



BOATING # CAMPING # FISHING

SUPER CHEAP AUTO GROUP LIMITED (SUL)
HALF YEAR REPORT
FOR THE 26 WEEK PERIOD ENDED 31 DECEMBER 2005

| | Section |
|----------------------------|---------|
| Appendix 4D | A |
| Half Year Financial Report | B |

SECTION A

APPENDIX 4D HALF YEAR REPORT

SUPER CHEAP AUTO GROUP LIMITED (SUL)

ABN 81 108 676 204

Statutory Results

Current Reporting Period: From 3 July to 31 December 2005
Previous Reporting Period: From 27 June to 25 December 2004

Results for Announcement to the Market

| | | Amount \$'000 |
|---|-------------|------------------|
| Revenue from ordinary activities | Up 19% to | 264,880 |
| Profit from ordinary activities after tax attributable to members | Down 47% to | 5,971 |
| Net profit for the period attributable to members | Down 47% to | 5,971 |

For commentary on the results refer to the Company Release and Investor Presentation.

Net Tangible Assets per Security

| | 2005 \$ | 2004 \$ |
|----------------------------------|------------|------------|
| Net Tangible assets per security | 0.45 | 0.43 |

Financial Information

The Appendix 4D should be read in conjunction with the consolidated financial report for the 26 weeks ending 31 December 2005 as set out on pages 4 to 35.

Foreign Entities

Foreign entities have been accounted for in accordance with Australian Accounting Standards.

Dividends – Ordinary Shares

| | Amount per security | Franked amount per security |
|--|---------------------|-----------------------------|
| 2006 Interim dividend declared 23 February 2006 (payable 5 April 2006) | 3.0¢ | 3.0¢ |
| Record date for determining entitlements to the interim dividend | 14 March 2006 | |

The Company does not have a Dividend Reinvestment Plan.

Information on Audit or Review

The half-year report is based on accounts which have been subject to review.

SECTION B

**SUPER CHEAP AUTO GROUP LIMITED
INTERIM FINANCIAL REPORT
FOR THE 26 WEEKS ENDED 31 DECEMBER 2005**

| | Page |
|--|-------------|
| Directors' Report | 4 |
| Consolidated Income Statement | 5 |
| Consolidated Balance Sheet | 6 |
| Consolidated Statement of Changes in Equity | 7 |
| Consolidated Cash Flow Statement | 8 |
| Notes to the Financial Statements | 9 |
| Directors' Declaration | 35 |
| Auditor's Independence Declaration | 36 |
| Independent Review Report | 37 |

DIRECTORS' REPORT

The Directors of Super Cheap Auto Group Limited submit herewith the financial report for the 26 week period ended 31 December 2005.

The names of the Directors of the Company during or since the end of the period are:

R D McIlwain
R E Thorn (resigned 27 January 2006)
R A Rowe
D D McDonough
R J Wright
P A Birtles (appointed 5 January 2006)

Review of Operations

The consolidated net profit for the period was \$5,971,000 (2004: \$11,339,000). Sales for the period were \$264,678,000 (2004: \$221,819,000).

Highlights during the half year included:

- Opening 14 stores across Australia and New Zealand bringing total store numbers to 225 for Super Cheap Auto
- BCF business launched on 15 October 2005, with a total of 12 stores operating at 31 December 2005. Set-up costs of \$4,000,000 were charged to earnings during the period.
- Major sponsor of the Bathurst V8 race. The sponsorship and marketing spend resulted in an incremental charge at \$2,000,000 over the corresponding period
- Sales growth of 19.3% over the corresponding period, with the new BCF business contributing \$27,560,000 to sales during the half

Net cash flow was strong with cash flow from operating activities at \$22,499,000 which has helped to fund the roll out of the BCF business, whilst still reducing debt levels during the period. Net debt at 31 December was \$70,765,000, a \$4,432,000 reduction during the period.

Dividends

On 23 February 2006, the Directors declared a dividend of 3.0 cents fully franked. The dividend will be paid on 5 April 2006.

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 and Financial Report. Amounts rounded are rounded off to the nearest thousand dollars.

Auditor's Independence Declaration

The lead auditor's Independence Declaration was received in accordance with Section 307C of the Corporations Act 2001 a copy of which is included at page 36 of this report.

Signed in accordance with a resolution of Directors.

On behalf of the Directors.



R D McIlwain
Director



P A Birtles
Director

Brisbane
23 February 2006

CONSOLIDATED INCOME STATEMENT
For the 26 weeks ended 31 December 2005

| | Notes | Consolidated entity | |
|---|-------|-------------------------------|-------------------------------|
| | | 31 December 2005 \$'000 | 25 December 2004 \$'000 |
| Revenue from ordinary activities | | | |
| Sale of goods | | 264,678 | 221,819 |
| Other revenues from ordinary activities | | 202 | 107 |
| Total revenues | | <u>264,880</u> | <u>221,926</u> |
| Expenses from ordinary activities | | | |
| Cost of sales of goods | | 162,022 | 131,333 |
| Other expenses from ordinary activities | | | |
| - selling and distribution | | 28,294 | 24,386 |
| - marketing | | 20,504 | 12,925 |
| - occupancy | | 17,362 | 14,349 |
| - administration | | 25,613 | 20,616 |
| Borrowing costs expense | | 2,394 | 2,133 |
| Total expenses | | <u>256,189</u> | <u>205,742</u> |
| Profit from continuing operations before income tax | 3 | 8,691 | 16,184 |
| Income tax expense | 4 | <u>(2,720)</u> | <u>(4,845)</u> |
| Profit for the half year | | 5,971 | 11,339 |
| Profit attributable to members of Super Cheap Auto Group Limited | | <u>5,971</u> | <u>11,339</u> |
| Earnings per share | | | |
| | | Cents | Cents |
| Basic earnings per share | | 5.6 | 10.7 |
| Diluted earnings per share | | 5.6 | 10.7 |

