

Super Cheap Auto Group Limited

ANNUAL REPORT 2009



BOATING • CAMPING • FISHING



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## NAME OF ENTITY

SUPER CHEAP AUTO GROUP LIMITED

## ABN OR EQUIVALENT

COMPANY REFERENCE

ABN 81 108 676 204

## REGISTERED OFFICE

751 Gympie Road  
LAWNTON QLD 4501  
Telephone (07) 3205 8511  
Facsimile (07) 3205 8522

## SHARE REGISTRY

Link Market Services  
Level 12, 680 George Street  
SYDNEY NSW 2000

## BANKERS

Australia and New Zealand Banking  
Group Limited

## AUDITORS

PricewaterhouseCoopers

## SOLICITORS

Redmond Van De Graaff  
Mallesons Stephen Jaques

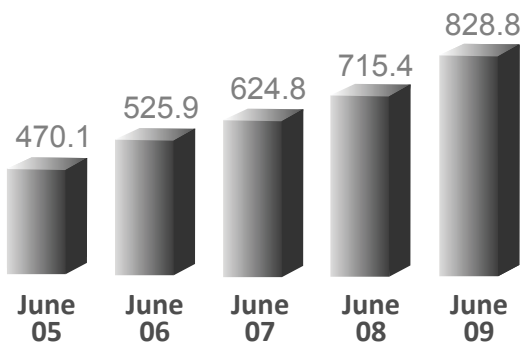
## STOCK EXCHANGE LISTING

Super Cheap Auto Group Limited shares  
are quoted on the Australian Stock  
Exchange.

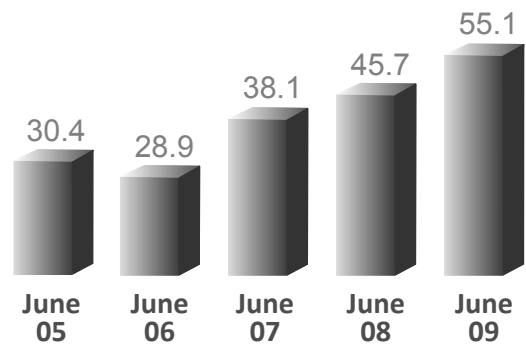
## THE ANNUAL GENERAL MEETING

The Annual General Meeting of the  
Shareholders of Super Cheap Auto  
Group Limited will be held at the  
Kedron Wavell Services Club, Long Tan  
Room, 375 Hamilton Road, Chermide  
South, Queensland on Wednesday 28  
October 2009 at 11.00 am.

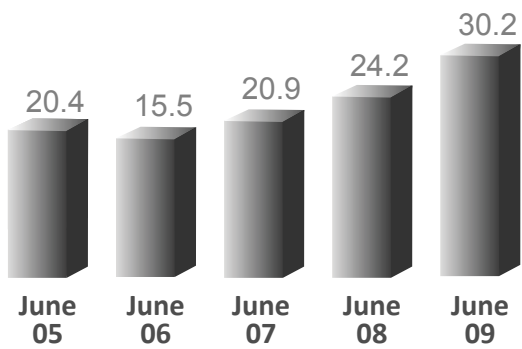
Formal notice of this meeting and proxy  
form are enclosed with this report.



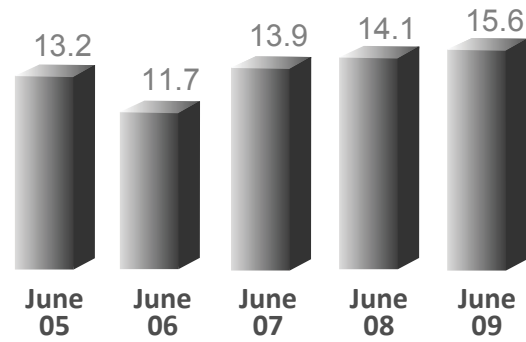
SALES(\$m)



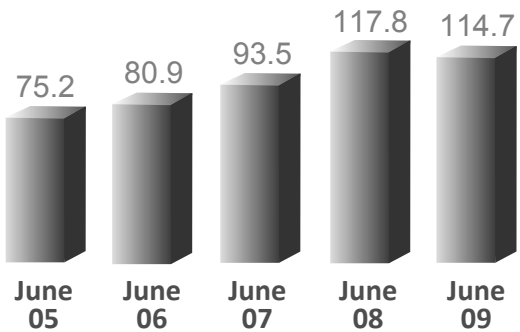
EBIT(\$m)



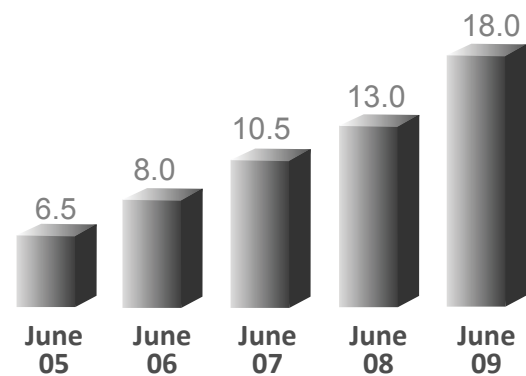
EPS(c)



POST TAX ROC(%)



NET DEBT(\$m)



DIVIDEND(c)

# CHAIRMAN'S REPORT

A 25% increase in annual profit to \$32.1 million for the 2009 financial year is a remarkable result. It reflects well on a highly disciplined management team which has been prepared to continually adjust to threats to the existing business from rapidly changing circumstances and the need to position the company for longer term growth.

The strong like-for-like growth in sales from Supercheap Auto of 7.3% and BCF of 12.5% demonstrated that these businesses reach out to a dependable and growing consumer base. These sales come from a rich mix of relatively small ticket items. This presents significant merchandising and logistical challenges.

The company's continual investment in its inventory and logistic management infrastructure is proving to be a competitive advantage. This advantage is further underpinned by spending on refurbishments and new stores. It has seen the company increase its share in highly competitive markets. This has been particularly evident from the growth achieved by Supercheap Auto in New Zealand and in the profitability from BCF.

The results achieved by BCF in 2009 present us with a case study of a profitable investment in a new business. It began with the acquisition of four Campmart stores delivering annual sales of \$14 million in 2005. There are now 59 BCF stores producing sales of over \$200 million and profit of \$16 million.

The commitment to growing beyond the gradually maturing Supercheap Auto and BCF businesses has continued with the acquisition of Goldcross Cycles. There is no expectation that Goldcross will re-produce the rapid success of BCF. Times and the business model are different. Obviously, the investment profile will also be different and will continue to rely on the courage to commit and hold back expenditure to meet the market conditions that apply at particular times in the retail cycle.

The company's debt and balance sheet is manageable and can support the current business plan. Debt will be kept under review as we move through 2010 and get a far better feel for the sustainability of current growth rates.

Shareholders continue to benefit from a good business which is well run. The management team led by Peter Birtles has shown their willingness to adapt to changing circumstances and create a vision for the future. They, and all other team members, can take great satisfaction from the results they have produced in FY2009.

The Board has declared a final dividend of 11.5 cents to bring the full year dividend to 18 cents (13 cents last year). The increase in dividend payout ratio from 50% to 60% reflects the increased capacity of the Group to fund future expansion from internally generated cash flow. The Board has activated the Company's Dividend Reinvestment Plan. This Plan which will not be underwritten provides shareholders with the opportunity to acquire fully paid ordinary shares in the company without incurring brokerage. The dividend record date will be 25 September 2009 and it will be paid on 20 October 2009.



Dick McIlwain  
Chairman



# MANAGING DIRECTOR'S REPORT

The 2008/09 year has been a very successful one for our Company on many fronts. Not only have we delivered strong growth in sales and profits, we have also continued to make significant progress in our major strategic initiatives. Our business has stood up to the challenge of the Global Financial Crisis and delivered the highest rate of like for like sales growth since the introduction of GST.

Other highlights for the year included:

- Earnings per share increasing by 25% over the prior comparative period
- Supercheap Auto and BCF continuing to increase EBIT margins
- The safety, accuracy, service and operating cost improvements delivered by our Group Logistics team
- The development of the Goldcross Cycles business
- \$43 million invested in new and refurbished stores across the Group
- Significant improvement in team member retention

The plan that we put in place in 2006 continues to set the direction for our Group and although this is updated on an annual basis the core focus remain the same: customer service, store development, improving our retail operations, new product introduction, trade partnerships, improving our procurement and supply chain capabilities, developing our people and new business development.

We have many initiatives underway across the Group and we are fortunate to have a strong team who are not only proud of their achievements but are passionate for future growth. On behalf of all shareholders, I would like to thank all of our team members for their commitment and contribution.

## Supercheap Auto




Sales at \$604.2 million were 8.1% higher than the prior comparative period. Like for like sales growth was 7.3% for the year which is the highest rate of like for like growth achieved in this decade. All States and Territories of Australia delivered strong like for like sales growth. In New Zealand, the business achieved like for like sales growth of 3.2%, a very strong performance given the widely reported downturn in retail spending and the 6% like for like growth achieved in the prior year.

The business performed particularly well in both the 'Car Maintenance' and 'Tools and Outdoors' product categories. There has been an increase in the number of our customers servicing their own vehicles. Growth in sales of products in the "Car Accessories" category was not as strong and reflected the slowdown in both new and used car sales.

EBIT at \$46.4 million was 11.7% higher than the prior comparative period with EBIT margins increasing by 0.3% points to 7.7%. Gross margins increased by 1.1% points over the prior comparative period through improvements in trading terms and efficiency gains in the supply chain. Investment in store manning, store refurbishments, learning and development programs and a number of business improvement projects drove the increase in operating costs as a % of sales.

Six new stores were opened during the year, two stores were relocated and 30 stores were refurbished. The Albany store in New Zealand was reconfigured to become the second Supercheap Auto Superstore following the successful trial of this new format in Caboolture in South East Queensland. At the end of June, there were 256 stores trading across Australia and New Zealand.



Over the last three years, we have refurbished and relocated 89 stores and opened the most recent 22 new stores with the updated store design. This has been a very successful initiative with our customers enjoying the improved shopping environment with these stores delivering like for like sales growth of close to 10% over the last 12 months.

We have developed a four tier refurbishment program which allows the business to tailor the refurbishment activity and consequential capital spend for each store in line with our sales growth expectations. This allows us to manage the return on capital for each refurbishment project. We intend to refurbish a further 40 stores in the next 12 months.

The effective management of a consistent introduction of new products into our range and deletion of slower moving and outdated lines is a key differentiator for the Supercheap Auto business. Over 20% of the range was renewed in 2008/09. Our range offer is built upon a dual approach of promoting the leading national brands and developing own brand products under our Calibre, SCA and Best Buy brands. Each year more leading brands look to partner with Supercheap Auto and in 2009 we have finalised partnerships with Pioneer and Triden.

The product fitment offering has gone from strength to strength and at the end of June weekly fitments had grown to 2,000 per week, double the rate at the same time last year.

We have continued to develop our trade customer offer and although the trade business is relatively small at this time, it represents an opportunity for growth.

I would like to acknowledge the leadership that David Ajala and Pam Pugsley have provided to Supercheap Auto over the last three and a half years. They have established the business as one of the most highly regarded retailers in Australasia.

## **BCF Boating Camping Fishing**



Sales grew by 31% over the prior comparative period to \$205.5 million. Like for like sales growth was a very strong 12.5% benefiting from increased localised ranging, localised marketing and new products. The outdoor recreational industry has also benefited from an increase in the number of Australian families taking low cost recreational vacations rather than travelling overseas or spending time in coastal apartments.


EBIT at \$16.4 million was just over double the \$7.9 million achieved in the prior comparative period. EBIT margins increased from 5.1% to 8.0% with gross margins increasing by 0.8% points through improved trading terms, the increase in sales of own brand products and localised ranging. Operating cost to sales reduced by 2.1% points through the benefits of scale and a reduction in the cost of opening new stores.

10 new stores were opened during the year with the business opening its first two stores in South Australia. At the end of June, the business had 59 stores trading with stores in all the mainland States and Territories of Australia. One of the new stores opened during the year came through the acquisition of the Jurkiewicz Adventure Store in Fyshwick. This iconic store has a strong winter ski business which BCF has begun to expand into other stores surrounding the ski fields.

Although the Campbells ProTackle store in Perth is trading very well, the business has decided that, at the present, it will expand its range of higher end fishing and tackle products in its existing stores rather than establish a separate chain of specialist stores.

The increased focus on local ranging enabled the business to conduct a complete review of inventory holdings at a local store level and as a result, BCF's average inventory per store at June 2009 was 6.0% lower than at June 2008. We expect to achieve further inventory efficiencies in 2009/10. The increase in EBIT margins and the lower stock investment have resulted in a significant improvement in BCF's Return on Capital during the year.

2008/09 was only the third full year of trading for BCF. Steve Doyle and his team deserve enormous credit for the work



they have done in building a business from scratch that has progressed ahead of plan and is already delivering returns above our cost of capital. We continue to identify opportunities for further growth and profit improvement over the coming years.

## **Goldcross Cycles**



On 23 June 2008, we acquired the Goldcross Cycles business which had 11 stores trading in Melbourne. During the year, we opened five new stores in South East Queensland and acquired two separate independent bike stores in Brisbane in the lead up to Christmas.

Sales for the year were \$19.1 million with the business incurring an EBIT loss of \$4.0 million after business and new store development costs.

The long lead times associated with the bicycle supply chain resulted in the business experiencing some product supply challenges in the first half of the year as a number of changes were made to our supply partners. In the second half of the year, the 11 Melbourne stores traded broadly in line with our expectations. Sales in our Queensland stores have been below expectations as it has taken longer to build customer numbers than we originally expected.

We have used our experience from the first 12 months trading to make a number of changes to the business model including our range offer, our marketing and promotion activity, our store design and our team member training program. I have also asked the Supercheap Auto management team to take an active role in the management of the Goldcross Cycles business which will provide more resources to support the ongoing development of the Goldcross Cycles business.

We have put further expansion of the chain on hold until we are comfortable that we have developed a profitable business model. We remain confident that we can develop Goldcross Cycles into a successful business with a network of up to 100 stores across Australia and New Zealand.

## **Group Costs**

Group costs of \$3.7 million include \$1.2 million of distribution centre rents that have not been charged to business units, a \$0.4 million write-off of debts from a sub lease tenant and \$2.1 million of ongoing public company costs.

## **Group Logistics**

We are very pleased that we have been able to capitalise on the investments made in our supply chain over the last two years. The network of five distribution centres we established in 2007/08 performed very effectively during the year and we have delivered the expected efficiencies with logistics costs to sales reducing by 0.5% points compared to the prior period.


We now have a network that has the capacity to support the planned growth of our existing businesses and deliver further cost efficiencies.

## **Review of Financial Condition**

Cash flow from operations was \$62.7 million which represents an increase of \$13.1 million compared to the prior comparative period. The strong growth in earnings was augmented by working capital initiatives across the Group.

Group Capital Expenditure at \$33.1 million was \$10.4 million lower than the prior comparative period which included the acquisition of Goldcross Cycles and JV Marine. The major areas of expenditure were \$14.1 million in new stores, \$10.3 million in refurbished stores, \$3.6 million in development projects and \$5.1 million in maintenance.

Despite the continued investment in growth, Group Net Debt reduced by \$3.1 million during the year to \$115 million. The global financial crisis has had an impact on the cost of our debt facilities and as a result, we decided to reduce our facility limits from \$200 million to \$180 million. This provides sufficient head room to meet our forecast requirements and we were operating comfortably within our debt facility covenants at June 2009.



The Group has recorded an unrealised mark to market loss of \$2.2 million in finance costs relating to interest rate hedging arrangements in accordance with International Financial Accounting Standards. The Group's effective tax rate was 23.3% benefiting from investment allowances.

### **Corporate Social Responsibility**

The Group has continued to progress its social and environmental initiatives during the year. A full report on these activities is included in our Annual Review which is available at [supercheapautogroup.com.au](http://supercheapautogroup.com.au).

### **Team Members**

Team Member numbers had grown to 4,841 at the end of June which represented an increase of 8% during the year. Very pleasingly, we have continued to see an improvement in our team member retention which improved by 3.6% points during the year and has improved by 8.7% points over the last three years to stand at 68.3%.

We have established the provision of learning and development opportunities as an area of differentiation for our Group. We have developed in-house a complete set of programs which provides training in product knowledge, customer service skills, management, leadership and company policies and procedures appropriate to team members at all levels across the Group. The effectiveness of these programs will be assisted by the planned rollout of dedicated intranet terminals into all of our stores.

We are also very pleased that we have been able to further reduce time lost to injuries across the Group for the third year in a row, with a reduction of 0.04% points to 0.15%.

I would like to acknowledge and thank Dick McIlwain for the important contribution that he has made to the development of the Group over the last six years. I wish Dick all the very best for the future and I look forward to working with Robert Wright as he steps into the role of Chairman.

### **Looking Forward**

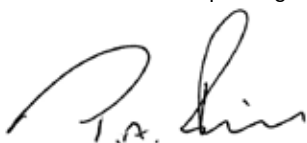
The outlook for retail trading remains uncertain but still positive. We are confident that our businesses will continue to grow faster than the markets in which they operate but we expect that there may be some slowing of market growth as unemployment and interest rates rise over the coming two years.

We have been successful in increasing the operating margins of our two major businesses over the last three years and we expect further improvement over the next three years.

Supercheap Auto will open between five and eight stores in the coming 12 months and will refurbish 40 stores including at least one more Superstore. BCF plans to open five stores in the next year.

There remain many opportunities to further improve the performance of our company. We will continue to progress the existing initiatives underway across the Group plus we have added the development of multi-channel and customer relationship marketing capabilities to our list of projects.

I look forward to reporting on our progress during the coming year.



Peter Birtles  
Managing Director





# BOARD OF DIRECTORS

## **Dick McIlwain, BA, FAICD**

Independent Non-Executive Chairman

Dick McIlwain, aged 62, was appointed a Director of the Company on 19 May 2004. Dick is also the Managing Director and Chief Executive of Tatts Group Limited, Non-Executive Chairman of Wotif.com Limited and a Fellow of the Australian Institute of Company Directors.

## **Peter Birtles, BSc, ACA**

Managing Director and Chief Executive Officer

Peter Birtles, aged 45, was appointed a Director of the Company on 5 January 2006. Peter joined Super Cheap Auto Pty Ltd in April 2001 as Chief Financial Officer and in January 2006 was appointed Managing Director and Chief Executive Officer.

Peter is a chartered accountant with over 20 years' experience. Prior to joining Super Cheap Auto, Peter spent 12 years working with The Boots Company in the United Kingdom and Australia in a variety of senior finance, operational and information technology roles where he ultimately held the position of Head of Finance and Planning. Prior to joining The Boots Company, Peter worked for Coopers & Lybrand.

## **Reg Rowe**

Non-Executive Director

Reg Rowe, aged 65, was appointed a Director of the Company on 8 April 2004. Reg and Hazel Rowe founded an automotive accessories mail order business in 1972 which they ran from their Queensland home. In 1974 they commenced retail operations of the business which evolved into Super Cheap Auto. Reg served as Managing Director of Super Cheap Auto Pty Ltd until 1996 and then Chairman from 1996 to 2004.

Prior to this, Reg had 13 years' experience in various retail roles at Myer Department Stores.

## **Darryl McDonough, BBus (Acty), LLB (Hons), SJD, FCPA, FAICD**

Independent Non-Executive Director

Darryl McDonough, aged 58, was appointed a Director of the Company on 19 May 2004. Darryl is a practicing solicitor with over 20 years of corporate experience. Darryl is currently a Non-Executive Director of GWA International Limited.

## **Robert Wright, BCom, FCPA, MAICD**

Independent Non-Executive Director

Robert Wright, aged 60, was appointed a Director of the Company on 19 May 2004. Robert has 30 years' financial management experience, having held a number of chief financial officer positions, including finance director of David Jones Limited. He is currently the Chairman of Dexion Limited, SAI Global Limited and both Babcock & Brown Residential Land Partners Limited and Babcock & Brown Residential Land Partners Services Limited (jointly Babcock & Brown Residential Land Partners Group). Robert is also a Non-Executive Director of Australian Pipeline Limited.

