for the terms of the Buy-Back, which are outlined in Section 3 below. Under the Corporations Act, as modified by the exemption to be sought from ASIC if granted (see Section 11(b) below), Bentley must obtain the approval of Shareholders to buy back more than 10% of the smallest number of voting Shares that Bentley has on issue during the 12 months preceding the buy-back.

The Resolution will be approved if more than 50% of the total number of votes which are cast on the resolution are in favour of it.

While all eligible Shareholders may participate in the Buy-Back, voting in favour of the Resolution does not require any Shareholders to sell any Shares in the Buy-Back. Participation in the Buy-Back is voluntary and at the discretion of all eligible Shareholders.

If Shareholders approve the Resolution, a separate Buy-Back offer booklet will be sent to all eligible Shareholders after the General Meeting, along with a tender form.

On receipt of a Buy-Back offer booklet and tender form, eligible Shareholders will have two choices in relation to the Buy-Back:

- (a) offer to sell all or some of their Shares, by completing the Buy-Back tender form which will accompany the offer booklet. They may offer to sell their entire holding of Shares in the Company, however, if the Company receives acceptances for more than the Buy-Back Limit, the Company will scale back Shares tendered by participating Shareholders (**Participant**) on a pro rata basis (subject to the treatment of small holdings described in Section 3(f)(ii) below) to ensure that the Buy-Back Limit is not exceeded;

**or**

- (b) do nothing. Participation in the Buy-Back is entirely voluntary. If they do not participate in the Buy-Back the number of Bentley Shares they hold will not change.

At that time, if Shareholders have any queries as to whether they should sell any Shares in the Buy-Back, they should obtain independent advice from their financial adviser, broker, accountant or lawyer. Shareholders will be given a reasonable time to determine whether to lodge a Buy-Back tender form.

Even if the Resolution is approved, the Company may determine not to proceed with the Buy-Back by making a market announcement on ASX.

### 3. Terms of the Buy-Back

The Buy-Back is to be conducted by way of an off-market tender offer. The tender period is currently scheduled to open on 23 October 2009 and end on 13 November 2009 (**Buy-Back Period**). A Buy-Back booklet containing full details of the Buy-Back will be sent to Shareholders following the meeting if the Resolution is approved.

#### (a) Off-market tender offer

Bentley intends to conduct the Buy-Back as an off-market tender offer. The tender offer will invite all Shareholders (other than Excluded Foreign Shareholders) to tender their Shares for sale to Bentley at the fixed Buy-Back Price of \$0.35 per Share. Shareholders will be invited to tender all or some of their Shares.

Shareholders that are the registered holders of Shares as at 7.00pm (Sydney time) on the Record Date (which is intended to be 20 October 2009) will be entitled to offer to sell some or all of their Shares during the Buy-Back Period, which is intended to commence on 23 October 2009 and end on 13 November 2009. Rights under the Buy-Back are personal to the relevant Shareholder and cannot be transferred.

A proposed timetable for the Buy-Back is set out in Section 3(g). While Bentley does not currently anticipate amending any of the dates and times set out in that timetable, it reserves the right to do so by announcement to ASX.

**(b) Number of Shares to be bought back and price**

Bentley is seeking approval to Buy-Back up to 25 million Shares (being up to approximately 35% of Bentley's issued Share capital). If the number of Shares validly tendered in the Buy-Back is less than 25 million, Bentley will only Buy-Back that number of Shares tendered.

Each Share will be bought back at the fixed Buy-Back Price of \$0.35. Payment of the consideration of each Share bought back is expected to be dispatched by cheque to participating Shareholders on or before 20 November 2009.

**(c) Effect of Buy-Back on voting and dividend rights**

No tender will be accepted by Bentley until after the close of the Buy-Back Period. Accordingly, Shareholders will be entitled to vote at any meeting of Bentley that is held during the Buy-Back Period, even if they have lodged a tender form to sell Shares to Bentley under the Buy-Back.

Shareholders' rights to receive any dividends or other distributions paid by Bentley where the Record Date occurs prior to the date on which Bentley enters into a buy-back agreement with Shareholders (which will be after the close of the Buy-Back Period) will not be affected by the submission of a tender form. However, Bentley has not determined to pay any dividend or make any other distribution at this time.

**(d) Off-market tender process**

Each Shareholder eligible to participate in the Buy-Back (being all Shareholders other than Excluded Foreign Shareholders) may submit a tender if they wish to sell all or some of their Shares. The offer by a Shareholder who submits a tender to sell Shares to Bentley will need to specify the number of Shares that the Shareholder offers to sell, which may be up to 100% of its holding as at the Record Date.

**(e) Directors' interests in Shares**

Directors and their respective Associates will be entitled to participate in the Buy-Back and may do so at their discretion and having regard to their own particular circumstances.

As at 3 September 2009, the Directors held or had a relevant interest (as that term is defined in the Corporations Act) in Shares as set out below:

Director	Relevant Interest in Bentley Shares	% of issued Shares
Farooq Khan <sup>1</sup>	20,513,783	28.657%
Peter Simpson <sup>2</sup>	1,132,860	1.583%
Simon Cato	Nil	Nil
William Johnson	Nil	Nil
Christopher Ryan	Nil	Nil

- 1 An indirect interest 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 Bentley Shares in which QUE has a relevant interest by reason of having >20% voting power in QUE.
- 2 A direct interest held personally and jointly with Mrs Carolynne Simpson and an indirect interest held by associated companies, Barbridge Trusts Pty Ltd and Oddlot Shares & Securities Pty Ltd.

#### (f) Scale back

If eligible Shareholders tender more than 25 million Shares, a scale back will be applied as follows:

- (i) Shareholders who have submitted tenders in respect of all of their Shares and who would have a Shareholding in Bentley of 1,923 or less as a result of the scale back will have all of their Shares bought back (or such other number calculated in accordance with the exemption to be sought from ASIC referred to in Section 11(b)); and
- (ii) the remaining Shares tendered by Shareholders to be bought back will be scaled back on a pro rata basis to ensure that the Buy-Back Limit is not exceeded.

Shareholders will be advised by an announcement on ASX of the total number of Shares to be bought back after the close of the Buy-Back Period.

#### (g) Timetable

Indicative dates for the Buy-Back are as follows:

Date	Event
1 September 2009	Release to ASX of Bentley's audited financial statements for the year ended 30 June 2009
9 October 2009	Shareholder vote to approve the Buy-Back Resolution
14 October 2009	Ex-entitlement date (Shares bought on or after this date will not carry an entitlement to participate in the Buy-Back)
20 October 2009	Record Date to determine entitlements to participate in the Buy-Back
23 October 2009	Buy-Back booklet and tender form sent to Shareholders
23 October 2009	Buy-Back tender opens
13 November 2009	Latest time for submission of Buy-Back tender forms
16 November 2009	Announcement date for result of Buy-Back and scale back (if any), Buy-Back agreements entered into and Shares bought back cancelled
20 November 2009	Expected dispatch of cheques for Buy-Back consideration to participating Shareholders

The Company may change these dates by making a market announcement on ASX.

**(h) Effect of submitting a tender**

Any tender form submitted into the Buy-Back will constitute an offer to sell the tendered Shares to Bentley on the terms and conditions of the Buy-Back. If Bentley accepts a tender, a binding Buy-Back agreement will be formed between the relevant Participant and Bentley.

Upon submission of a tender form, amongst other things, the Participant will:

- (i) offer to sell to Bentley on the Buy-Back Date the number of Shares nominated for sale in its tender form, adjusted in accordance with the terms of the Buy-Back, at the Buy-Back Price;
- (ii) agree that Bentley's announcement on the Buy-Back Date is effective notice or communication of Bentley's acceptance of its tender (adjusted in accordance with the terms of the Buy-Back) which is submitted in accordance with the terms of the Buy-Back (or treated by Bentley as being so submitted) and which is not rejected by Bentley;
- (iii) agree that it is only upon such communication by announcement to ASX that a contract is formed for the purchase of the relevant Shares and waive any requirement to receive any other notice or communication from Bentley of its acceptance or rejection of any tender;
- (iv) warrant to Bentley that at the time it tenders its Shares for sale in the Buy-Back, and on the Buy-Back Date, it is the registered holder of the Shares that it has tendered, which are free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) and from any third party rights, and are otherwise able to be sold by it;
- (v) warrant to Bentley that it is a person to whom an invitation under the Buy-Back may be lawfully made, that it is a person whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which it is resident and that it is not an Excluded Foreign Shareholder; and
- (vi) undertake not to sell Shares to any other person if, as a result, it would at any time following its tender until the Buy-Back Date hold fewer Shares than the number of Shares it has tendered.

**(i) No brokerage and handling fees**

Shareholders should not have to pay any handling or brokerage fees on sales of Shares into the Buy-Back.



#### 4. Effect of the Buy-Back on Bentley

##### (a) Reduction in Bentley's net assets

The consideration for the Buy-Back will be paid out of Bentley's cash reserves and the proceeds of sale of liquid investments held by Bentley. If the maximum number of Shares are bought back, Bentley will pay approximately \$8.75 million in paying the consideration under the Buy-Back.

The actual amount of cash that Bentley will be required to pay to fund the Buy-Back will depend on the number of Shares tendered under the Buy-Back. Examples of the amount of cash to be paid based on differing levels of Shares tendered under the Buy-Back are set out in the table in Section 4(b) below.

The unaudited pre and post tax NTA of Bentley as at 31 July 2009 was approximately \$28.1 million, comprising:

- (i) approximately \$25 million invested in the FSP Equities Leaders Fund (which units will be redeemed to meet the cost of the Buy-Back); and
- (ii) approximately \$3 million in cash invested in bank deposit accounts.

Following payment of the consideration (assuming no materially adverse movements occur in the value of Bentley's investments), Bentley anticipates it will maintain net assets of approximately \$19 million.

##### (b) Reduction in issued Shares and Effect on NTA per Share

As at 2 September 2009 (being the latest practicable date before the date of this Explanatory Statement), Bentley had 71,584,465 Shares on issue.

All Shares bought back under the Buy-Back will be cancelled.

Depending on the level of Shares tendered under the Buy-Back, the effect on the number of Shares on issue, the unaudited post-tax NTA per Share (on a pro forma basis based on the NTA per Share as at 31 July 2009) and the cash to be paid by Bentley to fund the Buy-Back would be as follows:

	Level of Participation within the Buy-Back Limit			
	25%	50%	75%	100%
<b>CURRENT:</b>				
Number of issued Shares	71,584,465	71,584,465	71,584,465	71,584,465
Post-tax NTA (31 July 2009)	\$28,106,772	\$28,106,772	\$28,106,772	\$28,106,772
NTA per Share	\$0.3926	\$0.3926	\$0.3926	\$0.3926
<b>EFFECT OF BUY-BACK:</b>				
Number of Shares bought back	6,250,000	12,500,000	18,750,000	25,000,000
Approximate cost of the Buy-Back	\$2,187,500	\$4,375,000	\$6,562,500	\$8,750,000

	Level of Participation within the Buy-Back Limit			
	25%	50%	75%	100%
<b>POST BUY-BACK:</b>				
Number of issued Shares	65,334,465	59,084,465	52,834,465	46,584,465
Post-tax NTA (pro-forma based on 31 July 2009)	\$25,919,272	\$23,731,772	\$21,544,272	\$19,356,772
NTA per Share	\$0.3967	\$0.4017	\$0.4078	\$0.4155
Uplift in NTA per Share (31 July 2009)	\$0.0041	\$0.0090	\$0.0151	\$0.0229
% Uplift in NTA Backing per Share (31 July 2009)	1.0%	2.3%	3.9%	5.8%

Bentley's unaudited pre-tax and post-tax NTA per Share was \$0.3926 as at 31 July 2009. Provided the NTA per Share remains above the Buy-Back Price of \$0.35 per Share, at the Buy-Back Date, the Buy-Back will result in an increase to the NTA per Share for the Shares held by continuing Shareholders. Conversely, if the NTA per Share falls below the Buy-Back Price of \$0.35 per Share, at the Buy-Back Date, the Buy-Back will result in a decrease to the NTA per Share for the Shares held by continuing Shareholders.

NTA per Share will change with the performance of Bentley's investments. Bentley releases its NTA per Share to ASX on a monthly basis within 14 days after the end of each month, which is available from [www.asx.com.au](http://www.asx.com.au).

**(c) What effect will the Buy-Back have on the control of Bentley**

If the Resolution is approved and Buy-Back tender offers are accepted, all of the Shares that are bought back (within the Buy-Back Limit of 25 million Shares) will be cancelled, and accordingly the Buy-Back will reduce the total number of Shares on issue from 71,584,465 to down to 46,584,465.

Accordingly, Shareholders who do not accept into the Buy-Back will increase their voting power in the Company.