The above consolidated income statement must be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

| | Notes | Consolidated entity | |
|--------------------------------|-------|-------------------------------|--------------------------|
| | | 31 December 2005 \$'000 | 2 July 2005 \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 6,268 | 6,426 |
| Receivables | 6 | 6,698 | 6,607 |
| Inventories | 7 | 131,159 | 123,183 |
| Other | 8 | 4,879 | 5,120 |
| Total current assets | | <u>149,004</u> | <u>141,336</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 48,829 | 41,511 |
| Intangible assets | 10 | 58,303 | 58,350 |
| Deferred tax assets | 11 | 5,758 | 5,930 |
| Total non-current assets | | <u>112,890</u> | <u>105,791</u> |
| Total assets | | <u>261,894</u> | <u>247,127</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 12 | 68,286 | 50,044 |
| Interest bearing liabilities | 13 | 77,033 | 81,623 |
| Current tax liabilities | 14 | 587 | 696 |
| Provisions | 15 | 8,967 | 7,927 |
| Total current liabilities | | <u>154,873</u> | <u>140,290</u> |
| Non-current liabilities | | | |
| Interest bearing liabilities | 16 | 0 | 0 |
| Deferred tax liabilities | 17 | 323 | 1,185 |
| Provisions | 18 | 1,055 | 984 |
| Total non-current liabilities | | <u>1,378</u> | <u>2,169</u> |
| Total liabilities | | <u>156,251</u> | <u>142,459</u> |
| Net assets | | <u>105,643</u> | <u>104,668</u> |
| EQUITY | | | |
| Contributed equity | 19 | 84,233 | 84,233 |
| Reserves | 20 | 63 | 263 |
| Retained profits | 20 | 21,347 | 20,172 |
| Total Equity | | <u>105,643</u> | <u>104,668</u> |

The above consolidated balance sheet must be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 26 weeks ended 31 December 2005

| | Notes | Consolidated entity | |
|---|-------|-------------------------------|-------------------------------|
| | | 31 December 2005 \$'000 | 25 December 2004 \$'000 |
| Total equity at the beginning of the period | | 104,668 | 84,846 |
| Adjustment on adoption of AASB132 and AASB139, net of tax: | | | |
| Retained Profits | 20 | (7) | 0 |
| Reserves | 20 | 7 | 0 |
| Cash flow hedges, net of tax | 20 | (57) | 0 |
| Exchange differences on translation of foreign operations | 20 | 43 | 52 |
| Net income/(expense) recognised directly in equity | | (14) | 52 |
| Profit for the period | | 5,971 | 11,339 |
| Total recognised income and expense for the period attributable to the members of Super Cheap Auto Group Limited | | 5,957 | 11,391 |
| Transactions with equity holders in their capacity as equity holders: | | | |
| Dividends provided for or paid | | (4,789) | 0 |
| Employee share options | 20 | (193) | 120 |
| Total equity at the end of the period | | 105,643 | 96,357 |
| Effects of changes in accounting policy included in profit above | 3 | 0 | 4,488 |

The above consolidated statement of changes in equity must be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT
For the 26 weeks ended 31 December 2005

| | Notes | Consolidated entity | |
|---|-------|-------------------------------|-------------------------------|
| | | 31 December 2005 \$'000 | 25 December 2004 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of goods and services tax) | | 291,547 | 245,173 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (248,133) | (215,901) |
| Payments to related party suppliers (inclusive of rental) | | (4,030) | (3,715) |
| Rental payments | | (13,483) | (10,417) |
| Income taxes paid | | (3,402) | (4,052) |
| Net cash inflow from operating activities | 24 | <u>22,499</u> | <u>11,088</u> |
| Cash flows from investing activities | | | |
| Payments for business acquired | | 0 | (1,000) |
| Payments for property, plant and equipment | | (11,089) | (8,087) |
| Proceeds from sale of property, plant and equipment | | 43 | 81 |
| Proceeds from sale of Service Centres in prior year | | 125 | 824 |
| Net cash inflow/(outflow) from investing activities | | <u>(10,921)</u> | <u>(8,182)</u> |
| Cash flows from financing activities | | | |
| Proceeds from external borrowings | | 237,100 | 64,500 |
| Repayments of external borrowings | | (241,750) | (62,250) |
| Repayments of advances to related parties | | 46 | 951 |
| External interest paid | | (2,391) | (1,959) |
| External interest received | | 0 | 98 |
| Dividend paid to company's shareholders | | (4,789) | (5,000) |
| Net cash inflow (outflow) from financing activities | | <u>(11,784)</u> | <u>(3,660)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (206) | (754) |
| Cash and cash equivalents at the beginning of the period | | 6,426 | 13,640 |
| Effects of exchange rate changes on cash and cash equivalents | | 48 | 50 |
| Cash and cash equivalents at the end of the financial period | 5 | <u>6,268</u> | <u>12,936</u> |

The above consolidated cash flow statement must be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2005

1. Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB134: Interim Financial Reporting.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the period ended 2 July 2005 and any public announcements made by Super Cheap Auto Group Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Application of AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This interim financial report is the first Super Cheap Auto Group Limited interim financial report to be prepared in accordance with Australian International Financial Reporting Standards (“AIFRS”). AASB1 First-time adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Super Cheap Auto Group Limited until 2 July 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Policies (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB1 to only apply AASB132 Financial Instruments: Disclosure and presentation and AASB139 Financial Instruments: Recognition and measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group’s equity and its net income are given in Note 25.