Robert is the Chairman of the Audit and Risk Management Committee.

## **R John Skippen, ACA** (appointed 16 September 2008)

Independent Non-Executive Director

John Skippen, aged 61, was appointed a Director of the Company on 16 September 2008. John is the former Finance Director of Harvey Norman Holdings Ltd and has over 30 years' experience as a chartered accountant. John has served as a Director of Rebel Sport Ltd and Orion Telecoms Limited, Courts (Singapore) Limited, Pertama Holdings Limited (Singapore) and Mint Wireless Limited. John is currently a Non-Executive Director of Briscoe Group Limited and Flexigroup Limited.



# GROUP LEADERSHIP TEAM

## **Peter Birtles – Managing Director and Chief Executive Officer**

Peter joined Super Cheap Auto in 2001 as Chief Financial Officer and was appointed Managing Director and Chief Executive Officer in January 2006.

Peter is a chartered accountant with over 20 years' experience. Prior to joining Super Cheap Auto, Peter spent 12 years working with The Boots Company in the United Kingdom and Australia in a variety of senior finance, operations and information technology roles where he ultimately held the position of Head of Finance and Planning. Prior to joining The Boots Company, Peter worked for Coopers & Lybrand.

## **David Ajala – Chief Operating Officer – Auto and Cycle Retailing**

David joined the Super Cheap Auto Group in July 2005 as the General Manager of Merchandise before taking the role on as COO of Supercheap Auto in January 2006. In June 2009, David assumed leadership of the Goldcross Cycles business. David is responsible for Merchandise, Marketing and Retail Operations of the Supercheap Auto and Goldcross Cycles businesses.

David has an extensive background in store operations and merchandise in the retail sector. Prior to joining the Super Cheap Auto Group, David held a number of senior management positions in Coles Myer's supermarket division across several States in a career spanning over 20 years. Roles included Regional Store Operations, National Category, National Promotions and National Business Manager.

## **Steve Doyle – Chief Operating Officer Leisure Retailing**

Steve joined Super Cheap Auto in 2002 as Marketing Manager. He subsequently held the positions of General Manager – Retail and General Manager – Merchandising.

In January 2005, following the acquisition of CampMart, Steve was appointed General Manager – CampMart. CampMart was relaunched as BCF in July 2005. Steve was appointed Chief Operating Officer – BCF in January 2006. He is responsible for the merchandising, marketing and retail operations of the BCF business.

Prior to joining the Super Cheap Auto Group, Steve was a National Business Manager in Woolworths Limited's merchandise team. In 2004, Steve received the Australian Institute of Management Young Manager of the Year Award for Brisbane.

## **Gary Carroll – Chief Financial Officer**

Gary joined Super Cheap Auto Group in April 2006. He has over 15 years' experience in accounting, treasury and banking areas across a number of industry sectors. He holds an honours degree in Commerce and Law from the University of Queensland, and is a CPA.

After commencing his career with Ernst & Young, Gary held senior management positions with companies such as Citibank, Duke Energy and Flight Centre.

Gary is responsible for the finance, information services, risk management and compliance functions for the Group.



## **Robert Dawkins – General Manager - Group Property Services**

Robert has 15 years' experience in property management. Prior to joining Super Cheap Auto Group in 2001, Robert was the Property Manager for the Bank of Queensland Limited. He holds a degree qualification in Accountancy from Queensland University of Technology.

Robert's key responsibilities include property and facilities management, property leasing and development, project and contract management and asset acquisition and disposal.

## **Graham Chad – General Manager – Group Logistics**

Prior to joining Super Cheap Auto Group in 2005, Graham spent 19 years with the Masterfoods (Mars) Group in Australia and New Zealand in various senior management roles followed by five years in retail general merchandise. He was Chief Logistics Officer for The Warehouse Group, Auckland and spent several years at Woolworths in the Supply Chain Operations Group for grocery distribution.

Graham is responsible for the logistics functions that support the Group's business units incorporating the management of distribution centres, freight and imports.

## **Steve Tewkesbury – General Manager - Overseas Sourcing**

Steve joined the Super Cheap Auto Group in 2004 as Supply Chain Manager and in 2006 was appointed as General Manager – Overseas Sourcing. He has in excess of 24 years' experience in sales, marketing and logistics. Prior to joining Super Cheap Auto, Steve worked in Global Supply Chain and E-Commerce Strategy for Reckitt & Colman, then as a Supply Chain Consultant within the Australian FMCG sector. He holds a degree qualification in E-Commerce from Monash University.

Steve has been based in China since August 2006, managing our overseas sourcing operations in Hangzhou and Shanghai, coordinating our international shipping negotiations and managing our China logistics partner services at origin.

## **Sonia La Penna – General Manager - Group Human Resources**

Sonia joined Super Cheap Auto Group in December 2005 as the Group Human Resources Manager. Together with her tertiary qualifications, Sonia has over 10 years of Human Resources experience both in Australia and internationally.

Prior to joining Super Cheap Auto Group, Sonia commenced her HR career with Franklins Limited and since then has held senior management positions for companies including Brazin Limited, Royal Caribbean Cruise Lines and Sunglass Hut Australasia.

Sonia is responsible for Human Resources Management across the Group.

## **David Kelley – General Manager – Risk Management and Company Secretary**

David joined Super Cheap Auto Group in 2005, having held various roles at General Motors – Asia/Pacific, Woolworths Limited and Adelaide Casino. David has a Bachelors Degree in Economics from the University of Adelaide, a Post Graduate Diploma in Applied Corporate Governance and an M.B.A. from the Australian Graduate School of Management.

In addition to serving as Company Secretary, David leads the Group's risk management, compliance, audit, insurance, investigations and loss prevention functions.



## **Pam Pugsley – General Manager Retail Operations - Auto and Cycle Retailing**

Pam joined Super Cheap Auto Group in November 2004. Pam has 23 years of retail experience in Coles Myer Limited. Prior to joining Super Cheap Auto Group, Pam was a Regional Manager for Coles Supermarkets and Pick'n'Pay and previously held positions in Merchandising, Store Development and State Services Management in a variety of locations across Australia.

In 2002, Pam completed a Post Graduate qualification through Deakin University in Melbourne. Pam has the responsibility for the retail operations and store improvements across the Supercheap Auto and Goldcross Cycles businesses.

## **Wayne McMahon – Chief Information Officer**

Wayne joined Super Cheap Auto Group in 2006. A graduate of Wollongong University, he has over 22 years experience in all areas of Information Technology.

Wayne was previously based in Hong Kong as CIO for Esquel Enterprises Limited and in Singapore as Director Information Technology, Asia Pacific for ModusLink. In total he has over 13 years experience living and working across Asia, with 11 of those years in the eCommerce enabled Supply Chain industry.

Wayne is responsible for process development and information technology across the Group.

## **Kevin McAulay - General Manager - Group Marketing & Communications**

Kevin originally joined Super Cheap Auto Group in 2003 as Marketing Manager for the Supercheap Auto brand. In 2005, Kevin left Super Cheap Auto Group to pursue other interests. In 2007, Kevin rejoined Super Cheap Auto Group as BCF Marketing Manager. In July 2008, Kevin was appointed General Manager – Group Marketing and Communications.

Prior to joining Super Cheap Auto Group, Kevin held roles in advertising, sales and marketing in various companies including Franklins, Sargents and IGA.

## **Chris Wilesmith – General Manager Merchandising – Auto and Cycle Retailing**

Chris joined Super Cheap Auto Group in 2007. He is a graduate of AGSM with 22 years retail and wholesale experience including sourcing within Australasia and the greater Asia Pacific regions.

Prior to joining Super Cheap Auto Group, Chris was General Manager, Toys 'R' Us and previously spent 13 years with Woolworths holding Senior Management roles in Merchandise as well as Retail operations within Dick Smith and Big W.

Chris is responsible for the merchandise management operations of the Supercheap Auto and Goldcross Cycles businesses.

# CORPORATE GOVERNANCE STATEMENT

Super Cheap Auto Group Limited ("the Company") and the Board are committed to achieving and demonstrating high standards of corporate governance. The Directors of Super Cheap Auto Group Limited are accountable to shareholders for the proper management of the business and affairs of the Company.

A description of the Company's main corporate governance practices is set out below. All these practices unless otherwise stated were in place for the reported period. They comply with the August 2007 ASX *Principles of Good Governance and Best Practice Recommendations*.

**Principle 1:** Lay solid foundations for management and oversight



## The Board of Directors

The Board of Directors, working with senior management, is responsible to shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase shareholder value within an appropriate framework which protects the rights and interests of company shareholders and ensures the Company and its controlled entities are properly managed.

The Board delegates responsibility for day-to-day management of the Company to the Managing Director.

**Principle 2:** Structure the Board to add value



## Composition of the Board

The constitution of the Company provides that the number of Directors is to be not less than three nor more than eight. The Board is currently comprised of six directors, five of whom (including the Chairman) hold their positions in a non-executive capacity.

The Board operates in accordance with the broad principles set out in its charter which is available from the Corporate Governance information section of the Company website at [www.supercheapautogroup.com.au](http://www.supercheapautogroup.com.au).

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the Board's relationship with the Company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people.

The composition of the Board is reviewed annually by the Board Nomination and Remuneration Committee to ensure that it has available an appropriate mix of skills and experience to ensure the interests of shareholders are served.

Details of the members of the Board, their experience, expertise, qualifications and independent status are profiled in the Directors' Report on pages 19 to 28.



## Responsibilities

The responsibilities of the Board include:

- approving the Company's goals and strategic direction;
- monitoring financial performance, including adopting annual budgets and approving the Group's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting the Managing Director and reviewing the performance of senior management; and
- ensuring significant business risks are identified and appropriately managed.

## Directors' Independence

As stated there are six Directors, four of whom are Independent Non-Executive Directors (including the Chairman). The predominance of Independent Non-Executive Directors clearly separates the Board from the Company's executive management and enshrines board independence. The structure also provides the Company with the benefit of a diverse range of experience, qualifications and professional skills.

The Board has adopted the independence definition suggested by the ASX Corporate Governance Council and as such four of the Company's Directors (namely Mr Dick McIlwain, Dr Darryl McDonough, Mr Robert Wright, Mr R John Skippen) are considered to be independent by reference to that definition.

## Independent Professional Advice

The Board (and each individual director) is entitled to seek independent professional advice consistent with Corporate Governance Practices at the Company's expense (subject to the reasonableness of the costs and Board consent) in the conduct of its duties for the Company.

## Performance Assessment

The Board undertakes an annual performance evaluation of itself that compares the performance of the Board with the requirements of the Board Charter, sets the goals and objectives of the Board for the upcoming year and effects any improvements to the Board Charter that are necessary or desirable.

This evaluation is conducted by the Board and includes consideration of the annual assessment of the effectiveness of the Board as conducted by the Board Nomination and Remuneration Committee.

This assessment was undertaken during May 2009.

## Financial Reporting

The Board is provided with monthly reports from management on the financial performance of the Company. The monthly reports include details of all key financial measures reported against budgets approved by the Board. The Company's financial report preparation and approval process for each financial year involves both the Managing Director and the Chief Financial Officer making the following certifications to the Board that:

- the Company's financial reports and accompanying notes represent a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which

- implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## Board Committees

The Board has established two Committees to assist it in carrying out its responsibilities, the Board Nomination and Remuneration Committee and the Audit and Risk Committee.

Each Committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. All matters determined by Committees are submitted to the full Board as recommendations for Board decision.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

**Principle 3:** Promote ethical and responsible decision making



## Code of Conduct

The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and team members. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

A copy of the Code is available on the Company's website.

## Dealing in Shares

The Company has a formal written policy for Directors and officers with respect to trading in the Company's securities ("Trading Policy"). Directors and senior management (and their associates) are prohibited from engaging in short-term trading of Company securities.

The policy also restricts the selling of Company securities to three "window" periods (between 24 hours and 30 working days following the release of the annual results, the release of the half-yearly results and the close of the annual general meeting) and such other times as the Board permits. In addition, Directors and senior management must notify the Chairman before they buy or sell Company securities and confirm once the transaction is complete.

In all instances buying or selling Super Cheap Auto shares is not permitted at any time by any person who possesses price sensitive information not available to the market.

A copy of the Trading Policy is available on the Company's website.





## Ethical Sourcing Policy

The Company has developed an Ethical Sourcing Policy that applies to all its businesses and brands.

The policy incorporates both environmental and socioeconomic criteria for all imported products sourced directly or through agents responsibly. The policy encourages trade partners and agents to improve their social and environmental practices, and protect our corporate reputation and that of our individual businesses and brands.

## Principle 4: Safeguard integrity in financial reporting



## Audit and Risk Committee

The existence of the Audit and Risk Committee is considered by the Company to be a key element of its corporate governance program and part of the Company's commitment to best practice in the area of corporate governance.

The Audit and Risk Committee consists of the following Independent Non-Executive Directors:

R J Wright (Chairman)  
R D McIlwain  
D D McDonough  
R J Skippen (appointed 16 September 2008)

All members of the Audit and Risk Committee are financially literate and have the requisite financial expertise. Some members have an in-depth understanding of the industry in which the Company operates.

The Audit and Risk Committee operates in accordance with a charter which is available on the Company's website.

Details of these Directors' qualifications and attendance at Audit and Risk Committee meetings are set out in the Director's Report on pages 19 to 28.

The Audit and Risk Committee supports the full Board and essentially acts in a review and advisory capacity. The Committee is considered to be a more efficient forum than the full Board for focusing on particular issues relevant to:

- verifying and safeguarding the integrity of the Company's financial reporting including the review, assessment and approval of the half-year financial report, the annual report and all other financial information published by the Company or released to the market;
- establishing a sound system of risk oversight and management, and internal control;
- establishing a sound system of compliance with laws and regulations, internal compliance guidelines, policies, procedures and control systems and prescribed internal standards of behaviour.

This committee provides ongoing assurance in the areas of:

- financial administration and reporting;
- audit control and independence; and
- accounting policies and standards;





## External Auditors

The Company's Audit and Risk Committee's policy is to appoint external auditors who demonstrate quality and independence.

The Audit and Risk Committee:

- recommends to the Board the appointment of External Auditors and their fee;
- reviews the performance of the External Auditors;
- establishes processes to ensure the independence and competence of the External Auditors' Audit Managers;
- oversees and appraises the quality of audits conducted by the External Auditors;
- approves External Audit yearly audit plans for the Company and its subsidiaries and oversees the scope of audits to be conducted;
- ensuring that no management restrictions are placed upon access to relevant information or personnel by External Auditors.

The performance of the External Auditor is reviewed annually.

An analysis of fees paid to the External Auditors, including a break-down of fees for non-audit services is provided in Note 29 to the financial statements. It is the policy of the External Auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The External Auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

**Principle 5 and 6:** Make timely and balanced disclosures and respects the rights of shareholders



### Continuous Disclosure and Shareholder Communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary is the person responsible for communications with the Australian Stock Exchange (ASX).

**Principle 7:** Recognise and manage risk



The Audit and Risk Committee provides oversight and direction to the Company's risk management, compliance and internal control systems, including:

- legal compliance;
- internal controls; and
- risk oversight and management.

### Risk Management

The Chief Executive Officer and senior management team are instructed and empowered by the Board to implement risk management strategies co-operatively with the Audit and Risk Committee, report to the Board and the Audit and Risk

Committee on developments related to risk, and suggest to the Board new and revised strategies for mitigating risk.

The General Manager – Risk Management is a senior role with responsibility for providing counsel and direction in risk management across the Group. This includes counsel on the refinement, implementation and monitoring of a comprehensive and integrated risk management framework based on unit manager ownership of risk with independent monitoring. The General Manager – Risk Management reports directly to the Group's Chief Financial Officer with an indirect reporting line to the Chairman of the Audit and Risk Committee.

### **Internal Audit**

The role of Internal Audit as part of the Group's risk management framework is to understand the key risks of the organisation and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal controls used by management. Internal Audit carries out regular systematic monitoring of control activities and reports to both relevant business unit management and the Audit and Risk Committee.

Typically, the audit methodology includes performing risk assessments of the area under review, undertaking audit tests, including selecting and testing audit samples, reviewing progress made on previously reported audit findings and discussing internal control or compliance issues with line management, and reaching agreement on the actions to be taken.

### **Health and Safety**

Super Cheap Auto Group aims to provide and maintain a safe and healthy work environment. The company acts to meet this commitment by implementing work practices and procedures throughout the Group that comply with the relevant regulations governing the workplace. Employees are expected to take all practical measures to ensure a safe and healthy working environment in keeping with their defined responsibilities and applicable law.

### **Principle 8: Remunerate fairly and responsibly**



### **Board Nomination and Remuneration Committee**

The current composition of the Board Nomination and Remuneration Committee is the full Board. The Committee Chairman is the Chairman of the Board. The Managing Director does not have voting rights.

The Committee operates in accordance with its charter which is available on the Company's website.

The Board has charged the Board Nomination and Remuneration Committee with responsibility to:

- assist the Board in ensuring that it is comprised of Directors with the appropriate mix of skills, experiences and competencies to discharge its mandate effectively;
- establish procedures for the selection and recommendation of candidates suitable for appointment to the Board;
- ensure that the Company has in place appropriate remuneration policies designed to meet the needs of the Company and to enhance corporate and individual performance;
- review the succession planning for the Board and senior management and report to the Board on such issues.

The Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

# FINANCIAL STATEMENTS

**Super Cheap Auto Group Limited**

FOR THE PERIOD ENDED  
27 JUNE 2009



## Directors' Report

Your Directors present their report on the consolidated entity consisting of Super Cheap Auto Group Limited and the entities it controlled at the end of, or during, the period ended 27 June 2009.

### Directors

The following persons were Directors of Super Cheap Auto Group Limited during the financial period and up to the date of this report.

R D McIlwain  
R A Rowe  
D D McDonough  
R J Wright  
P A Birtles  
R J Skippen (appointed 16 September 2008)

Information on qualifications and experience of Directors is included on pages 20 to 21.

### Principal activities

During the period, the principal continuing activities of the consolidated entity consisted of the retailing of:

- auto parts and accessories, tools and equipment
- boating, camping and fishing equipment
- wholesale, retail and distribution of bicycles and bicycle accessories

### Dividends – Super Cheap Auto Group Limited

The Directors recommended a fully franked dividend of 11.5 cents per share be paid on 20 October 2009 (total dividend, fully franked - \$12,262,407). The following fully franked dividends of the parent entity have also been paid, declared or recommended since the end of the preceding financial year:

Dividend	Payment Date	\$
2008 final fully franked dividend (7.5¢ per share)	14 October 2008	7,997,225
2009 interim fully franked dividend (6.5¢ per share)	21 March 2009	<u>6,930,929</u>
		14,928,154

### Review of operations

Revenue from trading operations for the year was \$829,306,000 (2008: \$715,657,000). During the period, the consolidated entity opened six new Supercheap Auto stores of which four were in Australia and two in New Zealand. This resulted in Supercheap Auto trading with 256 stores at the end of the period. 10 new BCF stores were opened or acquired during the period taking total trading stores to 59. Goldcross Cycles opened five and acquired two stores during the year, taking the store network to 18 stores at the end of the period. At the end of the financial year, the consolidated entity was trading from 333 stores.

The net profit of the consolidated entity for the period ended 27 June 2009, after providing for income tax, amounted to \$32,135,000 (2008: \$25,800,000).

A review of the operations for the 52 weeks to 27 June 2009 is set out in pages 3 to 7 of this report.

### Environmental regulation

The consolidated entity's environmental obligations are regulated under State, Territory and Federal Law. The consolidated entity has a policy of at least complying with its environmental performance obligations. All environmental performance obligations are monitored by the Board. No environmental breaches have been notified to the consolidated entity during the period ended 27 June 2009.

### Directors and Directors' interests

The Directors of Super Cheap Auto Group Limited in office at the date of this report are listed below together with details of their relevant interest in the securities of the Company at that date.

**R D McIlwain, BA, FAICD.** *Independent Chairman – non-executive.* Age 62.

**Experience and expertise**

Independent non-executive Chairman for 5 years 3 months. Currently Managing Director and Chief Executive of Tatts Group Limited. Fellow of the Australian Institute of Company Directors.