However, at this stage, it is not possible to ascertain exactly what actual change in voting power in the Company will occur as between the Company's current major Shareholders as this will be dependent on the extent of each of their participation under the Buy-Back (if at all), the ultimate level of participation by other Shareholders and whether the Buy-Back Limit is exceeded.

For illustrative purposes, assuming the full 25 million Buy-Back Limit of Shares are bought back, the holdings (following completion of the Buy-Back) of Bentley's major Shareholders (assuming they do not dispose of or acquire further Shares) will be:

Major Shareholders	Pre Buy-Back % Shareholding	Post Buy-Back	
		Maximum % Shareholding (assuming no participation in the Buy-Back)	% Shareholding (assuming 100% participation in the Buy-Back and pro-rata scale back to the Buy- Back Limit)
(1) Orion Equities Limited	28.7%	44.0%	28.7%
(2) Rochester No 39 Pty Ltd, Penson (Management) Holdings Pty Ltd and Penson Holdings Pty Ltd	10.6%	16.3%	10.6%
(3) Database Systems Ltd	8.4%	12.8%	8.4%
(4) Mr Michael David Barnett	6.2%	9.6%	6.2%
(5) Bellwether Investments Pty Ltd, Mr Robert James Craig and Mr Michael Craig	4.9%	7.5%	4.9%
Sub-Total	58.7%	90.2%	58.7%
<b>Director related Shareholders</b>			
Peter Simpson and associates <sup>1</sup>	1.6%	2.4%	1.6%

As at 2 September 2009

- 1 Interest held personally and jointly with Mrs Carolynne Simpson and an indirect interest held by associated companies, Barbridge Trusts Pty Ltd and Oddlot Shares & Securities Pty Ltd.

While not required to do so under the Corporations Act, Orion Equities Limited and each of Peter Simpson and his associates have voluntarily undertaken to the Company not to vote to approve the Resolution. Each may, at its election, vote against the Resolution or abstain from voting.

These undertakings have been given to enable those Shareholders who are not associated with the major Shareholder and with Director related Shareholders to determine whether to approve the Resolution given the potential for the major Shareholders and Director related Shareholders to increase their shareholding interest in the Company as outlined above.

## 5. Reasons for and advantages of the Buy-Back and approving the Resolution

Both participating and continuing Shareholders are expected to benefit from the Buy-Back for the reasons set out below.

### (a) Participation is optional and accommodates Shareholders with divergent interests

The Board acknowledges that there are some Shareholders who favour Bentley conducting a return of capital. The Board also acknowledges that a number of Shareholders wish to continue to hold Shares and see the Company continue as a viable LIC.

The Buy-Back will provide those Shareholders (other than Excluded Foreign Shareholders) who wish to sell some or all of their Shares with the opportunity to tender all or a portion of their Shareholding into the Buy-Back at the Buy-Back Price. The Buy-Back Price may be a higher price than Shareholders could obtain from disposing of their Shares on ASX. However, Shareholders wishing to participate in the Buy-Back should have regard to the price of Shares traded on ASX, which can be found in major Australian newspapers and on [www.asx.com.au](http://www.asx.com.au). Section 8 below also contains information on the recent historical Share price on ASX.

While all eligible Shareholders may participate in the Buy-Back, voting in favour of the resolution does not require any Shareholders to sell any Shares in the Buy-Back. Any participation in the Buy-Back is voluntary and at the discretion of all eligible Shareholders.

**(b) Expected to improve NTA per Share for continuing Shareholders**

Bentley's unaudited pre-tax and post-tax NTA per Share was \$0.3926 as at 31 July 2009. Provided the NTA per Share remains above the Buy-Back Price of \$0.35 per Share, at the Buy-Back Date, the Buy-Back will result in an increase to the NTA for the Shares held by continuing Shareholders. The table in Section 4(b) below illustrates the uplift in NTA for the Shares based on different Buy-Back scenarios within the Buy-Back Limit.

**(c) Independent Expert concludes the Buy-Back is fair and reasonable to continuing Shareholders**

Bentley has commissioned Grant Thornton (WA) Financial Services Pty Ltd] to prepare the Independent Expert's Report to opine on whether the Buy-Back is fair and reasonable to continuing Shareholders. The Independent Expert's Report is set out at the end of this Explanatory Statement.

The Independent Expert has concluded that having regard to the advantages and disadvantages of the Buy-Back, and the value of Shares and the Buy-Back Price, the Buy-Back is fair and reasonable to continuing Shareholders.

**(d) Expected to increase potential benefit from franking credits for continuing Shareholders**

Bentley currently has \$3.97 million of franking credits. This gives Bentley the capacity to pay fully franked dividends totalling \$9.26 million from future profits.

The conduct of the Buy-Back should not reduce the Company's franking credits, nor its ability to pay fully franked dividends from any future profits.<sup>1</sup> The proportionate and potential interest of Shareholders in these franking credits will increase in proportion to the number of Shares bought back under the Buy-Back.

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<sup>1</sup> Subject to the Commissioner of Taxation not making any determination to debit Bentley's franking account under the dividend substitution provisions referred to in Section 11(d) of the Explanatory Statement.

**(e) The Buy-Back Limit enables Bentley to maintain a reasonably sized net asset base**

The Buy-Back Limit of no more than 25 million Shares will ensure that (assuming no materially adverse movements occur in the value of Bentley's investments) Bentley retains a reasonably sized net asset base of approximately \$19 million.

**(f) Other advantages**

- (i) All eligible Shareholders have an equal opportunity to participate in the Buy-Back.
- (ii) Shareholders will have the opportunity to sell all or some of their Shares at a price close to the unaudited NTA per Share reported as at 31 July 2009<sup>2</sup>.
- (iii) Shareholders have the opportunity to sell all or some of their Shares at a price above the last market price for a Share (which was \$0.315 as last traded on ASX on 26 August 2009).
- (iv) The Buy-Back will allow Shareholders to sell a relatively large volume of Shares without depressing the market price of Shares and in circumstances where the market for the Shares may not otherwise be sufficiently liquid to accommodate such volume.
- (v) Shareholders with small holdings are able to sell all of their Shares so as not to be left with a small parcel of Shares after participating in the Buy-Back.
- (vi) The Buy-Back provides a cost effective way for Shareholders to dispose of their interests as there are no brokerage costs associated with lodging tender offers and acceptances under the Buy-Back (subject to any arrangements any Shareholders may have with their sponsoring CHESSE broker).
- (vii) Shareholders who do not accept into the Buy-Back will increase their percentage interest in the Company.

## **6. Risks and disadvantages of approving the Resolution**

In deciding whether to vote in favour of the Resolution, Shareholders should consider the following matters:

**(a) Reduction in Bentley's net assets**

The consideration for the Buy-Back will be paid out of Bentley's cash reserves and the proceeds of sale of liquid investments held by Bentley. If the maximum number of Shares are bought back, Bentley will pay approximately \$8.75 million in paying the consideration under the Buy-Back. The unaudited

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<sup>2</sup> The NTA per Share will, which Bentley reports to ASX monthly, will rise and fall with the value of Bentley's investments.

pre and post tax NTA of Bentley as at 31 July 2009 was approximately \$28.1 million.

**(b) Potential increase in major Shareholders' holdings**

If some or all of the major Shareholders do not participate in the Buy-Back (or only participate in respect of some of their holdings), the respective Shareholdings of those Shareholders will increase as a consequence of the Buy-Back. Further details of the extent of the potential increase are set out in Section 4(c) below.

**(c) Other disadvantages**

- (i) Whilst the Buy-Back Price of \$0.35 per Share is greater than the recent historical market price of Shares in the Company (refer Section 8), it represents a discount to the \$0.3926 unaudited pre-tax and post-tax NTA per Share as at 31 July 2009.
- (ii) The Company's management expense ratio (**MER**) will increase as a result of the Company's fixed operational expenses being allocated over a smaller net asset base after the completion of the Buy-Back.
- (iii) As there will be a reduction in the number of Shares on issue, there may be a reduction in liquidity on the ASX.

## 7. Buy-Back Alternatives

The Board has considered various ways to return capital to Shareholders, including off market buy-backs, on market buy-backs, pro rata capital returns and a winding up of the Company. Under the Corporations Act, Bentley is unable to pay dividends (including special dividends) until it has profits from which to do so.

The Board considers that, at this time, it is in the best interest of Bentley and its Shareholders as a whole that all Bentley Shareholders be given the opportunity to decide:

- (i) whether they will approve an opportunity for Shareholders to sell all or some of their Shares at a price above the last market price for a Share (which was \$0.315 as last traded on ASX on 26 August 2009).
- (ii) whether they will approve an opportunity for Shareholders to sell their Shares at a price that is close to Bentley's unaudited NTA per Share reported as at 31 July 2009<sup>3</sup>; and
- (iii) the extent of their participation in the Buy-Back (potentially for up to 100% of their Shareholding subject to the scale back mechanism described in Section 3(f) above),

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<sup>3</sup> The NTA per Share will, which Bentley reports to ASX monthly, will rise and fall with the value of Bentley's investments.

as opposed to a substantial pro rata capital return or a winding up of the Company (where all Shareholders would be forced into a realisation of a substantial portion of or their entire investment and the Company would effectively or actually cease to exist as a viable LIC).

The benefits of the Buy-Back are discussed in Section 5 above.

## 8. Historical price of Bentley Shares

The table below shows various historical prices for Bentley Shares traded on the ASX:

Date	Bentley Share Price	
	Pre Announcement of Buy-Back	Post Announcement of Buy-Back
	Within the three months to 14 August 2009	Between 17 August 2009 and 2 September 2009
Closing price	\$0.32 on 14 August 2009	\$0.315 on 26 August 2009 <sup>4</sup>
Volume weight average Share price (VWAP)	\$0.28	\$0.33
Highest recorded sale price	\$0.32 on 14, 13, 3 August 2009 and 31 July 2009	\$0.34 on 17, 18 and 19 August 2009
Lowest recorded sale price	\$0.23 on 15 June 2009	\$0.31 on 25 August 2009

Source: IRESS

The highest and lowest traded prices of the Company on the ASX from 1 April 2009 to 31 August 2009 are set out below:

Month	High	Low	Volume	VWAP
Aug 2009	\$0.34	\$0.28	7,495,261	\$0.331
July 2009	\$0.32	\$0.26	786,820	\$0.294
June 2009	\$0.29	\$0.25	1,339,512	\$0.266
May 2009	\$0.26	\$0.225	1,277,066	\$0.258
April 2009	\$0.24	\$0.21	173,893	\$0.231

Source: IRESS

## 9. The Investment Mandate of Bentley

Bentley is a company that is poised at a very interesting juncture in its 23 year history as a Listed Investment Company (LIC).

For most of its existence, the Company was narrowly focused on undertaking investments in international securities, often with mixed success.

In March 2009, Shareholders overwhelmingly approved a very different mandate; one that would allow the Company to have considerable flexibility in adopting a diverse range of investment styles and methodologies across a diverse range of asset classes and industry sectors.

<sup>4</sup> There were no trades on ASX recorded between 27 August and 2 September 2009.

If a mission statement could be described for the Company following the expansion of the mandate, it would be as follows:

*“The objectives of the Company are to make money for shareholders, tempered with a prudential exposure to risk.”*

Beyond issues of the mandate, there are two related and important factors effecting the investment activities of Bentley moving forward.

Unlike a very large number of LICs, particularly those that listed on the ASX in the last few years, Bentley is not lumbered with an investment manager that has a fixed long term investment contract (often for periods of up to 25 years) where the manager receives fixed fees no matter what the performance of the company.

As a company that is internally managed by the Board, Bentley is liberated from these often oppressive investment management contracts and is free to pick and choose whether to manage its investments internally in whole or in part, or whether to pick an independent investment manager who is required to deliver a superior investment performance or lose its rights to manage the Company's capital.

Related to this is the fact that the share register of the Company is populated by a number of large Shareholders, none of whom have any financial interest (other than as Shareholders) in the management of the Company's assets.

Orion Equities Limited (**Orion**), which holds 28.7% of the issued capital of the Company is represented on the Board by Directors Farooq Khan and William Johnson. Similarly, Director Peter Simpson and associates holds 1.6% of the issued capital of the Company.

Save for Directors' fees paid to these three Directors, neither Orion nor Peter Simpson and his associates receive any benefit other than in their capacity as Shareholders of Bentley.

In other words, these Shareholders' interests align directly with all Shareholders in that they receive no benefit other than as Shareholders and accordingly, their actions through their representatives on the Board, are formulated with the endeavour of the Company delivering a superior investment return to that otherwise available in the financial markets.

The foregoing are general statements and Shareholders can rightly ask how this broad mandate will be practically implemented.

Following from the date of the Shareholder approved new mandate, the Board has met regularly to devise a set of principles which will guide the Company in its investment objectives moving forward.

These principles are by their very nature subject to continuous development and refinement and must also be adaptive to the particular financial position of the Company (in terms of its available capital base) as well as to the financial climate at the time the Company makes any investment decision.

