



## Chairman's letter

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Dear Shareholder

### Shareholder Booklet – AGM and Buyback

Enclosed with this letter is a shareholder booklet for the annual general meeting to be held on 24 November 2010.

Apart from the ordinary business of the AGM, shareholders will also consider a resolution to authorise implementation of a buyback of ordinary shares. With the recent departure of Peter Morgan and, more recently, the indication by the members of the senior management team of 452 Capital Pty Limited that they do not intend to continue to participate in the management of 452 Capital Pty Limited's business, the board determined that it was appropriate to provide Century shareholders with an opportunity to exit their investment. However, with the appointment of Perennial Value Management, an Australian Equities manager with \$8.8 billion of funds under management, shareholders can remain with Century knowing that their investment will be managed in a similar style to that of Peter Morgan and 452 Capital Pty Limited.

The Buyback should not be seen simply as a means of returning excess capital to shareholders. Rather, it is a company-sponsored means to enable shareholders to exit from their investment at NTA less transaction costs (estimated at 0.26 cents per share) and less the deferred tax asset (7.6 cents per share based on 30 June 2010 balances). Detailed information regarding the rationale for the Buyback, the terms of the proposed Buyback and the consequences for the company are set out in detail in the enclosed booklet.

Shareholders should also consider the independent expert's report prepared by BDO Securities (NSW-VIC) Pty Limited. The expert has concluded that implementation of the Buyback is fair and reasonable.

Your directors make no recommendation regarding whether you should participate in the Buyback as this is an individual shareholder decision. Detailed information regarding some matters you may take in account when deciding to vote in favour or against the Buyback is set out in Section 3 of the enclosed booklet.

Shareholders are not required to decide at this stage whether to participate in the Buyback. A formal offer will be made to shareholders in a separate offer document if the Buyback resolutions are approved.

In the event that participation in the Buyback is sufficiently high to result in Century ceasing to retain its listing on ASX or if the net tangible assets of Century falls below \$40 million as a result of the Buyback, the directors will provide shareholders with an opportunity to approve a resolution to wind up Century. Details are set out in Section 3.13 of the Booklet.

I encourage you to consider the matters set out in the booklet carefully before deciding how to vote on the Buyback.

Yours sincerely

**Rob Turner**  
Chairman  
Century Australia Investments Limited

**Century Australia Investments Limited**  
(ACN 107 772 761)

# **Shareholder Booklet**

## **Annual General Meeting including Authorisation for Buyback of Ordinary Shares**

**A notice of meeting is included with this Booklet. A proxy form for the meeting accompanies this Booklet.**

**The independent expert has concluded that the Buyback is fair and reasonable.**

**Your vote is important in determining whether the Buyback proceeds. This is an important document and requires your urgent attention.**

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

# Important Notices

## General

You should read this Booklet in its entirety before making a decision on how to vote on the Resolutions to be considered at the Annual General Meeting. The notice convening the Annual General Meeting is contained in this Booklet. A proxy form for the meeting is enclosed.

## Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 6 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding.

## Purpose of this Booklet

The purpose of this Booklet is to:

- provide information regarding ordinary business to be conducted at the Annual General Meeting;
- explain the terms and effect of the Buyback; and
- provide such information as is prescribed by the Corporations Act.

## ASIC and ASX

A copy of this Booklet has been lodged with ASX and ASIC. None of ASX, ASIC or any of their officers takes any responsibility for the contents of this Booklet.

## Input from other parties

BDO Securities (NSW-VIC) Pty Limited (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Buyback in Appendix 1 and takes responsibility for that Appendix. The Independent Expert is not responsible for any other information contained within this Booklet. Members are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Other than in respect of the information identified above, the information contained in the remainder of this Booklet has been prepared by Century and is the responsibility of Century. Century does not assume responsibility for the accuracy or completeness of any other part of this Booklet and assumes responsibility only to the extent required by law.

## Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole

basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in Century or in relation to the Buyback. It is important that you read the entire Explanatory Memorandum before making any voting or investment decision. In particular, it is important that Members consider the possible disadvantages of the Buyback and the risk factors identified in Section 3.

Members should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Members are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Buyback. Past performance is no indication of future performance.

## Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those identified in Section 3. The assumptions on which prospective financial information is based may prove to be correct or may be affected by matters not currently known to, or considered material by, Century.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Century, the officers of Century or any person named in this Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statement in this Booklet reflects views held only as at the date of this Booklet.

## Electronic document

This Booklet may be viewed online at [www.centuryaustralia.com.au](http://www.centuryaustralia.com.au). A paper copy of this Booklet will be provided free of charge to any person who requests a copy by contacting Century.

## Important dates and times

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Date of this Booklet	22 October 2010
Last time and date by which the proxy form for the Annual General Meeting can be lodged	2:00 pm (Sydney time) on 22 November 2010
Time and date for determining eligibility to vote at the Annual General Meeting	7:00 pm (Sydney time) on 22 November 2010
Annual General Meeting*	2:00 pm (Sydney time) on 24 November 2010

\* The Annual General Meeting will be held at AGL Theatre, Museum of Sydney, Cnr Bridge and Phillip Sts, Sydney NSW 2000.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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Important dates and times

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Appendix 1 – Independent Expert’s Report

Appendix 2 – Notice nominating Grant Thornton Audit Pty Limited



## **Notice of Annual General Meeting**

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**Century Australia Investments Limited  
(ACN 107 772 761)**

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### **Notice of Meeting for the Annual General Meeting of Members**

**To be held at 2:00 pm (Sydney time) on 24 November 2010  
at AGL Theatre, Museum of Sydney, Cnr Bridge and Phillip Sts, Sydney NSW 2000**

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#### **IMPORTANT INFORMATION**

This is an important document that should be read in its entirety.

This Notice of Meeting includes an Explanatory Memorandum. An Independent Expert's Report is also an appendix to the Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Members in determining whether or not to vote in favour of or against the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

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You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay:

By post to the Registry:

GPO Box 3993, Sydney NSW 2001

By hand delivery to the Registry at:

Level 7, 207 Kent Street, Sydney NSW 2000

By fax to the Registry on:

1300 653 459 from within Australia, or +61 2 9279 0664 from outside Australia

The business of the meeting is to consider the following proposed resolutions.

## **ORDINARY BUSINESS**

### **1. Financial Report**

*To discuss the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2010.*

### **2. Re-election of Robert Turner as a Director**

In accordance with Century Australia's Constitution, consider and, if thought fit, pass the following as an ordinary resolution:

*To re-elect Robert Turner as a Director of the Company, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election.*

Without limitation, Rule 6.4 of the Constitution of Century is relevant to this Resolution.

### **3. Remuneration Report**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

*In accordance with Section 250R of the Corporations Act, the Company adopts the Remuneration Report for the year ended 30 June 2010 in the form set out in the Directors Report.*

Pursuant to Section 250R(3) of the Corporations Act the vote on this resolution is advisory only and does not bind the Directors or the Company.

### **4. Appointment of Auditor**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*That, subject to the Australian Securities and Investments Commission granting its consent to the resignation of the Company's current auditor, Grant Thornton NSW, for the purposes of section 327B of the Corporations Act and for all other purposes, Grant Thornton Audit Pty Ltd, having been nominated and having consented in writing to act as auditor of the Company, be appointed as auditor of the Company and the directors be authorised to set its remuneration.*

Without limitation, Section 327B of the Corporations Act is relevant to this Resolution.

### **5. Approval of Buyback**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*That, subject to and conditional on the passage of Resolution 6, to the extent required under Section 257C of the Corporations Act, the terms of the buyback agreement under which the Company will buy back Shares on an equal access basis and on the terms set out in the Explanatory Memorandum is approved.*

Without limitation, Section 257C of the Corporations Act is relevant to this Resolution.

There is no voting restriction for this Resolution 5.

#### *Explanatory Memorandum*

Members are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

*Entitlement to vote*

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Annual General Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00 pm (Sydney time) on 22 November 2010. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting restrictions and exclusions in respect of the Resolutions are set out below for each resolution.

*How to vote*

Members entitled to vote at the Annual General Meeting may vote:

- by attending the meeting and voting in person; or
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

*Voting in person (or by attorney)*

Members or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Annual General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Registry before 2:00 pm (Sydney time) on 22 November 2010 in any of the following ways:

By post to the Registry:

GPO Box 3993, Sydney NSW 2001

By hand delivery to the Registry at:

Level 7, 207 Kent Street, Sydney NSW 2000

By fax to the Registry on:

1300 653 459 from within Australia, or +61 2 9279 0664 from outside Australia

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Annual General Meeting to be held at AGL Theatre, Museum of Sydney, Cnr Bridge and Phillip Sts, Sydney NSW 2000 on 24 November 2010 commencing at 2:00 pm (Sydney time).

A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

unless Century received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

*Voting by proxy*

Members wishing to vote by proxy at this meeting must:

- complete and sign or validly authenticate the proxy form, which is enclosed with this Booklet; and
- deliver the signed and completed proxy form by 2:00 pm (Sydney time) on 22 November 2010 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

*Submitting proxy votes*

Members wishing to submit proxy votes for the Annual General Meeting must return the enclosed proxy form to Century in any of the following ways:

By post to the Registry:

GPO Box 3993, Sydney NSW 2001

By hand delivery to the Registry at:

Level 7, 207 Kent Street, Sydney NSW 2000

By fax to the Registry on:

1300 653 459 from within Australia, or +61 2 9279 0664 from outside Australia

**Note:** proxies may not be returned by email nor is internet voting available.

*Notes for proxies*

1. A Member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Member's behalf.
2. A proxy need not be a Member.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Member's proxy.
4. If a Member appoints two proxies and the appointment does not specify the proportion or number of the Member's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
  - if the proxy is the chair - the proxy must vote on a poll and must vote in the way directed; and
  - if the proxy is not the chair - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the Member but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or Century Secretary.

If:

(v)

- o a Member nominates the Chairman of the meeting as the Member's proxy; or
- o the Chairman is to act as proxy if a proxy appointment is signed by a Member but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.

*Notes for corporate representatives*

1. To vote in person at the Annual General Meeting, a Member or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the meeting, a corporate Member or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

**Peter Roberts**  
**Company Secretary**  
**Century Australia Investments Limited**

22 October 2010

## **1. Annual General Meeting – Ordinary Business**

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### **1.1. Annual Financial Statements**

The Corporations Act requires:

- The reports of the Directors and Auditors; and
- The Financial Report, including the Financial Statements of Century Australia for the year ended 30 June 2010;

to be laid before the Annual General Meeting.

Neither the Corporations Act nor Century's Constitution requires a vote of Shareholders on the reports or statements other than the non-binding vote in respect of the Remuneration Report, forming part of the Directors' report (refer Resolution 3). However, Shareholders will be given a reasonable opportunity to raise questions or comments on the reports and statements at the meeting.

Further, a reasonable opportunity will be given to Members at the meeting to ask Century's Auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

### **1.2. Re-election of Robert Turner as a Director – ordinary resolution**

Pursuant to Rule 6.4 of the Company's Constitution Robert Turner is retiring by rotation and being eligible is standing for re-election at the Annual General Meeting.

Mr Turner is Chairman of the Company and also serves on the Audit Committee. Mr Turner was appointed as a Director and Chairman on 10 February 2004. He has a strong finance and marketing background and over 30 years' experience in corporate management, both in Australia and overseas. He has experience in the financial services industry and has held general management positions in the services and manufacturing industries. Mr Turner was the Managing Director of IOOF Limited, an ASX listed company from 1996 to 2004 and also served as a Director of IWL Limited, an ASX listed company, for three years until November 2007.