**Other current directorships**

Director of Tatts Group Limited  
Non-Executive Chairman of Wotif.com Limited since 2006

**Former directorships in the last 3 years**

None.

**Special responsibilities**

Chairman of the Board  
Chairman of the Nomination and Remuneration Committee  
Member of the Audit and Risk Committee.

**Interests in shares and options**

158,882 ordinary shares in Super Cheap Auto Group Limited.

**P A Birtles.** *BSc, ACA Managing Director and Chief Executive Officer.* Age 45

**Experience and expertise**

Managing Director and Chief Executive Officer for 3 years and 8 months. Previously Chief Financial Officer for 4 years 8 months and Company Secretary for 1 year 5 months.

**Other current directorships**

None.

**Former directorships in the last 3 years**

None.

**Special responsibilities**

Managing Director and Chief Executive Officer.  
Member of the Nomination and Remuneration Committee.

**Interests in shares and options**

1,392,596 ordinary shares in Super Cheap Auto Group Limited.  
500,000 options over ordinary shares in Super Cheap Auto Group Limited.

**R A Rowe.** *Non-Executive Director.* Age 65

**Experience and expertise**

Founder of the business in 1972. Non-executive director for 5 years 4 months. Previously 8 years as Chairman and 24 years as Managing Director.

**Other current directorships**

Director of a number of private family companies.

**Former directorships in the last 3 years**

None.

**Special responsibilities**

Member of the Nomination and Remuneration Committee.

**Interests in shares and options**

52,402,159 ordinary shares in Super Cheap Auto Group Limited.

**D D McDonough, BBus (Acty), LLB (Hons), SJD, FCPA, FAICD.** *Independent Non-Executive Director.* Age 58

**Experience and expertise.**

Independent Non-Executive Director for 5 years 3 months. Partner of a major legal firm

**Other current directorships**

Non-executive director of GWA International Limited.

**Former directorships in the last 3 years**

None.

**Special responsibilities**

Member of the Audit and Risk Committee.  
Member of the Nomination and Remuneration Committee.

**Interests in shares and options**

60,000 ordinary shares in Super Cheap Auto Group Limited

**R J Wright, BCom, FCPA, MAICD.** *Independent Non-Executive Director.* Age 60

**Experience and expertise**

Independent Non-Executive Director for 5 years 3 months. Director of a number of major Retail companies over the last 20 years.

**Other current directorships**

Chairman and Non-executive director of both Babcock & Brown Residential Land Partners Limited and Babcock & Brown Residential Land Partners Services Limited (jointly Babcock & Brown Residential Land Partners Group) (director since 2006). Chairman and non-executive director of Dexion Limited (director since 2005). Chairman and Non-executive director of SAI Global Limited (director since 2003). Non-executive director of Australian Pipeline Limited (director since 2000).

**Former directorships in the last 3 years**

None.

**Special responsibilities**

Chairman of the Audit and Risk Committee.  
Member of the Nomination and Remuneration Committee.

**Interest in shares and options**

40,609 ordinary shares in Super Cheap Auto Group Limited.

**R J Skippen, ACA (appointed 16 September 2008)** *Independent Non-Executive Director.* Age 61

**Experience and expertise**

Independent Non-Executive Director for 9 months. John is the former Finance Director of Harvey Norman Holdings Ltd and has over 30 years' experience as a chartered accountant.

**Other current directorships**

Non-Executive Director of Briscoe Group Limited (NZ) and Flexigroup Limited.

**Former directorships in the last 3 years**

Director of Harvey Norman Holdings Limited, Rebel Sport Ltd and Pertama Holdings Limited (Singapore). Non-Executive Director of Orion Telecoms Limited, Courts (Singapore) Limited and Mint Wireless Limited.

**Special responsibilities**

Member of the Audit Committee  
Member of the Nomination and Remuneration Committee

**Interest in shares and options**

Nil.

**Company Secretary**

The Company Secretary is Mr D J Kelley, B.Ec., Grad. Dip. AppCorpGov, MBA, MIIA, ACIS. Mr Kelley commenced with Super Cheap Auto Group Limited as the Business Audit & Compliance Manager in February 2005 and was appointed Company Secretary in January 2006.

## Meetings of directors

The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 27 June 2009 is set out below:

	Meetings of Committees					
	Full meetings directors		Audit & Risk		Nomination & Remuneration	
	A	B	A	B	A	B
R D McIlwain	10	10	3	3	3	3
P A Birtles	10	10	n/a	n/a	3	3
R A Rowe	9	10	n/a	n/a	3	3
D D McDonough	10	10	3	3	3	3
R J Wright	10	10	3	3	3	3
R J Skippen	8	8	2	2	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

## Remuneration report

The remuneration report is set out under the following main headings:-

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional information.

The information provided in this report has been audited as required by s.308(3c) of the Corporations Act 2001.

### ***Principles used to determine the nature and amount of remuneration***

The broad remuneration policy is to ensure remuneration properly reflects the relevant person's duties and responsibilities and that the Group's remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Board believes that the best way to achieve this objective is to provide Senior Executives with a remuneration package consisting of fixed components (salary and superannuation) which reflect the individual's responsibilities, duties and personal performance and a blend of short and long term incentives which reward both individual and company performance each year. The framework provides a mix of fixed and variable pay. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

### ***Non-Executive Directors***

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors do not receive share options. Non-Executive Directors may opt each year to receive a percentage of their remuneration in Super Cheap Auto Group Limited shares, which would be acquired on-market.

### ***Directors' fees***

The current base remuneration was established on 26 August 2008. The Directors' fees are inclusive of Committee fees.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit approved by shareholders.

### ***Executive pay***

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the Super Cheap Auto Executive Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

### **Remuneration report (continued)**

#### *Base pay*

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

#### *Benefits*

Executives receive benefits including car allowances and salary continuance insurance.

#### *Short-term incentives*

Should the Company achieve a pre-determined profit target set by the Nomination and Remuneration Committee then a short-term incentive (STI) pool is available for allocation to executives during the annual review. Cash incentives (bonuses) are payable in September each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive out-performance.

### **Principles used to determine the nature and amount of remuneration (continued)**

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisation of business unit performance. The maximum target bonus opportunity is between 40% and 70% of total base salary dependent on the seniority of the executive.

Each year, the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the period ended 27 June 2009, the KPIs linked to short term incentive plans were based on group, individual business and personal objectives. Depending on the responsibilities of the executive, these KPIs required performance in sales growth, gross profit improvement, reduction of operating costs and improvement in operating procedures. The targets are set to ensure that reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

The Nomination and Remuneration Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the Committee receives reports on performance from management.

The STI target annual payment is reviewed annually.

### **Key management personnel of the Group**

#### *Amounts of remuneration*

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Super Cheap Auto Group Limited are set out in the following tables.

The key management personnel of the Group includes the directors and the following executive officers, (being those who have responsibility for directing strategy for the Group):

- P A Birtles, Managing Director
- D F Ajala, Chief Operating Officer, Auto & Cycles
- S J Doyle, Chief Operating Officer, BCF
- G G Carroll, Chief Financial Officer
- G L Chad, General Manager, Group Logistics

The highest paid executives for the period ended 27 June 2009 were as follows:

- P A Birtles
- D F Ajala
- S J Doyle
- G G Carroll
- G L Chad



**Remuneration report (continued)**  
**Details of remuneration**

**Key management personnel of the Group**

The following directors are key management personnel of the Group and Super Cheap Auto Group Limited.

2009	Short-term benefits			Post-employment benefits		Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<i>Non-executive directors</i>							
R D McIlwain <i>Chairman</i>	86,871	0	0	13,129	0	0	100,000
R A Rowe	0	0	0	74,500	0	0	74,500
D D McDonough	0	0	0	72,000	0	0	72,000
R J Wright	42,250	0	0	42,250	0	0	84,500
R J Skippen	19,792	0	0	39,583	0	0	59,375
<b>Sub-total non-executive directors</b>	<b>148,913</b>	<b>0</b>	<b>0</b>	<b>241,462</b>	<b>0</b>	<b>0</b>	<b>390,375</b>
<i>Executive directors</i>							
P A Birtles	732,318	341,250	4,553	13,129	0	94,730	1,185,980
<i>Other key management personnel</i>							
D F Ajala	353,826	138,750	1,921	20,029	0	26,600	541,126
S J Doyle	321,517	129,500	16,723	13,129	0	26,600	507,469
G G Carroll	285,957	78,000	0	13,129	0	27,560	404,646
G L Chad	299,707	96,600	5,062	40,000	0	7,807	449,176
<b>Totals</b>	<b>2,142,238</b>	<b>784,100</b>	<b>28,259</b>	<b>340,878</b>	<b>0</b>	<b>183,297</b>	<b>3,478,772</b>

2008	Short-term benefits			Post-employment benefits		Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<i>Non-executive directors</i>							
R D McIlwain <i>Chairman</i>	86,871	0	0	13,129	0	0	100,000
R A Rowe	0	0	0	72,000	0	0	72,000
D D McDonough	0	0	0	72,000	0	0	72,000
R J Wright	41,000	0	0	41,000	0	0	82,000
<b>Sub-total non-executive directors</b>	<b>127,871</b>	<b>0</b>	<b>0</b>	<b>198,129</b>	<b>0</b>	<b>0</b>	<b>326,000</b>
<i>Executive directors</i>							
P A Birtles	634,456	65,000	2,415	13,129	0	112,025	827,025
<i>Other key management personnel</i>							
D F Ajala	283,204	34,500	24,917	31,879	0	36,137	410,637
S J Doyle	280,936	31,500	20,935	13,129	0	36,137	382,637
G G Carroll	266,871	28,000	0	13,129	0	29,732	337,732
G L Chad	264,910	33,000	22,014	43,076	0	7,807	370,807
<b>Totals</b>	<b>1,858,248</b>	<b>192,000</b>	<b>70,281</b>	<b>312,471</b>	<b>0</b>	<b>221,838</b>	<b>2,654,838</b>

## Remuneration Report (continued)

### Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits and when eligible, participation in the Executive Option Plan.

All contracts with executives may be terminated early by either party with three months notice, subject to termination payments as detailed below:-

#### *P A Birtles, Managing Director*

Term of Agreement - 5 years commencing 27 January 2006

Base salary, inclusive of superannuation, for the period ended 27 June 2009 of \$750,000 to be reviewed annually by the Nomination and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 12 months base salary if the termination is effective more than 12 months before the expiry date or 9 months base salary if the termination is effective within 12 months before the expiry date.

#### *D F Ajala, Chief Operating Officer, Supercheap Auto*

Term of Agreement - 5 years commencing 27 January 2006

Base salary, inclusive of superannuation, for the period ended 27 June 2009 of \$375,000 to be reviewed annually by the Nomination and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 6 months base salary if the termination is effective more than 12 months before the expiry date or 3 months base salary if the termination is effective within 12 months before the expiry date.

#### *S J Doyle, Chief Operating Officer, BCF*

Term of Agreement - 5 years commencing 27 January 2006

Base salary, inclusive of superannuation, for the period ended 27 June 2009 of \$350,000 to be reviewed annually by the Nomination and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 6 months base salary if the termination is effective more than 12 months before the expiry date or 3 months base salary if the termination is effective within 12 months before the expiry date.

#### *G G Carroll, Chief Financial Officer*

Term of Agreement - 5 1/4 years commencing 17 April 2006

Base salary, inclusive of superannuation, for the period ended 27 June 2009 of \$300,000 to be reviewed annually by the Nomination and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 6 months base salary if the termination is effective more than 12 months before the expiry date or 3 months base salary if the termination is effective within 12 months before the expiry date.

#### *G L Chad, General Manager Group Logistics*

Term of Agreement - 5 years commencing 27 January 2006

Base salary, inclusive of superannuation, for the period ended 27 June 2009 of \$345,000 to be reviewed annually by the Nomination and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 6 months base salary if the termination is effective more than 12 months before the expiry date or 3 months base salary if the termination is effective within 12 months before the expiry date.

**Remuneration Report (continued)**

**Share based compensation  
 Shares under option**

Unissued ordinary shares of Super Cheap Auto Group Limited under option at the date of this report are as follows:

Grant date	Exercise date	Exercise Price	Value per option at grant date	Number under option
27 January 2006	5 January 2009	\$2.44	\$0.29	400,000
27 January 2006	5 January 2010	\$2.44	\$0.34	200,000
27 January 2006	5 January 2011	\$2.44	\$0.38	200,000
17 April 2006	17 April 2009	\$2.25	\$0.43	75,000
17 April 2006	17 April 2010	\$2.25	\$0.47	75,000
17 April 2006	17 April 2011	\$2.25	\$0.51	100,000
1 July 2006	1 July 2009	\$2.25	\$0.19	262,500
1 July 2006	1 July 2010	\$2.25	\$0.25	262,500
1 July 2006	1 July 2011	\$2.25	\$0.30	350,000
26 October 2006	1 February 2009	\$2.44	\$0.63	150,000
26 October 2006	1 February 2010	\$2.44	\$0.72	150,000
26 October 2006	1 February 2011	\$2.44	\$0.79	200,000
23 August 2007	24 July 2010	\$4.37	\$0.93	180,000
1 August 2008	1 August 2011	\$2.49	\$0.65	220,000
				<b>2,825,000</b>

The exercise of the options is subject to the satisfaction of a qualifying hurdle. For the options granted prior to 23 August 2007, the qualifying hurdle requires cumulative annual growth of 10% in Earnings Per Share (pre amortisation) from the IPO Prospectus forecast Earnings Per Share (pre amortisation) for the year ending 30 June 2005 (being 17.2 cents) through to each of the years prior to the options being exercised. For the options granted in August 2007 and August 2008, the relevant start dates for measurement of the 10% cumulative annual growth in Earnings Per Share are 30 June 2007 and 28 June 2008 respectively. Exercise of options is subject to being employed by the Group.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Super Cheap Auto Group Limited and each of the key management personnel of the Group are set out below.

Name	Number of options granted during the period	Number of options vested during the period
	2009	2009
<i>Directors of Super Cheap Auto Group</i>		
R D McIlwain	0	0
R A Rowe	0	0
D D McDonough	0	0
R J Wright	0	0
R J Skippen	0	0
P A Birtles	0	150,000
<i>Other Key Management Personnel</i>		
D F Ajala	0	200,000
S J Doyle	0	200,000
G G Carroll	0	75,000
G L Chad	0	0

The amounts disclosed for emoluments relating to options above is the assessed fair value at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

**Remuneration Report (continued)**  
**Additional Information (continued)**

The level of executive rewards takes into account the performance of the Group with greater emphasis given to the current and future years. Since listing in July 2004 profits have increased by 243% and dividends to shareholders have grown by approximately 277%. Revenue and store numbers have increased by 217% and 182% respectively. Total key management personnel remuneration has increased by 24% since listing, although notwithstanding certain managers have had their remuneration packages increased in line with performance and additional responsibilities.

*Share-based compensation: Options*

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
R D McIlwain	0%	0	0	0
R A Rowe	0%	0	0	0
D D McDonough	0%	0	0	0
R J Wright	0%	0	0	0
R J Skippen	0%	0	0	0
P A Birtles	8.00%	0	0	0
D F Ajala	4.92%	0	0	0
S J Doyle	5.24%	0	0	0
G G Carroll	6.81%	0	0	0
G L Chad	1.74%	0	0	0

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.  
 B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

**Details of remuneration: Cash bonuses and options**

Cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "short term incentives" above. For each cash bonus included in the above tables, the percentage of the available bonus that was paid and the percentage that was forfeited because the person did not meet the performance criteria are set out below. No part of the bonuses are payable in future years.

Name	Cash Bonus		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest (\$)
P A Birtles	65	35	2004	100	-	-	Nil	135,400
				30	-	2009	Nil	94,950
			2007			2010	Nil	108,000
						2011	Nil	157,600
D F Ajala	74	26	2006	50	-	2009	Nil	58,200
						2010	Nil	34,100
						2011	Nil	38,100
S J Doyle	74	26	2006	50	-	2009	Nil	58,200
						2010	Nil	34,100
						2011	Nil	38,100
G G Carroll	65	35	2006	30	-	2009	Nil	32,175
						2010	Nil	35,475
						2011	Nil	50,800
G L Chad	70	30	2007	-	-	2010	Nil	7,275
						2011	Nil	9,488
						2012	Nil	15,050

**Insurance of officers**

During the financial year, Super Cheap Auto Group Limited paid a premium of \$27,000 to insure the directors and secretaries of the Company and its controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Non-Audit Services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

	<b>Consolidated 2009 \$'000</b>	<b>Entity 2008 \$'000</b>
During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.		
<b>Assurance Services</b>		
PricewaterhouseCoopers Australian firm		
Remuneration for audit services	423,084	281,365
Remuneration for other assurance services	0	0
<b>Total remuneration for assurance services</b>	<b>423,084</b>	<b>281,365</b>
<b>Taxation Services</b>		
<b>Total remuneration for taxation services</b>	<b>126,808</b>	<b>75,532</b>
<b>Advisory Services</b>		
<b>Total remuneration for advisory services</b>	<b>0</b>	<b>0</b>

**Auditors Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 29.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.



**R D McIlwain**  
 Chairman  
 Brisbane  
 26 August 2009



**P A Birtles**  
 Director

PricewaterhouseCoopers  
ABN 52 780 433 757

Riverside Centre  
123 Eagle Street  
BRISBANE QLD 4000  
GPO Box 150  
BRISBANE QLD 4001  
DX 77 Brisbane  
Australia  
Telephone +61 7 3257 5000  
Facsimile +61 7 3257 5999

### Auditor's Independence Declaration

As lead auditor for the audit of Super Cheap Auto Group Limited for the period ended 27 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Super Cheap Auto Group Limited and the entities it controlled during the period.



Brett Delaney  
Partner  
PricewaterhouseCoopers

Brisbane  
26 August 2009

# Super Cheap Auto Group Limited ABN 81 108 676 204

## Annual financial report - 27 June 2009

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This financial report covers both Super Cheap Auto Group Limited as an individual entity and the consolidated entity consisting of Super Cheap Auto Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Super Cheap Auto Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

751 Gympie Road, Lawnton, Queensland, 4501

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 19 to 28, which is not part of this financial report.

The financial report was authorised for issue by the directors on 27 August 2009. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.supercheapauto.com.au](http://www.supercheapauto.com.au).