This financial report is prepared in accordance with 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 31 December 2005 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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(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 probably 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.

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

(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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(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 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.

(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 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) Financial assets

From 26 June 2004 to 2 July 2005

The Group has taken the exemption available under AASB1 to apply AASB132 and AASB139 only from 3 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 2 July 2005.

Adjustments on transition date: 3 July 2005

The nature of the main adjustments to make this information comply with AASB132 and AASB139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is exclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (3 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

From 3 July 2005

The Group classifies its investments 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 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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(j) Derivatives

From 26 June 2004 to 2 July 2005

The Group has taken the exemption available under AASB1 to apply AASB132 and AASB139 from 3 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB132 and AASB139. For further information on previous AGAAP refer to the annual report for the year ended 2 July 2005.

Adjustments on transition date: 3 July 2005

The nature of the main adjustments to make this information comply with AASB132 and AASB139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (3 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 3 July 2005

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 fair values or cash flows of hedged items.

(i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) *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.

(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 Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(k) 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.

(l) Property, plant & equipment

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

Plant and Equipment are measured on the cost basis.

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.

(m) Acquisition of assets

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 of 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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(n) 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).

(o) 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:

| | Depreciation rate |
|--|-------------------|
| Plant and equipment | 10% - 37.5% |
| Capitalised leased plant and equipment | 10% - 37.5% |
| Motor vehicles | 15% |
| Computer systems | 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.

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.

(p) 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.

(q) 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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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) 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.

(r) Trade and other creditors

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.

(s) Interest bearing liabilities

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.

(t) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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.

(u) Dividends

Provision is made for the amount of any dividend declared by the Directors on or before the end of the financial period but not distributed at balance date.

(v) 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 in respect of employees' services up to the reporting date 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.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(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.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

No options were granted before 7 November nor were any vested before 1 January 2005.

Shares options granted after 7 November 2002 and vested after 1 January 2005

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 Black-Scholes 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.

(w) **Borrowing 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 a straight line 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;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(x) 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.

(y) 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.

(z) 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. Expected future payments are discounted using appropriate market yields at reporting date.

(aa) Tax consolidation legislation

Effective 1 July 2003, for the purposes of income taxation, Super Cheap Auto Group Limited and its wholly-owned Australian controlled entities formed a tax consolidation group.

As a consequence, Super Cheap Auto Group Limited as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax funding agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax funding agreement are recognised as a component of income tax expenses (revenue).

(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.

2. Segment information

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

Super Cheap 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.

Business Segments

| Half-year | Super Cheap | BCF | Total | Inter-segment | Consolidated |
|--------------------------------------|----------------|----------------|----------------|------------------------------|----------------|
| 2005 | Auto | \$'000 | continuing | eliminations/ unallocated | \$'000 |
| | \$'000 | \$'000 | operations | \$'000 | \$'000 |
| | | | \$'000 | | |
| Total segment revenue | 246,422 | 18,458 | 264,880 | 0 | 264,880 |
| Unallocated revenue | | | | | 0 |
| Total revenue and other income | | | | | 264,880 |
| Segment result (pre-borrowing costs) | 13,671 | (2,586) | 11,085 | 0 | 11,085 |
| Net borrowing costs | | | | (2,394) | (2,394) |
| Profit before income tax | | | | | 8,691 |
| Half-year | | | | | |
| 2004 | | | | | |
| Total segment revenue | 221,926 | 0 | 221,926 | 0 | 221,926 |
| Unallocated revenue | | | | | 0 |
| Total revenue and other income | | | | | 221,926 |
| Segment result (pre-borrowing costs) | 18,317 | 0 | 18,317 | 0 | 18,317 |
| Net borrowing costs | | | | (2,133) | (2,133) |
| Profit before income tax | | | | | 16,184 |

Notes to the Consolidated Financial Statements (continued)

| | Consolidated entity | |
|---|-------------------------------|-------------------------------|
| | 31 December 2005 \$'000 | 25 December 2004 \$'000 |
| 3. Income and Expenses | | |
| Profit before income tax includes the following specific expenses: | | |
| Net gain arising from change to inventory valuation methodology (a) | 0 | 4,488 |
| Depreciation | | |
| - Motor vehicles | 166 | 128 |
| - Computer equipment | 1,641 | 1,153 |
| - Plant and equipment | 2,169 | 1,892 |
| Total depreciation | <u>3,976</u> | <u>3,173</u> |
| Amortisation | | |
| - Computer software | 1,036 | 693 |
| | <u>1,036</u> | <u>693</u> |
| Finance costs – net | | |
| - Interest and finance charges paid/payable | 2,394 | 2,133 |
| | <u>2,394</u> | <u>2,133</u> |
| Net (gain) loss on disposal of property, plant and equipment | 41 | 88 |
| Rental expense relating to operating leases | | |
| - Minimum lease payments | 16,882 | 13,684 |
| - Contingent rentals | 0 | 0 |
| - Equipment hire | 445 | 424 |
| Total rental expense relating to operating leases | <u>17,327</u> | <u>14,108</u> |
| Foreign exchange gains and losses | | |
| - Net foreign exchange loss/(gains) | (534) | (129) |
| Defined contribution superannuation expense | <u>2,708</u> | <u>2,172</u> |

- (a) Change of methodology of trading stock valuation has resulted in a one off credit to the Income Statement of \$4.5 million pre-tax. This change concerns capitalisation of supply chain costs. The change ensures consistency between accounting and taxable profits following the release of ATO Practice Statement LA 2003/13.