### **1.3. Remuneration Report of the Company**

The current policy in relation to the remuneration of directors is set out under the "Remuneration Report" heading in the Directors Report. Total remuneration is limited to \$200,000 in aggregate (inclusive of superannuation), to be divided amongst the Non-Executive Directors as they may determine.

### **1.4. Appointment of Auditor**

Century's auditor, Grant Thornton NSW has acted as Century's auditors since 2004.

Grant Thornton has recently combined from a State-based federation of firms into a single national firm. Accordingly, they are transferring all of their audit appointments into a new single national audit entity (Grant Thornton Audit Pty Ltd) to replace their various State-based audit entities. For public companies the appointment of a new audit entity requires a resolution of Shareholders at the Annual General Meeting.

The audit committee has considered and agreed to this change and the Board has agreed to this resolution being presented to the Shareholders of Century for formal vote. To give effect to the change, the current Grant Thornton audit entity has requested Australian Securities & Investments Commission (**ASIC**) consent to resign in favour of their new national authorised audit company, Grant Thornton Audit Pty Ltd. The resolution is conditional upon ASIC's consent to the resignation of Grant Thornton NSW, and Century anticipates that this consent will be forthcoming.

In accordance with section 328B of the Corporations Act, notice in writing nominating Grant Thornton Audit Pty Ltd has been given to Century by a Shareholder. A copy of this notice is included as Appendix 2. The appointment of Grant Thornton Audit Pty Ltd will be by vote of Shareholders as an ordinary resolution.

Subject to approval by Shareholders, the appointment of Grant Thornton Audit Pty Ltd will be effective for the 2011 financial year. Grant Thornton NSW remained responsible for the audit for the 2010 financial year.

The Directors recommend that the Shareholders vote in favour of this Resolution.

## **2. Rationale and terms of the Buyback**

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### **2.1. Rationale for the Buyback**

In its IPO prospectus of 2004, Century was presented as a means by which retail investors could receive the benefit of the investment strategy undertaken by Peter Morgan and other members of the management team of 452 Capital Pty Limited (**452**). Century had entered into a 25 year management contract with 452 which highlighted the key role expected to be played by Peter Morgan with 452. For example, Century reserved the right to terminate the management arrangements with 452 if, within the first 5 years, Peter Morgan ceased to be actively involved in an executive capacity with the business of 452.

As announced to the ASX, Peter Morgan has ceased to be actively involved in the business of 452. More recently, members of the senior management team of 452 have indicated that they do not intend to participate in the management of 452 Capital's business after a period yet to be agreed with the 452 Board. The management agreement with 452 has been terminated and Century has entered into a new Management Agreement with Perennial Value Management Limited (**PVM**). See Section 4.2 for details.

The board of Century recognises that Shareholders may have invested in Century on the basis of the continued involvement of 452 and Peter Morgan in the management of Century's investment portfolio. Given recent changes at 452 and in an effort to address the share price discount to net tangible assets that the Company's shares have been trading at since the onset of the Global Financial Crisis, the board of Century considered it appropriate to provide shareholders with the opportunity to exit from their investment by electing to have their Shares bought back by Century.

Directors do not consider that the Buyback is a means of returning excess capital to Shareholders. Rather, it is a company-sponsored means to enable Shareholders to exit from their investment at a price close to NTA. A selective return of capital, an alternative means available under the Corporations Act to facilitate such an exit, would require Shareholder approval by way of special resolution from Members not participating in the reduction. This alternative was not considered appropriate as it has higher execution risk than the Buyback.

Your Directors make no recommendation regarding whether you should participate in the Buyback as this is an individual shareholder decision.

### **2.2. Terms of the Buyback**

#### *Buyback offer*

The Buyback will be structured as if it were an equal access buyback. Shareholders will receive an offer document following the Annual General Meeting setting out in detail the terms of the Buyback and other information known to Century relevant to the decision of a Shareholder as to whether to accept the Buyback. Shareholders will then have a period of 1 month to elect to participate in the Buyback.

Participation in the Buyback is voluntary. Shareholders who do not wish to participate in the Buyback can still vote on whether Century should offer the Buyback but need not take any further action in relation to the Buyback.

#### *Entitlement to participate*

If the Resolutions are passed at the Annual General Meeting, the Buyback will be available for acceptance by Shareholders on the register of members of Century on 3 December 2010 being the date 7 Business Days after the date of passage of Resolution 5.

Shareholders with a registered address other than in Australia and New Zealand and any other jurisdiction in which it is lawful for Century to offer the Buyback to Shareholders may not participate in the Buyback. If you are such a Shareholder, you may sell your shares on-market through the ASX.

*Buyback price*

The Buyback price will be the net tangible asset backing per Share of Century after deduction of transaction costs associated with the Buyback, the deferred tax asset of Century and cash to be paid on the special dividend (see Section 3.14 for details). This determination will be made on the date 10 Business Days after close of the Buyback offer (refer *Timing* below).

Shareholders that intend to participate in the Buyback (if it is approved) are cautioned that this pricing exposes them to fluctuations in the market for investments held by Century between their acceptance of the Buyback and determination of the Buyback price.

Transaction costs (inclusive of estimated investment realisation costs) are presently estimated to be in the order of 0.26 cents per Share. If the Directors determine to propose resolutions to approve the winding up of Century, an additional 0.06 cents per Share in estimated winding-up costs will be taken up as a transaction cost and so reduce the Buyback price. See Section 3.12 for details.

The deferred tax asset as at 30 June 2010 was \$13,146,000 representing approximately 7.6 cents per Share. If the Buyback price had been determined at 30 June 2010 and applying these estimated transaction costs of 0.26 cents per Share, the Buyback price would have been \$0.86 per Share (before allowance for special dividend referred to in Section 3.15). The closing price of Shares on the ASX on 30 June 2010 was \$0.76.

The actual price payable under the Buyback will not be known until realisation of investments following conclusion of the Buyback.

*Timing*

The Buyback booklet will be mailed to eligible Shareholders within 3 Business Days of the Record Date, expected to be 15 December 2010. The Buyback offer will be open for acceptance for a period of 1 month and so is expected to close on 14 January 2011. Payment of the Buyback price for Shares the subject of the Buyback will be made within 15 Business Days after close of the Buyback offer. This is expected to provide PVM a reasonable opportunity to realise sufficient investments to meet the Buyback payment obligations. All Shares bought back will be cancelled following payment of the Buyback price.

### **3. Buyback – Relevant considerations for Members**

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#### **3.1. Introduction**

The purpose of this Section 3 is to identify significant issues for Members to consider in relation to the Buyback.

Before deciding how to vote at the Annual General Meeting, Members should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

#### **3.2. Why you may vote in favour of Resolution 5**

Reasons why Members may decide to vote in favour of Resolution 5 include the following:

- The Independent Expert has concluded that the Buyback is fair and reasonable to Members.
- All eligible Shareholders have an equal opportunity to participate in the Buyback.
- Shares in Century, like shares of other small listed investment companies, have traded at a discount to NTA since the onset of the Global Financial Crisis.
- Shareholders have the opportunity to sell their Shares at a price equal to NTA after transaction expenses and deferred tax asset (based on actual realisation of Century investments).
- All Shareholders may participate in a special dividend which will be declared if Resolution 5 is passed, to pay out all franking credits at that time, ensuring both exiting and remaining Shareholders receive the benefit of Century's accumulated franking credits (see Section 3.14 for details).
- Shareholders have a choice of whether to retain their Shares or participate in the Buyback for their full shareholding or part thereof.
- The off-market buyback process will enable Shareholders to sell a large volume of Shares other than through the ASX.
- Eligible Shareholders will not have to pay brokerage or appoint a stockbroker to sell their Shares in the off-market Buyback.

#### **3.3. Why you may vote against Resolution 5**

Members may decline to approve Resolution 5 for a number of reasons. These may include the following:

- The Independent Expert has concluded that the Buyback is fair and reasonable to Members. You are not obliged to follow that recommendation.
- Assuming that share markets improve in the year ahead, Century would be able to use the deferred tax asset as investment profits are realised which would result in the company not paying tax on realised capital gains until the deferred tax asset is depleted. However, should Century not continue as an entity for whatever reason, the deferred tax asset will be lost and of no value.
- There will be a reduction in the number of Shares on issue which may decrease liquidity on the ASX. See Section 3.11 for details.
- The Buyback will increase operating costs such as audit and custodian fees (other than management fees) as a proportion of total assets of Century. See Section 3.56 for details.
- If net tangible assets of Century falls below \$40 million as a result of the Buyback, the Directors will present the remaining Shareholders with the opportunity to approve a special resolution to wind up Century. See Sections 3.12 for details.

- If a significant number of Members accept the Buyback, PVM may determine that there is insufficient benefit for it to continue managing the portfolio of Century and so may terminate the Management Agreement on 90 days' notice. See Section 4.2 for details.
- In view of the possible adverse consequences of the Buyback for Shareholders not wishing to participate in the Buyback, it may be in the interests of such Shareholders to vote against Resolution 5.

### 3.4. Key implications if the Buyback does not proceed

If Members do not pass Resolution 5:

- The Buyback will not proceed and there will be no change in the capital structure of Century.
- Century will continue to be managed by PVM in accordance with the terms of the Management Agreement.
- Shareholders wishing to exit their investment in Century must do so on the ASX or off-market which may depress the price of Shares traded on the ASX.

### 3.5. Impact on Century's financial position

If the deferred tax asset on realised capital losses ceases to be available to Century following implementation of the Buyback, the impact of the Buyback on the financial position of Century, and the net tangible asset backing per Share following the Buyback is illustrated in the pro forma balance sheet set out below:

*Statement of Financial Position As At 30 June 2010*

	Before Buyback (\$'000) <sup>1</sup>	After provision for special dividend (\$'000) <sup>2</sup>	25% take up (\$'000) <sup>3</sup>	50% take up (\$'000) <sup>4</sup>	75% take up (\$'000) <sup>5</sup>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6,883	6,883	6,883	6,883	6,883
Trade and other receivables	5,058	5,058	5,058	5,058	5,058
Current tax assets	44	44	44	44	44
Other current assets	66	66	66	66	66
<b>TOTAL CURRENT ASSETS</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets <sup>6</sup>	138,364	138,364	103,378	68,393	33,407
Deferred tax assets <sup>7</sup>	13,146	13,146	2,253	2,253	2,253
<b>TOTAL NON-CURRENT ASSETS</b>	<b>151,510</b>	<b>151,510</b>	<b>105,631</b>	<b>70,646</b>	<b>35,660</b>
<b>TOTAL ASSETS</b>	<b>163,561</b>	<b>163,561</b>	<b>117,682</b>	<b>82,697</b>	<b>47,711</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	1,379	10,005	10,005	10,005	10,005
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,379</b>	<b>10,005</b>	<b>10,005</b>	<b>10,005</b>	<b>10,005</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	22	22	22	22	22
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>
<b>TOTAL LIABILITIES</b>	<b>1,401</b>	<b>10,027</b>	<b>10,027</b>	<b>10,027</b>	<b>10,027</b>