INCOME STATEMENTS  
 Super Cheap Auto Group Limited  
 for the period ended 27 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue from continuing operations</b>	5	<b>829,306</b>	715,657	<b>28,260</b>	24,019
Other income	6	<b>477</b>	320	<b>11</b>	4
Total revenues and other income		<b>829,783</b>	715,977	<b>28,271</b>	24,023
Cost of sales of goods		<b>(481,468)</b>	(426,299)	<b>0</b>	0
Other expenses from ordinary activities					
- selling and distribution		<b>(97,441)</b>	(83,697)	<b>0</b>	0
- marketing		<b>(40,965)</b>	(37,472)	<b>0</b>	0
- occupancy		<b>(65,141)</b>	(53,171)	<b>0</b>	0
- administration		<b>(89,133)</b>	(69,416)	<b>(2,655)</b>	(2,086)
Finance costs expense		<b>(13,749)</b>	(9,116)	<b>(13,645)</b>	(8,914)
Total expenses		<b>(787,897)</b>	(679,171)	<b>(16,300)</b>	(11,000)
<b>Profit before income tax</b>		<b>41,886</b>	36,806	<b>11,971</b>	13,023
Income tax (expense)/benefit	8	<b>(9,751)</b>	(11,006)	<b>6,162</b>	2,989
Profit attributable to Members of Super Cheap Auto Group Limited		<b>32,135</b>	25,800	<b>18,133</b>	16,012
		<b>Cents</b>	Cents		
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>					
Basic earnings per share	38	<b>30.2</b>	24.2		
Diluted earnings per share	38	<b>30.0</b>	24.2		

*The above income statements should be read in conjunction with the accompanying notes.*



BALANCE SHEETS  
 Super Cheap Auto Group Limited  
 As at 27 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	16,810	8,709	1,663	108
Trade and other receivables	10	25,113	19,282	145,230	133,990
Inventories	11	222,821	193,975	0	0
<b>Total current assets</b>		<b>264,744</b>	<b>221,966</b>	<b>146,893</b>	<b>134,098</b>
<b>Non-current assets</b>					
Other financial assets	12	0	0	93,206	95,319
Property, plant and equipment	13	87,948	79,552	0	0
Deferred tax assets	14	9,672	7,629	706	37
Intangible assets	15	75,407	76,009	0	0
<b>Total non-current assets</b>		<b>173,027</b>	<b>163,190</b>	<b>93,912</b>	<b>95,356</b>
<b>Total assets</b>		<b>437,771</b>	<b>385,156</b>	<b>240,805</b>	<b>229,454</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	116,623	91,205	2,947	250
Borrowings	17	39,496	56,692	38,689	54,782
Current tax liabilities	18	4,593	3,682	4,765	3,683
Provisions	19	10,152	7,696	1,008	224
<b>Total current liabilities</b>		<b>170,864</b>	<b>159,275</b>	<b>47,409</b>	<b>58,939</b>
<b>Non-current liabilities</b>					
Trade and other payables	20	12,320	10,469	0	0
Borrowings	21	92,000	71,016	92,000	70,000
Deferred tax liabilities	23	0	0	0	0
Provisions	24	6,233	8,635	177	2,866
<b>Total non-current liabilities</b>		<b>110,553</b>	<b>90,120</b>	<b>92,177</b>	<b>72,866</b>
<b>Total liabilities</b>		<b>281,417</b>	<b>249,395</b>	<b>139,586</b>	<b>131,805</b>
<b>Net assets</b>		<b>156,354</b>	<b>135,761</b>	<b>101,219</b>	<b>97,649</b>
<b>EQUITY</b>					
Contributed equity	25	84,627	84,627	84,627	84,627
Reserves	26	42	(3,344)	1,255	890
Retained profits	26	71,685	54,478	15,337	12,132
Capital and reserves attributable to equity holders of Super Cheap Auto Group Limited		<b>156,354</b>	<b>135,761</b>	<b>101,219</b>	<b>97,649</b>

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY  
 Super Cheap Auto Group Limited  
 for the period ended 27 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>135,761</b>	124,526	<b>97,649</b>	93,632
Changes in the fair value of cash flow hedges, net of tax	26	<b>3,027</b>	465	<b>43</b>	76
Exchange differences on translation of foreign operations		<b>37</b>	(2,959)	<b>0</b>	0
<b>Net income recognised directly in equity</b>		<b>3,064</b>	(2,494)	<b>43</b>	76
<b>Profit for the year</b>		<b>32,135</b>	25,800	<b>18,133</b>	16,012
<b>Total recognised income and expense for the year</b>		<b>35,199</b>	23,306	<b>18,176</b>	16,088
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	27	<b>(14,928)</b>	(12,783)	<b>(14,928)</b>	(12,783)
Employee share options		<b>322</b>	318	<b>322</b>	318
		<b>(14,606)</b>	(12,465)	<b>(14,606)</b>	(12,465)
Issue of shares		<b>0</b>	394	<b>0</b>	394
<b>Total equity at the end of the financial year</b>		<b>156,354</b>	135,761	<b>101,219</b>	97,649
Total recognised income and expense for the year is attributable to:					
Members of Super Cheap Auto Group Limited		<b>35,199</b>	23,306	<b>18,176</b>	16,088

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*

CASH FLOW STATEMENTS  
 Super Cheap Auto Group Limited  
 for the period ended 27 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		907,255	784,645	0	0
Payments to suppliers and employees (inclusive of goods and services tax)		(766,759)	(671,250)	(1,292)	(2,238)
Rental payments					
- external		(57,144)	(42,589)	0	0
- related parties		(8,351)	(7,626)	0	0
Income taxes paid		(12,332)	(13,527)	(12,332)	(12,769)
<b>Net cash (outflow) inflow from operating activities</b>	37	<b>62,669</b>	<b>49,653</b>	<b>(13,624)</b>	<b>(15,007)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(31,762)	(28,277)	0	0
Proceeds from sale of property, plant and equipment		3,237	502	0	0
Payments for purchase of subsidiary, net of cash acquired		(4,621)	(15,744)	0	(8,221)
<b>Net cash (outflow) inflow from investing activities</b>		<b>(33,146)</b>	<b>(43,519)</b>	<b>0</b>	<b>(8,221)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		410,909	434,365	410,317	434,365
Payments for borrowings		(405,517)	(415,451)	(404,106)	(414,998)
Interest paid		(11,891)	(10,011)	(11,921)	(10,141)
Dividends paid to company's shareholders	27	(14,928)	(12,783)	(14,928)	(12,783)
Proceeds from issue of shares		0	394	0	394
Repayment of loans re shares		0	0	0	0
Advances to related parties		0	0	(415,498)	(430,503)
Repayments of advances to related parties		0	0	451,315	456,985
<b>Net cash inflow (outflow) from financing activities</b>		<b>(21,427)</b>	<b>(3,486)</b>	<b>15,179</b>	<b>23,319</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,096</b>	<b>2,648</b>	<b>1,555</b>	<b>91</b>
Cash and cash equivalents at the beginning of the financial year		8,709	6,271	108	17
Effects of exchange rate changes on cash and cash equivalents		5	(210)	0	0
<b>Cash and cash equivalents at end of year</b>	9	<b>16,810</b>	<b>8,709</b>	<b>1,663</b>	<b>108</b>

The above cash flow statements should be read in conjunction with the accompanying notes.

# **NOTES TO THE FINANCIAL STATEMENTS**

**SUPER CHEAP AUTO GROUP LIMITED**

FOR THE PERIOD ENDED  
**27 JUNE 2009**

## NOTES TO THE FINANCIAL STATEMENTS

Super Cheap Auto Group Limited  
for the period ended 27 June 2009

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Super Cheap Auto Group Limited as an individual entity and the consolidated entity consisting of Super Cheap Auto Group Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### *Compliance with IFRS*

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Super Cheap Auto Group Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Super Cheap Auto Group Limited (the "Company" or "parent entity") as at 27 June 2009 and the results of its controlled entities for the period then ended. Super Cheap Auto Group Limited and its controlled entities comprise the "consolidated entity". The effects of all transactions between entities in the consolidated entity are fully eliminated.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Where control of an entity is acquired during a financial period its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the period during which control existed.

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

### (d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arise in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Super Cheap Auto Group Limited  
for the period ended 27 June 2009

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The New Zealand tax rate changed to 30% with effect from 1 July 2008. All current deferred tax balances have been assessed for expected realisation timeframes and will reverse with the rate of 30% (for deferred tax balances) to be applied.

### *Tax Consolidation Legislation*

Super Cheap Auto Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Super Cheap Auto Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

### **(e) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Super Cheap Auto Group Limited's functional and presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### *(iii) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

### **(f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue from the sale of goods is recognised upon the delivery of goods to customers pursuant to sales orders and when the associated risks and rewards have passed to the carrier or customer. Revenue from rendering a service is recognised upon the delivery of the service to the customer.

### **(g) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement 30 days from the end of the month after sale. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due.

### **(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs comprise direct purchase costs and an appropriate proportion of supply chain variable and fixed overhead expenditure. Costs are assigned to individual items of stock on the basis of

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Super Cheap Auto Group Limited

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weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

### (i) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (j) Financial assets

#### Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

#### (i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

#### (ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

#### (iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

#### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available for sale investments revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.



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(v) *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

(vi) *Subsequent measurement*

Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available for sale are recognised in equity.

**(k) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the income periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) *Net investment hedges*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(iii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Super Cheap Auto Group Limited  
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### (l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (m) Property, plant & equipment

Each class of property, plant and equipment is carried at historical cost, less any accumulated depreciation or amortisation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### (n) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification or measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### (p) Depreciation and amortisation of property, plant and equipment

Depreciation and amortisation are calculated on a straight line or diminishing value basis to allocate the cost of an item of property, plant and equipment net of residual values over the expected useful life of each asset to the consolidated entity. Estimates of remaining useful lives and residual values are reviewed and adjusted, if appropriate, at each balance sheet date. The depreciation rates used for each class of assets are:

Plant and equipment	Depreciation rate
Capitalised leased plant and equipment	10% - 37.5%
Motor vehicles	10% - 37.5%
Computer systems	25%
	25% - 37.5%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

**(q) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease term.

**(r) Intangible assets**

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicated that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

*(ii) Identifiable intangibles*

Separately identifiable assets such as brand names and supplier agreements that are acquired as part of a business combination are recognised separately from goodwill. These assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Brand names are valued using the relief from royalty method. Supplier agreements have been valued using the multi-period excess earnings method. Amortisation is calculated based on the timing of projected cash flows of the assets over their estimated useful lives.

*(iii) Other items of expenditure*

Significant items of expenditure, such as costs incurred in store set-ups, are expensed in the financial period in which these costs are incurred.

**(s) Trade and other payables**

Trade and other creditors are payables for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid at that date. The amounts are unsecured and are normally paid within sixty days of recognition.

**(t) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

**(u) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(v) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial period but not distributed at balance date.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**(w) Employee benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Retirement benefit obligations*

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

*(iv) Share-based payments*

Share-based compensation benefits are provided to certain employees via the Super Cheap Auto Executive Option Plan.

The fair value of options granted under the Super Cheap Auto Group Limited Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of the options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

*(v) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(x) Finance costs**

Borrowing costs are recognised in the period in which these are incurred and are expensed in the period to which the costs relate. Generally costs such as discounts and premiums incurred in raising borrowings are amortised on an effective yield basis over the period of the borrowing. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges;

**(y) Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes cash on hand, cash at bank and at call deposits with banks or financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

**(z) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of goods and services tax incurred is not recoverable from the Australian Tax Office. In these circumstances the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the consolidated balance sheet are shown inclusive of goods and services tax.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

**(aa) Make good requirements in relation to leased premises.**

Make good costs arising from contractual obligations in lease agreements are recognised as provisions at the inception of the agreement. A corresponding asset is taken up in property, plant and equipment at that time. Expected future payments are discounted using appropriate market yields at reporting date.

**(ab) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the period.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(ac) Rounding of amounts**

The economic entity is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

**(ad) New accounting standard and UIG interpretations**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 27 June 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

**(ae) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

*(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. The segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-makers. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

*(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)*

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

*(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)*

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

*(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

*(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(b) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009.

(ix) AASB 2008-8 Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009.

## 2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has approved written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

## 2 Financial risk management cont.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States dollar and New Zealand dollar.

Forward contracts and currency options are used to manage foreign exchange risk.

The Group's risk management policy is to hedge up to 75% of anticipated transactions (purchases) in US dollars for at least the subsequent 4 months.

#### (ii) Fair value interest rate risk

Refer to (e) below.

	27 June 2009 NZD \$'000	28 June 2008 NZD \$'000	27 June 2009 USD \$'000	28 June 2008 USD \$'000
Trade receivables	0	0	517	396
Trade payables	0	0	3,135	3,479
Forward exchange contracts - buy foreign currency (cash flow hedges)	0	6,000	17,300	30,600

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2009 USD \$'000	2009 NZD \$'000	2008 USD \$'000	2008 NZD \$'000
Forward exchange contracts - buy foreign currency (cash flow hedges)	Nil	Nil	Nil	Nil

#### Group sensitivity

Based on the financial instruments held at 27 June 2009, had the Australian dollar weakened/strengthened by 10% against other currencies with all other variables held constant, the impact on the Group's post-tax profit would have been nil, on the basis that the financial instruments would have been designated as cash flow hedges and the impact upon the foreign exchange movements of other financial assets and liabilities is negligible.

Equity would have been \$391,000 lower/\$320,000 higher (2008: \$986,000 lower/\$807,000 higher) had the Australian dollar weakened/strengthened by 10% against other currencies, arising mainly from forward foreign exchange contracts designated as cash flow hedges. The impact on other Group assets and liabilities as a result of movements in exchange rates are not material.

A sensitivity of 10% was selected following review of historic trends.

#### (iii) Cash flow and fair value interest rate risk

#### Group sensitivity

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2009 and 2008, the Group's borrowings were at variable rates and were denominated in Australian dollars.

## 2 Financial risk management cont.

As at the reporting date, the Group had the following variable rate borrowings:

	<b>27 June 2009 Balance \$'000</b>	28 June 2008 Balance \$'000
Bank overdrafts and bank loans	<b>131,700</b>	126,650

An analysis by maturities is provided in (c) below.

The Group utilises interest rate swaps and swaptions to hedge its interest rate exposure on borrowings.

At 27 June 2009, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit and equity for the year would have been \$362,000 lower/higher (2008: \$466,000 lower/higher), mainly as a result of higher/lower interest expense on bank loans.

### *Parent entity sensitivity*

As at the reporting date, the Parent had the following variable rate borrowings:

	<b>27 June 2009 Balance \$'000</b>	28 June 2008 Balance \$'000
Bank overdrafts and bank loans	<b>131,700</b>	125,500

The parent entity's main interest rate risk arises from cash equivalents and loans with variable interest rates. At 27 June 2009, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit and equity would have been \$362,000 lower/higher (2008: \$459,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents and higher/lower interest expense on bank loans.

### **(b) Credit risk**

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

### **(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

### *Financing arrangements*

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2009 \$'000</b>	2008 \$'000	<b>2009 \$'000</b>	2008 \$'000
<b>Floating rate</b>				
- Commercial Bills and cash advances	<b>51,797</b>	77,759	<b>48,300</b>	74,500

The overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

### *Maturities of financial liabilities*

The tables below analyse the Group's and the parent entity's financial liabilities and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been calculated using spot rates applicable at the reporting date.



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**2 Financial risk management cont.**

Group – at 27 June 2009	Less than 6 months \$'000	6-12 months	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years	Total contractual cash flows \$'000	Carrying amount (assets) / liabilities
<b>Non-derivatives</b>							
Non-interest bearing	116,623	0	0	0	0	116,623	116,623
Variable rate	41,721	1,999	95,348	364	0	139,432	132,550
<b>Total non-derivatives</b>	<b>158,344</b>	<b>1,999</b>	<b>95,348</b>	<b>364</b>	<b>0</b>	<b>256,055</b>	<b>249,173</b>

<b>Derivatives</b>							
Net settled (IRS)	(1,212)	(1,212)	0	0	0	(2,424)	1,934
Gross settled							
- (inflow)	(21,558)	0	0	0	0	(21,558)	(2,457)
- outflow	24,101	0	0	0	0	24,101	0
<b>Total derivatives</b>	<b>1,331</b>	<b>(1,212)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>(523)</b>

Group – at 28 June 2008	Less than 6 months \$'000	6-12 months	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years	Total contractual cash flows \$'000	Carrying amount (assets) / liabilities
<b>Non-derivatives</b>							
Non-interest bearing	91,205	0	0	0	0	91,205	91,205
Variable rate	59,531	2,878	74,833	605	0	137,847	127,907
<b>Total non-derivatives</b>	<b>150,736</b>	<b>2,878</b>	<b>74,833</b>	<b>605</b>	<b>0</b>	<b>229,052</b>	<b>219,112</b>

<b>Derivatives</b>							
Net settled (IRS)	21	21	0	0	0	42	(205)
Gross settled							
- (inflow)	(24,109)	(12,487)	0	0	0	(36,596)	1,803
- outflow	26,236	12,487	0	0	0	38,723	0
<b>Total derivatives</b>	<b>2,148</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,169</b>	<b>1,598</b>

Parent – at 27 June 2009	Less than 6 months \$'000	6-12 months	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years	Total contractual cash flows \$'000	Carrying amount (assets) / liabilities
<b>Non-derivatives</b>							
Non-interest bearing	2,947	0	0	0	0	2,947	2,947
Variable rate	41,528	1,828	95,046	0	0	138,402	131,700
<b>Total non-derivatives</b>	<b>44,475</b>	<b>1,828</b>	<b>95,046</b>	<b>0</b>	<b>0</b>	<b>141,349</b>	<b>134,647</b>

<b>Derivatives</b>							
Net settled (IRS)	(1,212)	(1,212)	0	0	0	(2,424)	1,934
Gross settled							
- (inflow)	0	0	0	0	0	0	0
- outflow	0	0	0	0	0	0	0
<b>Total derivatives</b>	<b>(1,212)</b>	<b>(1,212)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,424)</b>	<b>1,934</b>

Parent – at 28 June 2008	Less than 6 months \$'000	6-12 months	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years	Total contractual cash flows \$'000	Carrying amount (assets) / liabilities
<b>Non-derivatives</b>							
Non-interest bearing	250	0	0	0	0	250	250
Variable rate	58,185	2,685	74,473	0	0	135,343	125,500
<b>Total non-derivatives</b>	<b>58,435</b>	<b>2,685</b>	<b>74,473</b>	<b>0</b>	<b>0</b>	<b>135,593</b>	<b>125,750</b>

<b>Derivatives</b>							
Net settled (IRS)	21	21	0	0	0	42	(205)
Gross settled							
- (inflow)	0	0	0	0	0	0	0
- outflow	0	0	0	0	0	0	0
<b>Total derivatives</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>(205)</b>

## 2 Financial risk management cont.

### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (e) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions.

#### (ii) *Estimated value of intangible assets relating to acquisitions*

The Group has allocated portions of the cost of acquisition to various intangible assets, such as brand names and supply agreements. Brand names have been valued using the relief from royalty method. Supplier agreements have been valued using the multi-period excess earnings method. The calculations require the use of assumptions. In addition, the value of liability of put options granted as part of acquisitions has been estimated.

#### 4 Segment information

The consolidated entity is organised on a global basis into the following business segments:

Supercheap Auto: Retail and distribution of motor vehicle spare parts and accessories, tools and equipment.

BCF Boating, Camping and Fishing: Retail and distribution of boating, camping and fishing equipment.

Goldcross Cycles: Wholesale, retail and distribution of bicycles and bicycle accessories.

##### Primary reporting segment – business segment

2009	Supercheap Auto \$'000	BCF \$'000	Goldcross Cycles \$'000	Total continuing operations \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
<b>Segment Revenue</b>						
Sales to external customers	604,217	205,492	19,103	828,812	0	828,812
Inter segment sales	0	0	0	0	0	0
Total sales revenue	604,217	205,492	19,103	828,812	0	828,812
Other revenue/income	367	95	15	477	494	971
Total revenue and other income	604,584	205,587	19,118	829,289	494	829,783
Segment result (pre-borrowing costs)	46,422	16,362	(3,972)	58,812	(3,177)	55,635
Borrowing costs					(13,749)	(13,749)
Profit before income tax						41,886
Income tax expense						(9,751)
Profit for the period						32,135
<b>Segment Assets &amp; Liabilities</b>						
Segment assets	284,322	103,690	23,667	411,679	26,092	437,771
Unallocated assets					0	0
Total assets						437,771
Segment liabilities	(114,355)	(79,278)	(27,514)	(221,147)	100,578	(120,569)
Unallocated liabilities					(160,848)	(160,848)
Total liabilities						(281,417)
Acquisitions of property, plant and equipment and other non- current segment assets	13,535	7,455	3,097	24,087	7,632	31,719
Depreciation and amortisation expense	(13,710)	(3,854)	(602)	(18,166)	(117)	(18,283)
Other non-cash expenses						322

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 Super Cheap Auto Group Limited  
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**4 Segment information (continued)**

2008	Supercheap Auto \$'000	BCF \$'000	Goldcross Cycles \$'000	Total continuing operations \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
<b>Segment Revenue</b>						
Sales to external customers	558,802	156,420	217	715,439	0	715,439
Inter segment sales	0	0	0	0	0	0
Total sales revenue	558,802	156,420	217	715,439	0	715,439
Other revenue/income	311	5	0	316	222	538
Total revenue and other income	559,113	156,425	217	715,755	222	715,977
Segment result (pre-borrowing costs)	41,550	7,893	13	49,456	(3,534)	45,922
Borrowing costs					(9,116)	(9,116)
Profit before income tax						36,806
Income tax expense						(11,006)
Profit for the period						25,800
<b>Segment Assets &amp; Liabilities</b>						
Segment assets	279,537	98,442	6,520	384,499	(493)	384,006
Unallocated assets					1,150	1,150
Total assets						385,156
Segment liabilities	(169,897)	(85,781)	(6,535)	(262,213)	138,738	(123,475)
Unallocated liabilities					(125,920)	(125,920)
Total liabilities						(249,395)
Acquisitions of property, plant and equipment and other non- current segment assets	20,047	12,924	1,890	34,861	13,073	47,934
Depreciation and amortisation expense	(12,990)	(2,934)	0	(15,924)	0	(15,924)
Other non-cash expenses					318	318

**Geographical segments**

The consolidated entity's divisions are operated in two main geographical areas.