As summary of these principles are as follows:

- (1) The recognition that as an LIC, there is a high degree of likelihood that the Shares of the Company may (as do most LICs) trade at a discount to the underlying net tangible asset backing (**NTA**) of such Shares.



- (2) Accordingly, the overriding principle to be embraced by the Board is that in formulating and undertaking any investment, the goal of the Company should be to deliver an investment return that compensates Shareholders for the likelihood that their Shares may trade at a discount to the NTA of the Company.
- (3) The Company will create a formal Investment Committee. The Investment Committee shall be responsible for the management of Bentley's investment portfolio. This Investment Committee shall report regularly to the Board of Directors and is responsible for implementing the Company's investment mandate. In this regard, the Company has formed an Investment Committee whose members currently comprise Farooq Khan, William Johnson and Victor Ho.
- (4) Bentley's investment portfolio will be structured for a balance of capital growth and income producing assets.
- (5) Investments in income producing assets will be made with the objective of delivering a regular income stream for Shareholders in the form of franked dividends.
- (6) Investments in non income producing assets will be made with the objective of delivering a high rate of real capital return over the medium term.
- (7) Bentley's investment portfolio will either be allocated to assets selected by the Investment Committee or to independent managers selected by the Investment Committee where the Investment Committee believes the manager can deliver a superior investment return (inclusive of any investment management fees proposed to be levied by such manager) to that capable of being generated by the Investment Committee.
- (8) Where an independent manager is appointed by the Investment Committee to manage the whole or part of the assets of the Company, no such appointment shall be made for a fixed term exceeding 6 months.
- (9) An important focus of the activities of the Investment Committee when undertaking direct investments will be to engage in strategic investment opportunities.
- (10) Strategic investment opportunities will mean investments in companies where the Company, through its investment, can reasonably expect to exert a degree of influence on the affairs of the target company. This influence may be accomplished through seeking board representation or through playing an active role alongside management in order to enhance or realise Shareholder value or through 'shareholder agitation'.
- (11) Strategic investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations. Investments may also be made in companies where the target's share price does not adequately reflect the true value of the target company's assets and where the Company believes that, through its investment, it can cause a reduction in the discount to asset value.
- (12) The Investment Committee will adopt a value based methodology in its investment selections, including an analysis of company fundamentals including but not limited to low price earnings multiples, earnings growth, relativity of price to net tangible assets, multiples of free cash flow, dividend history and arbitrage opportunities.

- (13) The Investment Committee will be guided by the principle that sound investment decisions require a thorough methodology and the time necessary to identify, target, negotiate, conduct due diligence and structure the opportunity. The Investment Committee will adopt a timely yet patient approach to these initial phases as well as the subsequent making of the strategic investment and the realisation phase of the investment lifecycle.
- (14) The recognition by the Company that superior returns always involve higher risks and that all investment activities of the Company require a balance to be struck between the seeking such returns and the undertaking of undue risks.
- (15) The recognition that the Company may have periods when a significant portion of its assets are not allocated to particular investments and that it is appropriate to maintain significant cash balances until such time as appropriate investments may be undertaken.

The Board is actively in the process of developing a set of specific investment strategies intended to give effect to the investment mandate and the above principles. Details will be announced to the market as soon as the Board has completed this process.

Please refer to the Company's website for further details on the Company's investment mandate: [www.bel.com.au](http://www.bel.com.au)

## 10. Taxation Considerations

The following is a general description of the Australian income and capital gains tax consequences of selling Shares under the Buy-Back. The information applies only to Shareholders who hold their Shares on capital account and therefore may be assessed for tax under the CGT provisions on Shares bought back by Bentley. It does not apply to Shareholders who hold their Shares as trading stock in the course of carrying on a business of trading in shares (eg. in general, Shareholders who are professional share traders) or who hold their Shares for the purpose of sale at a profit. The tax consequences for those Shareholders may differ significantly from those discussed below. Such Shareholders should obtain their own tax advice.

The information below is based on income tax legislation and administrative practices as at 19 August 2009, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of all Shareholders. These laws, the interpretation of them by the courts, and administrative practice may change at any time, and sometimes with retrospective effect. Bentley has not received a class ruling from the ATO for shareholders who participate in the Buy-Back, nor does it intend to seek such a ruling.

The information in this document is not intended to be advice and should not be relied upon on that basis. **Shareholders should seek independent professional advice in relation to their own particular circumstances.**

### (a) Tax considerations for Australian resident Shareholders

#### *Consideration for the sale of a Share*

The purchase price of \$0.35 for each Share will be debited in full against amounts standing to the credit of the share capital account of Bentley. The purchase price will be taken to have been received as consideration for the sale

of the Share.

In accordance with ATO Practice Statement PS LA 2007/9, the ATO will not apply ATO TD 2004/22 in cases of capital only off market share buy-backs conducted at arm's length. Accordingly a deemed market value concept should not apply to the consideration received pursuant to the Buy-Back.

**(b) Capital gain or loss on the sale of a Share**

An Australian resident Shareholder could make a capital gain or capital loss on the sale of their Shares in the Buy-Back. A capital gain will arise if the CGT cost base of the Shares disposed of in the Buy-Back is less than \$0.35 per Share.

The CGT discount may apply if the Shareholder is an individual, a trust, a complying superannuation fund or a life insurance company to reduce the capital gain, by 50% for individuals and trusts and by 33<sup>1</sup>/<sub>3</sub>% for complying superannuation funds and life insurance companies, where it has held the Shares for a period of more than 12 months.

A capital loss will arise if the CGT reduced cost base of the Shares disposed of in the Buy-Back exceeds \$0.35 per Share. If a capital loss arises as a result of the Buy-Back, the capital loss can only be used to offset capital gains. Capital losses that are not used in the income year in which they arise may be carried forward and used to offset capital gains made in later income years, subject to certain restrictions.

*CGT cost base of a Share*

The CGT cost base of a Share will include the money the Shareholder paid to purchase the Share plus any incidental costs of purchase and sale of the Share. The CGT cost base of a share acquired before 1 July 1999 may be indexed for inflation up to 30 September 1999 unless the CGT discount is applied (see above). The CGT cost base of a Share acquired on or after 1 July 1999 cannot be indexed for inflation.

Shareholders who acquired their Shares pursuant to the Scarborough Equities Limited scheme of arrangement should refer to section 12 of the scheme booklet that was provided to ASX on 22 January 2009 for information in relation to the CGT cost base of their Shares.

**(c) Tax considerations for non-Australian resident Shareholders**

If a non-Australian resident Shareholder participates in the Buy-Back, it will only make a taxable gain or incur a tax loss for Australian tax purposes in limited circumstances. Non-Australian resident Shareholders should seek their own tax advice.

**(d) Dividend substitution tax provisions**

Shareholders should also be aware that here are a number of tax anti-avoidance provisions which can apply where a company distributes share capital in preference to dividends. Bentley considers that the Buy-Back should not attract the application of any of those provisions. However, if those provisions applied to the Buy-Back then some or all of the purchase price may

be taken to be an unfranked dividend (instead of the treatment outlined above) and the relevant part of the purchase price may be included in the shareholder's assessable income or be liable to withholding tax.

## 11. Other material information

### (a) Excluded Foreign Shareholders

Bentley will not invite any Excluded Foreign Shareholder to participate in the Buy-Back. Without limiting the rights that Bentley will otherwise have in relation to tenders submitted under the Buy-Back, any tender submitted by an Excluded Foreign Shareholder will not be accepted by Bentley.

Specifically, any person who is (or who is acting on behalf of or for the account of a person who is) in the United States, or who is a US Person will not be entitled to participate, directly or indirectly in the Buy-Back. Invitations to participate in the Buy-Back will also not be sent to Shareholders who have a registered address in Canada.

Bentley will not accept tenders under the Buy-Back:

- (i) from any person who does not represent that they are not (and they are not acting on behalf of or for the account of a person who is) in the United States, a US Person or otherwise an Excluded Foreign Shareholder; or
- (ii) that have been postmarked in the United States or that otherwise appear to Bentley or its agents to have been sent from the United States.

### (b) ASIC exemption

Section 257A of the Corporations Act authorises a company to buy-back its own Shares if the buy-back does not materially prejudice the company's ability to pay its creditors and it follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act. Division 2 of the Corporations Act permits a company to conduct an equal access buy-back scheme if each of the following conditions set out in subsection 257B(2) is satisfied:

- (i) the offers under the scheme relate only to ordinary shares;
- (ii) the offers are to be made to every person who holds ordinary shares to buy-back the same percentage of their ordinary shares;
- (iii) all of those persons have a reasonable opportunity to accept the offers made to them;
- (iv) buy-back agreements are not entered into until a specified time for acceptances of offers has closed; and
- (v) the terms of the offers are the same.

An equal access buy-back in excess of the 10/12 limit (defined by subsections 257B(4) and (5) as 10% of the smallest number of voting shares that a company had on issue in the prior 12 month period) also requires approval under section 257C of the Corporations Act by an ordinary resolution passed at a general meeting of the company.

The proposed Buy-Back does not technically comply with the requirements of an equal access buy-back and, accordingly, is treated as a selective buy-back for the purposes of the Corporations Act. However, the Company will apply to ASIC for an exemption under subsection 257D(4) of the Corporations Act to permit the Company (provided certain conditions are met):

- (i) to conduct the Buy-Back in substantially the same manner as an equal access buy-back, in accordance with Division 2 of Part 2J.1 of the Corporations Act;
- (ii) to use the scale back mechanism described in Section 3(f) above;
- (iii) to invite all Shareholders (other than Excluded Foreign Shareholders) to offer for sale Shares in accordance with the terms and conditions of the Buy-Back; and
- (iv) not to accept any tender received from an Excluded Foreign Shareholder.

The Company will not proceed to conduct the Buy-Back unless the above exemption is granted on terms acceptable to the Company.

**(c) ASX waiver**

Bentley will also seek waivers from ASX:

- (i) from ASX Listing Rule 7.40 to permit Bentley to dispatch the Buy-Back booklet to Shareholders within 5 business days after the Record Date; and
- (ii) from ASX Listing Rule 3.8A permitting Bentley to lodge an Appendix 3F on the second business day after the close of the Buy-Back Period.

The Company may choose not to proceed with the conduct of the Buy-Back unless the above waivers are granted on terms acceptable to the Company.

**(d) Withdrawal of Buy-Back or reduction of Buy-Back Limit**

If Shareholders approve the Buy-Back, Bentley retains the right to determine not to proceed with the Buy-Back at any time prior to completion of the Buy-Back by making an announcement to ASX. Bentley anticipates doing this only if the ASIC relief is not granted on the basis set out in 11(b) above or the Board resolves that completing the Buy-Back is no longer in the interests of Shareholders as a whole.

Bentley also retains the right to determine that a Buy-Back Limit of less than 25 million Shares should apply to the Buy-Back.

## 12. Directors' Recommendations

The current Board comprises five Directors:

Bentley Directors	Position	Director Since/Appointment Date
Farooq Khan	Chairman	2 December 2003
William Johnson	Executive Director	13 March 2009
Simon Cato	Non-Executive Director	5 February 2004
Peter Simpson	Non-Executive Director	6 September 2005
Christopher Ryan	Non-Executive Director	5 February 2004

The Board considers that, at this time, it is in the best interest of Bentley and its Shareholders as a whole that all Bentley Shareholders be given the opportunity to decide:

- (i) whether they will approve an opportunity for Shareholders to sell all or some of their Shares at a price above the last market price for a Share (which was \$0.315 as last traded on ASX on 26 August 2009);
- (ii) whether they will approve an opportunity for Shareholders to sell their Shares at a price that is close to Bentley's unaudited NTA per Share reported as at 31 July 2009<sup>5</sup>; and
- (iii) the extent of their participation in the Buy-Back (potentially for up to 100% of their Shareholding subject to the scale back mechanism described in Section 3(f) above),

as opposed to a substantial pro rata capital return or a winding up of the Company (where all Shareholders would be forced into a realisation of a substantial portion of or their entire investment and the Company would effectively or actually cease to exist as a viable LIC).

Shareholders should consider this Explanatory Statement (in particular, the advantages and the risks and disadvantage for the Buy-Back and approving the Resolution in Sections 5 and 6) and the attached Independent Expert's Report before deciding how to vote.

The Board unanimously recommends that Shareholders **vote against** the Buy-Back Resolution for the following reasons:

- The Board believes that all of the present capital of the Company be retained (except for the payment of dividends once profits are available for distribution) (refer Section 6(a));
- The Company's management expense ratio (**MER**) will increase as a result of the Company's fixed operational expenses being allocated over a smaller net asset base after the completion of the Buy-Back (refer Section 6(c)(i));
- The Company's Shares may be more illiquid in the market after the completion of the Buy-Back (refer Section 6(c)(ii));

<sup>5</sup> The NTA per Share will, which Bentley reports to ASX monthly, will rise and fall with the value of Bentley's investments.