	Before Buyback (\$'000) <sup>1</sup>	After provision for special dividend (\$'000) <sup>2</sup>	25% take up (\$'000) <sup>3</sup>	50% take up (\$'000) <sup>4</sup>	75% take up (\$'000) <sup>5</sup>
NET ASSETS	162,160	153,534	107,655	72,670	37,684
EQUITY					
Issued capital	172,922	172,922	137,936	102,951	67,965
Reserves	1,496	1,496	1,496	1,496	1,496
Retained earnings	(12,258)	(20,884)	(31,777)	(31,777)	(31,777)
TOTAL EQUITY	162,160	153,534	107,655	72,670	37,684
NTA after all taxes	\$0.94	\$0.89	\$0.83	\$0.84	\$0.87
NTA before deferred tax on unrealised income	\$0.93	\$0.88	\$0.81	\$0.82	\$0.82
NTA before all deferred taxes	\$0.86	\$0.81	\$0.81	\$0.82	\$0.82

## Notes:

1. The column headed "Before Buyback" represents the audited statement of financial position of Century as at 30 June 2010.
2. The column headed "After provision for special dividend" is taken from the audited statement of financial position of Century as at 30 June 2010 after declaration but before payment of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details). No adjustment has been made to take account of the final dividend for the financial year ended 30 June 2010 of \$8,544,000 paid on 30 September 2010.
3. The column headed "25% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 43,130,396 Shares representing 25% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.
4. The column headed "50% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 86,260,792 Shares representing 50% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.
5. The column headed "75% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 129,391,188 Shares representing 75% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.
6. Assumed that Buyback was funded by sale of investments and there is no change in the cash levels in the above balance sheets. If part of the portfolio was liquidated, Century would realise gains and losses and this would change the retained earnings. For simplicity, in the above scenarios, it was assumed that no gains or losses were realised on the sale of investments.
7. The total deferred tax assets of \$13,146,000 include deferred tax assets on realised capital losses of \$10,872,000 and deferred tax asset arising from imputation credits to be utilised in future years of \$21,000. The deferred tax asset on realised capital losses and deferred tax asset arising from imputation credits to be utilised in future years were written off in these scenarios assuming that after the Buyback Century will not recover these.

If Century is able to maintain the deferred tax asset presently recorded on its balance sheet, the impact of the Buyback on the financial position of Century, and the net tangible asset backing per Share following the Buyback is illustrated in the pro forma balance sheet set out below:

## Statement of Financial Position As At 30 June 2010

	Before Buyback (\$'000) <sup>1</sup>	After provision for special dividend (\$'000) <sup>2</sup>	25% take up (\$'000) <sup>3</sup>	50% take up (\$'000) <sup>4</sup>	75% take up (\$'000) <sup>5</sup>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6,883	6,883	6,883	6,883	6,883
Trade and other receivables	5,058	5,058	5,058	5,058	5,058
Current tax assets	44	44	44	44	44
Other current assets	66	66	66	66	66
<b>TOTAL CURRENT ASSETS</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>	<b>12,051</b>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets <sup>6</sup>	138,364	138,364	103,378	68,393	33,407
Deferred tax assets <sup>7</sup>	13,146	13,146	13,146	13,146	13,146
<b>TOTAL NON-CURRENT ASSETS</b>	<b>151,510</b>	<b>151,510</b>	<b>116,524</b>	<b>81,539</b>	<b>46,553</b>
<b>TOTAL ASSETS</b>	<b>163,561</b>	<b>163,561</b>	<b>128,575</b>	<b>93,590</b>	<b>58,604</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	1,379	10,005	10,005	10,005	10,005
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,379</b>	<b>10,005</b>	<b>10,005</b>	<b>10,005</b>	<b>10,005</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	22	22	22	22	22
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>
<b>TOTAL LIABILITIES</b>	<b>1,401</b>	<b>10,027</b>	<b>10,027</b>	<b>10,027</b>	<b>10,027</b>
<b>NET ASSETS</b>	<b>162,160</b>	<b>153,534</b>	<b>118,548</b>	<b>83,563</b>	<b>48,577</b>
<b>EQUITY</b>					
Issued capital	172,922	172,922	137,936	102,951	67,965
Reserves	1,496	1,496	1,496	1,496	1,496
Retained earnings	(12,258)	(20,884)	(20,884)	(20,884)	(20,884)
<b>TOTAL EQUITY</b>	<b>162,160</b>	<b>153,534</b>	<b>118,548</b>	<b>83,563</b>	<b>48,577</b>
NTA after all taxes	\$0.94	\$0.89	\$0.92	\$0.97	\$1.13
NTA before deferred tax on unrealised income	\$0.93	\$0.88	\$0.90	\$0.94	\$1.07
NTA before all deferred taxes	\$0.86	\$0.81	\$0.81	\$0.82	\$0.82

## Notes:

1. The column headed "Before Buyback" represents the audited statement of financial position of Century as at 30 June 2010.
2. The column headed "After provision for special dividend" is taken from the audited statement of financial position of Century as at 30 June 2010 after declaration but before payment of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details). No adjustment has been made to take account of the final dividend for the financial year ended 30 June 2010 of \$8,544,000 paid on 30 September 2010.
3. The column headed "25% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 43,130,396 Shares

representing 25% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.

4. The column headed "50% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 86,260,792 Shares representing 50% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.
5. The column headed "75% take-up" is taken from the audited statement of financial position of Century as at 30 June 2010 adjusted to take account of a fully franked special dividend of an estimated \$8,626,000 (see Section 3.15 for details) and acceptance of the Buyback in respect of 129,391,188 Shares representing 75% of the issued Shares and assuming transactions costs of 0.26 cents per Share and exclusion of the deferred tax asset of \$13,146,000.
6. Assumed that Buyback was funded by sale of investments and there is no change in the cash levels in the above balance sheets. If part of the portfolio was liquidated, Century would realise gains and losses and this would change the retained earnings. For simplicity, in the above scenarios, it was assumed that no gains or losses were realised on the sale of investments.
7. The total deferred tax assets of \$13,146,000 include deferred tax assets on realised capital losses of \$10,872,000 and deferred tax asset arising from imputation credits to be utilised in future years of \$21,000. The full deferred tax asset of \$13,146,000 is maintained assuming Century can utilise these after the Buyback.

### **3.6. Impact on Operating Costs**

Under the Management Agreement, PVM is entitled to a management fee equal to 0.55% per annum of the value of the portfolio less cash holdings, calculated on the last Business Day of each quarter. See Section 4.2 for details. The amount of management fees paid to PVM will therefore reduce in proportion to the reduction of assets of Century following the Buyback.

However, other on-going costs associated with the operation of Century including accounting and audit fees, advisors' fees, costs of preparation of the annual report, holding annual general meetings, other compliance costs and legal costs are largely fixed costs and will not reduce proportionately with the reduction in assets of Century. As a result, the management expense ratio for Century may increase.

If there is a significant take-up of the Buyback by eligible Shareholders, the Directors will reassess the operating costs (including Board expenses) associated with continued operation of the business of Century and may take steps available to them to limit any increase in the management expense ratio of Century.

If the net tangible assets of Century falls below \$40 million as a result of the Buyback, Directors will provide Shareholders with an opportunity to consider a special resolution to wind up the company. See Section 3.12 for details.

### **3.7. Funding of the Buyback**

As at 14 September 2010, Century held investments in 39 securities quoted on the ASX. Each of these securities are available for sale to the extent required to fund payments under the Buyback. Century also held cash of \$41,979,000 representing approximately 25.6% of the value of the portfolio on that date. This cash is also available to meet payment obligations under the Buyback.

As investment manager, PVM will fund the payment obligations under the Buyback by liquidating investments and drawing on existing cash resources. Under the Management Agreement, PVM must take any action required to ensure that Century has sufficient cash available to meet its payment obligations under the Buyback.

In preparing the pro form statements of financial position included in Section 3.5, it has been assumed that the Buyback was funded by the sale of investments and that no gains or losses were realised on the sale of those investments. This may not reflect the source of funding for the Buyback. See note 6 to the pro forma statements of financial position in Section 3.5 for details.

### **3.8. No impact on solvency**

Century anticipates that it will remain solvent and will continue to be able to pay its debts as and when they fall due following the Buyback, irrespective of the level of acceptance of the Buyback. The Directors will not proceed with the Buyback unless they are satisfied that the relevant timetable would not materially adversely affect the financial position of Century.

### **3.9. Impact on Century's capital structure**

Century presently has 170,871,772 Shares on issue held by 4,979 Shareholders (based on the register of Members of Century on 30 September 2010). Century has no other securities on issue.

Under the Corporations Act, each Share that is bought back will be cancelled. As a result, the number of Shares on issue, and therefore the capital of Century, will be reduced by the number of Shares that Shareholders offer into the Buyback.

### **3.10. Impact on control of Century**

The impact of the Buyback on Century is dependent on the level of participation in the Buyback and the identity of the parties electing to participate in the Buyback.

Based on the substantial shareholder notices lodged with Century up to 15 September 2010, Questor Financial Services Limited (**Questor**) was the sole substantial shareholder in Century holding voting power of 18.011%.

If Questor does not participate in the Buyback and its voting power in Century does not change other than as a direct result of the Buyback, the voting power of Questor following the Buyback assuming acceptance of the Buyback in respect of 25%, 50% and 75% of Shares would be approximately 25%, 38% and 76.5% respectively.

As at 15 September 2010, the next largest registered holder holds Shares representing 2.49% of the issued capital of Century. This holding of Shares, as a proportion of the total issued capital, will only exceed 20% if Shares representing in excess of 85% of the issued Shares are acquired by Century under the Buyback and that Shareholder does not participate in the Buyback.

### **3.11. Impact on liquidity and trading**

Generally, liquidity in trading of Shares is affected by the number of Shares available for trading. As the Buyback will reduce the number of Shares on issue, the Buyback may result in a reduction in liquidity of Century shares on the ASX. The extent of that reduction will depend on the number of Shares bought back by Century.

However, as the Buyback provides an exit mechanism for Shareholders independent of the ASX, the Buyback may have the effect of reducing selling pressure on the Century Share price. As a result, while liquidity may be reduced, the price at which Shares trade on the ASX may be higher than that prior to implementation of the Buyback.

Moreover, if the Buyback price is higher than the pre-Buyback price at which Shares trade on the ASX, there may be an increase in the market price for Shares. The last price at which Shares traded on the ASX on 14 October 2010 (the last day on which Shares traded prior to commencement to printing of this explanatory memorandum) was \$0.815 per share. The price at which the Buyback would have been offered based on the financial position of Century as at 30 June 2010, assuming transaction costs of 0.26 cents per share (inclusive of estimated investment realisation costs) and less the deferred tax assets of \$13,146,000 was \$0.86 per Share (before allowance for special dividend referred to in Section 3.15), a 5.5% premium to the last traded price.

See Section 4.1 for further information regarding trading in Shares on the ASX.

### **3.12. Members voluntary winding-up**

In the unlikely event that participation in the Buyback is sufficiently high as to result in the net tangible assets of Century falling below \$40 million as a result of the Buyback, the Directors will provide

Shareholders with an opportunity to approve a resolution to wind up Century. This would require shareholder approval by special resolution. Any such resolution would be proposed as soon as possible after the outcome of the Buyback is determined and its impact on the continued listing of Century on the ASX. If a winding-up resolution is proposed, anticipated winding-up costs of an additional \$100,000 will be deducted from the amounts used to calculate the Buyback price.

### 3.13. Impact on tax position

The Buyback will have no direct impact on Century's tax position as it will only affect equity accounts. However, the expenses incurred by Century in relation to the Buyback (such as legal fees) will not be immediately deductible for income tax purposes, but will be amortised over 5 years in accordance with Section 40-880 of the Income Tax Assessment Act, 1997 (Cth).

