



CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING – 26 OCTOBER 2006

The last twelve months have seen Supercheap Auto enter a new era with a new management team, new retail formats, BCF's growing presence in the broader leisure segment and an increased focus on growing profit margins. This era will take Supercheap beyond its total reliance on growth via a single retailing model.

The richer and more diverse retail strategies that are evolving under our new management team have been developed in a year when annual sales increased in all business segments to pass the \$500M mark for the first time. Underlying profits eclipsed previous records after taking into account the required changes to meet the new accounting standards and the substantial investment in BCF.

These results have been achieved by anticipating and responding to the onset of tighter market conditions. This has included adjusting inventories and improving the efficiency of the logistics needed to support the retail network. These responses have not compromised the work needed to position the company for long term growth. Our early response to the likelihood that a single retailing model would limit future opportunities for growth has demonstrated that Supercheap's management has the capacity to combine experience and intuition to develop the strategies needed to improve the performance of the company.

The re-development of the longstanding single Supercheap retail format responds to changing consumer expectations and offers the company the opportunity to extend into smaller markets. These new formats will reduce in-store inventory, staffing and occupancy costs. Importantly, we believe that they will economically extend the reach and life of the Supercheap concept without the limitations of high site costs and the need to resort to increasingly risky new product ranges which could compromise Supercheap's position as the leading specialty retailer in the auto after market.

BCF is quite different. It uses the knowledge and capabilities within the company to reach out into new markets. The BCF concept is working and producing operating profits after netting back store rollout expenses. The company is proud of the success of BCF and is particularly pleased to have been able to support this considerable investment in growth from its operating cash flows.

No new retail concepts are pending. Our immediate priority is to re-format the Supercheap network and get BCF to a level at which it can sustain its own expansion. This will enable us to improve profit margins and dividends. Put simply, the Board doesn't expect shareholders to accept growth for the sake of growth.

Finally, it has been an important year for the Group. Peter Birtles and his team have handled the uncertainty created by top level management changes and the pressure on sales from a tough retail environment, without compromising the BCF roll-out and the need to redefine and reinvigorate the initial Supercheap business model. In many respects, FY06 was a watershed year which has positioned the Company for the longer term.

Now let me introduce your Managing Director and Chief Executive, Peter Birtles to talk a little about the key elements of our performance last financial year, and make a few observations on how the business is progressing at the moment.