



## CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING – 29 OCTOBER 2008

Thanks for coming along today.

The performance of the company in the 2008 financial year has been discussed comprehensively in the reports supporting the announcement of the company's results last August. Additionally, Peter Birtles will talk a little later about the performance of the company's businesses last year and in the current financial year. Consequently, I will limit my comments to the highlights from last year and make a few observations on the direction of the company.

The year which ended on 28 June produced increased profits and dividends:

Sales were up 14.5%

Operating profits 20.0%

Earning per share 15.5%

And dividends rose from 10.5 cents to 13 cents, or 23.8%.

It has been well publicised that there has been some volatility in the Australian and New Zealand economies over the last year. Interest rate increases, big jumps in petrol prices, falling consumer confidence do not present the most favourable trading environment for retailers. Yet Supercheap Auto and BCF went on to pass all previous records and improve profit margins last financial year.

There can be no doubt about the calibre of the team lead by Peter Birtles. Retailing is a hard business in stable times. The ability of the Supercheap Auto and BCF team to adapt to volatile conditions while securing good growth and improved profit margins is a remarkable result. It is even more remarkable that in a year when considerable time and effort went toward exploring and executing yet another extension of the Supercheap Auto model into a new retail format.

It is inevitable that the Supercheap Auto and BCF retail formats will mature over time. The task of satisfying investors' appetites for growth means exploring and developing new opportunities. Goldcross Cycles is an extension of these retail formats into a market that is highly fragmented and is growing in response to the rapid development of cycleways, outdoor fitness activities and alternatives to motorised transport.

A short term drag on earnings per share from the expansion of the cycle business is expected to mirror the patterns established by BCF. This is the short term cost the company will have to pay for sustaining growth over the longer term. The Board is not attracted to the alternative

of developing Supercheap Auto's existing retail format to maturity and then spending all our effort defending the current earnings per share.

Meanwhile, the Board recognises that volatile credit markets require it to carefully consider the funding structure within its balance sheet. This involves regular assessments of the funding required for developing new businesses and supporting inventories. It also involves consideration of the potential introduction of a dividend reinvestment plan. Having regard for all of the matters considered from time to time, the Board continues to believe that the recently extended funding arrangements established by the Company are appropriate without any significant change in funding costs and trading conditions.

Finally, today's meeting will consider electing an additional director to the Board. This is the first change to the Board since the public float in 2004. The Board is conscious of the need to strengthen a small Board as it approaches a time when it needs to think about succession and renewal.

I will now ask that your Managing Director, Peter Birtles, to address you on the performance of the company last financial year and since 28 June.