A Reduced Input Tax Credit (RITC) can be claimed for the GST-incurred on certain expenses incurred by Century in relation to the Buyback. This will include brokerage, certain unit registry costs and management costs.

There are no stamp duty impacts in relation to the share Buyback.

### 3.14. Impact on franking credits

As the Buyback is to be effected as an off-market buyback, the excess of the purchase price paid for the buyback of Shares over the amount debited to the share capital account is taken to be a dividend paid by Century to participating Shareholders. Such a dividend is paid out of profits derived by Century on the day the Buyback occurs. In this case, Century can decide how much of the deemed dividends are franked - creating a franking debit to the company's franking account.

However, there will be no deemed dividends from the Buyback if the Buyback price is below the issue price for each Share. If this is the case, no franking debits will arise from the Buyback.

As at 30 June 2010, Century had a franking credit balance of \$7,211,000 and an adjusted franking account balance (taking account of the impact on the franking account of dividends proposed or declared before the financial report was authorised but not recognised as a distribution to equity holders during that year) of \$3,561,000. This does not take account of the benefit of franking credits received through the receipt of franked dividends paid by investees following 30 June 2010.

If implementation of the Buyback is approved by Shareholders, the Directors will declare a dividend to pay out the balance of the Company's franking credits at that time. This special dividend would be fully franked. The record date for this special dividend would be the same record date as that for determining entitlement to participate in the Buyback. This special dividend would be available to all Shareholders, including Shareholders who elect to participate in the Buyback. Payment of the special dividend will be made at the same time as payment of the Buyback price to Shareholders participating in the Buyback.

### 3.15. Intentions of the Directors

As at 9 September 2010, the Directors held the following numbers of Shares:

Directors	Number of Shares
R Turner	153,739
S Menzies	23,515
R Hooper	15,000
R Finley	250,000
<b>Total</b>	<b>442,254</b>

Messrs Turner, Menzies and Hooper have confirmed that they do not propose to participate in the Buyback in respect of any Shares in which they hold a relevant interest. Mr Finley has yet to determine whether to participate in the Buyback. Mr Finley will have regard to market conditions and

circumstances of Century at the time of the Buyback, before deciding whether to participate in the Buyback.

### **3.16. Independent Expert**

The Independent Expert has concluded that:

*"According to the terms of the Buyback, the final Buyback Price will only be known 10 days post closure of the Buyback offer. We have, therefore, performed our assessment assuming that the Buyback price was calculated on 31 August 2010, the last available date, at the time of writing this report, on which Century reported its monthly Net Tangible Assets per share value to the ASX.*

*We have considered the terms of the Buyback as outlined in the body of this Report and have concluded that the Buyback is fair and reasonable."*

The Independent Expert's Report is set out in full in Appendix 2 of this Booklet and you are strongly encouraged to read that report as part of your assessment of the Buyback.

## 4. Perennial Value Management and Century

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### 4.1. Perennial Value Management

#### *About Perennial Value Management*

Perennial Investment Partners Limited was established in August 1999 and is wholly owned by IOOF. Perennial consists of a number of boutique fund managers whose management has significant shareholder stakes in the boutiques.

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

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

#### *Investment Philosophy*

PVM is an active Australian equities manager whose investment process is based on a 'value' stock picking investment style. PVM believes that investment markets are not fully efficient, with asset prices sometimes driven by irrational influences. PVM 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 PVM'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.

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

#### *Investment Team*

John Murray founded PVM 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 five analysts, a senior portfolio manager and a dealer.

#### *Performance and Funds Under Management*

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

Since the inception of the Perennial Value Australian Shares Trust (March 2000), the Trust has returned 12.4% pa which equates to 5.0% pa more than the return of the Australian sharemarket, as measured by the S&P/ASX 300 Accumulation Index. Performance is as at 30 June 2010.<sup>1</sup>

Past performance is no indication of future performance.

### 4.2. Management Agreement

PVM assumed responsibility for the management of the portfolio of Century with effect from close of business on 9 September 2010. The Management Agreement is based on the standard investment

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<sup>1</sup> Gross performance (shown) does not include any applicable management fees or expenses. Past performance is not a reliable indicator of future performance.

management agreement issued by the Financial Services Council (previously the Investment and Financial Services Association).

Under the Management Agreement, PVM has powers of a natural person to deal with the portfolio and to do all things and do all things necessary for the purpose of managing the portfolio.

When managing Century's portfolio, PVM must comply with the investment instructions and investment objectives given by Century from time to time.

In return for managing Century's portfolio, PVM is entitled to a management fee equal to 0.55% per annum of the portfolio value less cash holdings of Century calculated on the last business day of each quarter. No performance fee is payable to PVM.

The Management Agreement may be terminated by either Perennial or Century on delivery of 90 days' written notice of termination. Century may also terminate the Management Agreement by written notice to Perennial if:

- (a) a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertakings of PVM;
- (b) PVM:
  - (i) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by Century);
  - (ii) ceases to carry on business in relation to its activities as an investment manager;
  - (iii) breaches any provision of this Agreement, or fails to observe or perform any representation, warranty or undertaking given by PVM under this Agreement and PVM fails to correct such breach or failure within 10 Business Days of receiving notice in writing from the Company specifying such breach or failure;
- (c) PVM sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of PVM or of a beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by Century; or
- (d) PVM ceases to be licensed under the Relevant Law or is unable to carry out its duties under this Agreement because it has ceased to hold necessary legal authorisations to operate as an investment manager.

#### **4.3. Summary of full year results and outlook**

In the 2010 financial year, Century generated an underlying profit from operations, before tax, realised gains and impairment loss of \$5.8 million, which decreased by 4% from the previous year's \$6.0 million.

The operating profit reflects the revenue from dividends and interest income less operating costs which include management fees paid to 452 Capital for management of the investment portfolio.

The net profit after tax was \$13.0 million for the year, compared to a prior year loss of \$26.7 million. Included in the operating profit after tax was recognition of:

- a \$3.9 million impairment loss on the investment portfolio (down from an impairment loss of \$20.3 million in the prior year), and;
- realised gains on investments before tax \$14.0 million (compared to losses of \$26.3 million in the prior year).

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

details, please refer to note 11 to the audited financial statements included with the 2010 annual report).

A complete copy of the audited financial statements for Century for the financial year ended 30 June 2010 is included in the annual report mailed with this Notice of Annual General Meeting (to shareholders who have requested a copy) or is available from the Company's website at [www.centuryaustralia.com.au](http://www.centuryaustralia.com.au).

#### **4.4. Trading in Shares**

In the 12 months to 17 September 2010, Shares have traded at a high of \$0.91 (on 21 October 2009) and a low of \$0.74 (on 6 July 2010). The volume weighted average price at which Shares have traded in this period was \$0.8037.

In the 3 months to 17 September 2010, Shares have traded at a high of \$0.875 (on 6 September 2010) and a low of \$0.74 (on 6 July 2010). The volume weighted average price at which Shares have traded in this period was \$0.7967.

See Section 5.2 of the Independent Expert's Report for further trading information of Shares.

#### **4.5. Century is a disclosing entity**

As a company listed on the ASX and a "disclosing entity" under the Corporations Act, Century is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. Century's most recent announcements are available from its website.

Further announcements concerning Century will continue to be made available on the website after the date of this Booklet.

The ASX maintains files containing publicly available information about entities listed on their exchange. Century's files are available for inspection from the ASX during normal business hours and are available on the ASX website.

Century is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Century may be obtained, or inspected at, ASIC offices.

## **5. Additional information regarding Buyback**

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### **5.1. Introduction**

This Section includes additional information that Century considers is material to the decision on how to vote on Resolution 5.

### **5.2. Regulatory requirements**

This Section summaries the Corporations Act requirements relevant to Resolution 5 (approval of Buyback).

Under Section 257C of the Corporations Act, Century may not undertake a buyback of shares representing more than 10% of the smallest number of votes attaching to Shares on issue in the preceding 12 months unless the terms of the buyback agreement are approved by Shareholders in Annual General Meeting. This cap on share buybacks is known as the 10/12 limit.

Whether the Buyback will result in the 10/12 being exceeded will depend upon the level of acceptance for the Buyback received by Century following passage of Resolution 5. Resolution 5 is directed at providing the authorisation to implement the Buyback on the assumption that the 10/12 limit will be exceeded.

### **5.3. No Voting Restrictions**

There is no voting restriction for Resolution 5.

### **5.4. ASX waivers**

As at the date of printing of this Booklet, no waiver from the Listing Rules has been granted by the ASX to Century in relation to the Buyback.

### **5.5. ASIC Relief**

The proposed Buyback does not technically comply with the requirements under the Corporations Act for an equal access buyback. Accordingly, absent of relief from ASIC, it will be treated as a selective buyback for the purposes of the Corporations Act and, rather than requiring approval by ordinary resolution of Shareholders, it would require approval by a special resolution on which no votes may be cast by Shareholders whose Shares are proposed to be bought back.

Century has applied for and received an exemption under Section 257D(4) of the Corporations Act. This exemption permits Century to conduct the Buyback in substantially the same manner as an equal access buyback in accordance with Division 2 of Part 2J of the Corporations Act, except that:

- (a) Century does not comply with paragraph 257B(2)(b) of the Corporations Act but rather invites all Shareholders (other than excluded foreign persons) to offer for sale any number of their Shares in accordance with the terms and conditions of the Buy-Back Invitation;
- (b) Century does not comply with paragraph 257B(2)(c) of the Corporations Act but rather all Shareholders (other than excluded foreign persons) have a reasonable opportunity to offer for sale any number of their Shares in accordance with the terms and conditions of the Buy-Back invitation; and
- (c) Century does not comply with paragraph 257B(2)(d) of the Corporations Act but rather the buy-back agreements are not entered into until after the Offer Period has closed; and
- (d) Century does not comply with paragraph 257B(2)(e) of the Corporations Act but rather the Buy-Back invitation is to be made to all Shareholders (other than excluded foreign persons) for those Shareholders to offer any number of their Shares for sale to Century and for Century to buy back that number of their Shares subject to:

- a. each Shareholder having the ability to nominate a maximum number of Shares which they wish to offer for sale to Century; and
- b. a Buy-Back invitation need not be made to excluded foreign persons and any offer received from an excluded foreign person need not be accepted by Century; and

provided that Century complies with section 257C of the Corporations Act if the Buy-back will or may exceed the 10/12 limit as set out in subsections 257B(4) and 257B(5) of the Corporations Act.

#### 5.6. Independent advice

Members should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Buyback;
- the taxation implication for them if the Buyback is implemented; or
- any other aspects of this Booklet.

#### 5.7. Other Material Information

Century will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the Annual General Meeting:

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Century may circulate and publish any supplementary document by:

- making an announcement to the ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to Members at their registered address as shown in the Century Register; and/or
- posting a statement on Century's corporate website, as Century in its absolute discretion considers appropriate.

## 6. Glossary

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The following terms used in this Booklet (including the Notice of Meeting included in this Booklet) have the meanings given to them below, unless the context otherwise requires.

