

CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING – 22 OCTOBER 2012

I mentioned at the start of the meeting that this is our ninth year as a publically listed company. It also marks the 40th anniversary of the company that evolved from distributing battery chargers out of the home of our founders Reg and Hazel Rowe. From that one product the company has grown to today, it comprised 590 stores operating under the following retail brands:

Supercheap Auto
BCF
Ray's Outdoors
FCO
Goldcross Cycles
Rebel Sports
Amart All Sports

Our market capitalisation has grown from \$200 million when we listed in 2004 to a market capitalisation of \$1.6 billion today.

We are very pleased that in this milestone year we have been able to continue to develop and grow the company and report another strong financial result.

This growth has come from the continued expansion of the core auto business, further development of our leisure business and the acquisition in October last year of the Rebel Group.

Net Profit attributable to shareholders has grown from \$55.6 million in 2011 to \$83.5 million in 2012 an increase of \$27.9 million or 50%. Importantly Earnings Per Share has also grown on the increased capital from 40.6 cents per share to 46.1 cent an increase of 13.5%.

In this difficult economic environment we have been able to grow both total sales and like for like sales in each of our three businesses.

A key factor in the Group's ability to grow sales during a period of slow economic growth and weak retail markets is the commitment and passion of our team members.

The Supercheap Auto business had another strong year with like for like sales growth of 3.9% and further expansion of EBIT margins. The Supercheap Auto brand continues to evolve as we refurbish stores and introduce new and innovative products.

Leisure retailing with BCF, Ray's and FCO in New Zealand achieved total sales of \$456 million, 18.8% higher than the previous year. Adjusting for the costs associated with the launch of FCO, EBIT was \$37 million, an increase of 15.6%. This is a testament to the capability of the management and team members when you consider that this is a business that did not exist seven years ago.

The acquisition of the Rebel Group has had a significant impact on the Group, more than doubling the asset base. The cost of the acquisition of \$610 million plus a working capital adjustment was funded by the issue of 62.6 million shares and \$300 million debt. While net debt has increased to \$341 million the capital structure of the Group remains conservative with the debt to equity ratio at year end of 33% and an operating cash flow of \$135 million.

We wish to thank shareholders for supporting the company making this substantial investment.

While it is early days the contribution from the Rebel business during our seven months of ownership to 30 June was ahead of expectations at the time of the acquisition with sales of \$441.9 million and EBIT of \$54.5 million.

As we move forward with the re-energising of the Rebel and Amart All Sports brands, and the application of our supply chain, marketing and information technology skills to the business we are confident that there is potential for significant growth over the coming years.

We believe that this will be a very successful acquisition by the Group.

As in previous years, management continues to invest in the business with new products, supply chain initiatives and further development of business capabilities. During the year, close to \$60 million was invested in new and refurbished stores and other projects including \$13 million in developing our multi channel capability. Our aim is to provide the capability for our customers to continue to shop with us in store, online or a combination whichever suits their needs. For example, this year Click and Collect was launched in New Zealand and Australia.

In the current year we will continue to invest in the business in opening and refurbishing stores and building capabilities particularly in supply chain and developing a new trade customer offer that is being trialed in New Zealand. We estimate that capital expenditure in 2013 will approximate \$85 million. As in past years this will be funded from operating cash flow.

Directors were pleased to declare a fully franked final dividend of 19 cents per share taking the dividend for the full year to 32 cents per share an increase of 10% on the previous year. This increased dividend was paid on a significantly larger capital base following the renounceable entitlement offer to fund the Rebel Group acquisition

I would like to thank my Colleagues on the board for their contribution and on behalf of the board thank Peter, his management team and all of our 11,000 plus team members for their contribution to our record result.

The directors would also like to thank you our shareholders for your support and interest in the Group and I will now call on Peter to talk in more detail on this year's highlights.

R J Wright
Chairman