Notes to the Consolidated Financial Statements (continued)

Consolidated entity

| 31 December 2005 \$'000 | 25 December 2004 \$'000 |
|-------------------------------|-------------------------------|
|-------------------------------|-------------------------------|

4. Income Tax

Income tax expense

The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:

| | | |
|---|--------------|--------|
| Profit/(loss) from continuing operations before income tax | 8,691 | 16,184 |
| Tax at Australian tax rate of 30% (2004: 30%) | 2,607 | 4,855 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| - share-based payments | (58) | 36 |
| - other sundry items | 20 | (46) |
| Difference in overseas tax rates | 55 | 61 |
| Prior year (over)/under provision | 96 | (61) |
| Aggregate income tax expense | 2,720 | 4,845 |

Consolidated entity

| 31 December 2005 \$'000 | 2 July 2005 \$'000 |
|-------------------------------|--------------------------|
|-------------------------------|--------------------------|

5. Current assets – cash and cash equivalents

| | | |
|--|--------------|-------|
| Cash on hand | 864 | 373 |
| Cash at bank | 5,404 | 6,001 |
| Deposits at call | 0 | 52 |
| Total current assets – cash and cash equivalents | 6,268 | 6,426 |

6. Current assets – receivables

| | | |
|------------------------------------|--------------|-------|
| Trade debtors | 6,116 | 5,988 |
| Sundry debtors | 453 | 448 |
| Security deposits | 118 | 127 |
| Related parties | 11 | 44 |
| Total current assets – receivables | 6,698 | 6,607 |

7. Current assets – inventories

| | | |
|-------------------------|----------------|---------|
| Finished goods, at cost | 131,159 | 123,183 |
|-------------------------|----------------|---------|

Notes to the Consolidated Financial Statements (continued)

| | Consolidated entity | |
|--|-------------------------------|--------------------------|
| | 31 December 2005 \$'000 | 2 July 2005 \$'000 |
| 8. Current assets – other | | |
| Prepayments | 4,879 | 5,120 |
| | <u>4,879</u> | <u>5,120</u> |
| 9. Non-current assets – property, plant and equipment | | |
| Plant and equipment, at cost | 51,972 | 43,274 |
| Less accumulated depreciation | (13,933) | (11,774) |
| Net plant and equipment | <u>38,039</u> | <u>31,500</u> |
| Motor vehicles | 1,348 | 1,139 |
| Less accumulated depreciation | (577) | (487) |
| Net motor vehicles | <u>771</u> | <u>652</u> |
| Computer equipment | 18,771 | 16,467 |
| Less accumulated depreciation | (8,752) | (7,108) |
| Net computer equipment | <u>10,019</u> | <u>9,359</u> |
| Total net property, plant and equipment | <u>48,829</u> | <u>41,511</u> |
| 10. Non-current assets – intangible assets | | |
| Goodwill – net book amount | 52,112 | 52,112 |
| Trademarks – net book amount | 14 | 14 |
| Computer software | 11,132 | 10,143 |
| Less accumulated amortisation | (4,955) | (3,919) |
| Net computer software | <u>6,177</u> | <u>6,224</u> |
| Total net intangibles | <u>58,303</u> | <u>58,350</u> |
| 11. Non-current assets – deferred tax assets | | |
| Deferred tax asset | <u>5,758</u> | 5,930 |
| 12. Current liabilities – payables | | |
| Trade creditors | 45,513 | 33,001 |
| Lease straight lining | 4,795 | 3,741 |
| Forward foreign exchange contracts – cash flow hedges | 50 | 0 |
| Other creditors | 17,928 | 13,302 |
| Total current liabilities – payables | <u>68,286</u> | <u>50,044</u> |

Notes to the Consolidated Financial Statements (continued)

| | Consolidated entity | |
|--|-------------------------------|--------------------------|
| | 31 December 2005 \$'000 | 2 July 2005 \$'000 |
| 13. Current liabilities – interest bearing liabilities | | |
| Secured | | |
| Commercial bill | 75,150 | 81,250 |
| Total current liabilities – secured interest bearing liabilities | <u>75,150</u> | <u>81,250</u> |
| Unsecured | | |
| Related parties | 2 | 1 |
| Other | 1,881 | 372 |
| Total current liabilities – unsecured interest bearing Liabilities | <u>1,883</u> | <u>373</u> |
| Total current liabilities – interest bearing liabilities | <u>77,033</u> | <u>81,623</u> |
| 14. Current liabilities – tax liabilities | | |
| Income tax payable | <u>587</u> | <u>696</u> |
| 15. Current liabilities – provisions | | |
| Dividends | 0 | 0 |
| Make good provisions | 4,272 | 3,895 |
| Employee benefits | 4,695 | 4,032 |
| Total current liabilities – provisions | <u>8,967</u> | <u>7,927</u> |
| Movements in provisions – dividends | | |
| Carrying amount at the start of the financial period | 0 | 5,000 |
| Dividend declared | 4,789 | 0 |
| Payments/other sacrifices of economic benefits | (4,789) | (5,000) |
| Carrying amount at the end of the financial period | <u>0</u> | <u>0</u> |
| 16. Non-current liabilities – interest bearing liabilities | | |
| Secured | | |
| Commercial bill | <u>0</u> | <u>0</u> |
| Secured liabilities | | |
| Total secured liabilities (current and non-current) are: | | |
| Commercial bills | 75,150 | 81,250 |
| Total current and non-current secured liabilities | <u>75,150</u> | <u>81,250</u> |
| 17. Non-current liabilities – deferred tax liabilities | | |
| Deferred tax liabilities | <u>323</u> | <u>1,185</u> |