<b>452</b>	452 Capital Pty Limited (ACN 101 924 430)
<b>ASIC</b>	Australian Securities & Investment Commission
<b>Associate</b>	has the meaning given in section 9 of the Corporations Act.
<b>ASX</b>	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conduct by it
<b>Business Day</b>	a day other than a Saturday, Sunday or public holiday on which banks are open for normal banking business in New South Wales.
<b>Century</b>	Century Australia Investments Limited (ACN 107 772 761)
<b>Explanatory Memorandum</b>	this explanatory memorandum dated 22 October 2010 in relation to the Buyback
<b>Annual General Meeting</b>	the meeting of members to be convened in respect of the Buyback on 24 November 2010. The notice convening the Annual General Meeting is included in this Booklet
<b>Independent Expert</b>	BDO Securities (NSW-VIC) Pty Limited (ACN 065 203 492)
<b>Independent Expert's Report</b>	the report of the Independent Expert expressing an opinion on the Buyback. The Independent Expert's Report is set out in Appendix 1 of this Booklet
<b>Listing Rules</b>	the listing rules of the ASX
<b>Management Agreement</b>	the management agreement between Century and PVM effective from 9 September 2010
<b>Member</b>	a registered holder of Shares
<b>Notice of Meeting</b>	the notice for the Annual General Meeting dated 22 October 2010, included in this Booklet
<b>PVM</b>	Perennial Value Management Limited (ACN 090 879 904)
<b>Registry</b>	Registries Limited (ACN 003 209 836)
<b>Resolutions</b>	the resolutions set out in the Notice of Meeting
<b>Shares</b>	ordinary shares in the capital of Century
<b>Shareholder</b>	a registered holder of Shares

## **Appendix 1 – Independent Expert’s Report**

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**INDEPENDENT EXPERT'S REPORT**  
Century Australia Investments Limited

13 October 2010

13 October 2010

The Directors  
Century Australia Investments Limited  
Level 7, 20 Hunter Street  
SYDNEY NSW 2000

Dear Sirs

## Independent Expert's Report - Century Australia Investments Limited

### INTRODUCTION

BDO Securities (NSW-VIC) Pty Limited ("BDO") has been engaged by the Directors of Century Australia Investments Limited ("Century" or "the Company") to prepare an Independent Expert's Report ("the Report") to express an opinion as to whether or not the proposed buyback of Century shares ("Shares") by the Board of Century on an equal access basis and on the terms set out in the Explanatory Memorandum ("Buyback"), is fair and reasonable to shareholders of Century ("Shareholders").

Our Report is to be included in the Explanatory Memorandum for Century to be sent to all Shareholders to assist them in deciding whether to accept or reject the Buyback.

### SUMMARY AND OPINION

According to the terms of the Buyback, the final Buyback Price will only be known 10 days post closure of the Buyback offer. We have, therefore, performed our assessment assuming that the Buyback Price was calculated on 31 August 2010, the last available date, at the time of writing this report, on which Century reported its monthly Net Tangible Assets per Share value to the ASX.

We have considered the terms of the Buyback as outlined in the body of this Report and have concluded that the Buyback is fair and reasonable.

A summary of our analysis in forming the above opinion is provided below.

#### ***Fairness***

In accordance with our basis of evaluation (set out in Section 2.2) we have assessed whether or not the Buyback is fair to Shareholders with reference to our assessment of the value of Shares in Century and the Buyback Price under the Buyback. Our valuations are set out in detail in the body of this report. The results of our analysis are summarised below.

#### Summary of Fairness

	Ref	Value per Share (\$)	
		Low	High
Assessed value of a Century Share (based on Net Realisable Value)	Section 5.3	0.82	0.82
Value of Buyback Price	Section 6.2	0.82	0.82

Source: BDO

As at 31 August 2010, per our assessment, the value of a Century Share would have been equal to the Buyback Price. The Buyback is therefore fair for Shareholders.

### Reasonableness

We have considered the analysis in Sections 8.1 and 8.2 of this Report, in terms of both the advantages and disadvantages of accepting the Buyback and the position of Shareholders if the Buyback does not proceed.

The respective advantages and disadvantages considered are summarised below.

#### Advantages and Disadvantages of Accepting the Buyback

Section	Advantages	Section	Disadvantages
8.1.1	Opportunity to sell at a price above ASX	8.2.1	Loss of deferred tax asset
8.1.2	No brokerage payable	8.2.2	Members voluntary winding up
		8.2.3	Increase in expenses per share
		8.2.4	Decrease in liquidity

Source: BDO

In our opinion, the position of Shareholders if the Buyback proceeds is more advantageous than the position if the Buyback does not proceed. Accordingly, we believe that the Buyback is reasonable for Shareholders.

### Conclusion

Having considered the aforementioned analysis, we believe that the Buyback is fair and reasonable to Shareholders.

Yours faithfully  
BDO SECURITIES (NSW-VIC) PTY LIMITED



Sebastian Stevens  
Director



David McCourt  
Director

## Independent Expert's Report

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Appendix A - Financial Services Guide

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## Independent Expert's Report

### Glossary

<b>452</b>	452 Capital Pty Limited
<b>452 IMA</b>	452 Investment Management Agreement
<b>AFSL</b>	Australian Financial Services Licence
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange
<b>BDO</b>	BDO Securities (NSW-VIC) Pty Ltd
<b>Board</b>	The Board of Directors of Century
<b>Buyback</b>	The proposed buyback of Shares by the Board of the Company
<b>Buyback Price</b>	The price at which the Buyback will be performed
<b>Century or the Company</b>	Century Australia Investments Limited
<b>Directors</b>	The directors of Century
<b>Eligible Shareholders</b>	Shareholders eligible to participate in the Buyback, having a registered address in Australia or New Zealand
<b>Explanatory Memorandum</b>	The memorandum sent to Shareholders, outlining the terms and rationale for the Buyback
<b>Foreign Shareholders</b>	Shareholders with a registered address other than in Australia or New Zealand
<b>FY09</b>	Financial year ended 30 June 2009
<b>FY10</b>	Financial year ended 30 June 2010
<b>FY11</b>	Financial year ended 30 June 2011
<b>IPO</b>	Initial Public Offering
<b>NRV</b>	Net Realisable Value
<b>NTA per Share</b>	Net Tangible Assets per Century share, after investment portfolio realisation costs
<b>PVM</b>	Perennial Value Management Limited
<b>PVM IMA</b>	PVM Investment Management Agreement
<b>Report</b>	This Independent Expert's Report prepared by BDO
<b>RG 110</b>	ASIC Regulatory Guide 110 "Share buy-backs"
<b>RG 111</b>	ASIC Regulatory Guide 111 "Content of Expert Reports"
<b>RG 112</b>	ASIC Regulatory Guide 112 "Independence of Experts"
<b>Share</b>	An ordinary share in Century
<b>Shareholders</b>	Shareholders in Century
<b>YTD11</b>	First two months (July and August) of FY11

## 1. OUTLINE OF THE BUYBACK

### 1.1. Background

Century is an Australian listed investment company, investing primarily in Australian listed securities. Century completed its initial public offering (“IPO”) on 16 February 2004.

Century was initially presented as a means by which retail investors could invest under the management strategy of 452 Capital Pty Limited (“452”) and its principal executive, Peter Morgan. Peter Morgan has recently left 452 and several other senior members of the 452 management team have indicated their intention not to remain at 452 long term.

As announced to the ASX on 10 September 2010, Century terminated its investment management agreement with 452 on 6 September 2010 and subsequently appointed Perennial Value Management Limited (“PVM”) as interim investment manager of Century’s investment portfolio.

The Directors of Century have recognised that given the change in investment manager from 452 to PVM, some Century shareholders may now wish to exit their shareholding in Century. Accordingly, the Directors have proposed the Buyback in order to provide Century shareholders with an opportunity to exit their shareholding.

As announced to the ASX on 6 September 2010 and as set out in detail in the Explanatory Memorandum, under the terms of the proposed Share Buyback Eligible Shareholders may elect to participate for all or part of their shareholding. Foreign Shareholders, with a registered address other than in Australia or New Zealand, are not entitled to participate in the Buyback (but can continue to sell their Shares on-market through the ASX).

### 1.2. Buyback Price

The Buyback Price will be calculated by reference to the net tangible asset backing per Century share (“NTA per Share”). NTA per Share allows for investment portfolio realisation costs. The Buyback Price will be the NTA per Share less Century’s deferred tax assets and estimated transaction costs.

The Buyback Price will not be known until 10 days after the close of the Buyback offer.

Had the Buyback Price been calculated at 31 August 2010, we calculate that the Buyback Price would have been \$0.82.

### 1.3. Special dividend

The Shareholder’s Booklet states that if the Buyback is approved by Shareholders, the Directors will declare a special, fully franked dividend. The purposed of the special dividend will be to distribute the franking credits of the Company. The amount of the special dividend has not yet been determined.

Per the Shareholder Booklet, the special dividend will be available to all Shareholders to which the Buyback offer is to be made, including those Shareholders who elect to participate in the Buyback.

Payment of the special dividend will result in a reduction in net assets but as the amount has not yet been determined, we have not incorporated the special dividend into our assessment. As the special dividend will be paid to all Shareholders, it does not have an impact on our assessment.

## 2. SCOPE OF REPORT

### 2.1. Report Requirements

Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 110 “Share buy-backs” (“RG 110”) sets out the information to be disclosed to shareholders by companies seeking shareholder approval for a buy-back.

Paragraph 18 of RG 110 states that if a company proposes to buy back a significant percentage of shares, it should consider providing an independent expert’s report with a valuation of the shares.

Century has engaged BDO to prepare an independent expert's report regarding the value of Century as well as the impact of the Buyback on exiting and remaining Century shareholders. To best satisfy the requirements of RG 110, we consider our Report should assess whether, in our opinion, the proposed share buy-back price is fair and reasonable to Century shareholders.

Our Report will be provided to Century shareholders to assist them in considering the resolution to approve the proposed buy-back.

BDO is independent of Century and has no other involvement or interest in the proposed Buyback.

## 2.2. Basis of Evaluation

In determining whether the Buyback is fair and reasonable, we note that ASIC in its Regulatory Guide 111 outlines the following definitions of "fair" and "reasonable" in the context of a change of control transaction:

- An offer is "fair" if the value of the offer price is equal to or greater than the value of the shares that are the subject of the offer.
- RG 111 considers an offer to be reasonable if the offer is fair, or despite not being fair, there are sufficient reasons for shareholders to accept the Buyback.

In our opinion, as the Buyback is not a control transaction, the assessment of fairness as outlined in RG111 is not appropriate for the assessment of the Buyback. Having regard to the above, BDO has undertaken an assessment as to whether the Buyback is "fair and reasonable" in two parts as set out below:

- **Fairness Test:** A comparison between the proposed Buyback Price and our assessment of the value of a Share in Century as at an assumed Buyback Price calculation date of 31 August 2010. In particular, we consider that the Buyback Price should not be materially different from our assessment of the value of a Century Share, so as not to be detrimental to either the Shareholders who decide to dispose of their Shares as part of the Buyback or Shareholders who do not sell their Shares as part of the Buyback.
- **Reasonableness Test:** An investigation into other significant factors to which all Shareholders (both Eligible and Foreign) might give consideration, prior to accepting the Buyback, after reference to the value derived above. Such consideration includes a comparison of the likely advantages and disadvantages of the Buyback for Shareholders.

We have assessed that in all cases the advantages and disadvantages of rejecting the Buyback are the inverse of the advantages and disadvantages of accepting the Buyback. Thus, for simplicity and ease of evaluation, we have set out the reasonableness factors in Section 8 only in the context of accepting the Buyback.

## 3. PROFILE OF CENTURY

### 3.1. Background

Century is a listed investment company investing in Australian listed securities. Century completed its initial public offering ("IPO") under a prospectus dated 16 February 2004. Century has a market capitalisation of approximately \$140.1m (based on a Share price of \$0.82, the last price at which Century Shares traded on ASX on 21 September 2010).