- The increase in the MER and the reduced liquidity in the Company's Shares will make the task of the Investment Committee of the Company as outlined in Section 9 more difficult; that being to deliver to Shareholders an investment return sufficiently better than the market return to justify the Company retaining its capital; and
- a number of Shareholders may not tender their Shares into the Buy Back (if the Resolution is approved and the Buy-Back proceeds) for reasons of inadvertence or not understanding the issues involved and that accordingly, the Buy Back will be particularly disadvantageous to those Shareholders in that situation.

## GLOSSARY

In this Explanatory Statement the following terms have the meanings attributed to them below.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange or ASX Limited (A.B.N. 98 008 624 691), as the context requires.

**ATO** means the Australian Taxation Office.

**Bentley or Company** means Bentley Capital Limited (A.B.N. 87 008 108 218).

**Shareholder** means a person who holds Shares.

**Board** means the board of directors of Bentley.

**Buy-Back** means the buy-back of Shares by way of a tender process as set out in this Explanatory Statement.

**Buy-Back Date** means the date of completion of the Buy-Back.

**Buy-Back Limit** means the maximum number of Shares that Bentley may buy-back under the Buy-Back as determined by Bentley but which must be no greater than 25 million.

**Buy-Back Period** means the period in which eligible Shareholders will be entitled to offer to sell some or all of their Shares, which is intended to commence on 23 October 2009 and end on 13 November 2009.

**Buy-Back Price** means the price at which Bentley will buy-back Shares from tenders it accepts in the Buy-Back, being \$0.35 per Share.

**CGT** means capital gains tax.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Excluded Foreign Shareholder** means any person holding Shares:

- (a) to whom the Company would be prohibited from paying money to pursuant to:
  - (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Part 4 of the United Nations (Terrorism and Dealings with Assets) Regulations 2002 (Cth);
  - (iii) any other act, rule or regulation prohibiting the Company from

making payments to a foreign person;

- (b) to whom an invitation to participate in the Buy-Back may not be lawfully made under the laws of any jurisdiction; or
- (c) whose participation in the Buy-Back is not permitted under the laws of any jurisdiction; or
- (d) who has a registered address in Canada.

For the avoidance of doubt, Excluded Foreign Shareholders includes any person who is (or who is acting on behalf of or for the account of a person who is) in the United States or who is a US Person.

**Independent Expert** means Grant Thornton (WA) Financial Services Pty Ltd (ABN 92 064 260 260; AFS Licence No. 259864), the independent expert commissioned by Bentley to opine on whether the Buy-Back is fair and reasonable to continuing Shareholders.

**Independent Expert's Report** means the report prepared by the Independent Expert attached to the Explanatory Statement.

**LIC** means listed investment company.

**NTA** means net tangible assets.

**MER** means management expense ratio.

**Participant** means a Shareholder who tenders Shares into the Buy-Back.

**Record Date** means the date of determination of Shareholders entitled to participate in the Buy-Back, which is intended to be 20 October 2009.

**Resolution** means the resolution set out in the Notice of Meeting that this Explanatory Statement accompanies.

**Shares** means fully paid ordinary shares in Bentley on issue at the Record Date.

**United States** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

**US Person** has the meaning given by Regulation S under the United States Securities Act of 1933.



# Bentley Capital Limited

Independent Expert's Report and Financial Services Guide  
Proposed share buy-back

3 September 2009



The Directors  
Bentley Capital Limited  
Angela House, Suite 202  
30-36 Bay Street  
SYDNEY NSW 2028

3 September 2009

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Dear Directors,

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

On 14 August 2009, Bentley Capital Limited ("Bentley" or the "Company") announced a proposed off-market share buy-back (the "Proposed Buy-back").

Under the Proposed Buy-back, the board of Bentley is seeking shareholder approval to undertake an off-market share buy-back at 35 cents per share (the "Buy-back Price") of up to 25 million shares (the "Buy-back Limit"), at a total cost of up to \$8.75 million.

The Proposed Buy-back will be open to all eligible shareholders on an equal basis and participation by shareholders is entirely voluntary. If the Company receives tenders from shareholders in excess of the 25 million buy-back limit a scale-back would operate to cap the buy-back at 25 million shares.

Bentley is a listed investment company ("LIC") on ASX Limited ("ASX"). Bentley's current investments are primarily comprised of investments through its investment manager, FSP Equities Management Limited ("FSP").

### **Purpose of the report**

Regulatory Guide 110 Share buy-backs ("RG 110") issued by the Australian Securities and Investments Commission ("ASIC") sets out the information to be disclosed to shareholders by companies seeking shareholder approval for a buy-back.

RG 110.18 states:

*If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:*

- *a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*
- *an independent expert's report with a valuation of the shares.*

Accordingly, the directors of Bentley have appointed Grant Thornton (WA) Financial Services Pty Ltd (“Grant Thornton Corporate Finance”) to prepare this independent expert’s report. Grant Thornton Corporate Finance has been instructed to report whether, in our opinion:

- The Proposed Buy-back is fair and reasonable to the continuing shareholders of Bentley post completion of the Proposed Buy-back should it go ahead (the “Continuing Shareholders”).

This report has been prepared to accompany a Notice of Meeting and Explanatory Statement (the “Notice of Meeting”) which is to be sent to the shareholders of Bentley to assist them in considering the resolution to approve the Proposed Buy-back.

This report has been prepared solely for the purpose of assisting the Continuing Shareholders in considering the Proposed Buy-back and does not provide an opinion as to whether Bentley shareholders should participate in the Proposed Buy-back tender process.

### **Basis of assessment and approach**

The Corporations Act does not define the meaning of “fair and reasonable”. In preparing this report, Grant Thornton Corporate Finance has considered relevant regulatory guides issued by the ASIC, with particular reference to Regulatory Guide 111: Content of expert reports (“RG 111”).

In forming our opinion on the Proposed Buy-back we have:

- compared the Buy-back Price to our assessed current fair market value of a Bentley share (on a 100% of Bentley / full control value); and
- considered the other potential advantages and disadvantages of the Proposed Buy-back to the Continuing Shareholders

### **Summary of opinion**

Grant Thornton Corporate Finance has concluded that the Proposed Buy-back **is fair and reasonable to the Continuing Shareholders.**

Our opinion expressed above relates to the potential impact of the Proposed Buy-back upon the Continuing Shareholders only. The decision of whether or not to approve the Proposed Buy-back is a matter for each of the shareholders of Bentley based on their own views of the value of Bentley and expectations about future market conditions, Bentley performance, risk profile and investment strategy. Shareholders should have regard to the Notice of Meeting prepared by the Directors and management of Bentley. If Bentley

shareholders are in doubt about the action they should take in relation to the Proposed Buy-back, they should seek their own professional advice.

We have not provided an opinion as to whether Bentley shareholders should participate in the Proposed Buy-back tender process.

The opinion expressed above is to be read in conjunction with the more detailed analysis and comments made in this report.

### **Fairness of the Proposed Buy-back**

We set out below a comparison between our assessment of the fair market value of a Bentley share and the Buy-back Price:

**Figure 1: Assessment of fairness**

All figures cents	Low	High
<b>Assessment of fairness</b>		
Fair market value of a Bentley share	38.6	39.0
The Buy-back Price	35.0	35.0
<b>Difference</b>	<b>3.6</b>	<b>4.0</b>

Source: Grant Thornton calculations

Based on our calculations, the Buy-back Price is below our assessed value of a Bentley share. Accordingly, we conclude that the Proposed Buy-back is fair to the Continuing Shareholders.

Bentley shares were trading at a weighted average price of approximately 30.2 cents per share for the month prior to the announcement of the Proposed Buy-back. This recent trading price is at a substantial discount to both our valuation of a Bentley share (22.2% below our midpoint value) and the reported net tangible asset (“NTA”) value per share as at 31 July 2009 (23.2% below NTA).

### **Reasonableness of the Proposed Buy-back**

As the Proposed Buy-back is fair to the Continuing Shareholders, the Proposed Buy-back is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Buy-back.

#### ***Likely advantages associated with the Proposed Buy-back***

If the Proposed Buy-back goes ahead, the likely advantages include:

#### ***Favourable Proposed Buy-back terms***

The cash consideration that would be paid under the Proposed Buy-back is lower than the fair market value we have assessed for a Bentley share. Accordingly the Company would be buying back shares at a discount to their underlying value.

***Opportunity for shareholders who are seeking to realise their investment in Bentley to do so via an off-market transaction***

Some Bentley shareholders have indicated a desire for a return of capital. The Proposed Buy-back, if it proceeds, will be an opportunity for eligible shareholders to exit part or all of their investment through an off-market transaction at a premium to the recent trading prices of Bentley shares. Given the low historical liquidity of Bentley shares, if such shareholders were to instead dispose of their holdings on the market, it would likely create downward pressure on the trading price of Bentley shares, which may disadvantage the Continuing Shareholders.

***Potential increase of relative interest in Bentley for Continuing Shareholders***

The potential reduction in the number of Bentley shares on issue post the reduction would result in the ownership interest of the Continuing Shareholders increase as a result of the proposed Buy-back. Should this occur, the Continuing Shareholders will have a relatively greater voting capacity and share in any increase in the underlying value of Bentley.

***Potential increase of NTA per share***

The Buy-back Price is at a discount to the NTA per share as at 31 July 2009. Should the NTA per share remain above the Buy-back Price at the date of any buy-back, the buy-back would increase the NTA per share. Based on the 31 July 2009 NTA per share of 39.3 cents, the NTA per share would potentially increase to approximately 41.6 cents (assuming the Buy-back Limit is reached).

***Opportunity to participate in the Proposed Buy-back whilst continuing as a Bentley shareholder***

Bentley shares have historically experienced low trading volumes, limiting the opportunities for shareholders to exit their investment in Bentley. Participation in the Proposed Buy-back, should it go ahead, is optional and available to all eligible Bentley shareholders. Eligible Bentley shareholders who participate in the Proposed Buy-back will receive 35 cents per share bought back, a premium to the recent trading prices of Bentley shares. This will allow continuing Bentley shareholders to realise part of their investment, should they choose to do so, at a premium to recent trading prices and with no transaction costs.

***Franking credits and accumulated tax losses***

Bentley currently has approximately \$4.0 million of franking credits and an accumulated tax loss benefit of approximately \$5.0 million as at 30 June 2009. The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses will increase following the Proposed Buy-back. Although the timing of realisation and the value (if any) of franking credits and accumulated tax losses is uncertain, the Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances.

***Likely disadvantages associated with the Proposed Buy-back***

The likely disadvantages associated with the Proposed Buy-back include:

***Potential for relative increase in interest for Bentley's largest shareholder***

The Proposed Buy-back may provide Bentley's largest shareholder, Orion Equities Limited,

with the ability to increase its influence on the Company. Should the Proposed Buy-back go ahead there is the potential for Orion Equities Limited relative interest in Bentley to increase from 28.7% to 44.0%, assuming the Buy-back limit is reached and Orion Equities Limited does not participate in the Proposed Buy-back.

***Decrease in overall size of Bentley and impact on management expense ratio***

Should the Proposed Buy-back go ahead, Bentley's net assets will be reduced to fund the buy-back up to a maximum reduction of \$8.75 million if the Buy-back limit is reached. This decrease in overall size will increase the Company's management expense ratio ("MER") as a result of the Company's fixed operational expenses being allocated over a smaller net asset base. Further we note that the market trading prices of shares in LICs that have a smaller capital base may suffer a greater level of discount to NTA per share.

***Decrease in number of shares on issue and potential impact on liquidity***

Should the Proposed Buy-back go ahead, there will be a reduction of up to 25 million, or approximately 35%, in the number of Bentley shares on issue. This decrease in shares on issue may reduce the free float and attractiveness of Bentley shares to investors which may result in decreased liquidity of its shares.

***Other considerations:***

Other considerations include:

***Impact on current Bentley share price***

We note that since the announcement of the Proposed Buy-back Bentley shares have traded at prices slightly below the Buy-back Price. This is higher than recent trading levels and may be being supported by investors' expectations surrounding the Proposed Buy-back. Should the Proposed buy-back not be approved, or following the completion of the Proposed Buy-back should it go ahead, it is possible that the Bentley share price will revert to the previous traded price levels.

***No support from Bentley Directors***

As set out in the Notice of Meeting the Directors of Bentley unanimously recommends that Bentley shareholders vote against the Proposed Buy-back. The Notice of Meeting also states that "...Orion Equities Limited and each of Peter Simpson and his associates have voluntarily undertaken to the Company not to vote to approve the Resolution. Each may, at its election, vote against the [Proposed Buy-back] or abstain from voting. These undertakings have been given to enable those Shareholders who are not associated with the major Shareholder and with Director related Shareholders to determine whether to approve the Resolution given the potential for the major Shareholders and Director related Shareholders to increase their shareholding interest in the Company..."

