

# CENTURY AUSTRALIA

INVESTMENTS LIMITED



## CENTURY AUSTRALIA INVESTMENTS LIMITED CHAIR'S ADDRESS FOR THE ANNUAL GENERAL MEETING THURSDAY 28<sup>TH</sup> OCTOBER 2004

### 1. **OPENING THE MEETING**

Good morning members, my name is Robert Turner and I am the chair of Century Australia Investments Limited Annual General Meeting.

It is 10.00am and the secretary advises me that we have a quorum present, so I declare the meeting open, and welcome you to this the inaugural annual general meeting of Century Australia Investments Limited.

The agenda for today's meeting is shown on the slide.

**[SLIDE 1]**

We will commence with the Ordinary Business.

### **AGENDA**

- First the Chairman's Address
- Adoption of Reports and Accounts for year ended 30 June 2004
- Re-election of Director – Mr James Green
- Appointment of Auditors

- Closure of Formal Business
- The last item will be the Investment Manager Presentation

Under the Company's Constitution, members have the option to vote either in person or by proxy. When I call for members to vote please hold up your yellow voting card and proxy holders raise their green voting card.

Please be advised that the Company Secretary is recording the meeting.

## **2. NOTICE OF MEETING**

The notice of meeting was circulated to members within the required period and I would like to move that it be taken as read:

May I ask a member to second the motion?

Thank you.

I put the motion. Will all those in favour please raise their yellow or green voting cards?

Against?

Thank you, I declare the motion carried.

## **3. INTRODUCE DIRECTORS**

Before we proceed with the business of the meeting, I would like to introduce my fellow directors and officers:

On my left is:

Our Company Secretary - Rebecca O'Donnell

Next to Rebecca is our Executive Director, Warwick

Negus and at the far left Non Executive Director, James Green.

#### 4. **INTRODUCE AUDITORS AND OTHER ADVISERS**

We also have present our company auditors, Grant Thornton.

And I welcome Andrew Rigele, the Partner responsible for the Company's audit.

The company's legal advisers are also attending the meeting today, and I would like to welcome Adam Laura of Gilbert & Tobin.

#### 5. **PROXIES RECEIVED**

As well as those members physically present here this morning, certain members have sent in proxies.

In my capacity as chair of the Company, I have been appointed as proxy by 124 members

Before commencing with the formal items on the agenda, I will:

- review the operations of the Company for the year ended 30 June 2004;
- comment on some of the highlights; and
- review the results for the year ended 30 June 2004.

We will then proceed to the formal business of the meeting.

I would ask that you save any questions and comments in regards to the AGM formal business until the completion of my chairman's address.

Please note that only members with the yellow voting cards and proxy holders with green voting cards may vote and ask questions in regards to the AGM formal business and I would ask that you identify yourself before asking a question.

Following the closure of the formal business, the Board has asked Peter Morgan, Investment Director of 452 Capital Pty Limited (Century's Investment Manager) to make a presentation to members about the investment portfolio, his process for investing, what he has done since our inception, and his outlook for the Australian Share market.

We encourage all present not only members to ask questions after Peter has made his presentation about the portfolio and the outlook for investment.

Finally, I would also like to advise you that the use of recording devices, photographic equipment and mobile phones is not permitted during the meeting.

## **6. CHAIRMAN'S ADDRESS**

### **RECAP OF OUR OBJECTIVES**

In commencing my Chairman's address I will firstly restate Century Australia's objectives.

When we established this Company we did so with a very clear objective. That was to generate long term capital growth and income by actively investing in quality, undervalued Australian companies. We felt that there was an opportunity to give Share market investors direct access to the skills and capabilities of Peter Morgan and his team at 452 Capital.

In the very short period from inception to the end of our first financial year we were pleased with the progress to date.

In addition, Century Australia has a number of unique aspects which we think are also working. They are:

**[SLIDE 2]**

- A strong separation of Board and Company from the activities of the Manager
- A Board comprised of a majority of independent directors
- A Manager who needs to substantially outperform its Benchmark in order to earn a performance fee
- A performance fee that is paid in shares of Century Australia and not cash

In establishing this Company we thought long and hard about these issues and we believe that we have a structure that properly incentivises the Manager and aligns the Manager's interests with yours - but equally strongly protects the interests of shareholders at all times.

## **FINANCIAL PERFORMANCE**

I will now comment on the Company's financial performance for the financial year:

### **[SLIDE 3]**

- Net Profit before tax was \$2.705 million for the 12 weeks ended 30 June 2004
- Net Profit after tax was \$1.757 million
- Earnings per Share were 1.00 cent
- Franking credits were approximately \$699,000
- Net Tangible Assets at listing were 96.9 cents which grew to 1.01 by the 30<sup>th</sup> June 2004

All in all a very creditable financial performance particularly as we had start up expenses and only traded for twelve weeks.