Century was initially presented as a means by which retail investors could invest under the management strategy of 452 and its principal executive, Peter Morgan. As noted above, Peter Morgan has recently left 452 and several other senior members of the 452 management team have indicated their intention not to remain at 452 long term.

### 3.2. 452 Investment Management Agreement

At inception, Century appointed 452 as its investment manager. 452 held authority to undertake and realise investments on behalf of Century, subject to the right of Century to give directions regarding investments. The 452 IMA had a 25 year term and included a number of provisions permitting early termination including if the principal investment executive employed by 452 ceased to be actively involved in the business of 452 on a full-time basis for at least 9 months in any financial year before 30 June 2010. On the basis of this provision (the continuing involvement of the principal investment executive), Century became entitled to terminate the 452 IMA in April 2010, subject only to shareholder approval. Century did not then propose to exercise this right as it understood there would be continuity of management services provided by the 452 management team. However, on 18 August 2010 Century was advised that the senior members of the management team did not intend to continue in the management of 452 on a long term basis. As a result, Century reached an agreement with 452 for the early termination of the 452 IMA.

Under the terms of the Deed of Termination and Release agreed between Century and 452 dated 6 September 2010, Century is required to pay 452 management fees accrued up to and including 9 September 2010 being the date at which investment management was transitioned from 452 to PVM. No performance fees were owing as at the termination date and no other additional termination fees are payable by Century to 452.

### 3.3. PVM Investment Management Agreement

After Century reached an in-principle agreement with 452 that the 452 IMA would be terminated, Century invited four other investment managers, with a similar investment style to 452, to tender for the management of the Century portfolio.

On 6 September 2010, Century announced it had appointed PVM, an Australian equities manager with \$8.6 billion funds under management, to act as interim investment manager of the Century portfolio.

Under the terms of the PVM Investment Management Agreement (“PVM IMA”), PVM is entitled to investment portfolio management fees of 0.55% per annum of the portfolio value less Century’s cash holdings from 10 September 2010.

### 3.4. Capital Structure

Century presently has 170,871,772 fully-paid ordinary Shares on issue. These Shares are held by 5,034 Shareholders (based on the register of members of Century on 15 September 2010).

Figure 3.4 illustrates the spread of Shareholders based on the number of Shares held.

Figure 3.4: Century Analysis of holdings as at 9 September 2010

Holding range	Holders	Total ordinary Shares	% holding
1 to 1,000	250	153,232	0.1
1,001 to 5,000	989	3,202,111	1.9
5,001 to 10,000	1,136	9,195,759	5.4
10,001 to 100,000	2,513	71,750,009	42.0
100,001 and Over	146	85,570,561	50.6
<b>Total</b>	<b>5,034</b>	<b>170,871,772</b>	<b>100.0</b>

Source: Information provided by Management

### 3.5. Historical Balance Sheets of Century

The historical balance sheets of Century are set out in Figure 3.5.

Figure 3.5a: Historical balance sheets of Century

\$000	Ref	FY09	FY10	YTD11
<b>Current Assets</b>				
Cash and cash equivalents		17,769	6,883	42,642
Trade and other receivables		3,684	5,058	1,011
Held for trading financial assets		78	-	-
Current tax assets		-	44	44
Other current assets		66	66	-
<b>Total Current Assets</b>		<b>21,597</b>	<b>12,051</b>	<b>43,697</b>
<b>Non-Current Assets</b>				
Available for sale financial assets	3.5.1	131,530	138,364	105,224
Deferred tax assets	3.5.2	17,203	13,146	13,142
<b>Total Non-Current Assets</b>		<b>148,733</b>	<b>151,510</b>	<b>118,366</b>
<b>Total Assets</b>		<b>170,330</b>	<b>163,561</b>	<b>162,063</b>
<b>Current Liabilities</b>				
Trade and other payables		3,049	1,379	8,897
Current tax liabilities		151	-	-
<b>Total Current Liabilities</b>		<b>3,200</b>	<b>1,379</b>	<b>8,897</b>
<b>Non-Current Liabilities</b>				
Deferred tax liabilities		38	22	46
<b>Total Non-Current Liabilities</b>		<b>38</b>	<b>22</b>	<b>46</b>
<b>Total Liabilities</b>		<b>3,238</b>	<b>1,401</b>	<b>8,943</b>
<b>Net Assets</b>		<b>167,092</b>	<b>162,160</b>	<b>153,120</b>
<b>Equity</b>				
Issued Capital		186,865	172,922	171,647
Reserves		(1,049)	1,496	1,514
Retained Earnings		(18,724)	(12,258)	(20,041)
<b>Total Equity</b>		<b>167,092</b>	<b>162,160</b>	<b>153,120</b>

Source: 30 June 2010 Appendix 4E Preliminary Final Report and August 2010 management accounts

The reduction of \$4.9m in net assets between FY09 and FY10 principally reflects:

- \$13.9m of Shares bought back during the year (pursuant to an on-market Share buy-back) and dividends paid of \$6.5m, which reduced net assets; and
- net profit for the year of \$13m and upwards fair value adjustments to the investment portfolio, net of tax, of \$2.5m, which increased net assets.

The reduction of \$9.0m in net assets between FY10 and YTD11 principally reflects:

- \$8.5m provision for payment of the FY10 final dividend; and
- net profit for the period to 31 August 2010 of \$761k.
- \$1.3m of shares bought back during the period to 31 August 2010 (pursuant to Century's on-market buy back)

### 3.5.1. Available-for-sale Financial Assets

Available-for-sale financial assets are stated at fair value and comprise:

Figure 3.5b: Analysis of FY09, FY10 and YTD11 investment assets

\$'000	FY09	%	FY10	%	YTD11	%
Australian equities:						
Consumer discretion	27,210	21%	26,354	19%	20,318	19%
Consumer staples	11,515	9%	4,481	3%	3,063	3%
Healthcare	-	-	2,415	2%	1,657	2%
Industrials	5,833	4%	6,610	5%	5,461	5%
Materials	23,882	18%	20,702	15%	16,225	15%
Property trusts	3,154	2%	5,268	4%	4,046	4%
Telecommunications	13,276	10%	16,990	12%	11,212	11%
Financial Services	46,660	35%	55,544	40%	43,242	41%
<b>Total</b>	<b>131,530</b>	<b>100%</b>	<b>138,364</b>	<b>100%</b>	<b>105,224</b>	<b>100%</b>

Source: Information provided by Management

### 3.5.2. Deferred Tax Assets

As at 30 June 2010, Century had total deferred tax assets (arising from realised and unrealised capital losses) of \$13.1m. Analysis of this balance is as follows:

Figure 3.5c: Analysis of FY10 deferred tax asset

\$'000	FY10
Unrealised losses on revaluation of available-for-sale financial assets at 30%	2,242
Realised capital losses at 30%	10,872
Audit fees and directors' superannuation accruals at 30%	11
Imputation credits to utilise in future years	21
<b>Total</b>	<b>13,146</b>

Source: 30 June 2010 Appendix 4E Preliminary Final Report

The realised capital losses of \$10.9m result from \$36.2m of realised carry forward losses from prior periods.

As expressed in the 30 June 2010 Appendix 4E, the Directors believe it is probable that the carry forward tax losses will be utilised by the generation of future taxable profits. However, the Buyback may reduce the Company's ability to utilise carry forward tax losses in the future if it results in a reduction in the assets of Century to a level that renders it uneconomic for Century to remain a listed entity.

### 3.6. Historical Income Statements of Century

The historical income statements for Century are summarised in Figure 3.6.

Figure 3.6: Historical income statements of Century

\$000	FY09	FY10	YTD11
Revenue	9,978	8,253	992
Unrealised gain/(loss) on futures	78	(78)	-
Directors' benefits expense	(197)	(197)	(33)
Investment management fees	(1,537)	(1,621)	(253)
Share based performance fees	(1,674)	-	-
Professional expenses	(173)	(184)	(70)
Registry and custody fees	(217)	(165)	(26)
Printing	(11)	(11)	-
Other expenses	(221)	(197)	(27)
<b>Profit before income tax expense, realised gains/(losses) and impairment loss</b>	<b>6,026</b>	<b>5,800</b>	<b>583</b>
Impairment loss on investment portfolio	(20,302)	(3,872)	(74)
Realised gains/(losses) on investment portfolio before income tax	(26,291)	14,030	272
<b>Profit/(loss) before income tax expense</b>	<b>(40,567)</b>	<b>15,958</b>	<b>781</b>
Income tax (expense)/benefit	13,851	(2,951)	(20)
<b>Net profit/(loss) for the year</b>	<b>(26,716)</b>	<b>13,007</b>	<b>761</b>
Fair value adjustment to investment portfolio net of tax	14,885	2,545	(19)
<b>Total comprehensive income/(loss) for the year</b>	<b>(11,831)</b>	<b>15,552</b>	<b>742</b>

Source: 30 June 2010 Appendix 4E Preliminary Final Report

Profit before tax, realised gains and impairment loss decreased 4% to \$5.8m in FY10 from \$6m in FY09. The primary driver of the decrease in profit before tax, realised gains and impairment loss in FY10 was a \$1.7m reduction in revenue (dividends and distributions) from the investment portfolio. This was partly offset by there being no Share based performance fees incurred during the year.

FY10 net profit after tax was \$13.0m, compared to a loss of \$26.7m in FY09. FY10 operating profit after tax included:

- (1) a \$3.9m impairment loss on the investment portfolio (down from an impairment loss of \$20.3m in FY09), and;
- (2) realised gains on investments before tax of \$14.0m (compared to losses of \$26.3m in FY09).

Profit before tax, realised gains and impairment loss for the first two months in FY11 was \$583k. Realised investment gains resulted in a total profit for YTD11 of \$761k.

#### 3.6.1. Fixed and Variable Costs

Century's main cost in FY10, representing 66% of overhead costs, was investment management fees paid to 452 (c.0.89% per annum of the net assets value). Per the agreement reached between Century and PVM, ongoing investment management fees will be calculated as 0.55% per annum of the investment portfolio value less cash holdings of Century. This cost is a variable cost which will scale down with any reduction in the size of the investment portfolio brought about by the Buyback.

Century's remaining overhead costs can be viewed as being largely fixed in nature (\$702k in FY10).

### 3.7. Reported NTA per Share

Consistent with its obligations as a listed investment company, Century reports its monthly NTA per Share to the ASX. As at the time of writing this report, the latest reported NTA per Share was as at 31 August 2010. The calculation thereof is summarised below. The reported NTA per Share is after adjusting for investment portfolio realisation costs.

Reported NTA per Share as at 31 August 2010	Before tax \$000	After tax \$000
Net assets per Aug-10 balance sheet	153,120	153,120
Less:		
Investment portfolio realisation costs	(263)	(263)
Deferred tax asset on unrealised gains	(1,227)	-
Adjusted net assets	151,630	152,857
Shares on issue (000)	170,872	170,872
NTA per Share (\$)	\$0.89	\$0.89

Source: ASX announcement dated 14 September 2010 and management information

## 4. VALUATION METHODOLOGIES

Details of common valuation methodologies are set out in Appendix C.

Century is an asset based investment company with the management of its portfolio contracted out to third parties. For the purposes of our report we have assessed the value of a Share in Century using two valuation methodologies:

- (1) Net Realisable Value - assesses the realisable value of the company's assets, net of the realisation costs. See Section 5.1.
- (2) ASX valuation - assesses the value of the company according to recent share price history. See Section 5.2.

The final Buyback Price will not be known until the conclusion of the Buyback. As such, we have assessed the Net Realisable Value of Century as at 31 August 2010, the last available date, prior to the writing of this report, at which Century reported its monthly Net Tangible Assets per Share to the ASX.

