



MANAGING DIRECTOR'S ADDRESS
ANNUAL GENERAL MEETING – 27 OCTOBER 2010

I am very pleased to be able to present to you today on another satisfying year for our company. During a tough period for Australasian retail businesses, Super Cheap Auto Group has delivered another record sales and profit result with net earnings growing by 18%. At the same time, the Group has continued to make good progress in our growth and business improvement strategic initiatives. I would also like to thank our shareholders for their support towards the acquisition of Ray's Outdoors.

In today's presentation, I would like to spend a few minutes reflecting on the highlights from the 2010 Financial Year and then to focus on our plans for the Group and to finish with an update on our trading so far in the 2011 Financial Year.

Review of the 2010 Financial Year.

The financial results for the 2010 Financial Year were very pleasing with Group sales growing by 13%, Group EBIT by 19% and Group Net Profit after tax by 18%. Strong working capital management and the benefits of the capital raising in May 2010 enabled the Group to reduce Net Debt by \$36 million whilst investing \$53 million in acquiring Ray's Outdoors and \$35 million in opening and refurbishing stores across the Group.

The results reflect the strong focus on delivering the right offer (centred on the right range at great value) for our target customers across the Group. At the same time, we continue to improve our business operations and the progress that we have made in sourcing, category and supply chain management over the last few years has been the major driver of like for like sales growth, gross margin improvement and a reduction in working capital per store.

The results are also testament to the passion, commitment and contribution of our team members. We are a people business - it is our team that select, buy, move, display and sell our product. I am very proud of our team and on behalf of all shareholders, I would like to thank the team for their achievements through the year.

The Group has continued to progress its social and environmental initiatives during the year. On the social side, Supercheap Auto is a supporter of safe driving campaigns, BCF Boating Camping Fishing raises funds for the State Emergency Services, Goldcross Cycles supports the United Way Bikes for Kids program and across the Group, funds are raised for Sids and Kids, Canteen and BrAshA-T.

Plastic bag usage across the Group's store network has been significantly reduced and eliminated from BCF Boating Camping Fishing stores. Supercheap Auto has established car battery recycling arrangements for its customers. The Group is a signatory to the Australian Packaging Covenant working towards reducing the volume of packaging used across the Group.

We are also making good progress towards achieving our longer term Group goals. The recent acquisition of Ray's Outdoors has grown the Group's annualised turnover to over \$1.1 billion which means that we are now just outside the 10 largest retail corporations across Australasia.

We now have around 6,000 team members working across the Group and we are very pleased that we continued to improve our team retention during the year. We have also continued to record improvements in customer satisfaction with our individual retail businesses in the customer research and mystery shopping undertaken through the year.

Importantly the strong performance of the Group has translated into good returns for shareholders and as of today the annualised total return to shareholders since the IPO in 2004 has been 24% which is significantly greater than comparative average returns across the ASX 300 companies.

Overview of Group Strategic Initiatives

Turning now to our plans for the Group for the next few years. We have a number of strategic initiatives underway which will build on our progress to date.

In each of our trading businesses we have a store development agenda. We will continue to grow our Supercheap Auto business and we now expect that we will be able to grow from our current base of 269 stores to over 320 stores. We will also continue the store refurbishment program at around 30 stores a year for the next 3 years.

In BCF Boating Camping Fishing and Ray's Outdoors, we currently have 112 stores and we expect to grow this to around 160 to 165 stores.

The Goldcross Cycles business has 19 stores today and we see the potential for up to 150 stores across Australia and New Zealand once we have developed a profitable store model. The key to success in this business will be achieving the required sales per square metre target in the 500 square metre format stores and in being able to grow sales of our own brand bicycles to around 20 per cent of bicycle sales.

Each of the businesses also has a merchandise development initiative consisting of opportunities across new product introduction, product sourcing, own brand development and localised ranging. We see these initiatives as key drivers of ongoing like for like sales growth and further improvements in gross margin.

We are also continuing to work on a number of people development initiatives across the Group. These include learning and development programs in product knowledge, customer service and business processes, the development of our performance management and succession planning, and a number of team member attraction and retention initiatives.

We have made good progress with our supply chain development initiatives over the last few years but we still see further opportunities and this area will continue to be a major area of focus over the coming years. We are currently enhancing our demand forecasting and replenishment systems and supporting inventory management processes across the Group. We believe that we can continue to improve our in-

stock position in store whilst continuing to reduce working capital and supply chain costs as a percentage of sales.

The final major area of our overall strategic agenda is the development of our multi channel and customer relationship management capability. We have launched enhanced websites in both Supercheap Auto and BCF Boating Camping Fishing over the last 12 months and have secured significant increases in web traffic and sales.

We have also continued to build membership of the BCF Club which now stands at over 500,000. Ray's Outdoors also has a loyalty program which also has over 500,000 members. We have recently launched a loyalty program in Goldcross Cycles and plan to launch a program in Supercheap Auto in 2011. An effective loyalty program will be a key driver of sales growth and provide a platform for more targeted marketing activity.

Whilst web sales are a small proportion of our overall business today, some of our overseas peers are achieving over 5% of their total sales through the web. The internet will not only be important for sales but also in developing deeper relationships with our customers as they research products and activities and expect relevant promotional offers.

Outlook for the 2011 Financial Year

Turning now to the 2011 Financial Year. We expect that the general outlook for retail trading will remain uncertain in the lead up to Christmas but we expect that increasing confidence will start to drive retail spending in the second half of the coming year.

We have made a solid start to the year with Group Sales in the 16 weeks to 23rd October growing by 17% over the prior comparative period. In the same period, Supercheap Auto and BCF Boating Camping Fishing have grown like for like sales by circa 3%. This is a pleasing level of performance given the boost that the government stimulus provided to sales in the prior comparative period.

We expect to open between 10 and 15 new stores in the Auto and Cycle Retailing division and around 20 stores in the Leisure Retailing division during the Financial Year. We also expect to refurbish another 30 Supercheap Auto stores, including three as Superstores, close two Supercheap Auto stores and relocate a number of Goldcross Cycles stores.

Our plans for the integration of Ray's Outdoors are on track. We have already fully implemented the Group's POS, SAP and Warehouse management systems across all the Ray's Outdoors stores, the distribution centre and the support office. We have opened two new Ray's Outdoors stores in the last month and we expect to open another four or five before Christmas. We are confident that we are on track to deliver the synergy benefits expected at the time of acquisition.

In closing, I would like to acknowledge my colleagues on the Group Leadership Team for their achievements over the last 12 months and for their ongoing support and passionate commitment to the long term success of the Group.

Ladies and Gentlemen, thank you for your interest in the Company, I look forward to reporting on our progress in 12 months time.