



Manager of Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000
14th February 2011

By e-lodgement

UPDATE ON MERGER WITH WHITEFIELD LIMITED

Further to the announcement made on 19 October 2010, Sylvastate Limited (ASX: SYL)(**Sylvastate** or the **Company**) is pleased to advise that it has today:

- entered into a Merger Implementation Agreement with Whitefield Limited (**Whitefield**) under which it is proposed that the two listed investment companies merge by way of scheme of arrangement (**Proposed Transaction**); and
- lodged a draft scheme booklet for the Proposed Transaction (comprising the explanatory statement in relation to the scheme of arrangement and the Notice of Meeting for the meeting of Sylvastate shareholders at which the scheme of arrangement will be considered) (**Scheme Booklet**) with the Australian Securities and Investments Commission (**ASIC**) for review.

The Proposed Transaction

In order to implement the Proposed Transaction, Sylvastate proposes to enter into a scheme of arrangement under section 411 of the Corporations Act 2001 (**Scheme**) with the holders of its fully paid ordinary shares (**Sylvastate Shares**) (other than Whitefield) (**Sylvastate Shareholders**). If the Scheme is approved, Whitefield will acquire all of the existing Shares in Sylvastate with the result that Sylvastate will become a wholly-owned subsidiary of Whitefield and Sylvastate Shareholders will receive new fully paid ordinary shares in Whitefield (**Consideration Shares**) in exchange for their Sylvastate Shares. The number of Consideration Shares to be issued to each Shareholder will be calculated by reference to the relative adjusted net asset backing of Sylvastate and Whitefield.

The exchange ratio which will be used to determine the number of Consideration Shares that will be issued to Sylvastate Shareholders will be calculated based on the relative adjusted net asset backing of the companies as at 31 March 2011 and will be announced to ASX and notified on Sylvastate's website at www.sylvastate.com.au not less than seven days prior to the meeting to approve the Scheme being held (**Scheme Meeting**).

The Proposed Transaction is subject to approval by the Australian Federal Court as well as approval of Shareholders. Shareholders of Sylvastate will be asked to vote on the Proposed Transaction at the Scheme Meeting which is expected to be held in mid April 2011.

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Independent Expert

An independent expert, Grant Thornton Corporate Finance Pty Limited, has been appointed by Sylvastate to consider the Scheme and provide an opinion as to whether the Scheme is in the best interests of Sylvastate Shareholders. A copy of the report from the independent expert will be provided to Sylvastate Shareholders in the Scheme Booklet.

Directors' recommendation

Apart from Mr Armstrong (Non-executive director of Sylvastate) and Mr Fowler (Non-executive director of Whitefield) the board and management of Sylvastate and Whitefield are the same.

Each Director including Mr Armstrong (the **Independent Director**), other than Mr Gluskie who is abstaining from making a recommendation, believes that the Proposed Transaction is in the best interests of Sylvastate and that the Scheme is in the best interests of Sylvastate Shareholders in the absence of a superior proposal for Sylvastate emerging.

Due to his interests in Sylvastate, Whitefield and White Funds Management Pty Limited, the investment manager of both Sylvastate and Whitefield, Mr Gluskie is abstaining from making a recommendation regarding the Proposed Transaction.

In the absence of a superior proposal each Director of Sylvastate, including the Independent Director and Mr Gluskie, have indicated they intend to vote Sylvastate Shares which they own or control in favour of the Scheme.

To assist Shareholders in deciding how to vote on the Proposed Transaction, Sylvastate will distribute the Scheme Booklet which sets out details of the Proposed Transaction including details of how to vote at the Scheme Meeting.

Benefits of the Proposed Transaction

The Board of Sylvastate believe that some of the key advantages that should result from the Proposed Transaction are:

- the achievement of a management expense ratio that is likely to be lower and more sustainable in the majority of circumstances for the merged group than for Sylvastate as a standalone entity;
- the reported net asset backing of the Consideration Shares issued in exchange for each Share immediately after the Scheme is likely to be higher than the reported net asset backing of a Share in Sylvastate as a standalone entity at the same date should the Scheme not proceed; and
- greater liquidity and market presence of shares in the merged group than for Shares in Sylvastate as a standalone entity.

Merger Implementation Agreement

As noted above, Sylvastate and Whitefield have entered into a Merger Implementation Agreement which governs the Proposed Transaction.