***Potential for only a proportionate buy-back for participating shareholders***

Should the Buy-back limited be exceeded, the Proposed Buy-back would result in a proportionate buy-back offer to all participating shareholders. A proportionate buy-back offer to all participating shareholders may still result in some shareholders seeking to dispose of their remaining shares on-market, albeit this would be disposals of smaller parcels or shares. As previously discussed, a substantial disposal of shares on-market may create downward pressure on the trading price of Bentley shares.

***Disposal of investments to meet the Proposed Buy-back cash requirements***

Should the Proposed Buy-back go ahead, Bentley may need to dispose of investments to fund the buy-back of the tendered shares. The timing of the sale of investments will be driven by the timing of the Proposed Buy-back and may not be consistent with Bentley's investment strategies.

***Tax liability***

Bentley shareholders who participate in the Proposed Buy-back, should it go ahead, may incur a tax liability. Participating Bentley shareholders should consult their tax advisors in relation to their personal circumstances.

**Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The opinion of Grant Thornton Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

The decision of whether or not to approve the Proposed Buy-back is a matter for each of the shareholders of Bentley based on their own views of the value of Bentley and expectations about future market conditions, Bentley performance, risk profile and investment strategy. If Bentley shareholders are in doubt about the action they should take in relation to the Proposed Buy-back, they should seek their own professional advice.

Yours faithfully

**GRANT THORNTON (WA) FINANCIAL SERVICES PTY LTD**  
(Australian Financial Services Licence No. 259864)



**CHRIS PARKINSON**  
Director



**PATRICK WARR**  
Director

15 April 2009

## **Financial Services Guide**

### **1 Grant Thornton (WA) Financial Services Pty Ltd**

Grant Thornton (WA) Financial Services Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business at Level 1, 10 Kings Park Road, West Perth WA 6005. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 259864 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Bentley Capital Limited (“Bentley” or the “Company”) to provide general financial product advice in the form of an independent expert’s report (the “Report”) in relation to the proposed off-market share buy-back. This report is included in the Company’s Notice of Meeting and Explanatory Statement.

### **2 Financial Services Guide**

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### **3 General financial product advice**

In our Report we provide general financial product advice. The advice in the Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions in relation to securities from retail clients. Grant Thornton Corporate Finance provides no financial services in relation to securities directly to retail clients and receives no remuneration from retail clients for financial services in relation to securities. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors in relation to securities nor does it provide market-related advice directly to retail investors in relation to securities.

### **4 Remuneration**

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from the Company a fee based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of the Report.



## 5 Independence

Grant Thornton Corporate Finance is required to be independent of the Company in order to provide the Report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of experts* ("RG 112") issued by the Australian Securities and Investments Commission ("ASIC"). Information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Bentley (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Buy-back.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Buy-back, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No F-4036. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579  
Collins Street West  
Melbourne Vic 8007  
Email: [fics@fics.asn.au](mailto:fics@fics.asn.au)  
Website: [www.fics.asn.au](http://www.fics.asn.au)

Grant Thornton Corporate Finance is only responsible for the Report and this FSG. Complaints or questions about the Notice of General Meeting and Explanatory Memorandum should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

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## 1 Outline of the Proposed Buy-back

### 1.1 Background

On 13 March 2009, Bentley merged with the then ASX listed investment company, Scarborough Equities Limited. Following the merger Bentley adopted a new investment mandate and has since primarily held equity investments in Australian listed equities and cash.

On 17 June 2009, the Company announced that it had recently received a requisition from an associated group of shareholders, holding approximately 6% of the Company's shares, seeking the calling of a General Meeting to consider a capital return of 35 cents per share. Bentley received legal advice that the subject matter of the requisition was not capable of being dealt with by requisition and that it was, accordingly, not valid.

On 29 June 2009, the Company announced that it had recently received a requisition from an associated group of shareholders, holding approximately 6% of the Company's shares, seeking the calling of a General Meeting for the removal of Mr Farooq Khan and Mr William Johnson as directors of the Company.

On 9 July 2009, Bentley issued a Notice of General Meeting for a General Meeting on 7 August 2009 with resolutions for the removal of Mr Farooq Khan and Mr William Johnson as directors of the Company. The reasons provided by the requisitioners of the General Meeting have been set out below:

*"The requisition to hold a meeting to consider the resolutions to remove Farooq Khan and William Johnson as directors of the Company has been made as the shareholder requisitioning the meeting is dissatisfied with the performance of the company. This has been communicated to the Company previously, in the form of a specific request that the Company should consider a return of capital to shareholders at 35 cents per share. However, based on the Company's response to the request and as further reiterated in the announcements by the Company to ASX on 29 June 2009 that the "Board remains committed to the investment mandate of the Company...", it is the shareholder's belief that the Company does not agree with this suggestion. Therefore, the shareholder believes that there needs to be a change at the Board level and that Farooq Khan and William Johnson should be removed as directors of the Company. The shareholder requisitioning the meeting encourages the remaining directors to consider a significant return of capital to shareholders."*

On 7 August 2009, the Company announced that neither resolution was passed at the General Meeting.

On 14 August 2009, Bentley announced the Proposed Buy-back.

### 1.2 The Proposed Buy-back

Under the Proposed Buy-back, the board of Bentley is seeking shareholder approval to undertake an off-market share buy-back at 35 cents per share of up to 25 million shares, at a total cost of up to \$8.75 million.

The Proposed Buy-back will be open to all eligible shareholders on an equal basis and participation by shareholders is entirely voluntary. If the Company receives tenders from shareholders in excess of the 25 million buy-back limit a scale-back would operate on a pro-rata (of tenders received) basis to cap the buy-back at 25 million shares.

## 2 Scope of the report

The board of Bentley has appointed Grant Thornton to prepare this report to express an opinion as to whether the Proposed Buy-back is fair and reasonable to the Continuing Shareholders.

The following section sets out the purpose of our report as applicable to the Proposed Buy-back.

### 2.1 Purpose

RG 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buy-back offer.

RG 110.18 states:

*If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:*

- *a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*
- *an independent expert's report with a valuation of the shares.*

Accordingly, the directors of Bentley have appointed Grant Thornton Corporate Finance to prepare an independent expert's report.

This report has been prepared solely for the purpose of assisting the Continuing Shareholders in considering the Proposed Buy-back and does not provide an opinion as to whether Bentley shareholders should participate in the Proposed Buy-back tender process.

This report has been prepared to accompany the Notice of Meeting which is to be sent to the shareholders of Bentley to assist them in considering the resolution to approve the Proposed Buy-back.

Grant Thornton Corporate Finance consents to the inclusion of this report and references to Grant Thornton Corporate Finance in the Notice of Meeting, in the form and context in which they appear.

### 2.2 Basis of assessment

Whilst the Corporations Act, 2001 (the "Corporations Act") does not provide a definition as to the meaning of fair and reasonable. RG 111 provides some guidelines as to what independent experts should consider and how 'fair and reasonable' should be interpreted for a range of transactions.

In forming our opinion as to whether the Proposed Buy-back is fair and reasonable to the Continuing Shareholders, Grant Thornton Corporate Finance has had regard to the following:

- the overall terms of the Proposed Buy-back;

- the underlying fair market value of the shares to be acquired under the Proposed Buy-back in comparison with the Buy-back Price;
- the trading history of Bentley shares on ASX;
- the potential impact of the Proposed Buy-back upon Bentley's cash and investment position, NTA per share, share structure and control of Bentley; and
- the likely implications for the Company if the Proposed Buy-back is not implemented.

### **2.3 Definition of Fair Market Value**

For the purpose of our opinion the underlying value of Bentley has been derived on a fair market value basis, which is typically defined as:

*“The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm’s length.”*

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

### **2.4 Limitations and Reliance on Information**

The opinion of Grant Thornton is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AAS 902 applicable to review engagements

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact to the Continuing Shareholders as a whole. We have not considered the potential impact of the Proposed Buy-back on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Buy-back on individuals.

The decision as to whether or not to approve the Proposed Buy-back is a matter for each shareholder of Bentley based on their own views of the value of Bentley and expectations about future market conditions, Bentley's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Buy-back, they should seek their own professional advice.

### 3 Profile of Bentley

#### 3.1 Overview

Bentley is a LIC listed on ASX in October 1986. Bentley invests directly or indirectly in securities listed on the Australian and the world's stock markets.

#### 3.2 Investment objectives and strategy

##### 3.2.1 Initial investment objectives

Following admission to the lists of ASX in 1986, the principal investment objective of the Company was to achieve medium to long term capital appreciation. To achieve this, the Company's strategy was to primarily invest in equity securities listed on the world's major stock markets. Its secondary objective was 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.

##### 3.2.2 Revised investment objectives

On 13 March 2009, Bentley completed a merger with ASX LIC Scarborough Equities Limited, whereby the asset base of Bentley increased from approximately \$11.5 million to approximately \$26.2 million and a broader investment mandate was adopted.

Under the revised mandate, Bentley's investment objectives are to:

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

Bentley has announced that it will implement an actively managed investment strategy undertaking investments typically in one of two broad investment categories set out below:

- *Strategic Investments* - investments in which Bentley can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value; and
- *Non-strategic Investments* - investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where Bentley sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments Bentley does not envisage that it will take an active role in the management of the investment.

Further information regarding Bentley's Investment Mandate is set out in the Notice of Meeting.

### 3.3 Investment portfolio

Bentley's current investment portfolio is comprised entirely of units in FSP Equities Leaders Fund ("FSP Leaders Fund"). A summary of the FSP Leaders Fund investment portfolio as at 31 July 2009 by industry sector is set out below:

**Figure 2: FSP Leaders Fund's investment portfolio by industry sector**

Sector Exposures %	31 July 2009
Materials	31.1%
Financials (ex-Property)	21.3%
Energy	18.1%
Consumer Discretionary	12.3%
Industrials	7.7%
Consumer Staples	2.4%
Information Technology	2.1%
Health Care	1.6%
Telecommunication Services	0.2%
Cash/Hybrids/Fixed Interest	3.1%
<b>Total</b>	<b>100.0%</b>

Source: Bentley

### 3.4 Financial Information

#### 3.4.1 Financial performance

The historical financial performance of Bentley for the years ended 30 June 2007, 2008 and 2009 is set out in the table below:

**Figure 3: Bentley's historical financial performance**

All figures \$'000s	Audited 30 Jun 2007	Audited 30 Jun 2008	Audited 30 Jun 2009
<b>Revenues</b>			
Revenue	445	436	985
Net reversal of prior year and current unrealised loss on financial assets at fair value through profit and loss	-	-	4,512
Other income	1,751	7	42
<b>Total revenue</b>	<b>2,196</b>	<b>443</b>	<b>5,539</b>
<b>Expenses</b>			
Investment expenses			
- Net loss on financial assets at fair value	-	(3,621)	(3,628)
- Foreign exchange losses	(15)	(12)	(839)
- Withholding tax	(56)	(53)	(23)
- Merger costs	-	-	(225)
Occupancy expenses	(25)	(19)	(56)
Finance expenses	(0)	(1)	(1)
Borrowing cost	(0)	(0)	(0)
Corporate expenses	(396)	(239)	(184)
Administration expenses	(348)	(299)	(407)
<b>Total expenses</b>	<b>(839)</b>	<b>(4,245)</b>	<b>(5,362)</b>
Profit/(loss) before income tax	1,357	(3,801)	176
Income tax benefit/(expense)	(5)	903	(901)
<b>Net profit/(loss) after tax</b>	<b>1,351</b>	<b>(2,899)</b>	<b>(725)</b>

Source: Bentley 2007, 2008 Annual Reports and 30 June 2009 Preliminary Final Report

### 3.4.2 Financial position

The following table summarises the consolidated balance sheets of Bentley as at 30 June 2007 (audited), 2008 (audited), 2009 (audited) and 31 July 2009 (unaudited):

**Figure 4: Bentley's historical consolidated balance sheet**

All figures \$'000s as at	Audited 30 June 2007	Audited 30 June 2008	Audited 30 June 2009	Unaudited 31 July 2009
<b>Current assets</b>				
Cash and cash equivalents	761	334	14,650	3,020
Financial assets at fair value	19,797	15,851	12,759	24,748
Trade and other receivables	-	38	447	447
<b>Total current assets</b>	<b>20,559</b>	<b>16,223</b>	<b>27,856</b>	<b>28,215</b>
<b>Non-current assets</b>				
Property, plant and equipment	6	4	9	9
Deferred tax asset	187	913	7	7
<b>Total non-current assets</b>	<b>193</b>	<b>917</b>	<b>16</b>	<b>16</b>
<b>Total assets</b>	<b>20,752</b>	<b>17,140</b>	<b>27,872</b>	<b>28,230</b>
<b>Current liabilities</b>				
Trade and other payables	464	141	111	102
<b>Total current liabilities</b>	<b>464</b>	<b>141</b>	<b>111</b>	<b>102</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities and other	187	12	13	22
<b>Total non-current liabilities</b>	<b>187</b>	<b>12</b>	<b>13</b>	<b>22</b>
<b>Total liabilities</b>	<b>651</b>	<b>153</b>	<b>124</b>	<b>123</b>
<b>Net assets</b>	<b>20,100</b>	<b>16,987</b>	<b>27,748</b>	<b>28,107</b>