We have performed our ASX valuation as at 17 August 2010 on the basis that on 18 August 2010 Century first announced to the market that 'the directors had intended to propose an equal access buy-back scheme to shareholders at the 2010 AGM of the company'. Century's Share price rose 7.5 cents on 18 August 2010 following the announcement.

Full details of the valuation of Century are set out in Section 5.

## 5. VALUATION OF CENTURY

### 5.1. Net Realisable Value Valuation

An NRV valuation assesses the realisable value of the company's assets, net of the realisation costs.

We have assessed the NRV of 100% of the equity in Century as follows:

Figure 5.1: NRV valuation of Century

NRV valuation as at 31 August 2010	Note	Low \$000	High \$000
Net assets per Aug-10 balance sheet		153,120	153,120
Less:			
Deferred tax asset on accrued expenses		(6)	(6)
Deferred tax asset on realised capital losses	1	(11,863)	(11,863)
Deferred tax asset on unrealised gains	1	(1,273)	(1,273)
Net assets before tax		139,978	139,978
Less:			
Investment portfolio realisation costs	2	(263)	(263)
Estimated transaction costs	2	(200)	(100)
Value of 100% of Century equity		139,515	139,615
Shares on issue (000)		170,872	170,872
Assessed value per share (\$)		\$0.82	\$0.82

Source: Management accounts, Management advice and BDO analysis

#### Notes

- 1 Tax assets: The reported net assets of Century as at 31 August 2010 include aggregate deferred tax assets of \$13.1m in respect of realised and unrealised losses on the investment portfolio at the reporting date. The recoupment of these losses in future periods is dependent on future gains in the investment portfolio. Therefore, in determining the NRV of Century as at 31 August 2010, we have attributed no value to reported deferred tax assets.
- 2 Transaction costs: In assessing the NRV of Century we have allowed for transaction costs ranging from \$100k to \$200k.

The NRV valuation of Century as at 31 August 2010 results in an assessed value per Share of \$0.82.

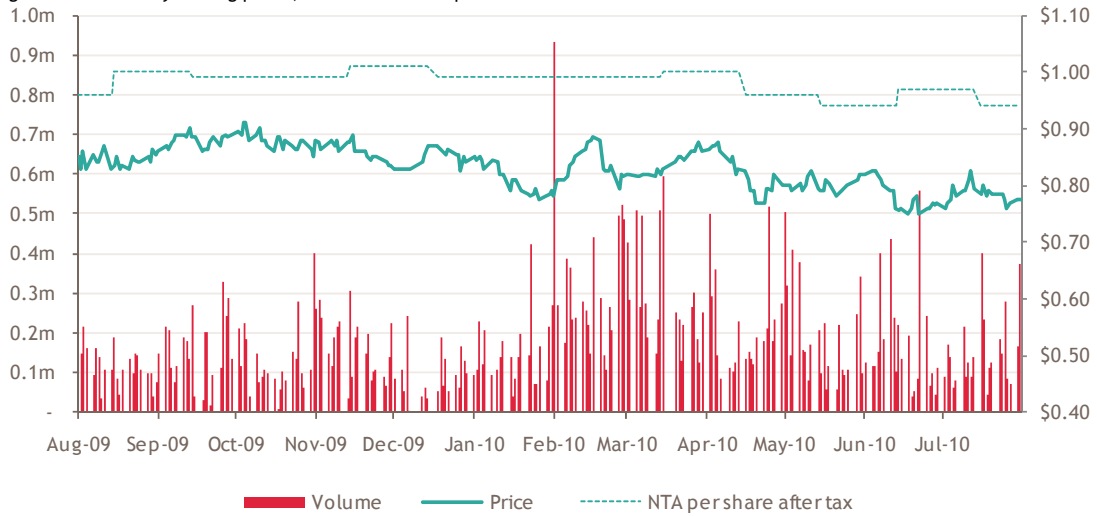
### 5.2. ASX Valuation

#### 5.2.1. ASX Trading

An ASX valuation assesses the value of a company according to recent Share price history.

Figure 5.2a illustrates the monthly average trading prices and volumes in Century Shares for 12 months to 17 August 2010.

Figure 5.2a: Monthly trading prices, volumes and NTA per Share after tax

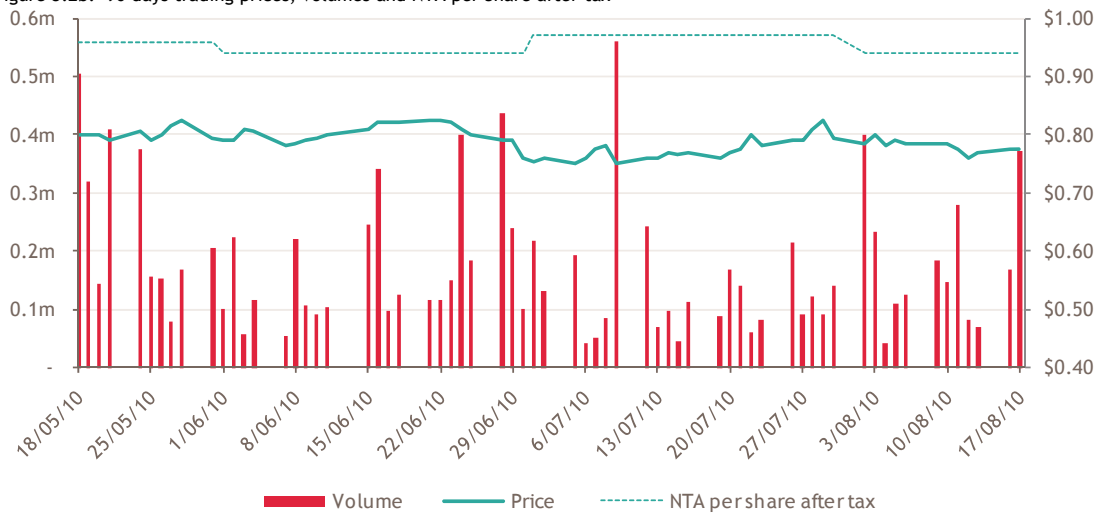


Source: Bloomberg and BDO analysis of Share price data

The price of Century Shares from 18 August 2009 to 17 August 2010 has ranged from a high of \$0.91 on 21 October 2009 to a low of \$0.75 on 5 July 2010. We have not considered intraday trading prices and volumes in the course of this analysis.

Figure 5.2b provides a more detailed analysis of the 90 days trading up to 17 August 2010.

Figure 5.2b: 90 days trading prices, volumes and NTA per Share after tax



Source: Bloomberg and BDO analysis of Share price data

We have also calculated the volume weighted average market price of Century Shares for 10, 30, 60 and 90 day periods up to and including 17 August 2010, as illustrated in Figure 5.2.

Figure 5.2c: Century Volume Weighted Average Share Price

(\$)	17 August 2010	10 Days	30 Days	60 Days	90 Days
Closing Price	0.775				
Weighted Average		0.777	0.784	0.782	0.789

Source: BDO analysis of Share price date

The above weighted average prices are prior to the announcement of the Buyback.

### 5.2.2. Liquidity

Our analysis in Figure 5.2d indicates that Century has traded 6.68% of its free float over the 90 day analysis period prior to 17 August 2010.

In our assessment of Century's free float Shares; we have excluded Shares held by related parties, as these Shares are not traded frequently.

Figure 5.2d: Free float trading

	No.		
Number of Shares on issue	170,871,772		
Number of Shares controlled by Directors and key management	(280,254)		
Free float	170,591,518		
	1 week	90 days	180 days
Number of Shares traded over period to 17 August 2010	972,074	11,391,680	27,982,509
% of free float traded	0.57%	6.68%	16.40%
Annualised	30%	27%	33%

Source: Bloomberg and BDO analysis of Share price data

We note that some trading occurred on all 90 days included in our analysis of the 90 day period. Century is, for the most part, thinly traded. As a result, Century's Share price may not provide an accurate valuation of Century. However, trading volumes are typical of a company of Century's type and size.

We further note that Century was buying its own Shares on-market during the period of analysis. Over the 90 day period to 17 August 2010 these buy backs accounted for 61% of all Shares traded, and on 7 occasions daily trading activity related exclusively to the buy back. Excluding buy back trades, 2.59% of Century's free float was traded in the 90 day period to 17 August 2010, which further highlights the lack of liquidity in Century Shares.

### 5.2.3. ASX Market Price Valuation Summary

Figure 5.2e indicates the determined valuation range for Century based on an ASX market based pricing methodology. The range is assessed primarily by reference to the Volume Weighted Average Share Price over the 90 days to 17 August 2010.

Figure 5.2e: ASX valuation of Century

	Low	High
ASX Valuation of a Century Share	\$0.77	\$0.79

Source: BDO analysis of Share price date

### 5.3. Valuation Summary

Figure 5.3 summarises the valuations derived for Century and the adopted valuation range.

Figure 5.3: Century valuation summary

	Ref	Low	High
NRV Valuation of Century	Section 5.1	\$0.82	\$0.82
ASX Valuation of Century	Section 5.2.3	\$0.77	\$0.79
Adopted Valuation of Century		\$0.82	\$0.82

Source: BDO analysis

We have adopted the NRV valuation of Century as summarised in Section 5.1 as the NRV valuation appears to provide a more accurate reflection of the intrinsic value of the Company to shareholders. The NRV valuation is the maximum value of the Shares obtainable at the date of analysis.

We have also taken into account the fact that Century is thinly traded and trades at a significant discount to NTA per Share.

## 6. VALUATION OF BUYBACK PRICE

### 6.1. Buyback Terms

As outlined in Section 2.2 'Terms of the Buyback' of the Shareholder Booklet, the Board of Century has offered the following Buyback Price:

- NTA per Share (note that NTA per Share allows for investments realisation costs), 10 days post closure of the Buyback offer, less
- Deferred tax assets of Century, less
- Transactions costs which are currently estimated at \$100,000 but could rise to \$200,000 if the Buyback results in the winding up of Century

The final Buyback Price will not be known until 10 days post closure of the Buyback offer. As such, we have assessed the valuation of the Buyback Price as though the Buyback had concluded on 31 August 2010, the last available date, prior to the preparation of this report, at which Century reported its Monthly Net Tangible Assets per Share to the ASX.

### 6.2. Valuation of Buyback Price

Figure 6.2 summarises the value of the Consideration to be offered in the Buyback, had the Buyback Price been calculated on 31 August 2010.

Figure 6.2: Valuation of Buyback Price

Share buy-back price at at 31 August 2010	Note	Low \$000	High \$000
Net assets per Aug-10 balance sheet		153,120	153,120
Investment realisation costs	2	(263)	(263)
Net assets after realisation costs		152,857	152,857
Less:			
Deferred tax asset on accrued expenses	1	(6)	(6)
Deferred tax asset on realised capital losses	1	(11,863)	(11,863)
Deferred tax asset on unrealised gains	1	(1,273)	(1,273)
Net assets before tax		139,715	139,715
Less:			
Additional transaction costs	2	(200)	(100)
Value of 100% of Century equity		139,515	139,615
Shares on issue (000)		170,872	170,872
Assessed Buyback Price (\$)		\$0.82	\$0.82

Source: Shareholder Booklet, August 2010 management accounts and BDO analysis

#### Notes

- 1 Per management accounts as at 31 August 2010
- 2 Per information provided by Management

The valuation of the Buyback Price as at 31 August 2010 results in an assessed value per Share of \$0.82.