Implementation of the Proposed Transaction is conditional upon the satisfaction of certain conditions including, but not limited to:

- approval by Shareholders of the Scheme;
- approval of the Scheme by the Federal Court of Australia; and
- an independent expert's report concluding that the Proposed Transaction is fair, reasonable and in the best interests of Shareholders.

A summary of the key terms of the Merger Implementation Agreement is included in Appendix A to this announcement.

Indicative timetable

An indicative timetable for the key dates of the Proposed Transaction is set out below. However, it should be noted that this timetable is indicative only and may be subject to change for a number of reasons including delays in obtaining regulatory approvals. Sylvastate will announce any material changes to this timetable.

Date	Event
14 February 2011	Sylvastate and Whitefield sign Merger Implementation Agreement
Mid-March 2011	Despatch of Scheme Booklet to Sylvastate Shareholders
31 March 2011	Adjusted net asset backing calculated for Sylvastate and Whitefield to determine number of Consideration Shares to be issued under the Scheme and announced to ASX not less than seven days prior to the Scheme Meeting.
Mid-April 2011	Scheme Meeting of Sylvastate Shareholders to consider Scheme
End of April 2011	Court hearing to approve Scheme
Early May 2011	Record date for Scheme
By mid-May 2011	Scheme implemented and Sylvastate Shareholders receive Consideration Shares

Suspension of Sylvastate's on-market share buy-back

Sylvastate currently has an on-market share buy-back on foot under which it may buy-back up to 1,635,490 Sylvastate Shares. The buy-back commenced on 12 April 2010 and is due to expire on 11 April 2011. To simplify the calculation of Sylvastate Shareholders' entitlement to Consideration Shares under the Scheme, Sylvastate proposes to terminate the buy-back (if not previously concluded) with effect from 31 March 2011.

Suspension of Sylvastate's Dividend Reinvestment Plan

Sylvastate currently has in place a Dividend Reinvestment Plan under which Sylvastate Shareholders can elect to reinvest dividends into new Sylvastate Shares. The Board of Sylvastate proposes to suspend the Dividend Reinvestment Plan for the purposes of the Sylvastate interim dividend (which is expected to be paid to Shareholders during April 2011) in order to simplify the calculation of Shareholders' entitlement to Consideration Shares under the Scheme.

Shareholder Information

Further information on the Proposed Transaction will be lodged with ASX and included on Sylvastate's website at www.sylvastate.com.au

Contacts

For further information please contact:

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Appendix A: Key Terms of the Merger Implementation Agreement

Introduction

Sylvastate and Whitefield entered into a Merger Implementation Agreement (**Agreement**) on 14 February 2011. The Agreement sets out the terms and the parties' respective obligations in connection with the implementation of the Scheme.

A copy of the Agreement will be contained in the Scheme Booklet to be provided by Sylvastate to its Shareholders prior to the Scheme Meeting. An outline of the key terms of the Agreement is set out below.

Conditions Precedent

Conditions precedent to implementation of the Scheme

- **(No prohibitive orders)**: No prohibition or legal restraint being imposed which would prevent implementation of the Proposed Transaction.
- **(Regulatory Consents)**: All necessary regulatory consents and approvals being obtained in relation to the Proposed Transaction.
- **(Shareholder approval)**: Shareholders approving the Scheme by the requisite majorities under the Corporations Act.
- **(No Sylvastate Prescribed Occurrence)**: No Prescribed Occurrence occurring with respect to Sylvastate before 5.00pm on the Business Day prior to the Second Court Hearing Date.
- **(No Whitefield Prescribed Occurrence)**: No Prescribed Occurrence occurring with respect to Whitefield before 5.00pm on the Business Day prior to the Second Court Hearing Date.
- **(ASX quotation)**: ASX approving quotation of the Consideration Shares either unconditionally or on conditions that are customary or usual.
- **(Court approval of Scheme)**: The Court approving the Scheme in accordance with the Corporations Act.
- **(No Sylvastate Material Adverse Change)**: No Sylvastate Material Adverse Change occurring.
- **(No Whitefield Material Adverse Change)**: No Whitefield Material Adverse Change occurring.
- **(Sylvastate Warranties)**: The Sylvastate Warranties being true and correct.
- **(Whitefield Warranties)**: The Whitefield Warranties being true and correct.
- **(Whitefield Scheme Information)**: Whitefield providing to Sylvastate the Whitefield Scheme Information.

- **(Nominee):** Whitefield appointing a Nominee and the Nominee agreeing to sell the Consideration Shares on behalf of Ineligible Overseas Shareholders.
- **(Independent Expert):** Sylvastate receiving a report from the Independent Expert that the Proposed Transaction is fair and reasonable and in the best interests of Shareholders.