Notes to the Consolidated Financial Statements (continued)

| | Consolidated entity | |
|--|-------------------------------|--------------------------|
| | 31 December 2005 \$'000 | 2 July 2005 \$'000 |
| 18. Non-current liabilities – provisions | | |
| Employee benefits | 1,055 | 984 |
| 19. Contributed equity | | |
| Ordinary shares fully paid (106,429,622 ordinary shares) | 84,233 | 84,233 |
| 20. Reserves and retained earnings | | |
| Reserves | | |
| Foreign currency translation reserve | 43 | 0 |
| Hedging reserve – cash flow hedges | (50) | 0 |
| Share-based payments reserve | 70 | 263 |
| | 63 | 263 |
| Foreign currency translation reserve | | |
| Opening balance | 0 | 55 |
| Currency translation differences arising during the period | 43 | (55) |
| Closing balance | 43 | 0 |
| Hedging reserve – cash flow hedges | | |
| Opening balance | 0 | 0 |
| Adjustment on adoption of AASB132 and AASB139, net of tax | 7 | 0 |
| Revaluation | (57) | 0 |
| Closing balance | (50) | 0 |
| Share-based payments reserve | | |
| Opening balance | 263 | 143 |
| Option expense/(benefit) | (193) | 120 |
| Closing balance | 70 | 263 |
| Retained earnings | | |
| Balance at the beginning of the financial period | 20,172 | 11,926 |
| Adjustment on adoption of AASB132 and AASB139, net of tax | (7) | 0 |
| Net profit/(loss) for the financial period attributable to shareholders of Super Cheap Auto Group Limited | 5,971 | 10,375 |
| Dividends provided for or paid | (4,789) | (2,129) |
| Retained profits/(losses) at the end of the financial period | 21,347 | 20,172 |

Nature and purpose of reserves

Foreign currency translation reserve.

Exchange differences which arise on translation of the foreign controlled entity are taken to the foreign currency translation reserve.

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.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but no exercised.

Notes to the Consolidated Financial Statements (continued)

| | Parent entity | |
|---|---------------|-------------|
| | 31 December | 25 December |
| | 2005 | 2004 |
| | \$'000 | \$'000 |
| 21. Dividends | | |
| Ordinary Shares | | |
| Dividends provided for or paid during the half year. | 4,789 | 5,000 |
| Dividends not recognised at the end of the half year | | |
| Subsequent to the end of the half year, the Directors have recommended the payment of an interim dividend of 3.0 cents per ordinary share fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 5 April 2006, out of retained profits at 31 December 2005, but not recognised as a liability at the end of the half year is | 3,193 | 2,129 |

22. Contingent liabilities

The parent entity has provided a guarantee in relation to funding facilities extended to SCA Equity Plan Pty Ltd. The directors are confident no liability will result from these arrangements.

23. Events occurring after reporting date

There were no significant events occurring after the reporting date up to the date of this report.

24. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

| | Consolidated entity | |
|--|---------------------|-------------|
| | 31 December | 25 December |
| | 2005 | 2004 |
| | \$'000 | \$'000 |
| Profit from continuing operations after related income tax | 5,971 | 11,339 |
| Depreciation and amortisation | 4,926 | 3,865 |
| Net (gain)/loss on sale of non-current assets | (41) | 88 |
| Share-based payments | (193) | 120 |
| Cash flow attributed to investing and financing activities | | |
| Interest paid – net | 2,513 | 1,927 |
| GST credit claims for fixed asset purchases | 1,004 | 728 |
| Loans repaid by related entities | (46) | (951) |
| Proceeds from sale of service centres | (125) | 0 |
| Expense paid direct by Financial Institution | 1,509 | 0 |
| Transfer interest prepayment to borrowings on transition to AASB139 | (1,572) | 0 |
| Change in operating assets and liabilities, net of effects from the purchase of controlled entities and the sale of the service entity | | |
| - decrease in receivables | 150 | 193 |
| - (increase) in inventories | (7,976) | (18,969) |
| - increase in payables | 15,958 | 13,771 |
| - increase in provisions | 1,111 | 1,186 |
| - (increase) in deferred tax | (690) | (2,209) |
| Net cash inflow from operating activities | 22,499 | 11,088 |

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards (“IFRS”)

a. Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS).