## 7. ASSESSMENT OF FAIRNESS

A comparison of the value derived for Century Shares to the Buyback Price is provided below.

Figure 7: Comparison of the value of Century to the proposed Buyback price

	Ref	Low	High
Adopted Valuation of Century	Section 5.3	\$0.82	\$0.82
Adopted Valuation of Buyback Price	Section 6.2	\$0.82	\$0.82

Source: BDO

As the proposed Buyback Price per Share is equal to our value of Century per Share, in our opinion, the Buyback is fair.

## 8. ASSESSMENT OF REASONABLENESS

RG 111 considers an offer to be reasonable if:

- the offer is fair; or
- despite not being fair, but considering other significant factors, Shareholders should accept the Buyback in the absence of any superior offer.

Given our conclusion that the Buyback is fair, the Buyback is reasonable. Notwithstanding, we have given consideration to relevant advantages and disadvantages detailed below:

### 8.1. Advantages of Accepting the Buyback

#### 8.1.1. Eligible Shareholders have an equal opportunity to sell their Shares at a price above ASX price

Between August 2009 and July 2010, Century's Share price traded at an average 15% discount to the NTA per Share (after estimated tax on unrealised income and gains).

The Buyback offers Eligible Shareholders the opportunity to sell their Shares at a 7% discount to NTA per Share (the discount being Century's deferred tax asset balances which are excluded from NTA per Share for the purposes of the Buyback price calculation, and transactions costs - refer Section 8.2.1).

#### 8.1.2. No brokerage payable

Eligible Shareholders will not have to pay brokerage or appoint a stockbroker to sell their Shares in the off-market Buyback.

### 8.2. Disadvantages of Accepting the Buyback

#### 8.2.1. Loss of deferred tax asset

If a significant proportion of Century shareholders participate in the Buyback such that the size of the company is uneconomic to continue, it is possible that the Century Board would take steps to wind up the Company. If Century were to be wound up, the deferred tax assets would be lost.

Century's deferred tax assets were recorded at \$0.07 per Share as at 31 August 2010. However, realisation of these tax assets is dependent upon future profitability of the Company.

### 8.2.2. Members Voluntary Winding Up / Delist from ASX

If a significant number of Shares are tendered into the Buyback the assets of Century may be reduced to a level that renders it uneconomic for Century to remain a listed entity. If this occurs, the board may propose a resolution to effect a member's voluntary winding up.

### 8.2.3. Increase in Expenses per Share

The Buyback will increase operating costs as a proportion of total assets of Century. Shareholders that do not participate in the Buyback will experience higher fixed overhead costs per Share as the Company's fixed costs will be spread between fewer shareholders.

### 8.2.4. Decrease in Liquidity

If Eligible Shareholders accept the Buyback, there will be a reduction in the number of Shares on issue which may decrease liquidity on the ASX.

## 8.3. Position of Shareholders if the Buyback is Rejected

In accordance with our basis of evaluation set out in Section 2.2, we have also considered the position of shareholders if the Buyback is rejected and the company continues to operate as it does.

The rejection of this Buyback will not affect the current operations of Century. If the Buyback does not proceed:

- there will be no change in the capital structure of Century;
- Century will continue to be managed by PVM under the terms of the PVM IMA; and
- Shareholders wishing to exit their investment in Century by selling their shares on the ASX may continue to do so.

We note that the Board of Directors of Century has advised that PVM may present an alternative proposal to Shareholders at the annual general meeting, however as at the date of this Report, the Board has not yet received any formal documentation outlining an alternative proposal from PVM.

## 9. QUALIFICATIONS

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sebastian Stevens and David McCourt of BDO Securities. They have significant experience in the preparation of independent expert reports, valuations and merger and acquisitions advice across a wide range of industries in Australia.

## 10. INDEPENDENCE

BDO is entitled to receive a total fee of \$35,000 (excluding GST and reimbursement of out of pocket expenses) for completion of this Report. Except for this fee, BDO Securities has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO is wholly owned by BDO Group Holdings (NSW-VIC) Pty Ltd, a member of BDO International. Prior to accepting this engagement BDO Securities considered its independence with respect to Century Australia Investments Limited and any of its respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In BDO's opinion, it is independent of Century Australia Investments Limited and its respective associates. BDO and BDO Group Holdings (NSW-VIC) Pty Ltd, do not have at the date of the Report, and have not had within the previous two years, any shareholding in or other relationship with Century Australia Investments Limited or any of its respective associates.

A draft of this report was provided to Century Australia Investments Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

## 11. DISCLAIMERS AND CONSENTS

This Report has been prepared at the request of Century Australia Investments Limited for inclusion in the Explanatory Memorandum which will be sent to all Century Australia Investments Limited Shareholders. The Company engaged BDO to prepare an independent expert's report to consider the Buyback on behalf of shareholders.

BDO hereby consents to this Report being included in the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Securities.

BDO takes no responsibility for the contents of the Explanatory Memorandum other than this Report.

BDO has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of Century Australia Investments Limited. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Buyback, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the shareholders of Century Australia Investments Limited, or any other party.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO has no obligation to update this Report for events occurring subsequent to the date of this Report.

## Appendix A Financial Services Guide

Dated 13 October 2010

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 (“BDO Securities” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

### 1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 222438
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

### 2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients on securities and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### 3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### 4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$35,000 for preparing the Report.

Except for the fees referred to above, neither BDO Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### 5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 AFS Licence No. 222438  
BDO is the brand name for the International BDO Network and for each of the member firms. BDO in Australia is a national association of separate entities. Liability of each entity is limited by a scheme approved under the Professional Standards Legislation other than for acts or omissions of financial services licences.

### 6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### 7 ASSOCIATIONS AND RELATIONSHIPS

BDO Securities is a wholly owned subsidiary of BDO (NSW-VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of “BDO”.

From time to time BDO Securities or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### 8 INDEPENDENCE

BDO Securities is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in the Regulatory Guide 112 issued by the Australian Securities and Investments Commission in October 2007. BDO Securities operates independently of the other members of BDO International in Australia.

### 9 COMPLAINTS RESOLUTION

#### 9.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Securities, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### 9.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Securities is a member of FOS (Member Number 11281).

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
GPO Box 3  
MELBOURNE VIC 3001

Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399

### 10 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of this FSG.

Appendix B  
*Sources of Information*

BDO has relied upon the following information for the purposes of this Report:

- a) Management Information from Century (including Audited accounts and unaudited management accounts)
- b) Century's 30 June 2010 Appendix 4E Preliminary Final Report
- c) Century's August 2010 management accounts
- d) Century's ASX announcements
- e) Bloomberg
- f) Australian Stock Exchange
- g) Information Available in the Public Domain
- h) Discussion with Directors and Management of Century
- i) Explanatory Memorandum

Appendix C  
*Valuation Methodologies*

Methodologies commonly used for valuing assets and businesses are as follows:

**1. Discounted Future Cash Flows Methodology**

DCF valuations are applicable to all businesses and specifically ones that demonstrate the following characteristics:

- Limited lives
- Current growth
- Start-up phase
- Irregular cash flows

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows. Future cash flows are discounted to their present value at an appropriate discount rate. This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period. This is also discounted to its present value using the appropriate discount rate.

**2. Capitalisation of Future Maintainable Earnings Methodology**

The FME Methodology is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

This method places a value on the business by estimating the likely FME. The FME is then capitalised at an appropriate rate which reflects:

- Business outlook,
- Business risk,
- Investor expectations,
- Future growth prospects and
- Other entity specific factors.

This approach relies on the availability and analysis of comparable market data.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as EBIT or EBITDA. The capitalisation rate or earnings multiple is adjusted to reflect which FME base is being used.

**3. Net Tangible Asset Value on a Going Concern Basis**

NTA valuations are normally used as a secondary valuation method and as a basis for determining the level of goodwill implied in FME and DCF valuations.

The NTA Methodology is usually appropriate where the majority of assets consist of cash or passive investments, or the business is under performing. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall NTA valuation.

#### 4. Future Maintainable Dividends Methodology

The FMD Methodology applies particularly to minority holdings in private and unlisted public companies. This methodology places a value on a company based on expected future dividend streams.

The FMD Methodology is similar to the FME Methodology and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth.

#### 5. Quoted Market Price Valuation

For listed entities a further method that can be used is the quoted price for securities. Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value, per shares.

Such market value includes all factors and influences that impact upon the ASX. If shares in an entity are thinly traded, then less reliance can be placed on the current listed price.



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## **Appendix 2 – Notice nominating Grant Thornton Audit Pty Limited**

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15 October 2010

The Directors  
Century Australia Investments Limited  
Level 7, 20 Hunter Street  
Sydney NSW 2000

Dear Directors

### **Nomination of Grant Thornton Audit Pty Ltd as Auditor**

Pursuant to section 328B(1) of the *Corporations Act 2001* (Cth), I Robert Turner, in my capacity as trustee of Robert Turner Super Fund, being a Shareholder of Century Australia Investments Limited (“CYA”), hereby nominate Grant Thornton Audit Pty Ltd (ABN 91 130 913 594) Level 17, 383 Kent Street, SYDNEY NSW 2000 for appointment as auditor of CYA at the next annual general meeting of CYA.

I consent to the provision of copies of this notice to Grant Thornton Audit Pty Ltd, Grant Thornton NSW and as an annexure to the notice of meeting for the next annual general meeting of CYA as required by sections 328B(3) and 328B(4) of the *Corporations Act 2001* (Cth).

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Robert Turner', written in a cursive style.

Robert Turner



**FOR ALL ENQUIRIES CALL:**

(within Australia) 1300 737 760 (outside Australia) +61 2 9290 9600

**FACSIMILE**

+61 2 9290 9655

**ALL CORRESPONDENCE TO:**

Registries Limited

GPO Box 3993

Sydney NSW 2001

Australia

## Name and Address

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## YOUR VOTE IS IMPORTANT

**FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 2:00pm (Sydney time) on 22 November 2010**

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **2:00:pm (Sydney time) on 22<sup>nd</sup> November, 2010**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxies may be lodged using the reply paid envelope or:**

**BY MAIL -** Share Registry – Registries Limited, GPO Box 3993, Sydney NSW 2001 Australia

**BY FAX -** + 61 2 9290 9655

**IN PERSON -** Share Registry – Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Century Australia Investments Limited

<Co Name>  
<Address 1>  
<Address 2>  
<Address 3>  
<Address 4>  
<Address 5>

<BARCODE>

## STEP 1 - Appointment of Proxy

I/We being a member/s of **Century Australia Investments Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Century Australia Investments Limited to be held at the Museum of Sydney, Cnr Bridge and Phillip Streets, Sydney NSW 2000 on Wednesday, 24 November 2010 at 2.00pm** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

## STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business

- Resolution 2 Re-election of Robert Turner as a Director
- Resolution 3 Adoption of Remuneration Report as at 30 June 2010
- Resolution 4 Appointment of Grant Thornton Audit Pty Ltd as company Auditor
- Resolution 5 Approval of Buyback

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

<b>Individual or Securityholder 1</b> <div style="border: 1px solid black; height: 40px; margin: 5px 0;"></div> <b>Sole Director and Sole Company Secretary</b>	<b>Securityholder 2</b> <div style="border: 1px solid black; height: 40px; margin: 5px 0;"></div> <b>Director</b>	<b>Securityholder 3</b> <div style="border: 1px solid black; height: 40px; margin: 5px 0;"></div> <b>Director/Company Secretary</b>
--	--	--

Contact Name ..... Contact Daytime Telephone ..... Date / / 2010