Termination

Either Sylvastate or Whitefield may terminate the Agreement where:

- there is a material breach of the Agreement; or
- the board of Sylvastate withdraws its recommendation of the Scheme following the submission to it of a Superior Proposal.

All of the obligations in the Agreement with respect to the Scheme will terminate automatically in the event that:

- the Independent Expert opines that the Scheme is not fair and reasonable and in the best interests of the Shareholders; or
- Shareholders fail to approve the Scheme by the necessary majorities at the Scheme Meeting; or
- the Court refuses to grant an order convening any required Scheme Meeting or approving such Scheme and either the parties agree not to conduct an appeal or the parties agree to conduct an appeal but the appeal is unsuccessful; or
- the Scheme is not approved by the Court.

Relevant Definitions

Agreement means the merger implementation agreement between Sylvastate and Whitefield dated 14 February 2011.

ASX means ASX Limited (ACN 008 624 691) or the securities market which it operates, as the context requires.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.

Competing Proposal means any transaction or arrangement, or proposed transaction or arrangement, pursuant to which a person would, if entered into or completed substantially in accordance with its terms, directly or indirectly:

- acquire a relevant interest (as defined by the Corporations Act) in, an interest (including economic interest) in, or become the holder of, 50% or more of the Shares;
- otherwise acquire or merge with Sylvastate, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back, securities issue, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, other synthetic merger, transaction or arrangement or otherwise; or

- acquire all or part of the business or assets (other than in the ordinary course of business) of Sylvastate.

Corporations Act means the Corporations Act 2001 (Cth).

Implementation Date means the third Business Day following the Scheme Record Date.

Independent Expert means the independent expert in respect of the Scheme appointed by Sylvastate to consider whether the Scheme is fair and reasonable to and in the best interests of Shareholders.

Ineligible Overseas Shareholder means a Shareholder who is registered in the Share Register with an address outside Australia and its external territories and New Zealand or such other country agreed to by Sylvastate and Whitefield.

Merged Group means Whitefield and each of its controlled entities after implementation of the Scheme, which will include Sylvastate as a wholly owned subsidiary.

Net Asset Backing means the net asset backing for accounting purposes, which takes into account a deduction for future tax liabilities that would be incurred in the event the entire portfolio were realised at the date on which the asset backing is determined, and which also takes into account as an asset any future tax benefit from tax losses (whether such losses are realised or which would be available future use in the event the entire portfolio were realised at the date on which asset backing is determined).

Nominee means the nominee selected by Whitefield prior to the Implementation Date.

Prescribed Occurrence means the occurrence of any of the following:

- (a) a corporation converting all or any of its securities into a larger or smaller number of securities;
- (b) a corporation resolving to reduce its share capital in any way, other than:
 - in the case of Sylvastate, as a result of the Sylvastate On-Market Buy-Back;
 - in the case of Whitefield, as a result of the Whitefield On-Market Buy-Back; and
 - in the case of Whitefield, as a result of its proposed reduction of capital by way of the cancellation of the Whitefield Shares held by Sylvastate proposed to be approved at its annual general meeting to be held in or around June 2011.
- (c) a corporation declaring, paying or distributing any dividend, bonus or other shares of its profits or assets or returning or agreeing to return any capital to its members other than,
 - in the case of Sylvastate, the Sylvastate Interim Dividend; and
 - in the case of Whitefield, the Whitefield Final Dividends.
- (d) a corporation issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than in accordance with a dividend reinvestment plan;
- (e) a corporation issuing or agreeing to issue, securities or other instruments convertible into shares or debt securities;
- (f) a corporation disposing, or agreeing to dispose of, the whole, or a substantial part of its business or property;
- (g) a corporation creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;

- (h) other than in the ordinary course of business and consistent with past practice or with respect to the Whitefield Agreements or the Sylvastate Agreements, a corporation:
 - entering into any contract or commitment to acquire or dispose of any asset or business (or any interest in any assets or business) where the consideration or value is more than \$20 million; or
 - terminating or amending in a material manner any contract material to the conduct of the corporation's business or which involves expenditure or revenue of more than \$1 million over the term of the contract;
- (i) a corporation increasing the level of its financial indebtedness (actual or contingent) by more than \$10 million;
- (j) a corporation resolving to be wound up;
- (k) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official is appointed to the whole or a substantial part of the property or assets of a corporation;
- (l) a court making an order for the winding up of a corporation;
- (m) a corporation executing a deed of company arrangement;
- (n) a corporation making any material change or amendment to its constitution; or
- (o) a corporation making any change to their accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the Income Tax Assessment Act 1997 (Cth),

however, none of the above events will constitute a Prescribed Occurrence where a corporation first consults the other party to the Agreement, in reasonable detail, and where the other party to the Agreement has approved in writing of the proposed event, or where a corporation is required to undertake the event in connection with the Scheme or the Agreement.

