



Friday, 28 November 2008

MARKET ANNOUNCEMENT

Proposed Merger Between Bentley International Limited (BEL) and Scarborough Equities Limited (SCB)

Bentley International Limited (**Bentley**) and Scarborough Equities Limited (**Scarborough**) are pleased to announce their proposed merger, subject to the necessary shareholder, regulatory and Court approvals, to form a single Listed Investment Company (**LIC**) with larger net tangible assets (**NTA**) (approximately \$30 million (after tax)¹) and shareholder base (approximately 2,400 shareholders²).

Both Scarborough and Bentley are relatively small players in an industry dominated by much larger LICs. By combining the assets of these companies, shareholders of both companies should benefit from:

- a reduced management expense ratio (**MER**) as a result of the removal of duplication of expenses such as ASX listing fees, share registry costs, audit fees, compliance costs and other public listed company costs;
- a flexible investment mandate (subject to Bentley shareholder approval);
- potentially greater flexibility in capital raising; and
- potentially improved liquidity.

It is proposed that the merger will occur through a Scheme of Arrangement (the **Scheme**) under which Scarborough shareholders will transfer their Scarborough shares to Bentley in consideration for the issue to them of new shares in Bentley (**Merger**). As a result of the Merger, Scarborough will become a wholly-owned subsidiary of Bentley.

¹ Based on the after-tax NTA of Scarborough and Bentley as at 31 October 2008. 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"](#)

² Based on the shareholders of Scarborough and Bentley as at 27 November 2008.

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The number of Bentley shares (subject to the treatment of fractional entitlements and of ineligible overseas shareholders) that each Scarborough shareholder would receive will be determined in accordance with the following Scheme formula which is based on the post-tax NTA per share of both Bentley and Scarborough as at the Calculation Date³:

$$\begin{array}{l} \text{Number of new Bentley} \\ \text{shares to be issued to each} \\ \text{eligible Scarborough} \\ \text{shareholder} \end{array} = \begin{array}{l} \text{Number of Scarborough shares held} \\ \text{by the eligible Scarborough} \\ \text{shareholder as at the Scheme record} \\ \text{date} \end{array} \times \frac{\begin{array}{l} \text{Post-tax NTA backing of} \\ \text{Scarborough per} \\ \text{Scarborough share} \end{array}}{\begin{array}{l} \text{Post-tax NTA backing of} \\ \text{Bentley per Bentley share} \end{array}}$$

Illustratively, and based upon the 31 October 2008 post-tax NTA of Scarborough (\$0.7166 per share) and Bentley (\$0.3887 per share) shares, eligible Scarborough shareholders would have received approximately 1.84 new Bentley shares for each Scarborough share held at the Scheme record date.

Scarborough and Bentley have today entered into a Merger Implementation Agreement (**MIA**) under which they have agreed to proceed with the Merger by way of the Scheme. Implementation of the Merger is subject to a number of conditions precedent, including satisfactory completion of due diligence by both Scarborough and Bentley, required shareholder approvals being given by both companies' shareholders, no material adverse changes having occurred to either company, no prescribed events having occurred, approval being received for quotation on ASX of the new Bentley shares to be issued under the Scheme and the requisite regulatory and Court approvals being given.

The MIA may be terminated by either party in the event of material breach by the other (including a breach of the representations and warranties given by the other in the MIA), or following failure of a condition precedent inserted for its benefit.

Independent Expert's Reports have been commissioned by each of Scarborough and Bentley.

An indicative timetable for the Scarborough and Bentley shareholder meetings and the Merger process is contained below.