(i) At the date of transition to AIFRS : 27 June 2004

| | Notes | Previous AGAAP \$'000 | Effect of Transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|-------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 13,640 | 0 | 13,640 |
| Receivables | | 5,394 | 0 | 5,394 |
| Inventories | | 92,513 | 0 | 92,513 |
| Tax Assets | | 1,633 | 0 | 1,633 |
| Other | | 1,646 | 0 | 1,646 |
| Total current assets | | 114,826 | | 114,826 |
| Non-current assets | | | | |
| Property, plant and equipment | (ii), (vii) | 36,257 | (1,920) | 34,337 |
| Intangible assets | (vi), (vii) | 45,349 | 3,873 | 49,222 |
| Deferred tax assets | (x) | 5,006 | 1,542 | 6,548 |
| Other non-current assets | | 0 | 0 | 0 |
| Total non-current assets | | 86,612 | 3,495 | 90,107 |
| Total assets | | 201,438 | 3,495 | 204,933 |
| Current liabilities | | | | |
| Payables | (iii), (iv) | 46,857 | 2,226 | 49,083 |
| Interest bearing liabilities | | 36,184 | 0 | 36,184 |
| Current tax liabilities | | 0 | 0 | 0 |
| Provisions | (ii) | 8,643 | 2,822 | 11,465 |
| Total current liabilities | | 91,684 | 5,048 | 96,732 |
| Non-current liabilities | | | | |
| Interest bearing liabilities | | 21,600 | 0 | 21,600 |
| Deferred tax liabilities | (x) | 355 | 603 | 958 |
| Provisions | | 797 | 0 | 797 |
| Total non-current liabilities | | 22,752 | 603 | 23,355 |
| Total liabilities | | 114,436 | 5,651 | 120,087 |
| Net assets | | 87,002 | (2,156) | 84,846 |
| Equity | | | | |
| Contributed equity | | 84,233 | 0 | 84,233 |
| Reserves | (i), (v) | 2 | 24 | 26 |
| Retained profits | (xi) | 2,767 | (2,180) | 587 |
| Total Equity | | 87,002 | (2,156) | 84,846 |

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards (“IFRS”) (continued)

(ii) At the end of the last half year reporting period under previous AGAAP : 25 December 2004

| | Notes | Previous AGAAP \$'000 | Effect of Transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|-------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 12,936 | 0 | 12,936 |
| Receivables | | 3,861 | 0 | 3,861 |
| Inventories | | 111,482 | 0 | 111,482 |
| Tax Assets | | 0 | 0 | 0 |
| Other | | 2,162 | 0 | 2,162 |
| Total current assets | | 130,441 | 0 | 130,441 |
| Non-current assets | | | | |
| Property, plant and equipment | (ii), (vii) | 39,694 | (1,878) | 37,816 |
| Intangible assets | (vi), (vii) | 44,010 | 5,875 | 49,885 |
| Deferred tax assets | (x) | 6,626 | 2,140 | 8,766 |
| Other non-current assets | | 1,000 | 0 | 1,000 |
| Total non-current assets | | 91,330 | 6,137 | 97,467 |
| Total assets | | 221,771 | 6,137 | 227,908 |
| Current liabilities | | | | |
| Payables | (iii), (iv) | 63,627 | 3,329 | 66,956 |
| Interest bearing liabilities | | 32,962 | 0 | 32,962 |
| Current tax liabilities | | 1,368 | 0 | 1,368 |
| Provisions | (ii) | 3,929 | 3,638 | 7,567 |
| Total current liabilities | | 101,886 | 6,967 | 108,853 |
| Non-current liabilities | | | | |
| Interest bearing liabilities | | 20,850 | 0 | 20,850 |
| Deferred tax liabilities | (x) | 143 | 825 | 968 |
| Provisions | | 880 | 0 | 880 |
| Total non-current liabilities | | 21,873 | 825 | 22,698 |
| Total liabilities | | 123,759 | 7,792 | 131,551 |
| Net assets | | 98,012 | (1,655) | 96,357 |
| Equity | | | | |
| Contributed equity | | 84,233 | 0 | 84,233 |
| Reserves | (i), (v) | 54 | 144 | 198 |
| Retained profits | (xi) | 13,725 | (1,799) | 11,926 |
| Total Equity | | 98,012 | (1,655) | 96,357 |

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

(iii) At the end of last reporting period under previous AGAAP : 2 July 2005

| | Notes | Previous AGAAP \$'000 | Effect of Transition to AIFRS \$'000 | AIFRS \$'000 |
|--------------------------------------|-------------|-----------------------------|---|-----------------|
| Current assets | | | | |
| Cash assets | | 6,426 | 0 | 6,426 |
| Receivables | | 6,607 | 0 | 6,607 |
| Inventories | | 123,183 | 0 | 123,183 |
| Tax Assets | | 0 | 0 | 0 |
| Other | | 5,120 | 0 | 5,120 |
| Total current assets | | 141,336 | 0 | 141,336 |
| Non-current assets | | | | |
| Property, plant and equipment | (ii), (vii) | 45,016 | (3,505) | 41,511 |
| Intangible assets | (vi), (vii) | 49,294 | 9,056 | 58,350 |
| Deferred tax assets | (x) | 3,509 | 2,421 | 5,930 |
| Other non-current assets | | 0 | 0 | 0 |
| Total non-current assets | | 97,819 | 7,972 | 105,791 |
| Total assets | | 239,155 | 7,972 | 247,127 |
| Current liabilities | | | | |
| Payables | (iii), (iv) | 46,045 | 3,999 | 50,044 |
| Interest bearing liabilities | | 81,623 | 0 | 81,623 |
| Current tax liabilities | | 696 | 0 | 696 |
| Provisions | (ii) | 4,032 | 3,895 | 7,927 |
| Total current liabilities | | 132,396 | 7,894 | 140,290 |
| Non-current liabilities | | | | |
| Interest bearing liabilities | | 0 | 0 | 0 |
| Deferred tax liabilities | (x) | 341 | 844 | 1,185 |
| Provisions | | 984 | 0 | 984 |
| Total non-current liabilities | | 1,325 | 844 | 2,169 |
| Total liabilities | | 133,721 | 8,738 | 142,459 |
| Net assets | | 105,434 | (766) | 104,668 |
| Equity | | | | |
| Contributed equity | | 84,233 | 0 | 84,233 |
| Reserves | (i), (v) | 0 | 263 | 263 |
| Retained profits | (xi) | 21,201 | (1,029) | 20,172 |
| Total Equity | | 105,434 | (766) | 104,668 |