Second Court Hearing Date means the first day on which an application to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Superior Proposal means a bona fide Competing Proposal which the Board has determined in good faith to be superior to the Scheme (and any counterproposal by Whitefield, if any) taking into account all the terms and conditions of such a Competing Proposal (including price, certainty and conditionality) and after giving due consideration to written advice received from Sylvastate's financial and legal advisers.

Sylvastate Agreements means the investment management agreement between Sylvastate and White Funds Management Pty Limited dated 1 September 2007 and the administration agreement between Sylvastate and White Outsourcing Pty Limited dated 1 September 2007.

Sylvastate Dividend Reinvestment Plan means the dividend reinvestment plan adopted by Sylvastate on 4 November 2003 (as subsequently amended).

Sylvastate Interim Dividend means the aggregate interim dividend in respect of the six month period ended 28 February 2011 that is declared by the Board before the Calculation Date (and is expected to be 10.5 cents per Share).

Sylvastate Material Adverse Change means one or more occurrences or matters individually, or when aggregated with all such events, has had or is reasonably likely to have one of the following effects:

- a reduction of \$20 million or more in Sylvastate's Net Asset Backing;
- would prevent or would be likely to prevent Sylvastate from discharging its obligations under the Agreement,

unless that occurrence or matter:

- was fully and fairly disclosed by Sylvastate on or before the date of the Agreement;
- was publicly announced by Sylvastate or otherwise disclosed in public filings by Sylvastate prior to the date of the Agreement; or
- resulted from Sylvastate complying with the terms of the Agreement.

Sylvastate On-Market Buy-Back means the on-market buy-back of Shares that was announced by Sylvastate on 11 March 2010 (the terms of which were amended on 29 March 2010) and commenced on 12 April 2010.

Sylvastate Scheme Information means information about Sylvastate included in the Scheme Booklet and information about the Merged Group in the Scheme Booklet that was provided by Sylvastate to Whitefield.

Sylvastate Warranties means the representations and warranties of Sylvastate set out in the Agreement.

Whitefield Agreements means the investment management agreement between Whitefield and White Funds Management Pty Limited dated 1 September 2007 and the administration agreement between Whitefield and White Outsourcing Pty Limited dated 1 September 2007.

Whitefield Dividend Reinvestment Plan means the dividend reinvestment plan adopted by Whitefield on 5 June 2003 (as subsequently amended).

Whitefield Final Dividends means the aggregate final dividends in respect of the financial year ending 31 March 2011 that are declared by the Whitefield Board before the Calculation Date (and are expected to be 8.5 cents per Whitefield Share and 4.0 cents per Whitefield Preference Share).

Whitefield Material Adverse Change means one or more occurrences or matters individually, or when aggregated with all such events, has had or is reasonably likely to have one of the following effects:

- a reduction of \$20 million or more in Whitefield's Net Asset Backing;
- would prevent or would be likely to prevent Whitefield from discharging its obligations under the Agreement,

unless that occurrence or matter:

- was fully and fairly disclosed by Whitefield on or before the date of the Agreement;
- was publicly announced by Whitefield or otherwise disclosed in public filings by Whitefield prior to the date of the Agreement; or
- resulted from Whitefield complying with the terms of the Agreement.

Whitefield On-Market Buy-Back means the on-market buy-back of Whitefield Shares that was announced by Whitefield on 11 March 2010 (the terms of which were amended on 29 March 2010) and commenced on 12 April 2010.

Whitefield Preference Shares means the preference shares on issue in the capital of Whitefield.

Whitefield Scheme Information means information about Whitefield or Whitefield Shares which is provided to Sylvastate by Whitefield and which is included in the Scheme Booklet to be despatched to Scheme Shareholders, and includes information with respect to the Merged Group (except to the extent that the information with respect to the Merged Group was provided by Sylvastate to Whitefield).

Whitefield Shares means fully paid ordinary shares in the capital of Whitefield.

Whitefield Warranties means the representations and warranties of Whitefield set out in the Agreement.