Source: Bentley 2007 and 2008 Annual Reports, 2009 Preliminary Final Report and Bentley management

### 3.5 Capital structure

The top 10 shareholders of Bentley as at 2 September 2009 are set out below:

**Figure 5: Bentley top 10 shareholders as at 2 September 2009**

	Number of shares	% of issued capital
Orion Equities Limited	20,513,783	28.7%
Rochester No 39 Pty Limited and associates	7,603,276	10.6%
Database Systems Ltd	7,481,544	10.5%
Bellwether Investments Pty Ltd and associates	3,490,316	4.9%
Mr Michael David Barnett	2,681,105	3.7%
Mr Peter Simpson and his associates	1,132,860	1.6%
Mr John Robert Dillon	1,126,045	1.6%
Patjen Pty Limited	557,441	0.8%
Mr James Lawrence Hadley & Mrs Maria Marlena Hadley	400,000	0.6%
Mr Andrew Graeme Moffat & Mrs Elizabeth Ann Moffat	297,176	0.4%
<b>Total 10 shareholders (total)</b>	<b>45,283,546</b>	<b>63.3%</b>
<b>Remaining shareholders balance</b>	<b>26,300,919</b>	<b>36.7%</b>
<b>Total Shares on Issue</b>	<b>71,584,465</b>	<b>100.0%</b>

Source: Bentley

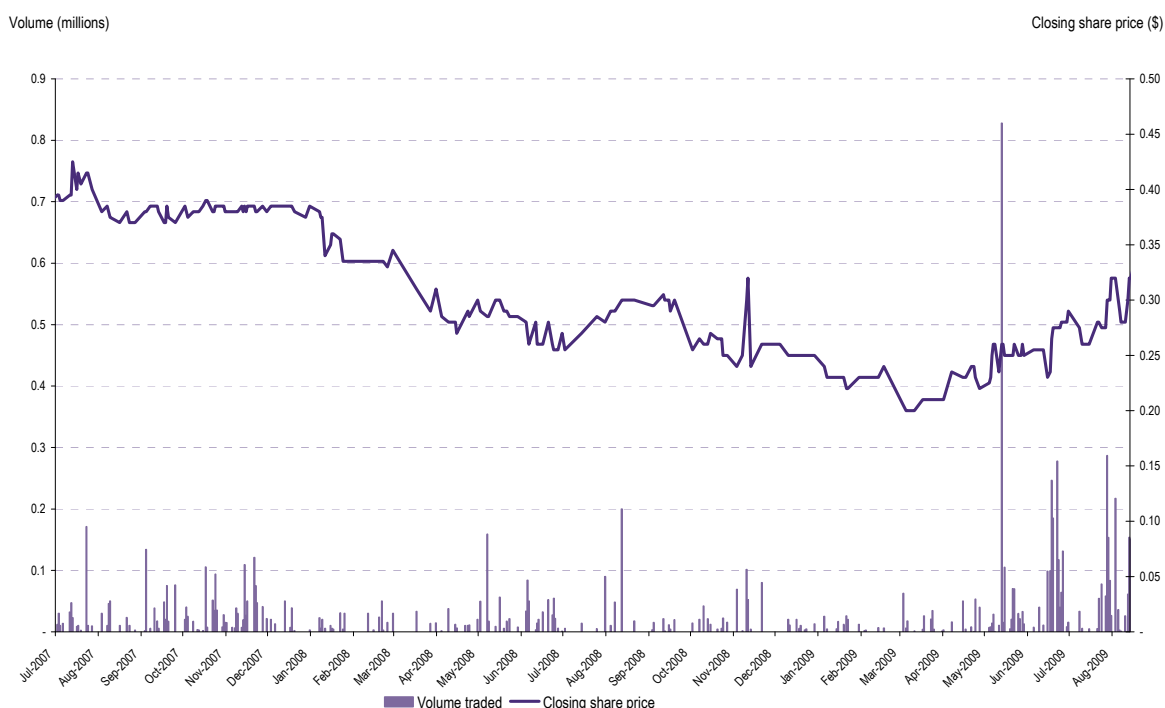


### 3.6 Historical share price and liquidity

#### 3.6.1 Historical share price and volumes traded

The following chart shows the movements in Bentley's share price and volumes traded on ASX for the period from 1 July 2007 to the 13 August 2009, being the last trading date prior to the announcement of the Proposed Buy-back on 14 August 2009:

**Figure 6: Bentley historical share price and volume traded - 1 July 2007 to 13 August 2009**



Source: Reuters and calculations

We note that the last traded share price at the date of this report was \$0.315 and the closing share price on 14 August 2009 was \$0.32. Recent events that may have had an impact on Bentley's share price include, inter alia:

- Mr Michael Barnett ceased to be a substantial shareholder on 26 August 2009;
- Between 18 June 2009 and 26 August 2009, Database Systems Limited acquired 7,481,544 shares on market to become a substantial shareholder;
- Between 19 June 2009 and 25 June 2009, WAM Capital Limited and associated entities acquired 413,159 shares on market to become a substantial shareholder. WAM Capital Limited ceased to be a substantial shareholder on 18 August 2009;
- On 13 May 2009 and 18 May 2009, Mr Peter Simpson and associated entities increased his shareholding in the Company via the on-market acquisition of 680,013 and 48,000 shares respectively;
- On 13 March 2009, Bentley merged with the then ASX listed investment company, Scarborough Equities Limited;

- On 10 & 11 November 2008, Bellwether Investments Pty Ltd acquired a substantial holding in Bentley via on-market and off-market purchases. Bellwether Investments Pty Ltd ceased to be a substantial shareholder on 19 August 2009;

### 3.6.2 Volume weighted average share price and liquidity history

Set out below is the volume weighted average share price and liquidity in trading in Bentley shares during the 12 months preceding 13 August 2009:

**Figure 7: Bentley's liquidity and share price history - 14 August 2008 to 13 August 2009**

	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
Prior to 14 August 2009					
1 week	0.320	0.280	0.309	241,032	0.34%
1 month	0.320	0.260	0.302	1,245,199	1.74%
3 months	0.320	0.230	0.280	3,004,583	4.20%
6 months	0.320	0.200	0.271	4,256,441	6.05%
12 months	0.320	0.200	0.270	5,030,266	7.97%
18 months	0.345	0.200	0.274	6,433,845	11.46%

Source: Reuters and calculations

Based on our analysis of the share price and volume of Bentley as set out above, we note that the trading volumes over the period prior to the announcement of the Proposed Buy-back on 14 August 2009 were low with the equivalent of 4.2% of the total number of shares on issue traded during the past 3 months at a weighted average price of approximately 28.0 cents.

## 4 Impact of the Proposed Buy-back

In assessing the Proposed Buy-back, we have considered the potential impact that it will have on Bentley's cash and investment position, NTA per share, share structure and control of Bentley.

### 4.1 Impact on cash and investment position

The consideration for the Proposed Buy-Back will be paid out of Bentley's cash reserves and the proceeds of sale of liquid investments held by Bentley. If the total amount of the Buy-back Limit are bought back, Bentley will pay approximately \$8.75 million in consideration for shares tendered under the Proposed Buy-Back.

The actual amount of cash that Bentley will be required to pay to fund the Proposed Buy-Back will depend on the number of Shares tendered under the Proposed Buy-Back.

The unaudited pre and post tax NTA of Bentley as at 31 July 2009 was approximately \$28 million, comprising:

- Approximately \$25 million invested in the FSP Leaders Fund (of which units will be redeemed to meet the cost of the Buy-Back if required); and
- Approximately \$3 million in cash invested in bank deposit accounts.

Following payment of the consideration (assuming no material movements occur in the value of Bentley's investments), Bentley anticipates it will maintain NTAs of approximately \$19 million.

### 4.1 Impact on NTA per share

The table below sets out the impact on NTA per share (based on 31 July 2009 NTAs) under a number of scenarios for illustrative purposes.

**Figure 8: Pro-forma effect on NTA per share**

	Level of participation within the Buy-Back Limit			
	25.0%	50.0%	75.0%	100.0%
<b>Current as at 31 July 2009</b>				
Number of shares on issue	71,584,465	71,584,465	71,584,465	71,584,465
Post-tax NTA (31 July 2009) (\$)	28,106,772	28,106,772	28,106,772	28,106,772
<b>NTA per share as at 31 July 2009 (cents)</b>	<b>39.3</b>	<b>39.3</b>	<b>39.3</b>	<b>39.3</b>
<b>Effect of the Proposed Buy-back</b>				
Number of Shares bought back	6,250,000	12,500,000	18,750,000	25,000,000
Approximate cost of the Buy-Back (\$)	2,187,500	4,375,000	6,562,500	8,750,000
<b>Pro-forma post buy-back</b>				
Number of shares on issue	65,334,465	59,084,465	52,834,465	46,584,465
Post-tax NTA (pro-forma) (\$)	25,919,272	23,731,772	21,544,272	19,356,772
<b>NTA per share Pro-forma (cents)</b>	<b>39.7</b>	<b>40.2</b>	<b>40.8</b>	<b>41.6</b>
Uplift in NTA per Share (31 July 2009)	0.4	0.9	1.5	2.3
% Uplift in NTA Backing per share (31 July)	1.0%	2.3%	3.9%	5.8%

Source: Bentley

As shown above, the Proposed Buy-back is expected to have a positive impact on NTA per share. This is because the Buy-back Price of 35 cents per share is lower than Bentley's NTA per share.

## 4.2 Impact on share structure and control of Bentley

Shares bought back under the Proposed Buy-Back will be cancelled and accordingly the Proposed Buy-Back could reduce the total number of Shares on issue from 71,584,465 to 46,584,465.

Shareholders who do not participate in the Proposed Buy-Back will increase their voting power in the Company. It is not possible to ascertain how the voting power in the Company will change as between the Company's current major shareholders as this will be dependent on the extent of each of their participation in the Proposed Buy-Back (if at all) and the ultimate total level of participation by Bentley shareholders.

The table below sets out for illustrative purposes only, the post Buy-back shareholdings of the top 5 shareholders of Bentley assuming they do not participate in the Proposed Buy-back and the Buy-back Limit is reached:

**Figure 9: Illustrative maximum shareholdings post the Proposed Buy-back**

Top 5 shareholders	% of issued capital	
	Pre Buy-Back	Post Buy-Back
Orion Equities Limited	28.7%	44.0%
Rochester No 39 Pty Limited and associates	10.6%	16.3%
Database Systems Ltd	10.5%	16.1%
Bellwether Investments Pty Ltd and associates	4.9%	7.5%
Mr Michael David Barnett	3.7%	5.8%

Source: Bentley

Note 1: Assumes no participation by the major shareholders and the Buy-back Limit is reached

We note that Bentley's largest shareholder, Orion Equities Limited, would hold 44.0% of the issued capital post the Proposed Buy-back if it does not participate in the Proposed Buy-back and the Buy-back Limit is reached.

## 5 Valuation methodologies

### 5.1 Introduction

For the purpose of our opinion the underlying value of Bentley has been derived on a fair market value basis, which is typically defined as:

*“The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm’s length.”*

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

### 5.2 Methodology selected to value Bentley

We note that the key business and operations of Bentley is the investment in listed shares. Accordingly, we have adopted the orderly realisation of assets approach to value 100% of the issued capital in Bentley for the purpose of this report. When applying the orderly realisation of assets approach, the resulting value represents 100% of the value of the company and includes a premium for control.

For the purpose of this report, we have based our valuation on the 31 July 2009 unit prices of the investment portfolio and the most recent financial position of Bentley made available to us, being the financial position as at 31 July 2009. We note that the balance sheet of Bentley as at 31 July 2009 has not been audited or reviewed by an auditor.

In addition, we have arrived at the orderly realisation of assets value by adjusting for the time, cost and taxation consequences of realising the company's assets.

Consequently, the fair market value of Bentley has been assessed by aggregating:

- the fair value of Bentley's investment portfolio;
- the realisable value of other assets net of liabilities; and
- estimated realisation costs and costs to wind-up the Company.

Bentley is a listed Australian company and is quoted on ASX. We have utilised the market value of listed securities approach to cross check our values under the orderly realisation of assets approach.