The financial performance was further impacted by the fact that at June 30, we had only invested in Australian equities, 74% of the net capital raised. In the current financial year the portfolio is more fully invested and consequently will enhance the income return.

## **INVESTMENT PERFORMANCE**

In terms of the boards roll in monitoring investment performance we directly measure the performance of the underlying portfolio managed by 452 Capital.

The chart highlights the investment performance for the initial twelve weeks to 30 June 2004

### **[SLIDE 4]**

In the period from 8<sup>th</sup> April to 30 June 2004, the underlying portfolio appreciated by 4.67%. This compared with the Benchmark (ASX 300 Accumulation Index) performance of 3.04%.

So in the very short period from listing the Manager was able to outperform the market by 1.63%

As you may all realize, in the period since the end of the Financial Year the NTA, the underlying portfolio and the Benchmark have all continued to appreciate strongly.

So, in the period since listing Century has grown in value and the Manager has continued to invest successfully on your behalf.

## **DIVIDEND**

Moving now to the issue of our Dividend Policy.

Let me say at the outset, the Board has a very clear objective to pay a regular, consistent and growing dividend to the Shareholders of Century Australia that includes

wherever possible, a high degree of franking. That is our clear goal, and I believe, that is your very clear desire.

A dividend for the latest financial year was not declared. This was because in the very short period from listing to 30 June, insufficient income from investments was received to make a worthwhile distribution. The vast bulk of the return was in the form of capital growth.

However, it is worth highlighting how a dividend will be paid, and where it will come from as we have received many queries from shareholders about it and we know that it is important to you:

- We plan to distribute to shareholders the income we receive from the Company's investments. This will mostly include dividends from companies and interest on cash holdings. The dividends we receive will mostly be fully franked however there are many companies who derive income from overseas earnings (like BHP and NewsCorp) thus some dividends we receive will not be fully franked
- In addition, from time-to-time, the Company may also realize capital gains and as a result pay tax on those gains. This will mean that we will also generate our own franking credits and our plan is to also distribute these to shareholders
- Whilst it is difficult to forecast, the dividend yield of Century Australia should approximate the yield of our underlying portfolio (after costs) which is currently around 4%

- The presence over time of additional gains from investment activities (and therefore franking) may mean that we can supplement this dividend
- The Board is acutely focused on the importance of dividends to our shareholders and we have a dividend policy that reflects this point
- Finally, we have been asked when the first dividend is likely to be paid. A little later in the year we will decide whether or not it is feasible to pay an interim dividend for the period ending 31 December 2004. This will again be dependent upon the amount of income we have received and the profits generated.

It is currently the Board's intention to declare a dividend at the interim stage in December

- I would also point out that the Dividend Reinvestment Plan for Century Australia has been established and is available for shareholders to elect

## **SHARE PRICE PERFORMANCE**

I will now make comment on our share price.

Perhaps the most common query we receive from shareholders relates to the level of the share price. Also, my comments are not confined to the recently completed financial year.

Century's share price has traded in a range of 95 cents to about \$1.05. The movement in the share price has been influenced by

**[SLIDE 5]**

- The value of the NTA
- The overall direction of the Share market
- Expectations for future performance of both the NTA and perhaps the Share market
- Selling from shareholders who expected the price to have been higher

As you can see from this list, the only thing in our control is the value of the NTA. We have an Investment Manager that is doing what it is supposed to do and as a result the value of the NTA has been growing. At the end of September 2004 the NTA has \$1.05.

At different points in the cycle the share prices of LIC's will trade at a discount to their NTA and at other times they will trade at a premium. In the last three months the NTA has grown strongly and the share price has not. The same can be said for virtually all LIC's that are focused on investment in the Australian Share market.

The following chart demonstrates where our peer group of LIC's were trading relative to their NTA as at market close on October 22nd.

**[SLIDE 6]**

Remember also that the dividends we calculate and pay are based on the value of the NTA and are not related to the share price of Century Australia.

## **CORPORATE GOVERNANCE**

I would now like to make a few comments about corporate governance.

Our Annual Report incorporated a section on this subject which is in accordance with the listing rules of the ASX. In the Annual Report we have commented on all of the key items.

We believe that we have a corporate structure which upholds an extremely high standard of corporate governance.

Specifically,

- Our Board of Directors is comprised of a majority who are deemed independent. More importantly, those Directors (and I am one) are also independent of the underlying Manager
- We are pragmatic. It is not necessary to have a large Board for a company which has been created for a specific purpose. A larger Board would increase the operating costs of Century without any material benefit
- Equally, for a new Company, there is no need for a Nominations Committee or a Remuneration Committee. Should the need arise in the future we will create these Committees.

- The Board actively monitors the performance of the Manager in areas that obviously include investment but also, risk management, compliance and operations

Finally, we have also been asked about our Proxy Voting Policy. As part of the Investment Management Agreement between 452 Capital and Century Australia, we have authorized 452 to vote on Century's behalf – according to 452's own proxy voting policy.

