

CENTURY AUSTRALIA

INVESTMENTS LIMITED



CHAIRMAN'S ADDRESS

Annual General Meeting of Shareholders

Thursday 22nd October 2009

Investment Performance

Last year was undoubtedly the most difficult year in financial markets since the great depression. The US credit issues became the Global Financial Crisis.

Credit markets closed, bank lending was severely restricted and equity markets were battered.

We saw a continuation of the re-pricing of risk, lower consumer confidence, a fall in commodity prices and increases in unemployment. During the year some companies resorted to cutting dividends and issuing equity at significant discounts so as to lower gearing.

Our investment manager 452 Capital had expressed concerns during the bull market that many companies were overvalued in particular, mining companies. The strict adherence to valuing companies on a through the cycle basis, and focus on conservative debt levels and balance sheet strength has been particularly beneficial during the last financial year and has contributed to the manager's outstanding performance in the 2009 year. Our manager continues to follow a cautious and disciplined approach to investment.

The investment manager generated a portfolio return of -6.97% for the year ended 30th June 2009 compared to a return of -20.34% for the S&P/ASX 300 accumulation index, an out-performance of 13.37%.

This was an excellent performance by our manager and it compared very favourably to the average returns of other value managers for the year of -14.7%.

Encouragingly, out-performance has continued and for the 12 months ended 30 September 2009 the portfolio returned +13.97% versus the benchmark return of +8.51%.

The market is now up 33.1% on a calendar year to date basis and up 54.8% from March lows. However our manager remains cautious on the outlook for equity markets as economic fundamentals are still weak, global macroeconomic conditions will remain difficult over the medium term and many share prices have run substantially ahead of earnings deliverability.



452 Capital continues to hold a conservative portfolio in that our companies are not highly geared and have strong cash flows.

The portfolio value as at 30 June was \$148.9m.

I will leave detailed comments to Suellen from 452 Capital who will shortly address the meeting.

Financial Performance

As I have just outlined the 2009 Financial Year was an extremely difficult time for equity markets and this is reflected in the decline in Century operating profit before tax, before realized gains and losses and before impairment charges to \$6.03m compared to \$9.93m in the previous year.

The operating profit reflects the earnings ie dividend and interest income received on our portfolio less management expenses.

The 2009 result was impacted by lower dividend and interest income and for the first time since inception a share based performance incentive of \$1.7m paid to our investment manager 452 Capital.

The net result after impairment charges of \$20.3m and realized losses of \$26.3m was a tax effected loss of \$26.7m.

Impairment

Accounting rules require impairment of investments where there has been a significant or prolonged decline in the market value compared to cost, with the unrealized losses recorded in the profit and loss statement as an impairment charge. The impairment charges have no impact on net asset backing as Century constantly revalues its assets to market value.

Impaired assets often remain appropriate long term assets and continue to be held in the portfolio. Pleasingly, impaired assets have since June 30 gained \$4.3m to 30 September 2009 and would be reflected in the income statement if these assets were sold today. If there is an unrealized gain it is recorded in the balance sheet reserves.

The short-term movement in share prices is often a reflection of share market sentiment and does not necessarily reflect an impaired business. We are confident our manager would not hold impaired stocks if it was felt the company was impaired from an investment perspective.

Dividends

Total fully franked dividends declared were 9 cents a decrease of 10% on the previous year due to the profit impact of realized losses on investments and impairment charges.

Due to uncertainties surrounding investments markets and the immediate profit outlook, the Board decided to declare two interim dividends in February 2009, to ensure that the retained profits available at that time could be distributed as fully franked dividends for the benefit of shareholders. The second interim dividend paid



in June 2009 replaced the regular final dividend usually paid in September. As a consequence, there was no dividend paid in September 2009.

We were concerned that profits at the time could be eroded by 30 June, thus to ensure continuity of fully franked dividends to shareholders it was prudent to declare two dividends in February 2009.

Retained losses at 30 June will not impact our ability to pay fully franked dividends in the current year as dividend payments will depend upon the level of profits this year. I am pleased to advise that at this time we have sufficient earnings and franking credits to pay a modest dividend. However, if market conditions remain favourable and further net gains are realised during the year, this will enhance our dividend paying capacity later in the year.

Capital management

Since the Board announced in November 2008 a share buyback program, 858,215 shares at a value of \$603,685 have been purchased up to 30 June 2009. Directors have closely monitored the Century share price during the year and purchased the shares at times when we considered the discount to NTA was excessive.

The recent share price discount to Net Tangible Assets has been small, however, should the discount become significant the board will consider whatever means are available to minimize the discount. The directors are disappointed with the share price discount to NTA but as you would appreciate, the share price is not entirely within the control of the Board of directors.

In view of the share buyback program the Board has decided to suspend the Dividend Re-investment Plan until further notice.

If there is inadequate capacity to pay a fully franked dividend, the board will consider other capital management tools including an equal access buy back.

Peter Morgan

As you are probably aware Peter Morgan has encountered some health problems and is taking some time out from 452 Capital whilst he is receiving treatment. As you would expect Peter has surrounded himself with highly competent staff thus during his absence they are more than capable of maintaining the standards and achieving the results that Peter is known for. As evidence of this is the outstanding performance achieved by 452 Capital over the past months.

On behalf of all of us we wish Peter a speedy recovery and a return to good health.

Robert Turner

Chairman