*Australia*

The home country of the parent entity. The three areas of operation are (i) automotive, (ii) boating, camping and fishing, and (iii) bicycles and bicycle accessories.

#### 4 Segment information (continued)

##### *New Zealand*

Only Supercheap Auto operates in New Zealand.

#### Secondary Segment – Geographical Segments

	Segment Revenues from sales to external customers		Segment Assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	766,738	654,161	408,076	358,848	29,918	46,532
New Zealand	62,074	61,278	29,695	26,308	1,801	1,402
	<b>828,812</b>	<b>715,439</b>	<b>437,771</b>	<b>385,156</b>	<b>31,719</b>	<b>47,934</b>

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

#### 5 Revenue

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>From continuing operations</b>				
<i>Sales revenue</i>				
Sale of goods	828,812	715,439	0	0
	<b>828,812</b>	<b>715,439</b>	<b>0</b>	<b>0</b>
<i>Other revenue</i>				
Interest	494	218	160	19
Dividends – related party	0	0	28,100	24,000
	<b>494</b>	<b>218</b>	<b>28,260</b>	<b>24,019</b>
	<b>829,306</b>	<b>715,657</b>	<b>28,260</b>	<b>24,019</b>

#### 6 Other Income

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net gain on disposal of property, plant and equipment	0	0	0	0
Other income	477	320	11	4
	<b>477</b>	<b>320</b>	<b>11</b>	<b>4</b>

## 7 Expenses

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit before income tax includes the following specific gains and expenses:</b>				
<i>Expenses</i>				
Net loss on disposal of property, plant and equipment	144	368	0	0
<i>Depreciation</i>				
Computer systems	5,347	4,929	0	0
Plant and equipment	10,253	7,862	0	0
Motor vehicles	88	383	0	0
Total depreciation	<u>15,688</u>	<u>13,174</u>	<u>0</u>	<u>0</u>
<i>Amortisation</i>				
Computer software	2,450	2,750	0	0
Brand name	125	0	0	0
Supplier agreement	20	0	0	0
	<u>2,595</u>	<u>2,750</u>	<u>0</u>	<u>0</u>
<i>Finance costs</i>				
Interest and finance charges	11,548	9,116	11,444	8,914
Other finance costs (a)	2,201	0	2,201	0
Accretion of put option	114	0	114	0
Finance costs expensed	<u>13,863</u>	<u>9,116</u>	<u>13,759</u>	<u>8,914</u>
<i>Employee benefits expense</i>				
Superannuation expense	9,931	7,314	30	33
Salaries and wages	139,349	112,655	1,772	1,409
	<u>149,280</u>	<u>119,969</u>	<u>1,802</u>	<u>1,442</u>
<i>Rental expense relating to operating leases</i>				
Lease expenses	62,177	51,801	0	0
Equipment hire	2,105	2,030	0	0
Total rental expense relating to operating leases	<u>64,282</u>	<u>53,831</u>	<u>0</u>	<u>0</u>
<i>Foreign exchange gains and losses</i>				
Net foreign exchange (gains)/losses	(1,452)	2,626	0	0

### (a) Other finance costs

The market-to-market loss on the \$60,000,000 swap was \$2,201,000 as at 27 June 2009. This amount has been included as a finance cost expense in the 2009 year as the swap was deemed to be ineffective as a cash flow hedge for the period.

## 8 Income tax expense

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Income tax expense</b>				
Current tax	15,202	11,469	(4,092)	(3,001)
Deferred tax	(3,342)	(498)	(688)	(37)
Adjustments for current tax of prior period	(2,109)	35	(1,382)	49
	<b>9,751</b>	<b>11,006</b>	<b>(6,162)</b>	<b>(2,989)</b>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	(2,852)	(432)	(688)	(37)
(Decrease) increase in deferred tax liabilities (note 23)	(490)	(66)	0	0
	<b>(3,342)</b>	<b>(498)</b>	<b>(688)</b>	<b>(37)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax expense	41,886	36,806	11,971	13,023
Tax at the Australian tax rate of 30% (2008 - 30%)	12,566	11,042	3,591	3,907
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-taxable dividends	0	0	(8,430)	(7,200)
Tax consolidation adjustments re NZ branch	(253)	(127)	0	0
Investment allowance	(538)	0	0	0
Sundry items	85	32	59	254
	<b>11,860</b>	<b>10,947</b>	<b>(4,780)</b>	<b>(3,039)</b>
Difference in overseas tax rates	0	14	0	0
Previously unrecognised tax losses now recouped to reduce current tax expense	0	0	0	0
Adjustments for current tax of prior periods	(2,109)	48	(1,382)	50
Restatement of New Zealand deferred tax balances to 30%	0	(3)	0	0
Income tax expense	<b>9,751</b>	<b>11,006</b>	<b>(6,162)</b>	<b>(2,989)</b>
<b>Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited/(credited) directly to equity (notes 14 and 23)	1,296	200	(18)	(32)
	<b>1,296</b>	<b>200</b>	<b>(18)</b>	<b>(32)</b>

### (c) Tax consolidation legislation

Super Cheap Auto Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(d).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Super Cheap Auto Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Super Cheap Auto Group Limited for any current tax payable assumed and are compensated by Super Cheap Auto Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Super Cheap Auto Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 32).

## 9 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	16,810	8,709	1,663	108

## 10 Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	18,257	14,107	5,237	142
Provision for impairment of receivables (a)	(347)	(165)	0	0
	17,910	13,942	5,237	142
Loans to related parties (c)	0	0	139,329	133,228
Other receivables	4,597	3,221	349	620
Tax receivable	1,091	1,745	0	0
Prepayments	1,515	374	315	0
	25,113	19,282	145,230	133,990

### (a) Impaired trade receivables

As at 27 June 2009 current trade receivables of the Group with a nominal value of \$347,000 (2008: \$165,000) were impaired. The amount of the provision was \$347,000 (2008: \$165,000). The individually impaired receivables mainly relate to sub-tenants and wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. There were no impaired trade receivables for the parent in 2009 or 2008.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
At 1 July	(165)	(74)
Provision for impairment recognised during the year	(546)	(100)
Receivables written off during the year as uncollectible	364	9
Unused amount reversed	0	0
	(347)	(165)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### (b) Past due but not impaired

As of 27 June 2009, trade receivables of \$3,905,000 (2008: \$5,176,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
0 to 3 months	2,233	2,917	0	0
3 to 6 months	616	708	0	0
Over 6 months	1,056	1,551	0	0
	3,905	5,176	0	0



## 10 Current assets – Trade and other receivables (continued)

### (c) Loans to related parties

Super Cheap Auto Group Limited provides funding to its wholly owned subsidiaries in the form of cash loans. These are repaid by the subsidiaries as the funds become available.

## 11 Current assets – Inventories

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Finished goods - at lower of cost or net realisable value	<b>222,821</b>	193,975	<b>0</b>	0

### (a) Inventory expense

Inventories recognised as expense during the year ended 27 June 2009 amounted to \$449,064,000 (2008: \$409,473,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 27 June 2009 amounted to \$1,989,000 (2008: \$2,128,000). The expense has been included in 'costs of sales of goods' in the income statement.

## 12 Non-current assets – Other financial assets

Shares in subsidiaries at cost Name of entity	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Super Cheap Auto Pty Ltd	0	0	<b>84,233</b>	84,233
BCF Australia Pty Ltd	0	0	1	1
Super Retail Group Services Pty Ltd	0	0	0	0
Goldcross Cycles Pty Ltd	0	0	<b>7,523</b>	9,636
Oceania Bicycles Pty Ltd	0	0	<b>1,449</b>	1,449
Total non-current assets – shares in controlled entities (refer Note 33)	<b>0</b>	0	<b>93,206</b>	95,319

These financial assets are carried at cost.

## 13 Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Plant and equipment, at cost	<b>113,116</b>	94,472	<b>0</b>	0
Less accumulated depreciation	<b>(39,916)</b>	(29,253)	<b>0</b>	0
Net plant and equipment	<b>73,200</b>	65,219	<b>0</b>	0
Motor vehicles, at cost	<b>326</b>	750	<b>0</b>	0
Less accumulated depreciation	<b>(256)</b>	(554)	<b>0</b>	0
Net motor vehicles	<b>70</b>	196	<b>0</b>	0
Computer systems, at cost	<b>38,184</b>	33,495	<b>0</b>	0
Less accumulated depreciation	<b>(23,506)</b>	(19,358)	<b>0</b>	0
Net computer equipment	<b>14,678</b>	14,137	<b>0</b>	0
Total net property, plant and equipment	<b>87,948</b>	79,552	<b>0</b>	0

Assets pledged as security are detailed in Note 21

### 13 Non-current assets – Property, plant and equipment (continued)

	Plant and equipment \$'000	Motor vehicles \$'000	Computer systems \$'000	Total \$'000
<b>Reconciliations - consolidated entity</b>				
Carrying amounts at 29 June 2008	65,219	196	14,137	79,552
Additions	20,238	0	6,591	26,829
Disposals	(2,139)	(39)	(714)	(2,892)
Business acquisitions	110	0	0	110
Depreciation and amortisation	(10,253)	(88)	(5,347)	(15,688)
Foreign currency exchange differences	25	1	11	37
Carrying amounts at 27 June 2009	73,200	70	14,678	87,948
<b>Reconciliations - consolidated entity</b>				
Carrying amounts at 1 July 2007	55,088	631	11,543	67,262
Additions	17,041	661	7,742	25,444
Disposals	(491)	(717)	(59)	(1,267)
Business acquisitions	2,102	15	0	2,117
Depreciation and amortisation	(7,862)	(383)	(4,929)	(13,174)
Foreign currency exchange differences	(659)	(11)	(160)	(830)
Carrying amounts at 28 June 2008	65,219	196	14,137	79,552

### 14 Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts	104	32	0	0
Employee benefits	3,245	2,341	123	95
Accruals	781	589	2	3
Inventories	1,146	1,040	0	0
Cash flow hedges	660	0	660	0
Deferred make good provision	546	602	0	0
Straight line lease adjustment	3,696	3,140	0	0
Deferred income	104	94	0	0
Depreciation	923	516	0	0
Provision for warranties and legal costs	1	0	1	0
	11,206	8,354	786	98
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	0	480	0	(61)
	11,206	8,834	786	37
Set off with deferred tax liabilities (note 23)	(1,534)	(1,205)	(80)	0
Net deferred tax assets	9,672	7,629	706	37
<b>Movements:</b>				
Opening balance	8,834	8,570	37	32
Credited/(charged) to the income statement	2,852	432	688	37
Credited/(charged) to equity	(480)	(200)	61	(32)
Foreign exchange on translation of NZ subsidiary	0	(62)	0	0
Acquired in acquisition	0	94	0	0
Closing balance	11,206	8,834	786	37
Deferred tax assets to be recovered after more than 12 months	9,175	1,334	783	0
Deferred tax assets to be recovered within 12 months	2,031	7,500	3	37
	11,206	8,834	786	37

## 15 Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Goodwill at cost	67,280	66,581	0	0
Less impairment charge	0	0	0	0
Net goodwill	67,280	66,581	0	0
Trademarks, at cost	14	14	0	0
Less accumulated depreciation	0	0	0	0
Net trademarks	14	14	0	0
Computer software	19,347	17,977	0	0
Less accumulated amortisation	(13,989)	(11,463)	0	0
Net computer software	5,358	6,514	0	0
Brand names at cost	2,500	2,500	0	0
Less amortisation	(125)	0	0	0
Net brand names	2,375	2,500	0	0
Supplier agreement	400	400	0	0
Less amortisation	(20)	0	0	0
Net supplier agreement	380	400	0	0
Total net intangibles	75,407	76,009	0	0

	Goodwill \$'000	Trademarks \$'000	Computer Software \$'000	Brand Name \$'000	Supplier Agreement \$'000	Totals \$'000
<b>Reconciliations – consolidated entity - 2009</b>						
Carrying amounts at 29 June 2008	66,581	14	6,514	2,500	400	76,009
Acquisitions	2,746	0	0	0	0	2,746
Additions	727	0	1,307	0	0	2,034
Disposals/Revision in provisional accounting	(2,774)	0	(13)	0	0	(2,787)
Amortisation charge	0	0	(2,450)	(125)	(20)	(2,595)
Foreign currency exchange differences	0	0	0	0	0	0
Carrying amounts at 27 June 2009	67,280	14	5,358	2,375	380	75,407

	Goodwill \$'000	Trademarks \$'000	Computer Software \$'000	Brand Name \$'000	Supplier Agreement \$'000	Totals \$'000
<b>Reconciliations – consolidated entity - 2008</b>						
Carrying amounts at 1 July 2007	52,112	14	6,487	0	0	58,613
Acquisitions	14,469	0	0	2,500	400	17,369
Additions	0	0	3,004	0	0	3,004
Disposals	0	0	(226)	0	0	(226)
Amortisation charge	0	0	(2,750)	0	0	(2,750)
Foreign currency exchange differences	0	0	(1)	0	0	(1)
Carrying amounts at 28 June 2008	66,581	14	6,514	2,500	400	76,009

### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the group of assets based on acquisition.

## 15 Non-current assets – Intangible assets (continued)

A CGU level summary of the goodwill allocation is presented below:-

	<b>Supercheap Auto \$'000</b>	<b>BCF \$'000</b>	<b>Goldcross Cycles \$'000</b>	<b>Total \$'000</b>
<b>2009</b>				
Goodwill	45,336	11,990	9,954*	67,280
	<b>Supercheap Auto \$'000</b>	<b>BCF \$'000</b>	<b>Goldcross Cycles \$'000</b>	<b>Total \$'000</b>
<b>2008</b>				
Goodwill	45,336	11,072	10,173	66,581

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

\* Goodwill allocation presented for Goldcross Cycles includes goodwill for Victor Cycles and Riders Cycles.

### (b) Key assumptions used for value-in-use calculations

No impairment loss was recognised in the 2009 financial year.

The following assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax. The factors used by each business segment is shown below.

	<b>Growth rate</b>		<b>Discount rate</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Supercheap Auto	<b>3.0</b>	3.0	<b>15</b>	15
BCF	<b>5.0</b>	5.0	<b>15</b>	15
Goldcross Cycles	<b>10.0</b>	-	<b>15</b>	-

In the initial two year's of a store operating growth rate is assumed to be 10% for Supercheap Auto, BCF and Goldcross Cycles.

## 16 Current liabilities - Trade and other payables

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	<b>90,572</b>	75,327	<b>3</b>	0
Other payables	<b>26,026</b>	15,853	<b>2,944</b>	250
Loans from related parties	<b>25</b>	25	<b>0</b>	0
	<b>116,623</b>	91,205	<b>2,947</b>	250

## 17 Current liabilities – Borrowings

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Secured</b>				
Finance leases	850	390	0	0
Commercial bill	39,700	56,501	39,700	55,351
Less borrowing costs capitalised, net	(1,054)	(581)	(1,011)	(569)
Total current liabilities – secured interest bearing liabilities	<b>39,496</b>	56,310	<b>38,689</b>	54,782
<b>Unsecured</b>				
Related parties	0	1	0	0
Unsecured bank financing	0	381	0	0
Total current liabilities – unsecured interest bearing liabilities	<b>0</b>	382	<b>0</b>	0
Total current liabilities – interest bearing liabilities	<b>39,496</b>	56,692	<b>38,689</b>	54,782

### (a) Bills payable

Bills have been drawn as a source of short-term financing on a needs basis.

### (b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 22.

### (c) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 22.

### (d) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 21.

Overdraft and equipment financing facilities are secured by a fixed and floating charge over the assets and undertakings of Goldcross Cycles Pty Ltd.

## 18 Current liabilities – Current tax liabilities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income tax payable	<b>4,593</b>	3,682	<b>4,765</b>	3,683

## 19 Current liabilities – Provisions

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Put option provision	644	531	644	0
Provision for warranties	44	0	0	0
Make good provision	117	165	0	0
Employee benefits	9,347	7,000	364	224
	<b>10,152</b>	7,696	<b>1,008</b>	224

## 19 Current liabilities – Provisions (continued)

### (a) Put Option Provision

The put option relates to the acquisition of Oceania Bicycles Pty Ltd. As part of this acquisition, Super Cheap Auto Group Limited has granted the vendor an option to sell the remaining 50% to the Group at an agreed EBITA multiple. This option can be exercised at any time up to 10 years from acquisition.

### (b) Provision for Warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends.

## 20 Non-current liabilities – Trade and Other Payables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Straight line lease adjustment	12,320	10,469	0	0

## 21 Non-current liabilities – Borrowings

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Secured</b>				
Finance lease	0	701	0	0
Cash advance	92,000	70,315	92,000	70,000
	<b>92,000</b>	<b>71,016</b>	<b>92,000</b>	<b>70,000</b>

The facilities are secured by first registered floating company charges over all the assets and undertakings of Super Cheap Auto Group Limited, Super Cheap Auto Pty Ltd, Super Cheap Auto (New Zealand) Pty Ltd, Goldcross Cycles Pty Ltd, Super Retail Group Services Pty Ltd and BCF Australia Pty Ltd in favour of ANZ Banking Group Limited and by cross guarantees and indemnities between Super Cheap Auto Pty Ltd and Super Cheap Auto (New Zealand) Pty Ltd and between Super Cheap Auto Group Limited, Super Cheap Auto Pty Ltd, Goldcross Cycles Pty Ltd, Super Retail Group Services Pty Ltd and BCF Australia Pty Ltd in favour of ANZ Banking Group Limited. Financial covenants are provided by Super Cheap Auto Group Limited with respect to leverage, gearing and fixed charges coverage.

## 21 Non-current liabilities – Borrowings (continued)

The carrying amount of assets pledged as security are equal to those shown in the consolidated balance sheet.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financing arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
- Multi-Option Facility (including commercial bill, overdraft and cash advance)	184,347	205,397	180,000	200,000
- Indemnity/Guarantee Facility	3,694	3,206	2,498	2,788
Totals	188,041	208,603	182,498	202,788
Facilities used at balance date				
- Multi-Option Facility (including commercial bill, overdraft and cash advance)	132,550	127,638	131,700	125,500
- Indemnity/Guarantee Facility	3,322	2,671	2,131	1,450
Totals	135,872	130,309	133,831	126,950
Unused balance of facilities at balance date				
- Multi-Option Facility (including commercial bill, overdraft and cash advance)	51,797	77,759	48,300	74,500
- Indemnity/Guarantee Facility	372	535	367	1,338
Totals	52,169	78,294	48,667	75,838

In addition, the Company has access to a \$122 million (2008: \$116 million) transactional facility for clean credit and foreign currency dealings.

The current interest rates on the financing arrangements are:

- Multi Option Facility (including commercial bills, overdraft and cash advance) 3.90%-7.685% (2008: 7.58%-8.43%)

## 22 Derivative Financial instruments

### Derivative financial instruments

The parent entity and its controlled entity are parties to derivative financial instruments in the normal course of business in order to hedge exposures to foreign exchange and interest rate changes.

### Foreign exchange contracts

The economic entity retails products including some that have been imported from South East Asia. In order to protect against exchange rate movements, the economic entity has entered into forward exchange rate contracts to purchase United States Dollars. The contracts are timed to mature in line with forecasted payments for imports and cover forecast purchases for the coming four months on a rolling basis.