## 6 Valuation of Bentley

### 6.1 Financial position as at 31 July 2009

As discussed in Section 5 of this report, we have used the balance sheet of Bentley as at 31 July 2009 as a base to our orderly realisation of assets valuation. The balance sheet of Bentley as at 31 July 2009 (unaudited) is set out below:

**Figure 10: Bentley's balance sheet as at 31 July 2009**

All figures \$'000s as at	Unaudited 31 July 2009
<b>Current assets</b>	
Cash and cash equivalents	3,020
Financial assets at fair value through profit and loss	24,748
Trade and other receivables	447
<b>Total current assets</b>	<b>28,215</b>
<b>Non-current assets</b>	
Property, plant and equipment	9
Deferred tax asset	7
<b>Total non-current assets</b>	<b>16</b>
<b>Total assets</b>	<b>28,230</b>
<b>Current liabilities</b>	
Trade and other payables	102
<b>Total current liabilities</b>	<b>102</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities and other	22
<b>Total non-current liabilities</b>	<b>22</b>
<b>Total liabilities</b>	<b>123</b>
<b>Net assets</b>	<b>28,107</b>

Source: Bentley management

### 6.2 The fair value of Bentley's investment portfolio

'Financial assets at fair value through profit and loss' as at 31 July 2009 represents investments solely in FSP Leaders Fund managed by FSP. Bentley's investment in FSP Leaders Fund is measured at fair value at month end based on the bid price (where available) and last sale price (where bid price is not available) and excludes disposal costs. The fair value of Bentley's investment in the FSP Leaders Fund is valued at the unit price at month end published by FSP and such unit price reflects the net tangible asset backing of FSP Leaders Fund and no buy/sell spread or exit fees are charged to Bentley.

For the purposes of our report we have assessed the current fair market value of Bentley's investment portfolio equal to the book value shown for the 31 July 2009, being in the order of \$24.75 million.

### 6.3 The realisable value of other assets net of liabilities

Other assets and liabilities have been valued based on their net book value as at 31 July 2009 and are summarised in the following table:

**Figure 11: Bentley's other assets and liabilities as at 31 July 2009**

All figures \$'000s as at	Unaudited 31 July 2009
<b>Other assets and liabilities</b>	
Cash and cash equivalents	3,020
Trade and other receivables	447
Property, plant and equipment	9
Deferred tax asset	7
Trade and other payables	(102)
Deferred tax liabilities and other	(22)
<b>Total other assets net of liabilities</b>	<b>3,359</b>

Source: Bentley management

For the purposes of our report we have assessed the current fair market value of Bentley's other assets net of liabilities equal to the book value shown for the 31 July 2009, being in the order of \$3.36 million.

### 6.4 Estimated realisation costs and costs to wind-up the Company

For the purposes of our report, we have adjusted the realisable value of net assets assessed above for expected costs associated with the notional realisation and the wind-up of the Company in the range of \$0.2 million to \$0.5 million. These costs include:

- overheads and other administrative expenses during a reasonable realisation period;
- transaction costs incurred on the (notional) realisation of the units in the FSP Leaders Fund; and
- employee redundancy and management contract break costs.

### 6.5 Other consideration - franking credits

We note that Bentley had accumulated franking credit of approximately \$4.0 million as at 31 July 2009 as part of their operation as a LIC. Given the uncertainty over the timing and value of franking credits that may be realised to Bentley shareholders under an orderly realisation of assets, and in particular foreign shareholders, we have not ascribed any value to the franking credits held by Bentley.

### 6.6 Other consideration – accumulated tax loss benefit

We note that Bentley had an accumulated tax loss benefit of approximately \$5.0 million as at 30 June 2009. Given the uncertainty over the timing and value of the accumulated tax loss benefit that may be realised by Bentley, and in particular as the tax losses are predominantly foreign losses, we have not ascribed any value to the accumulated tax loss position of Bentley.



## 6.7 Summary value under an orderly realisation of assets

The following table summarises our valuation assessment of Bentley:

Figure 12: Summary valuation

All figures \$'000s	Low	High
<b>Other assets and liabilities</b>		
Fair value of investment portfolio	24,748	24,748
Realisable value of other assets net of liabilities	3,359	3,359
Estimated realisation costs and costs to wind-up the Company	(500)	(200)
<b>Value of 100% of Bentley on a stand alone basis</b>	<b>27,607</b>	<b>27,907</b>
Number of shares on issue	71,584,465	71,584,465
<b>Value per share (cents)</b>	<b>38.6</b>	<b>39.0</b>

Source: Grant Thornton calculations

We have assessed the value of a Bentley share in the range 38.6 cents to 39.0 cents, with a midpoint of 38.8 cents.

## 6.8 Valuation cross check

Bentley is a listed Australian company and is quoted on ASX. We have utilised the market value of listed securities approach to cross check our values under the orderly realisation of assets approach.

Set out below is an analysis of share market prices and volume for Bentley in the 18 month period to the last trading date prior to announcement of the Proposed Buy-back on 14 August 2009:

Figure 13: Bentley's liquidity and share price history - 14 August 2008 to 13 August 2009

Prior to 14 August 2009	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
1 week	0.320	0.280	0.309	241,032	0.34%
1 month	0.320	0.260	0.302	1,245,199	1.74%
3 months	0.320	0.230	0.280	3,004,583	4.20%
6 months	0.320	0.200	0.271	4,256,441	6.05%
12 months	0.320	0.200	0.270	5,030,266	7.97%
18 months	0.345	0.200	0.274	6,433,845	11.46%

Source: Reuters and calculations

In relation to the above we note that:

- LICs often trade at a discount to their reported NTA after tax. We note that throughout the 12 months prior to 14 August 2009 Bentley shares traded at a discount to reported NTA after tax;
- The volume of Bentley shares traded over the past period has been limited. Low liquidity in a company's shares can result in increased volatility in share prices and reduced meaningfulness of traded share prices as an indicator of fair market value;
- During the period analysed above, Bentley underwent a significant structural event via the merger with Scarborough Equities Limited. We are unable to ascertain the degree to which speculative

trading surrounding the merger may have impacted the share price data or the relevance of traded share prices prior to the merger; and

- Under an orderly realisation of assets approach, the value of net assets determined implicitly assumes 100% control of those assets, and as such includes a premium for control. The traded share price reflects transactions in minority share parcels and do not reflect a value based on 100% of the entity. Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

## 7 Evaluation of the Proposed Buy-back

In forming our opinion on the Proposed Buy-back we have:

- compared the Buy-back Price to our assessed current fair market value of a Bentley share (on a 100% of Bentley / full control value); and
- considered the other potential advantages and disadvantages of the Proposed Buy-back to the Continuing Shareholders

### 7.1 Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Buy-back **is fair and reasonable to the Continuing Shareholders**.

Our opinion expressed above relates to the potential impact of the Proposed Buy-back upon the Continuing Shareholders only. The decision of whether or not to approve the Proposed Buy-back is a matter for each of the shareholders of Bentley based on their own views of the value of Bentley and expectations about future market conditions, Bentley performance, risk profile and investment strategy. Shareholders should have regard to the Notice of Meeting prepared by the Directors and management of Bentley. If Bentley shareholders are in doubt about the action they should take in relation to the Proposed Buy-back, they should seek their own professional advice.

We have not provided an opinion as to whether Bentley shareholders should participate in the Proposed Buy-back tender process.

### 7.2 Fairness of the Proposed Buy-back

We set out below a comparison between our assessment of the fair market value of a Bentley share and the Buy-back Price:

**Figure 14: Assessment of fairness**

All figures cents	Low	High
<b>Assessment of fairness</b>		
Fair market value of a Bentley share	38.6	39.0
The Buy-back Price	35.0	35.0
<b>Difference</b>	<b>3.6</b>	<b>4.0</b>

Source: Grant Thornton calculations

Based on our calculations, the Buy-back Price is below our assessed value of a Bentley share. Accordingly, we conclude that the Proposed Buy-back is fair to the Continuing Shareholders.

Bentley shares were trading at a weighted average price of approximately 30.2 cents per share for the month prior to the announcement of the Proposed Buy-back. This recent trading price is at a substantial discount to both our valuation of a Bentley share (22.2% below our midpoint value) and the reported NTA value per share as at 31 July 2009 (23.2% below NTA).

### **7.3 Reasonableness of the Proposed Buy-back**

#### **Reasonableness of the Proposed Buy-back**

As the Proposed Buy-back is fair to the Continuing Shareholders, the Proposed Buy-back is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Buy-back.

##### **7.3.1 Likely advantages associated with the Proposed Buy-back**

If the Proposed Buy-back goes ahead, the likely advantages include:

#### ***Favourable Proposed Buy-back terms***

The cash consideration that would be paid under the Proposed Buy-back is lower than the fair market value we have assessed for a Bentley share. Accordingly the Company would be buying back shares at a discount to their underlying value.

#### ***Opportunity for shareholders who are seeking to realise their investment in Bentley to do so via an off-market transaction***

Some Bentley shareholders have indicated a desire for a return of capital. The Proposed Buy-back, if it proceeds, will be an opportunity for eligible shareholders to exit part or all of their investment through an off-market transaction at a premium to the recent trading prices of Bentley shares. Given the low historical liquidity of Bentley shares, if such shareholders were to instead dispose of their holdings on the market, it would likely create downward pressure on the trading price of Bentley shares, which may disadvantage the Continuing Shareholders.

#### ***Potential increase of relative interest in Bentley for Continuing Shareholders***

The potential reduction in the number of Bentley shares on issue post the reduction would result in the ownership interest of the Continuing Shareholders increase as a result of the proposed Buy-back. Should this occur, the Continuing Shareholders will have a relatively greater voting capacity and share in any increase in the underlying value of Bentley.

#### ***Potential increase of NTA per share***

The Buy-back Price is at a discount to the NTA per share as at 31 July 2009. Should the NTA per share remain above the Buy-back Price at the date of any buy-back, the buy-back would increase the NTA per share. Based on the 31 July 2009 NTA per share of 39.3 cents, the NTA per share would potentially increase to approximately 41.6 cents (assuming the Buy-back Limit is reached).

#### ***Opportunity to participate in the Proposed Buy-back whilst continuing as a Bentley shareholder***

Bentley shares have historically experienced low trading volumes, limiting the opportunities for shareholders to exit their investment in Bentley. Participation in the Proposed Buy-back, should it go ahead, is optional and available to all eligible Bentley shareholders. Eligible Bentley shareholders who participate in the Proposed Buy-back will receive 35 cents per share bought back, a premium to the recent trading prices of Bentley shares. This will allow continuing Bentley shareholders to realise part of their investment, should they choose to do so, at a premium to recent trading prices and with no transaction costs.

### ***Franking credits and accumulated tax losses***

Bentley currently has approximately \$4.0 million of franking credits and an accumulated tax loss benefit of approximately \$5.0 million as at 30 June 2009. The proportionate interest of the Continuing Shareholders in the franking credits and accumulated tax losses will increase following the Proposed Buy-back. Although the timing of realisation and the value (if any) of franking credits and accumulated tax losses is uncertain, the Continuing Shareholders may ultimately benefit from an increased proportionate interest in these taxation balances.

### **7.3.2 Likely disadvantages associated with the Proposed Buy-back**

The likely disadvantages associated with the Proposed Buy-back include:

#### ***Potential for relative increase in interest for Bentley's largest shareholder***

The Proposed Buy-back may provide Bentley's largest shareholder, Orion Equities Limited, with the ability to increase its influence on the Company. Should the Proposed Buy-back go ahead there is the potential for Orion Equities Limited relative interest in Bentley to increase from 28.7% to 44.0%, assuming the Buy-back limit is reached and Orion Equities Limited does not participate in the Proposed Buy-back.

#### ***Decrease in overall size of Bentley and impact on management expense ratio***

Should the Proposed Buy-back go ahead, Bentley's net assets will be reduced to fund the buy-back up to a maximum reduction of \$8.75 million if the Buy-back limit is reached. This decrease in overall size will increase the Company's MER as a result of the Company's fixed operational expenses being allocated over a smaller net asset base. Further we note that the market trading prices of shares in LICs that have a smaller capital base may suffer a greater level of discount to NTA per share.

#### ***Decrease in number of shares on issue and potential impact on liquidity***

Should the Proposed Buy-back go ahead, there will be a reduction of up to 25 million, or approximately 35%, in the number of Bentley shares on issue. This decrease in shares on issue may reduce the free float and attractiveness of Bentley shares to investors which may result in decreased liquidity of its shares.

### **7.3.3 Other considerations**

Other considerations include:

#### ***Impact on current Bentley share price***

We note that since the announcement of the Proposed Buy-back Bentley shares have traded at prices slightly below the Buy-back Price. This is higher than recent trading levels and may be being supported by investors' expectations surrounding the Proposed Buy-back. Should the Proposed buy-back not be approved, or following the completion of the Proposed Buy-back should it go ahead, it is possible that the Bentley share price will revert to the previous traded price levels.