We are very much aware of how the Manager has voted (and this is typically the time of year when it occurs) and we track the reasons behind those decisions closely.

## **OUTLOOK FOR THE COMPANY**

On the subject of the future outlook for the company, the Board is here to protect your interests as shareholders and to ensure that over time Century Australia meets its stated objectives – i.e. the growth in value.

You will shortly here from Peter Morgan about his outlook for the Sharemarket so we will not pre-empt his comments except to say that

- We monitor the progress of Century's investment portfolio closely
- We are pleased that the Manager is performing on your behalf and we expect that it will continue to do so

There have been a number of new entrants into the Listed Investment Company space. Many have been

disappointing since listing. The performance of some of these LIC's has been as a result of the distraction of so called "free" options. Some poor performance may have been related to the selling of shares to investors whose expectations for immediate share price performance was unrealistic.

At the end of the day, there are many LIC's trading at discounts far greater than that of Century Australia. There may be opportunities created by this poor trading performance that Century could take advantage of.

Whilst we have nothing in mind at this point in time and certainly nothing on the "drawing board" we are certainly awake to these opportunities and should one present itself, and the Board was confident that if there was potential to add value for shareholders we would consider it seriously.

## **7. BUSINESS OF MEETING**

We can now move to the formal agenda, beginning with the ordinary business.

## **8. RECEIPT AND ADOPTION OF REPORTS AND ACCOUNTS**

I now turn to the first item of business on the agenda, dealing with the adoption of the financial statements and reports for the year ended 30 June 2004. I table those financial statements and reports.

I move “that the financial statements and the reports of the directors and auditors for the financial year ended 30 June 2004 be adopted”.

Before putting the motion to a vote, we would be pleased to deal with any questions or comments on the Accounts and the Reports. Please raise your hand if you have a question.

May I ask a member to second the motion to adopt the financial statements and the reports of the directors and auditors for the year ended 30 June 2004?

Thank you.

The motion to adopt the financial statements has been moved and seconded.

If there are no further questions or comments, I now put the motion as moved and seconded.

Will all those in favour please raise their yellow or green voting cards?

Against?

Thank you members, I declare the motion carried.

## 9. **ELECTION OF DIRECTOR**

Rule 6.4 of the Company’s constitution sets out the rules about retirement and re-election of directors. It requires

that one-third of the directors (other than the managing director) should retire from office as director at this meeting. Accordingly Mr James Green retires from office, and being eligible, offers himself for re-election.

I have pleasure in proposing “that Mr James Green is re-elected as a director of the Company”.

I am delighted to have James Green as Director of Century Australia. James has vast experience in commercial and corporate law both in Australia and overseas. He is a prominent Sydney based Investment Banker and is also president of the NSW division of the Australia Institute of Company Directors. James has made a valuable contribution since the inception of Century and he brings a valuable skill set and opinions to the Board table. I strongly recommend the re-election of James Green.

The following proxies have been received in relation to this motion:

**[SLIDE 7]**

	HOLDERS	VOTES
For:	574	12,144,098
Against:	8	134,000
Chair’s discretion	124	2,599,761
Abstained:	15	566,300

Before putting the motion to a vote, we would be pleased to deal with any questions or comments on this resolution. Please raise your hand.

May I have a seconder for the motion to re-elect Mr James Green?

Thank you.

I now put the motion to re-elect Mr James Green as moved and seconded.

Will all those in favour please raise their yellow or green voting cards?

Against?

Thank you members, I declare the motion carried.

## 10. **APPOINTMENT OF AUDITORS**

The next item of business is the appointment of auditors. I would like to move the appointment of Grant Thornton as the company's auditors. Grant Thornton have provided their consent to act as auditors and are already familiar with the company and its financial affairs as a result of preparing the Audit Report of the Company for the year ended 30 June 2004.

I move "that Grant Thornton be appointed as the auditor of the Company at a fee to be agreed with the board from time to time".

May I have a seconder?

Thank you.

I now put the motion as moved and seconded.

Will all those in favour please raise their yellow or green voting cards?

Against?

Thank you ladies and gentlemen, I declare the motion carried.

11. **CLOSING THE MEETING – FORMAL BUSINESS**

I hereby formally close the formal business of the first Annual General Meeting of Century Australia.

**[CENTURY LOGO SLIDE]**

12. **PETER MORGAN TALK**

I now invite Peter Morgan, Investment Director of 452 Capital Pty Limited (Century's Investment Manager) to make a presentation about the investment portfolio, his process for investing, what he has done since our inception, and his outlook for the Australian Share market.

13. **CLOSING THE MEETING**

Thank you, Peter. I am sure the audience found Peter's comments most illuminating.

I thank you all for your attendance today and for your support of Century Australia and invite you to join us for light refreshments.

Apart from the Century Board members, we will also have joining us our auditors from Grant Thornton, our Lawyer from Gilbert & Tobin as well as a number of representatives from 452 Capital.

Thank you ladies and gentlemen.