## 22 Derivative Financial instruments (continued)

At balance date the following amounts were committed on foreign currency forward exchange contracts:

	Consolidated entity		Parent entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Buy United States dollars and sell Australian dollars with maturity				
- 0 to 6 months	17,300	18,600	0	0
- 7 to 12 months	0	12,000	0	0
Weighted average rate of contracts	72 cents	91 cents	0 cents	0 cents
Buy Australian dollars and sell New Zealand dollars with maturity				
- 0 to 6 months	0	6,000	0	0
Weighted average rate of contracts	0 cents	118 cents	0 cents	0 cents

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity. In the year ended 27 June 2009, no hedges were designated as ineffective (2008: nil).

Gains and losses arising from hedging contracts terminated prior to maturity are also carried forward until the designated hedged transaction occurs.

The following gains, losses and costs have been deferred as at the balance date:

- unrealised gains on foreign exchange contracts	2,457	205	0	205
- total gains (b)	2,457	205	0	205
- realised losses and costs				
- unrealised losses and costs on interest rate swaps	(1,934)	(1,803)	(1,934)	0
- total losses and costs (a)	(1,934)	(1,803)	(1,934)	0
Net gains/(losses and costs)	523	(1,598)	(1,934)	205

(a) Included in other payables under note 16

(b) Included in other receivables under note 10

### Interest rate swap contracts

Bank loans of the economic entity currently bear an average variable interest rate of 3.9% (2008: 8.2%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the economic entity has entered into interest rate swap contracts, under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The Group has entered two interest rate swaps for a total nominal value of \$80,000,000 (2008: \$60,000,000) with \$60,000,000 expiring on 30 May 2010 and \$20,000,000 expiring on 16 January 2012. It has also entered into a swaption which gives the bank the right to require the Group to enter into a fixed interest rate swap from 31 May 2010 to 30 May 2011. It is considered highly likely that this option will be exercised by the bank. The market-to-market loss on the swaption has not been taken to account in the 2009 year as it is considered to be immaterial. The market-to-market loss on the \$60,000,000 swap was \$2,201,000 as at 27 June 2009. This amount has been included as a finance cost expense in the 2009 year as the swap was deemed to be ineffective as a cash flow hedge for the period.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. Swaps currently in place cover approximately 61% (2008: 47%) of the loan principal outstanding. The average fixed interest rate is 6.91% (2008: 7.60%).



## 22 Derivative Financial instruments (continued)

### Interest rate risk exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

Notes	Floating interest rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>2009</b>						
<b>Financial assets</b>						
Cash and deposits	9	16,087	0	0	723	16,810
Receivables	10	0	0	0	25,113	25,113
Total financial assets		16,087	0	0	25,836	41,923
<i>Weighted average rate of interest</i>		2.2%				
<b>Financial liabilities</b>						
Trade and other payables	16, 18	0	0	0	121,216	121,216
Related parties	17	0	0	0	0	0
Unsecured financing	17	0	0	0	0	0
Commercial bill/cash advance	17, 21	51,496	0	80,000	0	131,496
Employee entitlements	19, 24	0	0	0	10,277	10,277
Total financial liabilities		51,496	0	80,000	131,493	262,989
<i>Weighted average rate of interest</i>		3.9%	6.9%			
Net financial assets/ (liabilities)		(35,409)	0	(80,000)	(105,657)	(221,066)

Notes	Floating interest rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>2008</b>						
<b>Financial assets</b>						
Cash and deposits	9	7,937	0	0	772	8,709
Receivables	10	0	0	0	19,282	19,282
Total financial assets		7,937	0	0	20,054	27,991
<i>Weighted average rate of interest</i>		6.46%				
<b>Financial liabilities</b>						
Trade and other payables	16, 18	0	0	0	94,887	94,887
Related parties	17	0	0	0	1	1
Unsecured financing	17	0	381	0	0	381
Commercial bill/cash advance	17, 21	67,326	60,000	0	0	127,326
Employee entitlements	19, 24	0	0	0	7,907	7,907
Total financial liabilities		67,326	60,381	0	102,795	230,502
<i>Weighted average rate of interest</i>		8.0%	7.6%			
Net financial assets/ (liabilities)		(59,389)	(60,381)	0	(82,741)	(202,511)

## 22 Derivative Financial instruments (continued)

	Consolidated entity			
	Carrying amount		Net fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amounts and net fair values of financial assets and financial liabilities at balance sheet date:				
<b>Financial assets</b>				
Cash and deposits	16,810	8,709	16,810	8,709
Receivables	25,113	19,282	25,113	19,282
Forward exchange contracts *	2,457	0	2,457	0
Interest rate swaps *	267	205	267	205
Non-traded financial assets	<b>44,647</b>	28,196	<b>44,647</b>	28,196
<b>Financial liabilities</b>				
Trade and other payables	(121,216)	(94,887)	(121,216)	(94,887)
Commercial bill and other financing	(131,496)	(127,708)	(131,496)	(127,708)
Forward exchange contracts *	0	(1,803)	0	(1,803)
Interest rate swaps *	(2,201)	0	(2,201)	0
Non-traded financial liabilities	<b>(254,913)</b>	(224,398)	<b>(254,913)</b>	(224,398)

	Parent entity			
	Carrying amount		Net fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amounts and net fair values of financial assets and financial liabilities at balance sheet date:				
<b>Financial assets</b>				
Cash and deposits	1,663	108	1,663	108
Receivables	145,230	133,990	145,230	133,990
Interest rate swaps *	267	250	267	250
Non-traded financial assets	<b>147,160</b>	134,348	<b>147,160</b>	134,348
<b>Financial liabilities</b>				
Trade and other payables	(7,712)	(3,933)	(7,712)	(3,933)
Commercial bill and other financing	(130,689)	(124,782)	(130,689)	(124,782)
Interest rate swaps *	(2,201)	0	(2,201)	0
Non-traded financial liabilities	<b>(140,602)</b>	(128,715)	<b>(140,602)</b>	(128,715)

\*These amounts are unrealised gains and losses which have been included in the net carrying amount and net fair value of the on-balance sheet financial assets and liabilities.

With the exception of the forward exchange contracts and interest rate swaps, none of the financial assets and liabilities are readily traded on organised markets in the standardised form.

Where assets are carried at amounts above the net fair value these amounts have not been written down as it is intended to hold these assets to maturity.

Net fair value is exclusive of costs that would be incurred on realisation of an asset and inclusive of costs that would be incurred on settlement of a liability.

### Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position, and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts.

## 23 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Prepayments	2	25	0	0
Unrealised foreign exchange on inter company balances	0	0	0	0
Depreciation	0	430	0	0
Brand values	713	750	0	0
	<b>715</b>	<b>1,205</b>	<b>0</b>	<b>0</b>
<i>Amounts recognised directly in equity</i>				
Foreign exchange revaluation reserve	0	0	0	0
Cash flow hedges	819	0	80	0
	<b>1,534</b>	<b>1,205</b>	<b>80</b>	<b>0</b>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions	(1,534)	(1,205)	(80)	0
Net deferred tax liabilities	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movements:</b>				
Opening balance	1,205	579	0	0
Charged/(credited) to the income statement	(490)	(66)	0	0
Charged/(credited) to equity	819	0	80	0
Foreign exchange on translation of NZ subsidiary	0	(58)	0	0
Acquired in acquisition	0	750	0	0
Closing balance	<b>1,534</b>	<b>1,205</b>	<b>80</b>	<b>0</b>
Deferred tax liabilities to be settled after more than 12 months	1,532	1,165	80	0
Deferred tax liabilities to be settled within 12 months	2	40	0	0
	<b>1,534</b>	<b>1,205</b>	<b>80</b>	<b>0</b>

## 24 Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Make good provision (a)	5,171	4,954	0	0
Employee benefits	930	907	45	92
Provision for Goldcross Cycles performance incentive (b)	0	2,774	0	2,774
Provision for Oceania future dividend (c)	132	0	132	0
	<b>6,233</b>	<b>8,635</b>	<b>177</b>	<b>2,866</b>

### (a) Make good provision

Provision is made for costs arising from contractual obligations in lease agreements at the inception of the agreement.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

### (b) Provision for Goldcross Cycles performance incentive

A provision was recognised on acquisition of Goldcross Cycles for the present value of the estimated obligation to pay if specified performance targets were met after acquisition. These targets were not achieved, therefore the provision was reallocated back to goodwill and goodwill reduced for the year ended 27 June 2009.

## 24 Non-current liabilities – Provisions (continued)

### (c) Provision for Oceania future dividend

A provision has been recognised for the present value of the estimated cost of the future dividend required to be paid with respect to Oceania.

### (d) Movements in provisions (consolidated entity) (notes 19 & 24)

	Put option \$'000	Warranties \$'000	Make good \$'000	Goldcross Cycles performance incentive \$'000	Oceania future dividend \$'000	Total \$'000
Opening balance as at 29 June 2008	531	0	5,119	2,774	0	8,424
Additional provisions recognised	0	44	678	0	132	854
Indexing of provisions	113	0	(443)	0	0	(330)
Provision released	0	0	(66)	(2,774)	0	(2,840)
Acquisitions	0	0	0	0	0	0
Closing balance as at 27 June 2009	644	44	5,288	0	132	6,108

## 25 Contributed equity

### (a) Share Capital

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Ordinary shares fully paid	84,627	84,627	84,627	84,627

	Number of Shares	Issue Price	\$'000
(b) <b>Movement in ordinary share capital</b>			
Issue of shares on incorporation (8 April 2004)	1	1.00	0
Issue of shares on 23 April 2004	49,697,150	1.69	84,233
Share split on 19 May 2004	56,732,471	-	0
Issue of shares on 8 March 2008	200,000	1.97	394
Closing balance 27 June 2009	106,629,622		84,627

The ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present, in person or by proxy, at a meeting of shareholders of the parent entity is entitled to one vote and, upon a poll, each share is entitled to one vote.

Options over 220,000 (2008: 180,000) ordinary shares were issued during the period, with nil options being exercised during the period. Information relating to options outstanding at the end of the financial period are set out in Note 39.

### (c) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the parent entity monitor overall capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

During 2009 the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio within 40% to 50%. This target ratio range excludes the short-term impact of acquisitions. The gearing ratios at 27 June 2009 and 28 June 2008 were as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 Super Cheap Auto Group Limited  
 for the period ended 27 June 2009

**25 Contributed equity (continued)**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Total borrowings	<b>131,496</b>	127,708
Less: Cash & cash equivalents	<b>(16,810)</b>	(8,709)
Net Debt	<b>114,686</b>	118,999
Total Equity	<b>156,354</b>	135,761
Total Capital	<b>271,040</b>	254,760
Gearing Ratio	<b>42.3%</b>	46.8%

The decrease in the gearing ratio in 2009 was primarily due to the Group's profitability (and consequent increase in Retained Earnings) as well as a slight reduction in net debt from 2008 levels.

The Group and the parent entity monitor ongoing capital on the basis of the fixed charge cover ratio. The ratio is calculated as earnings before finance costs, tax, depreciation, amortisation and store and DC rental expense divided by fixed charge obligations (being finance costs and store and DC rental expenses). Rental expenses are calculated net of straight line lease adjustments, while finance costs exclude non-cash mark-to-market losses or gains on interest rate swaps.

During 2009 the Group's strategy, which was unchanged from 2008, was to maintain a fixed charge cover ratio of around 2.0 times. The fixed charge cover ratios at 27 June 2009 and 28 June 2008 were as follows:

	<b>Consolidated Entity</b>	
	<b>2009</b>	<b>2008</b>
Earnings	<b>32,135</b>	25,800
Add: Taxation expense	<b>9,751</b>	11,006
Finance costs	<b>13,749</b>	9,116
Depreciation and amortisation	<b>18,283</b>	15,924
Rental expense	<b>60,289</b>	49,532
EBITDAR	<b>134,207</b>	111,378
Finance costs (excluding MTM adjustment)	<b>11,548</b>	9,116
Rental expense	<b>60,289</b>	49,532
Fixed charges	<b>71,837</b>	58,648
Fixed charge cover ratio	<b>1.87</b>	1.90

The slight reduction in the fixed charge cover ratio in 2009 is due to costs associated with establishment of the Goldcross Cycles business and continued expansion of the store network, with store sales building over time.

## 26 Reserves and retained profits

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Reserves</b>				
Foreign currency translation reserve	(2,933)	(2,970)	0	0
Share based payments reserve	1,068	746	1,068	746
Hedging reserve	1,907	(1,120)	187	144
	<b>42</b>	<b>(3,344)</b>	<b>1,255</b>	<b>890</b>
<b>Movements</b>				
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the financial period	(2,970)	(11)	0	0
Net exchange difference on translation of foreign controlled Entity	37	(2,959)	0	0
Balance at the end of the financial period	<b>(2,933)</b>	<b>(2,970)</b>	<b>0</b>	<b>0</b>
<b>Share based payments reserve</b>				
Balance at beginning of the financial period	746	428	746	428
Options lapsed	0	0	0	0
Option expense	322	318	322	318
Balance at the end of the financial period	<b>1,068</b>	<b>746</b>	<b>1,068</b>	<b>746</b>
<b>Hedging reserve</b>				
Balance of beginning of the financial period	(1,120)	(1,585)	144	68
Revaluation – gross	4,323	665	61	107
Deferred tax	(1,296)	(200)	(18)	(31)
Balance at the end of the financial period	<b>1,907</b>	<b>(1,120)</b>	<b>187</b>	<b>144</b>
<b>Retained earnings</b>				
Balance at the beginning of the financial period	54,478	41,461	12,132	8,903
Net profit/(loss) for the financial period attributable to shareholders of Super Cheap Auto Group Limited	32,135	25,800	18,133	16,012
Dividends provided for or paid	(14,928)	(12,783)	(14,928)	(12,783)
Retained profits/(losses) at the end of the financial period	<b>71,685</b>	<b>54,478</b>	<b>15,337</b>	<b>12,132</b>

### (c) Nature and purpose of reserves

#### (i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(k). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

#### (ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

#### (iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

## 27 Dividends

	Parent Entity	
	2009 \$'000	2008 \$'000
<b>Ordinary shares</b>		
Dividends paid by Super Cheap Auto Group Limited during the reporting period were as follows:		
Interim dividend for the period ended 27 June 2009 of 6.5 cents (2008: 5.5 cents per share) paid on 31 March 2009. Fully franked based on tax paid @ 30%	6,931	5,865
Final dividend for the period ended 28 June 2008 of 7.5 cents per share (2008: 6.5 cents per share) paid on 14 October 2008. Fully franked based on tax paid @ 30%	7,997	6,918
Total dividends provided and paid	<u>14,928</u>	<u>12,783</u>

### Dividends not recognised at year end

Subsequent to year end, the Directors have recommended the payment of a final dividend of 11.5 cents per ordinary share (2008: 7.5 cents per ordinary share), fully franked based on tax paid at 30%.

The aggregate amount of the dividend expected to be paid on 20 October 2009, out of retained profits at 27 June 2009, but not recognised as a liability at year end, is

<u>12,262</u>	<u>8,530</u>
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### Franking credits

The franked portions of dividends paid after 27 June 2009 will be franked out of existing franking credits and out of franking credits arising from the payments of income tax in the years ending after 27 June 2009.

Franking credits remaining at balance date available for dividends declared after the current balance date based on a tax rate of 30%

<u>34,769</u>	<u>33,619</u>
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The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

- franking credits that will arise from the payment of the current tax liability; and,
- franking debits that will arise from the payment of the dividend as a liability at the reporting date.

The amount recorded above as the franking credit amount is based on the amount of Australian income tax paid or to be paid in respect of the liability for income tax at the balance date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$5,255,317 (2008: \$3,427,381).

## 28 Key management personnel disclosures

### (a) Key management personnel compensation

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	2,954,597	2,120,529	148,913	127,871
Post-employment benefits	340,878	312,471	241,462	198,129
Share-based payments	183,297	221,838	183,297	221,838
	<b>3,478,772</b>	<b>2,654,838</b>	<b>573,672</b>	<b>547,838</b>

The key management personnel remuneration in some instances has been paid by a subsidiary.

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 22 to 27.

### (b) Equity instrument disclosures relating to key management personnel

#### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 22 to 27.

#### (ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Super Cheap Auto Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
<b>Directors of Super Cheap Auto Group Limited</b>							
R D McIlwain	0	0	0	0	0	0	0
R A Rowe	0	0	0	0	0	0	0
D D McDonough	0	0	0	0	0	0	0
R J Wright	0	0	0	0	0	0	0
R J Skippen	0	0	0	0	0	0	0
P A Birtles	500,000	0	0	0	500,000	150,000	0
<b>Other key management personnel of the Group</b>							
D F Ajala	400,000	0	0	0	400,000	200,000	0
S J Doyle	400,000	0	0	0	400,000	200,000	0
G G Carroll	250,000	0	0	0	250,000	75,000	0
G L Chad	125,000	0	0	0	125,000	0	0

No options are vested and unexercisable at the end of the year.



**28 Key management personnel disclosures (continued)**

2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Name							
<b>Directors of Super Cheap Auto Group Limited</b>							
R D McIlwain	-	0	0	0	0	0	0
R A Rowe	-	0	0	0	0	0	0
D D McDonough	-	0	0	0	0	0	0
R J Wright	-	0	0	0	0	0	0
P A Birtles	700,000	0	200,000	0	500,000	0	0
<b>Other key management personnel of the Group</b>							
D F Ajala	400,000	0	0	0	400,000	0	0
S J Doyle	400,000	0	0	0	400,000	0	0
G G Carroll	250,000	0	0	0	250,000	0	0
G L Chad	125,000	0	0	0	125,000	0	0

No options are vested and unexercisable at the end of the year.

*(iii) Share holdings*

The numbers of shares in the company held during the financial year by each director of Super Cheap Auto Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Super Cheap Auto Group Limited</b>				
<b>Ordinary shares</b>				
R D McIlwain	158,882	0	0	158,882
R A Rowe	52,402,159	0	0	52,402,159
D D McDonough	60,000	0	0	60,000
R J Wright	40,609	0	0	40,609
R J Skippen	0	0	0	0
P A Birtles	1,392,596	0	0	1,392,596
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
D F Ajala	281	0	0	281
S J Doyle	143,411	0	0	143,411
G G Carroll	0	0	0	0
G L Chad	50,000	0	0	50,000

2008	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Super Cheap Auto Group Limited</b>				
<b>Ordinary shares</b>				
R D McIlwain	158,882	0	0	158,882
R A Rowe	52,402,159	0	0	52,402,159
D D McDonough	60,000	0	0	60,000
R J Wright	40,609	0	0	40,609
P A Birtles	1,192,596	200,000	0	1,392,596
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
D F Ajala	281	0	0	281
S J Doyle	143,411	0	0	143,411
G G Carroll	0	0	0	0
G L Chad	0	0	50,000	50,000

## 28 Key management personnel disclosures (continued)

Aggregate amounts of each of the above types of other transactions with key management personnel of Super Cheap Auto Group Limited:

	2009 \$000	2008 \$000
<b>Amounts paid to key management personnel as shareholders</b>		
Dividends	7,593	6,482

## 29 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Assurance services</b>				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	423,084	281,365	0	0
Total remuneration for audit services	423,084	281,365	0	0
<i>Other assurance services</i>				
PricewaterhouseCoopers Australian firm				
IFRS accounting services	0	0	0	0
Total remuneration for other assurance services	0	0	0	0
Total remuneration for assurance services	423,084	281,365	0	0
<b>(b) Taxation services</b>				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	126,808	75,532	0	0
Total remuneration for taxation services	126,808	75,532	0	0
<b>(c) Advisory services</b>				
PricewaterhouseCoopers Australian firm				
Customs Advice	0	0	0	0
Total remuneration for advisory services	0	0	0	0

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## 30 Contingencies

	Consolidated		Parent entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Guarantees</b>				
Guarantees issued by the bankers of Super Cheap Auto Pty Ltd in support of various rental arrangements for certain retail outlets.				
The maximum future rental payments guaranteed amount to:	3,322	2,671	2,131	1,450

### 31 Commitments

	Consolidated		Parent entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Capital commitments</b>				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	9,230	522	0	0
Later than one year but not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total capital commitments	9,230	522	0	0
<b>Lease commitments</b>				
Commitments in relation to operating lease payments under non-cancellable operating leases are payable as follows:				
Within one year	61,487	55,219	0	0
Later than one year but not later than five years	179,970	171,032	0	0
Later than five years	56,960	64,831	0	0
Less lease straight lining adjustment (note 20)	(12,068)	(11,174)	0	0
Total lease commitments	286,349	279,908	0	0
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	2,151	3,319	0	0
<b>Remuneration commitments</b>				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	2,120	1,599	2,120	1,599
Later than one year and not later than five years	1,374	2,602	1,374	2,602
Later than five years	0	0	0	0
	3,494	4,201	3,494	4,201

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on pages 22 to 27 that are not recognised as liabilities and are not included in the key management personnel compensation.

