

## MANAGING DIRECTOR'S REPORT

# BOB THORN, MANAGING DIRECTOR, TELLS US ABOUT HIS TIME WITH SUPER CHEAP AUTO, REFLECTING ON THE PAST AND HOW HE SEES THE FUTURE

2005 will be my twelfth year with Super Cheap Auto, the last eight of which I have served as Managing Director. I clearly recall the business in 1993 at eight stores and less than 100 people. We had a vision as to where we wanted the company to be, however, some may have doubted our goals at that point in time. It is extremely pleasing to see those plans come to fruition and with it an enormous sense of achievement.

Our success at Super Cheap Auto is a combination of passion and hard work from a dedicated team of people. Each and every one of our 3000 team members have played an important role in achieving our many milestones. Our approach in some ways is relatively simple... We set clear and precise goals which are understood by everyone; we have trust and respect in our people; we provide feedback on our progress and we continually review and adjust our plan. This approach has allowed us to 'smash-through' and achieve our successes to date. This approach is what makes the Super Cheap Auto Team Culture!

### Q. What are your main priorities in your role as Managing Director?

A. As Managing Director I am responsible with our management team for delivering profitable results and strong returns for all our shareholders. To achieve this we need to ensure the strength of the existing business while at the same time defining our plans and guiding our business to our target of 300 stores across Australia and New Zealand. Generally people speak of sales growth, gross margin and expense and capital management, as the main drivers of a business. Although these are important issues, I also see that one of my main responsibilities is to maintain and strengthen the Super Cheap Auto Team Culture.

Our culture is based on a set of principles or values that are the foundation of our business. We have developed a set of Team Framework Principles that we use to operate the business on a day to day basis. It is more than just the written word. There is a requirement of me to apply and practice these values and principles in the way we operate right across the business. I believe that the Chief Executive's role is to lead by example and help all our people to understand the importance of our culture.

### What have been your highlights of the 2003/04 year?

The 2004 financial year has been a year of dramatic change for our company. Over the last 10 years our business has been growing at over 27% compound growth per annum. In our early years although the growth in percentage terms was large, the growth in store numbers was small. As the years rolled on, the growth continued and the store numbers and people have grown substantially. There have been many substantial changes in the business over the years, but in the 2004 financial year, we have set new levels of change for the company.

Our first and only acquisition of the Perth-based Marlows Rocca's business which operated in WA, SA and Victoria occurred in May 2003, however the transformation happened in the 2004 financial year. The conversion of 20 stores and two distribution centres to Super Cheap Auto over a seven week period was a major achievement.

In addition to this, we restructured our supply chain processes and now operate three distribution centres, Malaga WA servicing WA, SA and NT; Lawnton, Qld servicing the balance of Australia and part of New Zealand; and Wiri in Auckland, NZ servicing our New Zealand requirements. This new structure was essential to service our Australian stores and as importantly to facilitate our entry into the New Zealand market.

On 29 November 2003, we opened seven stores in New Zealand on the one day and two in Australia. With the TV advertisements boasting the catch-phrase "New Zealand, you've been paying too much for too long!" we saw Super Cheap establish new ground in the North Island of New Zealand. That weekend broke all previous records for sales and transactions for an opening day and weekend... and New Zealand customers were certainly attracted to the Super Cheap Auto offer and have continued to support us since that day. From a zero base, we have now grown to 21 stores across both islands of New Zealand and we see positive signs of future growth in that country.

In addition to the acquisition, restructured supply chain, expansion into New Zealand, opening 18 stores in Australia and growing the business by 39% we also had the pressure of preparing for our Initial Public Offering which occurred on 6 July 2004.

With all this activity, 2004 will be a year proudly remembered for many years to come.