



Thursday, 20 November 2008

MARKET ANNOUNCEMENT

Company Update

Proposed Merger Discussions

Bentley International Limited (**Bentley**) and Scarborough Equities Limited (**Scarborough**) are pleased to announce that they are in discussions to merge the two listed investment companies (**LIC's**) under a scheme of arrangement.

Both Bentley and Scarborough are relatively small players in an industry dominated by much larger LIC's. The merger of these companies will create a single LIC with a larger capital and shareholder base.

The merged group will have:

- (a) Net Tangible Assets (**NTA**) of approximately \$30 million (after tax) (based on the after tax NTA of Bentley of \$15.64 million and Scarborough of \$14.14 million as at 31 October 2008¹;
- (b) approximately 2,442 shareholders (based on the shareholders of Bentley of 1,188 and Scarborough of 1,254 as at 18 November 2008);
- (c) a reduced management expense ratio (**MER**) as a result of the removal of duplication of expenses such as ASX listing fees, share registry fees, auditing fees, compliance costs and other public listed company costs;
- (d) potentially greater flexibility in capital raising;
- (e) potentially improved liquidity; and
- (f) a flexible investment mandate (subject to shareholder approval).

Bentley and Scarborough are currently in discussions in relation to the terms of the proposed merger.

It is anticipated that the merger consideration formula will be based on the post-tax NTA positions of Bentley and Scarborough.

Shareholder and Court approvals will be required for the proposed merger. Independent Expert's Reports on the proposed merger transaction will also be commissioned by each company.

¹ Refer [Bentley's ASX announcement of 14 November 2008 entitled "NTA and Portfolio Details as at 31 October 2008"](#) and [Scarborough's ASX announcement of 14 November 2008 entitled "Net Tangible Asset Backing as at 31 October 2008"](#)

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Bentley and Scarborough will provide more details about the proposed merger if and when a merger implementation agreement (which will set out the terms under which both companies have agreed to proceed with the merger by way of a scheme of arrangement) is executed.

About Scarborough Equities Limited (ASX Code: SCB)

Scarborough was incorporated in New South Wales in August 1993 and has been listed on ASX since August 1994.

Scarborough's principal activity is the management of its funds available for investment.

Scarborough's net assets comprise:

Net Assets	31 October 2006 (unaudited) \$'millions	30 June 2008 (audited) \$'millions	30 June 2007 (audited) \$'millions
Investment in the FSP Equities Leaders Fund (FSP Fund) managed by the Company's investment manager, FSP Equities Management Limited (FSP)	12.46	16.74	19.48
Other listed investments	-	-	4.31
Provision for income tax	1.60	(0.32)	(2.44)
Net cash on deposit / other assets / provisions	0.07	2.34	3.18
Total Net Assets	14.14	18.76	24.53

The FSP Fund is a wholesale fund not open to retail investors. The investment management team is led by Mr Ronni Chalmers. The objective of the fund is to outperform the S&P/ASX 200 Accumulation Index over the medium term. The investment manager is "style neutral" and invests in growth stocks, value stocks, stocks with maintainable dividend yields and special situations.

Scarborough's Directors are Farooq Khan (Chairman), William Johnson (Executive Director), Simon Cato (Non-Executive Director), Christopher Ryan (Non-Executive Director), and Alan Winduss (as Alternate Director of Mr Cato).

Please refer to Scarborough's website for further information: www.scarboroughequities.com.au

Alternate Directors Appointments

The following Alternate Director appointments have been made by the Company.

John R Hart – Alternate Non-Executive Director for Peter Simpson

Appointed – 19 November 2008

Qualifications – Bc.EC, FCA

Experience – Mr Hart has over 27 years experience in the accounting industry. Mr Hart is a Fellow of the Institute of Chartered Accountants and a Partner of Ferrier Hodgson (SA) specialising in Corporate Advisory and Corporate Recovery. Mr Hart is both a Registered and Official Liquidator and a member of the Insolvency Practitioners Association of Australia. Mr Hart is a non executive director of Berren Asset Management Limited which is the responsible entity of the publically listed International Wine Investment Fund. Mr Hart is also director and advisor to a number of private companies.

Relevant interest in shares – None

Special Responsibilities – None

Other current directorships in listed entities – Berren Asset Management Ltd as Responsible Entity of the International Wine Investment Fund (IWI) (since 16 May 2008)

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

Robin J Dean – Alternate Non-Executive Director for Christopher Ryan

Appointed – 19 November 2008

Qualifications – BEcon (UWA)

Experience – Mr Dean has a background in corporate banking and project finance over 25 years with Westpac and BankWest. In this roll he was involved in the development of numerous successful resources projects across a range of commodities including gold, copper, coal, oil and gas and was at the leading edge of developing risk management strategies for new resource projects. He is also experienced in fund raising, mergers and acquisitions and company restructures. Mr Dean has also managed public listed companies being formerly the managing director of the ASX listed companies St Barbara Mines Limited and Structural Monitoring Systems plc.

Relevant interest in shares – None

Special Responsibilities – None

Other current directorships in listed entities – Current Non Executive Director of:

- (1) Structural Monitoring Systems plc (SMN) (since 28 August 2003)
- (2) Structural Monitoring Systems Limited (since 29 November 1999)

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