Event	Indicative date
Despatch of Notice of Meeting to Bentley Shareholders	Late December 2008 / Early January 2009
First Court Hearing (to approve Scarborough's Scheme Booklet)	Mid January 2009
Despatch of Scheme Booklet to Scarborough Shareholders	Mid-Late January 2009
Bentley Extraordinary General Meeting (to approve certain matters in connection with the Merger, including under ASX Listing Rule 10.1, change of name and adoption of a new investment mandate)	Late January / Early February 2009
Scarborough Extraordinary General Meeting (to consider and approve the Scheme)	Late February / Early March 2009
Second Court Hearing (to give final approval of the Scheme)	Early-Mid March 2009
Scheme Effective Date (NTAs per share at this date are used to calculate eligible Scarborough Shareholders' entitlement to Bentley shares under the Scheme consideration formula)	Early-Mid March 2009
Scheme Implementation Date (Scarborough shares transferred to Bentley and new Bentley shares issued to eligible Scarborough shareholders)	Mid-Late March 2009

Notes:

- Implementation of the Scheme is subject to satisfaction of certain conditions precedent under the MIA, details of which will be summarised in the Scarborough and Bentley meeting documents.
- The above dates are indicative and subject to change depending (amongst other things) on the Court and ASIC approval processes. Any updates to the above Indicative Timetable will be announced to ASX and uploaded to Scarborough's website www.scarboroughequities.com.au and Bentley's website www.bel.com.au.

³ The Calculation Date is the date on which the Scheme becomes effective, anticipated to be in Early-Mid March 2009.

It is proposed that Scarborough Executive Director, Mr William Johnson will join the Bentley Board upon completion of the Merger.

It is also proposed that Bentley will seek, at the Bentley shareholders meeting to be convened to approve matters arising from the Merger, a change of name to "Bentley Capital Limited" and the adoption of a new investment mandate.

Bentley currently expects that its meeting documents will be mailed to its shareholders in late December 2008 / early January 2009 for a general meeting to be held in Sydney in late January / early February 2009.

Scarborough currently expects that the Scheme documents (including a notice of the Court-ordered meeting of Scarborough shareholders to consider the Scheme) will be mailed to its shareholders in mid-to-late January 2009, and that the Scarborough shareholder meeting will be held in late February / early March 2009.

For further information:

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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 2008 (unaudited) \$m		30 June 2008 (audited) \$m		30 June 2007 (audited) \$m	
	Investment in the FSP Equities Leaders Fund (FSP Fund) managed by the Company's investment manager, FSP Equities Management Limited (FSP)	12.46	88.1%	16.74	89.2%	19.48
Other listed investments	-	-	-	-	4.31	17.6%
Provision for income tax	1.60	11.8%	(0.32)	10.8%	(2.44)	3.0%
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 (Executive Chairman), William Johnson (Executive Director), Simon Cato (Non-Executive Director), Christopher Ryan (Non-Executive Director), and Alan Winduss (as Alternate Director for Mr Cato).

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

About Bentley International Limited (ASX Code: BEL)

Since admission to ASX in 1986 as an LIC, the principal investment objective of Bentley is to invest in equity securities listed on the world's major stock markets.

Bentley's asset weighting (by value and as a % of net assets) are:

	31 October 2008 (unaudited)		30 June 2008 (audited)		30 June 2007 (audited)	
	International equities	\$4.94m	32%	\$15.85m	98.90%	\$19.80m
Provision for income tax	\$0.16m	68%	\$0.90m	1.10%	-	1.20%
Net cash on deposit / other assets / provisions	\$10.67m		\$0.23m		\$0.30m	
TOTAL	\$15.77m	100%	\$16.99m	100%	\$20.10m	100%

On 10 October 2008, the Bentley Board instructed the company's investment manager, Constellation Capital Management Limited, to convert 70% of the company's investment portfolio to cash and repatriate the sale proceeds into Australian dollars. Bentley has invested its cash funds in term deposits with Australian banks pending the completion of the Board's previously-announced intention to review its investment strategy⁴.

Bentley's Directors are Farooq Khan (Executive Chairman), Peter Simpson (Non-Executive Director), Simon Cato (Non-Executive Director), Christopher Ryan (Non-Executive Director), John Hart (as Alternate Director for Mr Simpson) and Robin Dean (as Alternate Director for Mr Ryan).

Please refer to Bentley's website for further information: www.bel.com.au

⁴ Refer [Bentley's ASX announcement dated 15 October 2008 and entitled "Investment Portfolio Update"](#)