

CENTURY AUSTRALIA

INVESTMENTS LIMITED



7 September 2010

Dear Shareholder

You will recall that your Board wrote to you on 23 June 2010, concerning the unfortunate departure of Peter Morgan from active participation at 452 Capital Limited, the manager of the Company's share portfolio. At the time, we announced that the Board would review the options available to the Company, in order to reduce the discount between the Company's share price and its NTA.

Manager developments

On 18 August 2010, your board received a letter from the directors of 452 Capital Limited advising that Suellen Morgan, Mary Feros and Lyndsey Hancock (together, the Management Team) do not intend to continue to participate in the management of 452 Capital's business after a period yet to be agreed with the 452 Board. CYA had no prior knowledge of any difficulties affecting the management team of 452 and the directors of CYA were therefore surprised by these developments.

Our response

On receiving this information, the Board instructed 452 to increase the cash allocation of the portfolio to approximately 30% and obtained legal advice as to CYA's rights under the investment management agreement with 452.

Your board met with the Directors of 452 on 24 August 2010 to discuss the desire of CYA to appoint an interim investment manager. As announced to the market on 18 and 25 August 2010, CYA and 452 reached in-principle agreement that the 452 Investment Management Agreement would be terminated, subject to the appointment of an interim investment manager after a tender for the management of the CYA portfolio.

Appointment of interim manager

The Directors are pleased to announce that it has appointed Perennial Value Management Limited an Australian equities manager with \$8.8 billion funds under management as interim Investment Manager for the CYA investment portfolio.



The Directors of CYA received proposals from various fund managers and selected Perennial Value by reason of its long standing performance record, and its consistency of investment style with that of 452 and Peter Morgan. Details of the Perennial Value team are attached. CYA has agreed a competitive investment management fee with Perennial Value based on assets under management, excluding cash, on an interim basis, and pending decisions to be taken by shareholders at the annual general meeting (AGM). The Investment Management Fee is substantially less than was charged by 452.

Perennial Value will assume responsibility for managing the portfolio as soon as practicable. Directors wish to assure shareholders that assets are secure and that the necessary processes are in place for Perennial Value to assume management from 452. It is the board's intention that Perennial Value will not make significant changes to the CYA portfolio until the date of the annual general meeting of CYA, and will then act in accordance with the resolution of shareholders as to the future of CYA.

Dividend declared and remaining franking credits.

On 26 March 2010 the Company paid an interim dividend of 3.5 cents per share fully franked for the period ended 31 December 2009.

The Board has resolved to pay a fully franked final dividend of 5 cents for the year ended 30 June 2010 with the record date on 13 September 2010, payable on 30 September 2010. The total dividend declared for the financial year 2010 was therefore 8.5 cents (2009: 9 cents)

After payment of the final dividend, franking credits sufficient to pay a further 4.7 cents per share fully franked will remain (based on the 30 June 2010 balance). Due to the existing deferred tax asset balance no tax will be paid on the next \$36.2m of realised gains and therefore no franking credits will be generated from such gains. This means that the ability to pay fully franked dividends will be restricted to the accrued franking credits plus the pass through of franking credits received on dividend income until the company is once again in a tax paying position.

Good news for listed investment companies

Previously, the Company could only pay dividends from earnings and this restricted the ability of the Company to distribute all of the franking credits which accrued to the Company. As a result of changes to the Corporations Act, the Company can now declare dividends, notwithstanding an absence of accounting profit. This will give more flexibility to the directors of the Company in the future to pay franked dividends as franking credits arise in any financial year.

Deferred tax asset explanation

As at 30 June 2010 the company has a deferred tax asset (DTA) of \$13.1m. Of the total DTA, \$10.9m results from \$36.2m realised carry forward tax losses from prior periods.

The directors believe it is possible for the carry forward tax losses to be utilised by the generation of future taxable profits, on the basis of the current investment portfolio and historical Australian equity market performance.

There are a number of resolutions to be put to the collective shareholders at the AGM which are not yet finalised (refer below). There are a range of possible outcomes from these resolutions that may impact the Company's ability to utilise carry forward tax losses. The directors will need to reassess the probability of utilising tax losses at such time as they know the outcome of the resolutions.



AGM proposals

The Directors of CYA have decided to propose a buy-back scheme to shareholders under which shareholders can elect to participate in whole or in part and have their shares bought back for a price equal to the net tangible asset backing (NTA) per share less transaction costs and disregarding the deferred tax asset. This will allow shareholders the choice as to whether to continue in the company under the management of Perennial Value, or to receive back in cash the then effective value of their shares. Full details of the proposed buy-back scheme will be sent to shareholders with the notice of general meeting.

The board will also consider any alternatives which may be proposed by Perennial Value, to reduce the current discount to NTA in the market going forward. Subject to the outcomes of Perennial Value's current investigations and research, a detailed alternative to the buy back may also be put forward at the AGM. CYA has invited Perennial Value to present to the AGM.

The date of the AGM will now be 24 November 2010, in order to allow for the preparation of the various documents which describe the buy-back scheme, and any other proposal that the directors consider beneficial to shareholders.

Full details of the resolutions will be sent to shareholders in the coming weeks



Rob Turner
Chairman





Perennial Value Management

“Perennial Value aims to buy good businesses that are undervalued with an underlying belief that good businesses are always eventually recognised by markets and re-rated to overall market multiples.” John Murray

Perennial Value Management was established in March 2000 through a joint venture between John Murray (Managing Director, Perennial Value Management) and Perennial Investment Partners Limited. Perennial Value is an active Australian equities manager employing a bottom up, value-style investment process when picking stocks.

Seven of nine Perennial Value employees hold equity in Perennial Value Management. This clearly and uniquely aligns the interests of the people managing the money with those of Perennial Value's investors.

Investment Philosophy

Perennial Value is an active Australian equities manager whose investment process is based on a 'value' stock picking investment style. Perennial Value believes that investment markets are not fully efficient, with asset prices sometimes driven by irrational influences. Perennial Value aims to invest in "good businesses that are under-valued" with an underlying belief that good businesses are eventually recognised by markets and re-rated to overall market multiples.

The cornerstone of Perennial Value's investment process is a strong emphasis on proprietary company research. The aim is to develop a detailed understanding of each company before committing investors' funds. The process aims to ensure that investment decisions are focused on buying stocks which offer good value and selling stocks which are considered poor value.

Perennial Value's capabilities include Perennial Value Australian Shares, Perennial Value Shares for Income and Perennial Value Smaller Companies.

Investment Team

John Murray founded Perennial Value in January 2000. John has been involved in investment management for 25 years, specialising in Australian equities analysis and portfolio management. His experience reflects a strong background in value investing. John's previous roles include Westpac Investment Management, as Director Australian Equities. John also spent time at Maple Brown Abbott, where he held senior portfolio management and research responsibilities. John joined MBA from Perpetual Investments, where he was Head of Australian Equities for over four years. John is supported by six analysts, a senior portfolio manager and a dealer.

Performance and Funds Under Management

Perennial Value Management currently manages \$8.8 billion for both retail and institutional investors (as at 31 August 2010).

Since the inception of the Perennial Value Shares Trust (March 2000), the Trust has returned 12.4% p.a. which equates to 5.0% p.a. more than the return of the Australian sharemarket, as measured by the S&P/ASX 300 Accumulation Index. Performance is as at 30th June 2010.*

*Gross performance (shown) does not include any applicable management fees or expenses. Past performance is not a reliable indicator of future performance.