

SCARBOROUGH EQUITIES LIMITED

ABN 58 061 287 045

Thursday, 28 July 2005

MARKET ANNOUNCEMENT

Investment Manager's Report

Attached is a report from FSP Equities Management Limited on the performance of its FSP Equities Leaders' Fund (**FSP Fund**) for the 12 months to 30 June 2005.

As of 30 June 2005, the Company has a total of \$14.054 million (approximately 85% of the Company's gross assets) invested in the FSP Fund under the management of FSP Equities Management Limited.

About the FSP Fund

The FSP Fund is a wholesale fund not open to retail investors. The investment management team is led by Mr Ronni Chalmers. As the objective of the fund is to outperform the S&P/ASX 200 Accumulation Index over the medium term, FSP targets at least 75% of the investments of the fund in securities from the S&P/ASX 200 Index. The fund is currently invested in over 90 stocks.

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To,

The Directors of Scarborough Equities Limited
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General market overview

The month of June produced a pleasing rally in the Australian sharemarket with the S&P / ASX 200 Accumulation Index gaining 4.79% to finish the year virtually at the all time high that it recorded in the middle of the month. For the 12 months ending June 30 2005 the S&P / ASX 200 Accumulation Index produced a return of 26%.

While this return for the year is obviously very attractive please be aware that most of the return actually was recorded in the first half of the year. The return for the December 31st 2004 6 month period was over 17% while the return for the 6 months ending June 30th 2005 was under 8%. The year finished on a very strong note after the short but sharp correction in the months of March and April.

For the twelve months ending June 30 2005 the FSP Equities Leaders Fund produced a net return after all fees and expenses of 24.9%

The Australian equity market return was particularly pleasing when compared to other leading stockmarket indices. The return on the Dow Jones for the 12 months to June 30 2005 was negative 1.5%, the FTSE 100 was 14.5%, the German DAX 30 was 13.2% while the Japanese equity market as measured by the Nikkei 225 Index was negative 2.3%.

Australian market

The stock market is currently torn between 2 powerful drivers. On the one hand the economy is without doubt currently soft and not forecast to pick until 2006. On the other hand there is a large pool of investment dollars that needs to be invested. This pool has come about from the large number of cash takeovers that were completed in the last quarter; notably Western Mining Resources (\$9.5 billion), Southcorp (\$3.2 billion), National Foods (\$1.9 billion) and the about to be completed Pacific Hydro (\$800 million).



Corporate earnings have been affected by the slowing economy which is expected to grow by 2.5% in the year to December 2005 as compared with the 3.6% rate in 2004. Business is also facing sharp increases in labour and raw material costs which are rising at a higher rate than that at which they can pass product price increases through.

Having stated our cautious view one should not become overly pessimistic. The Australian equity market appears to be trading on 13.3 times consensus 2006 earnings, supported by an average yield of 4.5%. This would indicate the market is fairly priced or at worst only at a modest premium to fair value.

Thank you for your ongoing support

Yours sincerely

Ronni Chalmers

Investment Director

Please note that this fund is a wholesale fund and is not open to retail investors

Disclaimer:

Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Neither FSP Equities Management Limited or any related corporation guarantee the repayment of capital or the performance of the FSP Equities Leaders Fund. The contents of this report have been prepared without taking into account your individual objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard to your own objectives, financial situation and needs.

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