

**Chairman's Address
Annual General Meeting – 22 October 2014**

While we were able to report another increase in net profit it has been a mixed year for the Group with the results achieved being below our expectations. Net profit for the year was \$108.4 million, an increase of 5%. This has been achieved during a period of economic uncertainty and low consumer confidence resulting in a soft retail environment, particularly in the second half of the year following the introduction of the federal budget.

In addition there have been a number of issues within the Group that have negatively impacted trading results. We are confident that these issues have been addressed and corrective actions taken.

This year marks the tenth anniversary as a listed entity. Our company today is very different from the one that listed in 2004. We have grown from one business Super Cheap Auto with 183 stores, sales of \$383 million and just over 2900 team members to today:

We have eight retail businesses with over 640 stores

Group sales in excess of \$2.1 billion and,

In excess of 12,000 team members

Pleasingly we have also seen the share price increase from \$1.97 at listing to \$8.46 at 30 June 2014. When combined with the dividends paid over this period total shareholder return has been 470% compared with 142% for the ASX 200 accumulation index over the same period. This has placed the Group in the top quartile of the ASX 200 for total shareholder returns over this period.

The Group has and continues to be focused on providing solutions and engaging experiences that enable our customers to make the most of their leisure time. We continue to invest in and develop our capabilities in a number of key areas:

Understanding and engaging our customers

A successful multi channel retail organisation. This will enable our customers to shop with us how they wish either in store, online or a combination.

A fully integrated optimised supply chain

During the year \$105.8 million capital expenditure was invested in the business, comprising \$45.6 million in new and refurbished stores and \$60.2 million developing and improving capabilities in Multi channel platforms, new loyalty programs, supply chain and inventory management, Sports integration and other requirements.

During 2014, the high level of development and change that was undertaken within the Group placed increased demands and pressure on the organisation. This, combined with a weak retail environment, had an adverse impact on the trading results.

Recognising this we have slowed down the pace of capital development in 2015. However we will continue to invest in the business in opening and refurbishing stores and building capabilities particularly around understanding the customer, online channels and supply chain. We estimate that capital expenditure in 2015 will approximate \$90 million. As in past years we expect that this capital spend will be funded from operating cash flow.

Turning to the financial results, operating profit after tax for the 2014 financial year was \$108.4 million and the EPS was 55.1 cents both being a 5% increase on the previous year.

Sales exceeded \$2.1 billion, also a 5% increase on the previous year.

Auto Retailing had another strong result with total sales up 3.7% and divisional EBIT at \$94.5 million up 8.5 %. The Supercheap Auto brand continues to develop as management test and refine its new store format and introduce new products. The Supercheap Auto Club Plus continues to build membership and now has over 1 million members. The club provides an efficient and effective vehicle to communicate directly with a significant number of our most loyal customers. We believe that there are further opportunities to grow the store network and plan to open around 10 new stores in 2015.

Leisure Retailing experienced a challenging year with EBIT at \$33.0 million in line with the previous year. Total sales at \$552.5 million, were up on the previous year but this was driven by new store openings rather than like for like growth. BCF experienced both falling demand from stores in areas impacted by the downturn in mining activity and cannibalisation of existing stores from new stores.

The repositioning of the Ray's stores is still a work in progress and further work needs to be undertaken before we are prepared to commence a wider roll out.

Sports Retailing. This year we continued to grow sales to \$734.0 million, a 4.3% increase on the previous year however the EBIT contribution at \$62.8 million was below the previous year. During the year the division's core systems were converted to the Group's merchandise and supply chain information systems. This resulted in material disruption to the business, which impacted inventory replenishment and the reporting of merchandise performance, with a negative impact on sales and profitability. The issues that caused the disruption have been identified and addressed.

The Sports Division has continued with the roll out of Amart Sports in Victoria and launched in New South Wales. We now have 12 stores in Victoria and five in New South Wales. While it is early days and the stores will take a few years to reach maturity we are pleased with the progress to date.

During the year the Division acquired the 21 store network of Workout World. This acquisition while small will provide an opportunity to further develop the fitness business.

Directors were pleased to declare a fully franked final dividend of 21.5 cents per share taking the dividend for the full year to 40 cents per share an increase of 5% on the previous year.

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 12,000 plus team members for their contribution to our result in a difficult year.

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.