#### Finance leases

The Group leases various plant and equipment with a carrying amount of \$1,230,000 (2008: \$1,529,000) under finance leases expiring within three to five years.

	Consolidated		Parent entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Commitments in relation to finance leases are payable as follows:				
Within one year	934	390	0	0
Later than one year but not later than five years	0	964	0	0
Minimum lease payments	934	1,354	0	0
Future finance charges	(84)	(263)	0	0
Total lease liabilities	850	1,091	0	0
Representing lease liabilities:				
Current (note 17)	850	390	0	0
Non-current	0	701	0	0
	850	1,091	0	0

## 32 Related party transactions

Transactions with related parties are at arm's length unless otherwise stated.

### (a) Parent entities

The parent entity within the Group is Super Cheap Auto Group Limited, which is the ultimate Australian parent.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 33.

### (c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 28.

### (d) Directors

The names of the persons who were Directors of Super Cheap Auto Group Limited during the financial period are R D McIlwain, R A Rowe, R J Wright, D D McDonough, R J Skippen and P A Birtles.

### (e) Amounts due from related parties

Amounts due from Directors of the consolidated entity and their director-related entities are nil (2008 : Nil):

### (f) Transactions with related parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Other Transactions</i>				
- store lease payments – R A Rowe related property entities	8,350,895	7,625,922	0	0
- remuneration paid to directors of the ultimate Australian parent entity	1,576,355	1,153,025	1,576,355	1,153,025
<i>Dividend Revenue</i>				
- dividends from subsidiaries	0	0	28,100,000	24,000,000
<i>Tax Consolidation Legislation</i>				
- current tax payable assumed from wholly owned tax consolidated entities	0	0	18,363,655	14,074,793
<b>(g) Loans to/from Related Parties</b>				
<i>Loans to Subsidiaries</i>				
- beginning of the period	0	0	128,071,732	116,193,615
- loans advanced	(25,236)	0	947,019,846	468,863,172
- loan repayments received	0	0	(934,444,075)	(456,985,055)
End of year	(25,236)	0	140,647,503	128,071,732

### 33 Investments in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2009 %	2008 %
Super Cheap Auto Pty Ltd <sup>(a)</sup>	Australia	Ordinary	100	100
Super Cheap Auto (New Zealand) Pty Ltd <sup>(b)</sup>	New Zealand	Ordinary	100	100
Super Retail Group Services Pty Ltd <sup>(a)</sup>	Australia	Ordinary	100	100
BCF Australia Pty Ltd <sup>(a)</sup>	Australia	Ordinary	100	100
SCA Equity Plan Pty Ltd <sup>(b)</sup>	Australia	Ordinary	100	100
Goldcross Cycles Pty Ltd	Australia	Ordinary	100	100
Oceania Bicycles Pty Ltd	Australia	Ordinary	50	50

(a) These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

(b) Investment is held directly by Super Cheap Auto Pty Ltd.

### 34 Business Combinations

During the period, BCF Australia Pty Ltd acquired certain assets and liabilities of the business, Jurkiewicz Adventure Store as detailed below at (a). In addition, Goldcross Cycles Pty Ltd acquired certain assets and liabilities of two businesses during the period, Victor Cycles (see (b) below) and Riders Cycles (see (c) below).

These acquisitions resulted in the recognition of the following goodwill:

	\$'000
Jurkiewicz Adventure Store	919
Victor Cycles	77
Riders Cycles	1,750
	<u>2,746</u>

(a) **Jurkiewicz Adventure Store (including Canberra Ski and Board Centre) (current period)**

2009  
\$'000

**Acquisition by controlled entity**

On 30 July 2008, BCF Australia Pty Ltd acquired certain assets and assumed certain liabilities of the Jurkiewicz Adventure Store business from an entity external to the Group.

Net assets acquired and goodwill are as follows:

Purchase consideration	
Cash Paid	1,700
Total purchase consideration/outflow of cash	<u>1,700</u>
Less: Provisional allocation of Fair value of net identifiable assets acquired (refer below)	<u>(781)</u>
Goodwill	919

The goodwill is attributable to Jurkiewicz Adventure Store position and profitability in the leisure market and synergies expected to arise after the company's acquisition

Fair value of identifiable net assets acquired	
Inventory	811
Employee entitlements	(21)
Other creditors	(9)
Net identifiable assets acquired	<u>781</u>

### 34 Business Combinations (continued)

The amounts recognised by the vendor immediately before acquisition for each class of asset and liability are not significantly different from the fair values included in the table above.

The acquired business contributed revenues of \$3.093 million to the Group for the period 30 July 2008 to 27 June 2009. If the acquisition had occurred on 29 June 2008, the contribution to group revenue would have been \$3.374 million. The contribution to Group net profit after tax is \$332,000.

#### (b) Victor Cycles (current period)

2009  
 \$'000

##### Acquisition by controlled entity

On 17 November 2008, Goldcross Cycles Pty Ltd acquired certain assets and assumed certain liabilities of the Victor Cycles business from an entity external to the Group.

Net assets acquired are as follows:

Purchase consideration	
Cash Paid	405
Direct costs relating to the acquisition	13
Total purchase consideration/outflow of cash	418
Less: Provisional allocation of Fair value of net identifiable assets acquired (refer below)	(341)
Goodwill	77

The goodwill is attributable to Victor Cycles strong position and profitability in the cycling market and synergies expected to arise after the company's acquisition

Fair value of identifiable net assets acquired	
Inventory	278
Plant and equipment	60
Other assets	4
Employee entitlements	(1)
Net identifiable assets acquired	341

The amounts recognised by the vendor immediately before acquisition for each class of asset and liability are not significantly different from the fair values included in the table above.

The acquired business contributed revenues of \$0.479 million to the Group for the period 17 November 2008 to 27 June 2009. If the acquisition had occurred on 29 June 2008, the contribution to group revenue would have been \$0.767 million. The contribution to group net profit after tax is not significant.

### 34. Business combinations (continued)

#### (c) Riders Cycles (current period)

2009  
 \$'000

##### Acquisition by controlled entity

On 11 December 2008, Goldcross Cycles Pty Ltd acquired certain assets and assumed certain liabilities of the Riders Cycles business from an entity external to the Group.

Net assets acquired and goodwill are as follows:

Purchase consideration	
Cash Paid	2,503
Less cash acquired	(1)
Total purchase consideration/outflow of cash	<u>2,502</u>
Less: Provisional allocation of Fair value of net identifiable assets acquired (refer below)	<u>(752)</u>
Goodwill	1,750

The goodwill is attributable to Riders Cycles strong position and profitability in the cycling market and synergies expected to arise after the company's acquisition

Fair value of identifiable net assets acquired	
Inventory	695
Plant and equipment	50
Other assets	17
Employee entitlements	(10)
Net identifiable assets acquired	<u>752</u>

The amounts recognised by the vendor immediately before acquisition for each class of asset and liability are not significantly different from the fair values included in the table above.

The acquired business contributed revenues of \$1.319 million to the Group for the period 11 December 2008 to 27 June 2009. If the acquisition had occurred on 29 June 2008, the contribution to group revenue would have been \$2.261 million. The contribution to group net profit after tax is not significant.

#### (d) Goldcross Cycles

##### (i) Summary of acquisition

On 23 June 2008, the parent entity acquired 100% of the issued share capital of Goldcross Cycles Pty Ltd and 50% of the issued share capital of Oceania Bicycles Pty Ltd.

Due to the timing of the acquisition, the contribution to revenues and net profit was not material. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the period ended 28 June 2008 would have been \$734,706,000 and \$23,786,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2007, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
Purchase consideration	8,041
Provision for future dividend	132
Put option (current value)	531
Direct costs relating to acquisition	<u>267</u>
Total Purchase consideration (refer to (ii) below)	8,971
Less: Fair value of net identifiable assets	<u>(844)</u>
Goodwill recognised on acquisition	<u>8,127</u>

### 34. Business combinations (continued)

Super Cheap Auto Group Limited has not recognized a minority interest on acquisition of Oceania Bicycles Pty Ltd, on the basis that Super Cheap Auto Group Limited has elected to deem that control has passed on acquisition due to a put agreement on the remaining 50% of shares. Control is achieved via Supply Agreements as well as the ability of Super Cheap Auto Group Limited to acquire the remaining shares of Oceania Bicycles Pty Ltd in the event of a dispute.

As part of the acquisition of a 50% shareholding in Oceania Bicycles Pty Ltd, Super Cheap Auto Group Limited has granted the vendor an option to sell the remaining 50% to the group at an agreed EBITA multiple. This option can be exercised at any time up to 10 years from acquisition.

(ii) *Purchase considerations*

	<b>Consolidated</b>	<b>Parent entity</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Outflow of cash to acquire subsidiary, net of cash acquired		
Total purchase consideration	<u>8,971</u>	<u>8,971</u>
Less: Consideration payable	(738)	(738)
Less: Balances acquired		
Cash	<u>(12)</u>	<u>(12)</u>
	<u>(12)</u>	<u>(12)</u>
Outflow of cash	<u>8,221</u>	<u>8,221</u>

	<b>Fair Value</b>
	<b>\$'000</b>
Cash	12
Other Receivables	516
Inventory	5,144
Plant & Equipment	1,768
Brand name	2,500
Supplier agreement	400
Deferred make goods	123
Tax Assets	633
Bank Overdraft	(1,209)
Trade Payables	(1,820)
Provision for Employee Entitlements	(247)
Make-good provision	(154)
Other Payables	(326)
Deferred tax liability	(750)
Non-Current Borrowings	(5,746)
Net Identifiable Assets Acquired	<u>844</u>

The Goldcross Cycles acquisition was disclosed provisionally in the financial report for the year ended 28 June 2008. As part of the finalisation of the acquisition, the completion statement has been reviewed and the following adjustments were made:

- (i) a downward adjustment of \$595,000 was made to inventory bringing the fair value of inventory at acquisition date to \$5,144,000; and
- (ii) recognition of the dividend liability with a fair value at acquisition date of \$132,000.

These were the only adjustments to the provisional values disclosed in the year end financial report.

The deferred payment in relation to Goldcross Cycles was restated during the year ended 27 June 2009 to \$nil as it was not probable that the profit target established at the date of acquisition would be met. This resulted in a decrease of \$2,774,000 to the provision and a corresponding decrease to goodwill of \$2,774,000.

The goodwill is attributable to Goldcross Cycles' strong position and profitability in the bicycling market and the synergies expected to arise from the acquisition.



### 35 Net tangible asset backing

	Consolidated Entity	
	2009 Cents	2008 Cents
Net tangible asset per ordinary share	69¢	50¢

### 36 Deed of cross guarantee

Super Cheap Auto Group Limited, Super Cheap Auto Pty Ltd, BCF Australia Pty Ltd, Super Retail Group Services Pty Ltd and Goldcross Cycles Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities and Investments Commission.

#### (a) Consolidated Income Statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Super Cheap Auto Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the period ended 27 June 2009 of the Closed Group consisting of Super Cheap Auto Group Limited, Super Cheap Auto Pty Ltd, BCF Australia Pty Ltd, Super Retail Group Services Pty Ltd and Goldcross Cycles Pty Ltd.

	Consolidated	
	2009 \$'000	2008 \$'000
<b>Revenue from continuing operations</b>	<b>760,646</b>	655,905
Other income	336	2,131
Total revenues and other income	<u>760,982</u>	<u>658,036</u>
Cost of sales of goods	(438,514)	(389,375)
Other expenses from ordinary activities		
- selling and distribution	(88,485)	(76,453)
- marketing	(38,784)	(35,654)
- occupancy	(59,475)	(47,732)
- administration	(83,303)	(63,728)
Borrowing costs expense	(11,976)	(10,859)
Total expenses	<u>(720,537)</u>	<u>(623,801)</u>
<b>Profit before income tax</b>	<b>40,445</b>	34,235
Income tax (expense)/benefit	(9,357)	(10,674)
Profit for the period	<u>31,088</u>	<u>23,561</u>
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	50,939	40,161
Retained profits at the beginning of the financial year for new entities in the closed Group	(15)	
Profit for the period	31,088	23,561
Dividends provided for or paid	(14,928)	(12,783)
Retained profits at the end of the financial year	<u>67,084</u>	<u>50,939</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 Super Cheap Auto Group Limited  
 for the period ended 27 June 2009

**36 Deed of cross guarantee (continued)**

**(b) Balance Sheet**

Set out below is a consolidated balance sheet as at 27 June 2009 of the Closed Group consisting of Super Cheap Auto Group Limited, Super Cheap Auto Pty Ltd, BCF Australia Pty Ltd, Super Retail Group Services Pty Ltd and Goldcross Cycles Pty Ltd.

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,372	6,664
Trade and other receivables	46,773	43,073
Inventories	196,171	170,018
Total current assets	<u>257,316</u>	<u>219,755</u>
<b>Non-current assets</b>		
Other financial assets	401	11,085
Property, plant and equipment	81,390	71,894
Deferred tax assets	8,557	8,337
Intangible assets	75,401	60,154
Total non-current assets	<u>165,749</u>	<u>151,470</u>
<b>Total assets</b>	<u>423,065</u>	<u>371,225</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	107,355	84,993
Borrowings	39,536	56,605
Current tax liabilities	4,395	5,428
Provisions	9,089	6,150
Total current liabilities	<u>160,375</u>	<u>153,176</u>
<b>Non-current liabilities</b>		
Trade and other payables	12,235	10,132
Borrowings	92,000	70,000
Deferred tax liabilities	0	0
Provisions	6,233	5,300
Total non-current liabilities	<u>110,468</u>	<u>85,432</u>
<b>Total liabilities</b>	<u>270,843</u>	<u>238,608</u>
<b>Net assets</b>	<u>152,222</u>	<u>132,617</u>
<b>EQUITY</b>		
Contributed equity	84,627	84,763
Reserves	511	(3,085)
Retained profits	67,084	50,939
<b>Total equity</b>	<u>152,222</u>	<u>132,617</u>

### 37 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Profit from ordinary activities after related income tax	32,135	25,800	18,133	16,012
Depreciation and amortisation	18,283	15,924	0	0
Net (gain)/loss on sale of non-current assets	144	368	0	0
Non-cash employee benefits expense/share based payments	322	318	322	318
Net Interest Expense	13,749	8,898	13,645	8,894
Other non cash items	(85)	0	0	0
Change in operating assets and liabilities, net of effects from the purchase of controlled entities and the sale of the service entity				
- (increase) in receivables	(5,701)	(2,527)	(48,291)	(38,273)
- (increase) in inventories	(27,617)	(27,905)	0	0
- (decrease)/increase in payables	32,132	26,925	2,524	(2,268)
- increase in provisions	2,649	2,233	731	315
- (decrease) in deferred tax	(3,342)	(381)	(688)	(5)
Net cash inflow from operating activities	62,669	49,653	(13,624)	(15,007)

### 38 Earnings per share

	Consolidated Entity	
	2009 Cents	2008 Cents
Basic earnings per share	30.2	24.2
Diluted earnings per share	30.0	24.2
<b>Weighted average number of shares used as the denominator</b>		
	Consolidated Entity	
	2009 Number	2008 Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	106,479,622	106,479,622
Adjustments for calculation of diluted earnings per share options	711,244	38,771
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	107,190,866	106,518,393
	2009 \$000	2008 \$000
<b>Reconciliations of earnings used in calculating earnings per share</b>		
Basic earnings per share		
- earnings used in calculating basic earnings per share – net profit after tax	32,135	25,800
Diluted earnings per share		
- earnings used in calculating diluted earnings per share – net profit after tax	32,135	25,800

#### (a) Information concerning the classification of securities

##### (i) Options

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

### 39 Share-based payments

#### (a) Executive Option Plan

The Company has established the Super Cheap Auto Executive Share Option Plan ("Option Plan") to assist in the retention and motivation of executives of Super Cheap Auto ("Participants"). It is intended that the Option Plan will enable the Company to retain and attract skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

Under the Option Plan, options may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of options under the Option Plan.

Subject to any adjustment in the event of a bonus issue, each option is an option to subscribe for one Share. Upon the exercise of an option by a Participant, each Share issued will rank equally with other Shares of the Company.

Options issued under the Option Plan may not be transferred unless the Board determines otherwise. The Company has no obligation to apply for quotation of the options on ASX. However, the Company must apply to ASX for official quotation of Shares issued on the exercise of the options.

At any one time, the total number of options on issue under the Option Plan that have neither been exercised nor lapsed will not exceed 5.0% of the total number of shares in the capital of the Company on issue.

Set out below are summaries of options granted under the plan:

Grant Date	Exercise date	Exercise price	Balance at start of the year Number	Granted during the year Number	Expired during the year Number	Balance at end of the year Number	Unvested at end of the year Number
<b>Consolidated and parent entity – 2009</b>							
27 Jan 2006	5 Jan 2009	\$2.44	400,000	0	0	400,000	0
27 Jan 2006	5 Jan 2010	\$2.44	200,000	0	0	200,000	200,000
27 Jan 2006	5 Jan 2011	\$2.44	200,000	0	0	200,000	200,000
17 April 2006	17 April 2009	\$2.25	75,000	0	0	75,000	0
17 April 2006	17 April 2010	\$2.25	75,000	0	0	75,000	75,000
17 April 2006	17 April 2011	\$2.25	100,000	0	0	100,000	100,000
1 July 2006	1 July 2009	\$2.25	262,500	0	0	262,500	262,500
1 July 2006	1 July 2010	\$2.25	262,500	0	0	262,500	262,500
1 July 2006	1 July 2011	\$2.25	350,000	0	0	350,000	350,000
26 Oct 2006	1 Feb 2009	\$2.44	150,000	0	0	150,000	0
26 Oct 2006	1 Feb 2010	\$2.44	150,000	0	0	150,000	150,000
26 Oct 2006	1 Feb 2011	\$2.44	200,000	0	0	200,000	200,000
23 Aug 2007	24 Jul 2010	\$4.37	180,000	0	0	180,000	180,000
1 August 2008	1 August 2011	\$2.49	0	220,000	0	220,000	220,000
Total			2,605,000	220,000	0	2,825,000	2,200,000
Weighted average exercise price			\$2.32	\$2.49	\$1.97	\$2.49	\$2.49
<b>Consolidated and parent entity – 2008</b>							
19 May 2004	1 July 2007	\$1.97	200,000	0	(200,000)	0	0
27 Jan 2006	5 Jan 2009	\$2.44	400,000	0	0	400,000	400,000
27 Jan 2006	5 Jan 2010	\$2.44	200,000	0	0	200,000	200,000
27 Jan 2006	5 Jan 2011	\$2.44	200,000	0	0	200,000	200,000
17 April 2006	17 April 2009	\$2.25	75,000	0	0	75,000	75,000
17 April 2006	17 April 2010	\$2.25	75,000	0	0	75,000	75,000
17 April 2006	17 April 2011	\$2.25	100,000	0	0	100,000	100,000
1 July 2006	1 July 2009	\$2.25	262,500	0	0	262,500	262,500
1 July 2006	1 July 2010	\$2.25	262,500	0	0	262,500	262,500
1 July 2006	1 July 2011	\$2.25	350,000	0	0	350,000	350,000
26 Oct 2006	1 Feb 2009	\$2.44	150,000	0	0	150,000	150,000
26 Oct 2006	1 Feb 2010	\$2.44	150,000	0	0	150,000	150,000
26 Oct 2006	1 Feb 2011	\$2.44	200,000	0	0	200,000	200,000
23 Aug 2007	24 Jul 2010	\$4.37	0	180,000	0	180,000	180,000
Total			2,625,000	180,000	(200,000)	2,605,000	2,605,000
Weighted average exercise price			\$2.32	\$2.49	\$1.97	\$2.49	\$2.49

### 39 Share-based payments (continued)

#### *Fair value of options granted*

The assessed fair value at grant date of options granted during the period ended 27 June 2009 was 65 cents per option. The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 27 June 2009 included:

- (a) options are granted for no consideration
- (b) exercise price: \$2.49 (2008: \$4.37)
- (c) grant date: 1 August 2008 (2008: 23 August 2007)
- (d) expiry date: 1 August 2011 (2008: 24 July 2010)
- (e) share price at grant date: \$2.85 (2008: \$4.40)
- (f) expected price volatility of the company's shares: 33% (2008: 33%)
- (g) expected dividend yield: 5.0% (2008: 3.5%)
- (h) risk-free interest rate: 4.25% (2008: 6.0%).