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards (“IFRS”) (continued)

b. Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS)

(i) Reconciliation of profit for the 26 weeks ended 25 December 2004

| | Notes | Previous AGAAP \$'000 | Effect of Transition to AIFRS \$'000 | AIFRS \$'000 |
|---|-------------|-----------------------------|---|-----------------|
| Revenue from ordinary activities | | | | |
| Sale of goods | (iv) | 222,320 | (501) | 221,819 |
| Other revenues from ordinary activities | | 107 | 0 | 107 |
| Total revenues | | <u>222,427</u> | <u>(501)</u> | <u>221,926</u> |
| Expenses from ordinary activities | | | | |
| Cost of sales of goods | (iv) | 131,634 | (301) | 131,333 |
| Other expenses from ordinary activities | | | | |
| - selling and distribution | | 24,386 | 0 | 24,386 |
| - marketing | | 12,925 | 0 | 12,925 |
| - occupancy | (ii), (iii) | 13,406 | 943 | 14,349 |
| - administration | (v), (vi) | 21,836 | (1,220) | 20,616 |
| Borrowing costs expense | (ii) | 2,061 | 72 | 2,133 |
| Total expenses | | <u>206,248</u> | <u>(506)</u> | <u>205,742</u> |
| Profit from continuous operations before income tax expense | | | | |
| | | 16,179 | 5 | 16,184 |
| Income tax expense | (x) | <u>(5,221)</u> | 376 | <u>(4,845)</u> |
| Profit attributable to members of Super Cheap Auto Group Limited | | | | |
| | | <u>10,958</u> | 381 | <u>11,339</u> |

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

(ii) Reconciliation of profit for the 53 weeks ended 2 July 2005

| | Notes | Previous AGAAP \$'000 | Effect of Transition to AIFRS \$'000 | AIFRS \$'000 |
|---|-------------|-----------------------------|---|-----------------|
| Revenue from ordinary activities | | | | |
| Sale of goods | (iv) | 470,061 | 84 | 470,145 |
| Other revenues from ordinary activities | | 290 | 0 | 290 |
| Total revenues | | <u>470,351</u> | <u>84</u> | <u>470,435</u> |
| Expenses from ordinary activities | | | | |
| Cost of sales of goods | (iv) | 281,135 | 50 | 281,185 |
| Other expenses from ordinary activities | | | | |
| - selling and distribution | | 52,091 | 0 | 52,091 |
| - marketing | | 25,965 | 0 | 25,965 |
| - occupancy | (ii), (iii) | 29,139 | 1,944 | 31,083 |
| - administration | (v), (vi) | 47,032 | (2,592) | 44,440 |
| Borrowing costs expense | (ii) | 4,595 | 160 | 4,755 |
| Total expenses | | <u>439,957</u> | <u>(438)</u> | <u>439,519</u> |
| Profit from continuing operations before income tax | | | | |
| | | 30,394 | 522 | 30,916 |
| Income tax expense relating to ordinary activities | (x) | <u>(9,831)</u> | <u>639</u> | <u>(9,192)</u> |
| Profit attributable to members of Super Cheap Auto Group Limited | | | | |
| | | <u>20,563</u> | <u>1,161</u> | <u>21,724</u> |

c. Reconciliation of cash flow statement for the 53 weeks ended 2 July 2005.

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

d. Notes to the reconciliations

(i) Foreign currency translation reserve

The Group has elected to apply the exemption in AASB1 first time adoption of Australian Equivalents to International Financial Reporting Standards. The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to AIFRS. The effect is:

(a) At 27 June 2004

For the Group, the balance of the \$2,000 credit in the foreign currency translation reserve is reduced to nil. Retained earnings is increased by \$2,000.

(b) At 25 December 2004

For the Group, the balance of the \$2,000 credit in the foreign currency translation reserve is reduced to nil. Retained earnings is increased by \$2,000.

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

- (c) At 2 July 2005

For the Group, the balance of the \$2,000 credit in the foreign currency translation reserve is reduced to nil. Retained earnings is increased by \$2,000.

- (ii) Provision for 'make-good' requirements in relation to leased premises.

Under previous AGAAP, the group accounted for make good costs in relation to leased premises as they were incurred. AASB137 Provisions, Contingent Liabilities and Contingent Assets, estimates of the costs of make-good provisions that are contractually required as part of lease agreements should be appropriately estimated and provided for. The effect is:

- (a) At 27 June 2004

For the Group there has been an increase in property, plant and equipment of \$1,953,000, an increase in liabilities of \$2,822,000 and a decrease in retained earnings of \$869,000.

- (b) At 25 December 2004

For the Group there has been an increase in property, plant and equipment of \$2,658,000, an increase in liabilities of \$3,638,000 and a decrease in retained earnings of \$980,000.

- (c) At 2 July 2005

For the Group there has been an increase in property, plant and equipment of \$2,719,000 and an increase in liabilities of \$3,895,000 and a decrease in retained earnings of \$1,176,000.

- (iii) Leases

Under AASB17 Leases, there is a requirement to account for fixed rate increases in operating leases on a straight line basis. The effect is:

- (a) At 27 June 2004

For the Group there has been an increase in lease liability of \$1,934,000 and a decrease in retained earnings of \$1,934,000.