#### ***No support from Bentley Directors***

As set out in the Notice of Meeting the Directors of Bentley unanimously recommends that Bentley shareholders vote against the Proposed Buy-back. The Notice of Meeting also states that "...Orion Equities Limited and each of Peter Simpson and his associates have voluntarily undertaken to the Company not to vote to approve the Resolution. Each may, at its election, vote against the [Proposed Buy-back] or abstain from voting. These undertakings have been given to enable those Shareholders who are not associated with the major Shareholder and

*with Director related Shareholders to determine whether to approve the Resolution given the potential for the major Shareholders and Director related Shareholders to increase their shareholding interest in the Company...”*

***Potential for only a proportionate buy-back for participating shareholders***

Should the Buy-back limited be exceeded, the Proposed Buy-back would result in a proportionate buy-back offer to all participating shareholders. A proportionate buy-back offer to all participating shareholders may still result in some shareholders seeking to dispose of their remaining shares on-market, albeit this would be disposals of smaller parcels or shares. As previously discussed, a substantial disposal of shares on-market may create downward pressure on the trading price of Bentley shares.

***Disposal of investments to meet the Proposed Buy-back cash requirements***

Should the Proposed Buy-back go ahead, Bentley may need to dispose of investments to fund the buy-back of the tendered shares. The timing of the sale of investments will be driven by the timing of the Proposed Buy-back and may not be consistent with Bentley’s investment strategies.

***Tax liability***

Bentley shareholders who participate in the Proposed Buy-back, should it go ahead, may incur a tax liability. Participating Bentley shareholders should consult their tax advisors in relation to their personal circumstances.

**7.3.4 Reasonableness conclusion**

Based on the above likely advantages and disadvantages associated with the Proposed Buy-back, it is our opinion that the Proposed Buy-back is reasonable to the Continuing Shareholders.

**7.4 Overall conclusion**

After considering the abovementioned quantitative and qualitative factors relevant to the Continuing Shareholders, we have formed our opinion that the Proposed Buy-back is fair and reasonable to the Continuing Shareholders.

## **8 Sources of information, disclaimer and consents**

### **8.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Bentley Notice of General Meeting and Explanatory Memorandum dated 3 September 2009;
- Discussions with the management and directors of Bentley;
- Bentley's audited Full Year Report for the year ended 30 June 2009;
- Bentley's audited financial report for the year ended 30 June 2008;
- Bentley's audited financial report for the year ended 30 June 2007;
- Bentley's audit reviewed financial report for the half year ended 31 December 2008;
- Bentley Management Reports for the period ending 31 July 2009, including unaudited financial statements;
- Bentley Financial Position Board Memo as at 19 August 2009
- Application for further investment in FSP Equities Leaders Fund letters dated 12 August 2009;
- Bentley's FSP June 2009 Distribution Statements dated 15 July 2009;
- Bentley's FSP July 2009 Unitholder Monthly Statements dated 12 August 2009;
- Bentley's announcement regarding the Proposed Off Market Share Buy-Back dated 14 August 2009;
- Bentley NTA Backing as at 31 July 2009 announced to ASX on 13 August 2009;
- Bentley Results of General Meeting announced to ASX on 7 August 2009;
- Bentley Company Update announced to ASX on 3 August 2009;
- Bentley Company Update announced to ASX on 17 June 2009;
- Bentley Notice of General Meeting and Explanatory Memorandum dated 9 July 2009;
- Bentley Top 25 shareholders report dated 2 September 2009;
- Bentley's internet website;
- Reuters;
- other ASX announcements; and
- other publicly available information.

### **8.2 Qualifications and independence**

Grant Thornton Corporate Finance holds Australian Financial Service Licence number 259864 under the Corporations Act 2001 and its Directors and authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Bentley and all other parties involved in the Proposed Buy-back with reference to the RG 112 and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to Bentley, its shareholders and all other parties involved in the Proposed Buy-back.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Bentley or

its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Buy-back.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Buy-back, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Buy-back. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

### **8.3 Limitations and reliance on information**

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Bentley and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Bentley and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Bentley.

This report has been prepared to assist the directors of Bentley in advising Bentley shareholders in relation to the Proposed Buy-back. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Buy-back is fair and reasonable to the Continuing Shareholders.

Bentley has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Bentley, which Bentley knew or should have known to be false and/or reliance on information, which was material information Bentley had in its possession and which Bentley knew or should have known to be material and which Bentley did not provide to Grant Thornton Corporate Finance. Bentley will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.



#### **8.4 Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Statement to be sent to the shareholders of Bentley. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

## **Appendix A – Valuation methodologies**

### **Capitalisation of future maintainable earnings**

ASIC Regulatory Guide 111 provides guidance on the methodologies that an independent expert should consider when valuing a company, assets or securities for the purposes of forming an opinion as to the fairness of the Proposed Buy-back pursuant to the Corporations Act.

The valuation methods are:

- the discounted cash flow method;
- the capitalisation of future maintainable earnings method;
- comparable market transactions;
- Net asset backing / orderly realisation of assets; and
- the market value of listed securities.

### **Discounting projected cash flows**

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### **Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### **Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

### **Net asset backing / Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### **Market value of listed securities**

Market value is the price per issued share as quoted on ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

## Appendix B – Glossary

\$	Australian dollar
AAS 902	Australian Auditing Standards 902
Bentley or the Company	Bentley Capital Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
the Buy-back Limit	25 million Bentley shares
CAPM	Capital Asset Pricing Model
cents	Australian cents
Continuing Shareholders	the continuing shareholders of Bentley post the completion of the Proposed Buy-back, should it go ahead
Corporations Act	Corporations Act 2001
Corporations Regulations	Corporations Regulations 2001
DCF	Discounted cash flow
FSG	Financial Services Guide
FSP	FSP Equities Management Limited
FSP Leaders Fund	FSP Equities Leaders Fund
Grant Thornton Corporate Finance	Grant Thornton (WA) Financial Services Pty Ltd
LIC	Listed investment company
MER	Management Expense Ratio
the Notice of Meeting	Bentley's Notice of Meeting and Explanatory Statement dated 3 September 2009
NTA	Net tangible assets
the Buy-back Price	35 cents per share
the Proposed Buy-back	The proposed off-market share buy-back announced by Bentley on 14 August 2009
RG 74	ASIC Regulatory Guide 74 <i>Acquisitions agreed to by shareholders</i>
RG 111	ASIC Regulatory Guide 111 <i>Content of expert reports</i>
RG 112	ASIC Regulatory Guide 112 <i>Independence of experts</i>
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital



## TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

### Venue

The General Meeting of the shareholders of Bentley Capital Limited will be held at:

Swissôtel Sydney	Commencing	11:00 am Sydney time
Oak Room		Friday
Lobby Level		9 October 2009
68 Market Street		
Sydney, New South Wales		

### 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.

### Voting in Person

To vote in person, attend the General Meeting on the date and at the venue out above.

### Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and return it to the Company Secretarial office, either:

- by facsimile to (08) 9322 1515; or
- by mail or delivery to Bentley Capital Limited, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth WA 6000

so that it is received **not later than 11:00am Sydney time on Wednesday, 7 October 2009**.

### Bodies corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. A properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the General Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

### Voting by Attorney

A Shareholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the General Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or one of the addresses listed above for the receipt of proxy appointments at least 48 hours before the General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

### Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the *Corporations Act* and regulation 7.11.37 of the *Corporations Regulations*, the Company has determined that for the purposes of the General Meeting all Shares in the Company will be taken to be held by the persons who held them as registered Shareholders at 7:00pm Sydney time on Wednesday, 7 October 2009 (**Voting Entitlement Time**). Subject to the voting exclusions noted (if any), all holders of Shares in the Company as at the Voting Entitlement Time will be entitled to vote at the General Meeting.

# Bentley Corporate Directory

## Registered office

Suite 202, Angela House  
30-36 Bay Street  
Double Bay, New South Wales 2028

Telephone: (02) 9363 5088  
Facsimile: (02) 9363 5488

## Directors

Farooq Khan (Chairman)  
William M. Johnson (Director)  
Simon K. Cato (Director)  
Peter P. Simpson (Director)  
Christopher B. Ryan (Director)

## Company Secretary

Victor P.H. Ho

## Investment Manager

FSP Equities Management Limited  
Level 39, Australia Square  
264-278 George Street  
Sydney, New South Wales 2000

Telephone: (02) 9253 8500  
Facsimile: (02) 9253 8540

## Independent Expert

Grant Thornton (WA) Financial Services Pty Ltd  
Level 1, 10 Kings Park Road  
West Perth, Western Australia 6005

Telephone: (08) 9480 2000  
Facsimile: (08) 9322 7787  
Web: [www.grantthornton.com.au](http://www.grantthornton.com.au)

## Chairman's and Company Secretarial Office:

Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth, Western Australia 6000

Telephone (within Australia): 1300 762 678  
Telephone: (08) 9214 9757  
Facsimile: (08) 9322 1515  
Email: [info@bel.com.au](mailto:info@bel.com.au)  
Web: [www.bel.com.au](http://www.bel.com.au)

## Auditors

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
Subiaco, Western Australia 6008

Telephone: (08) 9380 8400  
Facsimile: (08) 9380 8499  
Web: [www.bdo.com.au](http://www.bdo.com.au)

## Stock Exchange

Australian Securities Exchange (ASX)  
Sydney, New South Wales

ASX Code: SCB

## Share Registry

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands, Western Australia 6009

Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871  
Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
Web: [www.advancedshare.com.au](http://www.advancedshare.com.au)

## Legal Advisers

Blake Dawson  
Level 32, Exchange Plaza  
2 The Esplanade  
Perth, Western Australia 6000

Telephone: (08) 9366 8000  
Facsimile: (08) 9366 811  
Web: [www.blakedawson.com](http://www.blakedawson.com)



ASX Code: BEL

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

**Registered Office:**

Suite 202, Angela House  
30-36 Bay Street  
Double Bay, New South Wales 2028

**T** | (02) 9363 5088  
**F** | (02) 9363 5488

**Share Registry:**

Advanced Share Registry Services  
Suite 2, 150 Stirling Highway  
Nedlands, Western Australia 6009

**T** | (08) 9389 8033  
**F** | (08) 9389 7871  
**E** | [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
**W** | [www.advancedshare.com.au](http://www.advancedshare.com.au)

**Company Secretarial Office:**

Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth, Western Australia 6000

**Local T** | 1300 762 678  
**T** | (08) 9214 9757  
**F** | (08) 9322 1515  
**E** | [info@bel.com.au](mailto:info@bel.com.au)  
**W** | [www.bel.com.au](http://www.bel.com.au)



# PROXY FORM

**Bentley Capital Limited**

**A.B.N. 87 008 108 218**

Website: [www.bel.com.au](http://www.bel.com.au) Email: [info@bel.com.au](mailto:info@bel.com.au)

**PLEASE RETURN TO:**

The Company Secretary

Bentley Capital Limited

Level 14, The Forrest Centre

221 St Georges Terrace, Perth WA 6000

Local Call: 1300 762 678 or Enquiries: (08) 9214 9757

Facsimile: (08) 9322 1515

Mark this box with an 'X' if you want to make any changes to your address details (see reverse)

{Name1}

{Name2}

{Name3}

{Name4}

{Name5}

{Name6}

Our Reference: BEL / {SUB-REGISTER} / {HOLDERID}

Shareholding as at 7 September 2009: {UNITS}

## A. Appointment of Proxy

I/We being a member/s of Bentley Capital Limited and entitled to attend and vote hereby appoint

The Chairman of the Meeting (mark with an "X") *(If you have appointed the Chairman of the Meeting to exercise your proxy, by marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a particular resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote all Chairman's Open Proxies against the resolution.)*

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the General Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Bentley Capital Limited to be held at the **Swissôtel Sydney, Oak Room, Lobby Level, 68 Market Street, Sydney, New South Wales, at 11:00 am Sydney time on Friday, 9 October 2009** and at any adjournment of such General Meeting.

## B. Voting directions to your proxy - please mark to indicate your directions

RESOLUTION

For

Against

Abstain\*

1. Approval of buy-back of shares

If to proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## C. PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

-----  
Contact Name

-----  
Contact Daytime Telephone

-----  
Date

Email: -----

## INSTRUCTIONS FOR COMPLETING PROXY FORM

1. **Change of Address**

Your pre-printed name and address is as it appears on the share register of Bentley Capital Limited. If this information is incorrect, please mark the box at the top of the proxy form and make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Completion of a proxy form will not prevent individual shareholders from attending the General Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the General Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the General Meeting.

3. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.

4. A proxy need not be a shareholder of the Company.

5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a poll and that your shares are not to be counted in computing the required majority on a poll.

6. If a representative of a company shareholder is to attend the General Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the General Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

7. **Signing Instructions**

You must sign this form as follows in the spaces provided in **Section C**:

**Individual:** Where the holding is in one name, the holder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders should sign.

**Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified copy of the appropriate Power of Attorney with your completed Proxy Form and produce a properly executed original (or certified copy) of that Power of Attorney at the General Meeting.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

8. **Lodgment of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below **not later than 11:00 am Sydney time on Wednesday, 7 October 2009** (48 hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxy Forms may be lodged:**

- by posting, delivery or facsimile to the Company's Company Secretarial office below:

Bentley Capital Limited  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth WA 6000

Facsimile: (08) 9322 1515