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

### 40 Events occurring after the balance sheet date

No matter or circumstance has arisen since 27 June 2009 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION  
Super Cheap Auto Group Limited  
For the period ended 27 June 2009

In the directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 84 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 27 June 2009 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



R D McIlwain  
Director



P A Birtles  
Director

Brisbane  
26 August 2009

## Independent auditor's report to the members of Super Cheap Auto Group Limited

### Report on the financial report

We have audited the accompanying financial report of Super Cheap Auto Group Limited (the company), which comprises the balance sheet as at 27 June 2009, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Super Cheap Auto Group Limited and Super Cheap Auto Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the members of  
Super Cheap Auto Group Limited (continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Super Cheap Auto Group Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 27 June 2009 and of their performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

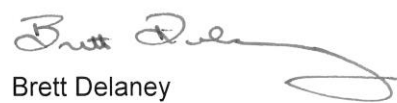
We have audited the Remuneration Report included in pages 22 to 27 of the directors' report for the period ended 27 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Super Cheap Auto Group Limited for the period ended 27 June 2009, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Brett Delaney  
Partner

Brisbane  
26 August 2009



## SHAREHOLDER INFORMATION

Super Cheap Auto Group Limited  
for the period ended 27 June 2009

The shareholder information set out below was applicable as at 26 August 2009.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shareholders	Option holders
1-1000	1,168	
1,001-5,000	1,147	
5,001-10,000	214	
10,001-100,000	148	
100,001 and over	43	21

There were 41 holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
SCA FT PTY LTD	52,402,159	49.00%
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,369,065	9.70%
NATIONAL NOMINEES LIMITED	8,726,010	8.16%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,709,879	4.40%
COGENT NOMINEES PTY LIMITED	2,610,957	2.44%
GEOMAR SUPERANNUATION PTY LTD	1,570,000	1.47%
CITICORP NOMINEES PTY LIMITED	1,425,281	1.33%
CITICORP NOMINEES PTY LIMITED <CFS DEVELOPING COMPANIES AC>	1,374,009	1.28%
SUNCORP CUSTODIAN SERVICES PTY LIMITED & SUNCORP CUSTODIAN SERVICES PTY LIMITED <AET>	1,348,658	1.26%
COGENT NOMINEES PTY LIMITED	1,194,717	1.12%
MR ROBERT EDWARD THORN	1,026,285	0.96%
MR PETER ALAN BIRTLES	1,000,000	0.94%
ANZ NOMINEES LIMITED	908,486	0.85%
CITICORP NOMINEES PTY LIMITED	768,366	0.72%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	740,388	0.69%
CITICORP NOMINEES PTY LIMITED	666,735	0.62%
EQUITAS NOMINEES PTY LIMITED	535,391	0.50%
EQUITAS NOMINEES PTY LIMITED	535,391	0.50%
EQUITAS NOMINEES PTY LIMITED	535,391	0.50%
EQUITAS NOMINEES PTY LIMITED	535,391	0.50%
	<b>94,080,971</b>	<b>87.97%</b>

Super Cheap Auto Group Limited wishes to confirm that, in accordance with ASX Listing Rule 4.10.4, the substantial holders in the company as at 26 August 2009 were:-

Name	Ordinary shares Number held	Percentage of issued shares
SCA FT PTY LTD	52,402,159	49.00%
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,369,065	9.70%
NATIONAL NOMINEES LIMITED	8,726,010	8.16%

## **SUPERCHEAP AUTO**

### **AUSTRALIAN CAPITAL TERRITORY**

BELCONNEN (02) 6253 5660  
FYSHWICK (02) 6239 2333  
TUGGERANONG (02) 6293 2233

### **NEW SOUTH WALES**

ALBURY (02) 6041 1866  
ARMIDALE (02) 6771 1955  
AUBURN (02) 9648 5722  
BALLINA (02) 6681 4755  
BANKSTOWN (02) 9709 6500  
BATHURST (02) 6331 7122  
BELLA VISTA (02) 8814 6335  
BENNETTS GREEN (02) 4947 4088  
BLACKTOWN (02) 9676 1444  
BONDI JUNCTION (02) 9389 3968  
BROOKVALE (02) 9905 5666  
CAMPBELLTOWN (02) 4625 9000  
COFFS HARBOUR (02) 6651 8550  
DAPTO (02) 4260 9120  
DUBBO (02) 6882 0611  
ERINA (02) 4367 4850  
FAIRY MEADOW (02) 4225 2366  
GLENDALE (02) 4954 6066  
GOULBURN (02) 4822 9190  
GRAFTON (02) 6642 7222  
GRIFFITH (02) 6962 9566  
HURSTVILLE (02) 9580 1722  
INVERELL (02) 6722 5466  
KOTARA (02) 4965 5488  
LAKE HAVEN (02) 4392 7077  
LAKE ROAD (02) 6581 5778  
LAKEMBA (02) 9740 9999  
LISMORE (02) 6622 7797  
LIVERPOOL (02) 9600 7100  
MAITLAND (02) 4933 5133  
MCGRATHS HILL (02) 4577 8822  
MENAI (02) 9543 3577  
MITTAGONG (02) 4872 3820  
MOREE (02) 6752 4755  
MT DRUITT (02) 9677 1400  
MUDGEES (02) 6372 7055  
NARELLAN (02) 4647 4533  
NEWCASTLE (02) 4968 9833  
NORTH PARRAMATTA (02) 9683 4188  
NOWRA (02) 4422 9700  
ORANGE (02) 6369 1066  
PENRITH (02) 4733 3322  
PORT MACQUARIE (02) 6583 2099  
QUEANBEYAN (02) 6299 4099  
ROCKDALE (02) 9567 0966  
SHELLHARBOUR (02) 4297 6899  
SINGLETON (02) 6571 5955  
TAMWORTH (02) 6762 4433  
TAREE (02) 6551 6211  
TUGGERAH (02) 4355 4055  
TWEED HEADS (07) 5524 8911  
ULLADULLA (02) 4455 3488  
VILLAWOOD (02) 9632 0877  
WAGGA WAGGA (02) 6921 6922  
WARWICK FARM (02) 9822 7299  
WENTWORTHVILLE (02) 9896 0166

WEST GOSFORD (02) 4323 2044  
WETHERILL PARK (02) 9604 9622

### **NORTHERN TERRITORY**

ALICE SPRINGS (08) 8952 7455  
BERRIMAH (08) 8932 9866  
DARWIN (08) 8985 4898

### **QUEENSLAND**

ACACIA RIDGE (07) 3274 6311  
AIRLIE BEACH (07) 4948 3644  
ASHMORE (07) 5539 2033  
AYR (07) 4783 7377  
BEENLEIGH (07) 3287 2777  
BILOELA (07) 4992 5299  
BOOVAL (07) 3282 6356  
BROWNS PLAINS (07) 3806 8177  
BUNDABERG (07) 4151 1111  
BURLEIGH (07) 5576 6000  
BURPENGARY (07) 3888 9366  
CABOOLTURE (07) 5499 0488  
CAIRNS (Earlville) (07) 4033 0600  
CANNON HILL (07) 3395 8622  
CAPALABA (07) 3823 1677  
CARSELDINE (07) 3261 4777  
CHERMSIDE (07) 3359 4930  
CLEVELAND (07) 3286 5777  
CURRIMUNDI (07) 5437 7400  
DALBY (07) 4662 2933  
DECEPTION BAY (07) 3204 8100  
ENOGGERA (07) 3855 3188  
GLADSTONE (07) 4976 9133  
GOODNA (07) 3818 0722  
GYMPIE (07) 5482 7566  
HERMIT PARK (07) 4721 6488  
HERVEY BAY (Pialba) (07) 4124 1211  
INNISFAIL (07) 4061 4788  
IPSWICH (07) 3812 2366  
KALLANGUR (07) 3204 4922  
KAWANA WATERS (07) 5478 3555  
KEPERRA (07) 3851 3611  
KINGAROY (07) 4162 5733  
LABRADOR (07) 5537 7977  
LAWNTON (07) 3881 2800  
LOGANHOLME (07) 3209 9322  
LOGANLEA (07) 3805 2688  
MACGREGOR (07) 3849 6822  
MACKAY (07) 4942 2344  
MACKAY CITY (07) 4951 0944  
MANUNDA (07) 4053 6912  
MAROOCHYDORE (07) 5479 4844  
MARYBOROUGH (07) 4121 3332  
MERMAID BEACH (07) 5554 6233  
MOOROOKA (07) 3892 2565  
MT ISA (07) 4749 3785  
NERANG (07) 5527 3988  
NOOSA (07) 5455 5444  
NUNDAH (07) 3256 7600  
OXENFORD (07) 5573 4422  
REDCLIFFE (07) 3284 2055  
ROBINA (07) 5578 8477  
ROCKHAMPTON (07) 4922 5433  
SMITHFIELD (Cairns) (07) 4038 1588

SOUTHPORT (07) 5527 0666  
STONES CORNER (07) 3394 4844  
TAIGUM (07) 3265 7211  
TARINGA (07) 3871 3808  
THE PINES (07) 5534 5633  
THURINGOWA (07) 4773 9000  
TOOWOOMBA CITY (07) 4632 0799  
TOOWOOMBA SOUTH (07) 4635 7577  
TOWNSVILLE (Garbutt) (07) 4725 6866  
UNDERWOOD (07) 3841 3400  
VICTORIA POINT (07) 3207 9262  
WARWICK (07) 4661 7633  
WINDSOR (07) 3857 0677  
WYNNUM (07) 3348 2044  
YAMANTO (07) 3294 1033  
YEPPON (07) 4930 2166

### **SOUTH AUSTRALIA**

BLAIR ATHOL (08) 8269 7122  
DARLINGTON (08) 8358 3566  
ELIZABETH (08) 8287 6533  
KILKENNY (08) 8347 2214  
MARION (08) 8296 2210  
MUNNO PARA (08) 8254 7999  
NOARLUNGA (08) 8384 2833  
PARA HILLS (08) 8258 2760  
PORT ADELAIDE (08) 8447 6088  
SALISBURY (08) 8258 4811  
THEBARTON (08) 8354 0666  
WHYALLA (08) 8645 5159

### **TASMANIA**

BURNIE (03) 6432 4855  
CAMBRIDGE (03) 6248 4655  
DEVONPORT (03) 6424 3244  
GLENORCHY (03) 6272 9200  
LAUNCESTON (03) 6333 0511

### **VICTORIA**

BAIRNSDALE (03) 5153 2799  
BALLARAT (03) 5339 9455  
BENDIGO (03) 5442 7877  
BLACKBURN (03)  
BRIMBANK (03) 8390 2611  
BROADMEADOWS (03) 9309 2799  
CARRUM DOWNS (03) 9782 8305  
COLAC (03) 5231 4099  
CRANBOURNE (03) 5995 7299  
DANDENONG (03) 9706 7788  
ECHUCA (03) 5480 6788  
EPPING (03) 9408 4288  
ESSENDON (03) 9379 3600  
FRANKSTON (03) 9781 2288  
HOPPERS CROSSING (03) 9748 7277  
HORSHAM (03) 5382 5000  
KANGAROO FLAT (03) 5447 9144  
KEYSBOROUGH (03) 9798 8466  
KNOX CITY (03) 9800 4722  
MARIBYRNONG (03) 9318 8444  
MENTONE (03) 9585 0399  
MILDURA (03) 5022 2588  
MOE (03) 5126 1755



MORNINGTON (03) 5976 4611  
NARRE WARREN (03) 9705 9199  
NORTH GEELONG (03) 5272 3277  
NUNAWADING (Blackburn) (03) 9894 7377  
PRESTON (03) 9484 6006  
RINGWOOD (03) 9847 0055  
ROWVILLE (03) 9764 1677  
ROXBURGH PARK (03) 8339 0765  
SALE (03) 5144 3466  
SHEPPARTON (03) 5831 3944  
SUNBURY (03) 9746 3610  
SUNSHINE (03) 9310 2488  
THOMASTOWN (03) 9466 3699  
TRARALGON (03) 5174 9755  
WANGARATTA (03) 5722 3244  
WARRAGUL (03) 5623 5699  
WARRNAMBOOL (03) 5561 7660  
WATERGARDENS (03) 9390 9699  
WAURN PONDS (03) 5241 8947  
WERRIBEE (03) 9748 0055  
WODONGA (02) 6024 3733  
YARRAVILLE (03) 9318 9928

#### **WESTERN AUSTRALIA**

ALBANY (08) 9842 5400  
BALCATT A (08) 9240 1566  
BELMONT (08) 9477 5699  
BUNBURY (08) 9721 9977  
CANNING VALE (08) 9455 3411  
CANNINGTON HOMETOWN (08) 9258 7294  
CLARKSON (08) 9407 9533  
GERALDTON (08) 9921 8244  
GOSNELLS (08) 9398 4822  
JOONDALUP (08) 9300 0744  
KALGOORLIE (08) 9021 7145  
MANDURAH (08) 9581 8588  
MIDLAND (08) 9274 5422  
MIRRABOOKA (08) 9344 3255  
MORLEY (08) 9375 6933  
MYAREE (08) 9317 7699  
O'CONNOR (08) 9314 3822  
OSBORNE PARK (08) 9443 3711  
ROCKINGHAM (08) 9592 7999  
SPEARWOOD (08) 9494 2144  
VICTORIA PARK (08) 9361 8422  
WHITFORD (08) 9403 0444

#### **NEW ZEALAND**

ALBANY 0011 64 9 448 2461  
ALICETOWN 0011 64 4 569 1576  
ASHBURTON 0011 64 3 307 2960  
BLENHEIM 0011 64 3 579 3480  
BOTANY 0011 64 9 273 8160  
CAMBRIDGE 0011 64 7 823 7618  
DUNEDIN 0011 64 3 477 2590  
FEILDING 0011 64 6 323 2074  
GISBORNE 0011 64 6 868 3760  
HAMILTON 0011 64 7 834 3586  
HASTINGS 0011 64 6 870 4521  
HAWERA 0011 64 6 278 3641  
HENDERSON 0011 64 9 984 9001  
INVERCARGILL 0011 64 3 214 4385  
KELSTON 0011 64 9 813 2091

LEVIN 0011 64 6 368 3195  
LYALL BAY 0011 64 4 387 1092  
MANUKAU 0011 64 9 250 4392  
MASTERTON 0011 64 6 370 3308  
MT MAUNGANUI 0011 64 7 574 1593  
MT WELLINGTON 0011 64 9 574 6435  
NAPIER 0011 64 6 842 1461  
NEW PLYMOUTH 0011 64 6 758 3882  
PALMERSTON NORTH 0011 64 6 354 1743  
PAPANUI 0011 64 3 354 8123  
PARAPARAUMU 0011 64 4 298 1523  
PORIRUA 0011 64 4 238 2641  
PUKEKOHE 0011 64 9 239 2073  
RICCARTON 0011 64 3 341 5087  
ROTORUA 0011 64 7 348 5275  
STOKE 0011 64 3 547 8394  
TAKANINI 0011 64 9 299 8615  
TAUPO 0011 64 7 376 5023  
TAURANGA 0011 64 7 579 5436  
TIMARU 0011 64 3 686 9068  
UPPER HUTT 0011 64 4 528 0278  
WAIRAU PARK 0011 64 9 442 1905  
WANGANUI 0011 64 6 348 9407  
WESTGATE 0011 64 9 832 1830  
WHAKATANE 0011 64 7 308 9072  
WHANGAREI 0011 64 9 459 6440  
WOOLSTON 0011 64 3 389 1249

#### **BCF**

#### **NEW SOUTH WALES**

ALBURY (02) 6023 6877  
AUBURN (02) 9648 4366  
BATHURST (02) 6331 4188  
BENNETTS GREEN (02) 4947 4066  
CAMPBELLTOWN (02) 4620 4855  
CASTLE HILL (02) 9680 7833  
COFFS HARBOUR (02) 6651 6500  
PENRITH (02) 4733 0110  
PORT MACQUARIE (02) 6583 2455  
TUGGERAH (02) 4351 7655  
WAGGA WAGGA (02) 6921 2155  
WARRAWONG (02) 4274 1955  
WEST GOSFORD (02) 4322 5833

#### **NORTHERN TERRITORY**

DARWIN (08) 8948 0099

#### **QUEENSLAND**

BROWNS PLAINS (07) 3800 1733  
BUNDABERG (07) 4151 6566  
BURLEIGH (07) 5593 8600  
CAIRNS (07) 4051 8155  
CALOUNDRA (07) 5438 9400  
CANNON HILL (07) 3890 2744  
CAPALABA (07) 3245 2220  
GLADSTONE (07) 4978 0611  
HERVEY BAY (07) 4194 1366  
IPSWICH (07) 3202 4455  
KEPERRA (07) 3851 4625  
LABRADOR (07) 5500 5700  
LAWNTON (07) 3889 2911  
LOGANHOLME (07) 3801 3900  
MACKAY (07) 4942 3499

MAROOCHYDORE (07) 5479 2390  
MORAYFIELD (07) 5433 0499  
NOOSA (07) 5440 5866  
ROCKHAMPTON (07) 4926 5055  
TOOWOOMBA (07) 4638 7511  
TOWNSVILLE (07) 4775 6300  
UNDERWOOD (07) 3808 2405  
VIRGINIA (07) 3216 5077

#### **SOUTH AUSTRALIA**

GEPPS CROSS (08) 8260 3716  
RICHMOND (08) 8352 3533

#### **VICTORIA**

BALLARAT (03) 5339 8011  
BAYSWATER (03) 9729 2175  
BENDIGO (03) 5447 3751  
BRAESIDE (03) 9701 8200  
EPPING (03) 9408 9323  
LAVERTON (03) 9360 9433  
MORNINGTON (03) 5976 8424  
SHEPPARTON (03) 5822 4963  
TRARALGON 03 5176 5211

#### **WESTERN AUSTRALIA**

ALBANY (08) 9841 2133  
BALCATT A (08) 9240 1700  
BUNBURY (08) 9791 5233  
CAMPBELL'S PROTACKLE (08) 9444 3710  
CANNINGTON (08) 9350 5888  
GERALDTON (08) 9921 3144  
JOONDALUP (08) 9301 4011  
MANDURAH (08) 9581 6399  
MIDLAND (08) 9250 2166  
MYAREE (08) 9317 6011  
ROCKINGHAM (08) 9527 9005

#### **GOLDCROSS**

#### **QUEENSLAND**

BURLEIGH (07) 5576 3772  
FORTITUDE VALLEY (07) 3852 5808  
LABRADOR (07) 5529 1500  
LAWNTON (07) 3205 1096  
MAROOCHYDORE (07) 5479 4200  
RIDERS MACGREGOR (07) 3849 5333  
VICTOR CYCLES BRISBANE (07) 3211 0111

#### **VICTORIA**

CAMBERWELL (03) 9882 0400  
CHADSTONE (03) 9563 2322  
CHIRNSIDE PARK (03) 9727 3110  
CRANBOURNE (03) 5991 4550  
EPPING (03) 9408 0011  
FOUNTAIN GATE (03) 9705 3333  
HOPPERS CROSSING (03) 9369 9556  
KNOX CITY (03) 9887 0833  
MOONEE PONDS (03) 9370 7033  
RICHMOND (03) 9427 8844  
WAURN PONDS (03) 5245 7222



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