- (b) At 25 December 2004

For the Group there has been an increase in lease liability of \$2,837,000 and a decrease in retained earnings of \$2,837,000.

- (c) At 2 July 2005

For the Group there has been an increase in lease liability of \$3,741,000 and a decrease in retained earnings of \$3,741,000.

- (iv) Deferred revenue

Under AASB118 Revenue, revenue from the sale of goods shall be recognised if an entity retains only an insignificant risk of ownership. Under AIFRS, it is appropriate to recognise a liability for future returns based on previous experience and other relevant factors. The effect is:

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

- (a) At 27 June 2004

For the Group there has been an increase in deferred revenue liability of \$292,000 and a decrease in retained earnings of \$292,000.

- (b) At 25 December 2004

For the Group there has been an increase in deferred revenue liability of \$492,000 and a decrease in retained earnings of \$492,000.

- (c) At 2 July 2005

For the Group there has been an increase in deferred revenue liability of \$258,000 and a decrease in retained earnings of \$258,000.

- (v) Share-based payments

Under AASB2 Share-based Payment, from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the Share Option Plan. The effect is:

- (a) At 27 June 2004

For the Group there has been an increase in reserves of \$26,000 and a decrease in retained earnings of \$26,000.

- (b) At 25 December 2004

For the Group there has been an increase in reserves of \$146,000 and a decrease in retained earnings of \$146,000.

- (c) At 2 July 2005

For the Group there has been an increase in reserves of \$265,000 and a decrease in retained earnings of \$265,000.

- (vi) Intangible assets – goodwill impairment

Under AASB3 Business Combinations, amortisation of goodwill is prohibited and is replaced by annual impairment testing focussing on the cash flows of the related cash generating unit. The effect is:

- (a) At 27 June 2004

No impact.

- (b) At 25 December 2004

For the Group there has been an increase in intangibles of \$1,339,000 and an increase in retained earnings of \$1,339,000.

- (c) At 2 July 2005

For the Group there has been an increase in intangibles of \$2,832,000 and an increase in retained earnings of \$2,832,000.

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

(vii) Intangible assets – software capitalised

Under AASB138 Intangible Assets, software costs are to be shown as intangibles. The effect is:

(a) At 27 June 2004

For the Group there has been an increase in intangibles of \$3,873,000 and a decrease in property, plant and equipment of \$3,873,000.

(b) At 25 December 2004

For the Group there has been an increase in intangibles of \$4,536,000 and a decrease in property, plant and equipment of \$4,536,000.

(c) At 2 July 2005

For the Group there has been an increase in intangibles of \$6,224,000 and a decrease in property, plant and equipment of \$6,224,000.

(viii) Interest bearing liabilities – borrowings

In accordance with AASB139 Concise Financial reports, prepaid interest expense and capitalised transaction costs have been netted against gross borrowings. The effect is:

(a) At 27 June 2004

No impact.

(b) At 25 December 2004

No impact.

(c) At 2 July 2005

No impact.

(d) At 3 July 2005

For the Group there has been decrease in borrowings of \$1,450,000 and a decrease in prepayments of \$1,450,000.

(ix) Business combinations

In accordance with AASB3 Business Combinations, the group has elected not to restate business combinations occurring prior to the transition date.

(x) Deferred tax assets and deferred tax liabilities

Under AASB112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax basis.

Notes to the Consolidated Financial Statements (continued)

25. Explanation of transition to Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

The effect is:

- (a) At 27 June 2004

For the Group there has been an increase in deferred tax assets of \$1,542,000, an increase in deferred tax liabilities of \$603,000 and an increase in retained earnings of \$939,000.

- (b) At 25 December 2004

For the Group there has been an increase in deferred tax assets of \$2,140,000, an increase in deferred tax liabilities of \$825,000 and an increase in retained earnings of \$1,315,000.

- (c) At 2 July 2005

For the Group there has been an increase in deferred tax assets of \$2,421,000, an increase in deferred tax liabilities of \$844,000 and an increase in retained earnings of \$1,577,000.

- (xi) Retained earnings. The effect on retained earnings of the charges set out above are as follows:

| | | 26 June 2004 \$'000 | 25 December 2004 \$'000 | 2 July 2005 \$'000 |
|--------------------------------------|--------------|------------------------------------|--|-----------------------------------|
| | Notes | | | |
| Foreign currency translation reserve | (i) | 2 | 2 | 2 |
| Lease straight lining | (iii) | (1,934) | (2,837) | (3,741) |
| Lease make-good provisions | (ii) | (869) | (980) | (1,176) |
| Share-based payments | (v) | (26) | (146) | (265) |
| Deferred tax balances | (x) | 939 | 1,315 | 1,577 |
| Deferred revenue | (iv) | (292) | (492) | (258) |
| Goodwill | (vi) | 0 | 1,339 | 2,832 |
| Total adjustment | | <u>(2,180)</u> | <u>(1,799)</u> | <u>(1,029)</u> |

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Super Cheap Auto Group Limited, it is our opinion that.

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the period ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB1029 "Interim Financial Reporting" and the Corporations Regulations 2001; 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.

On behalf of the Board



R D McIlwain
Director



P A Birtles
Director

Brisbane
23 February 2006

PricewaterhouseCoopers
ABN 52 780 433 757

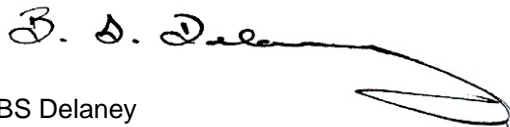
Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000

Auditors' Independence Declaration

As lead auditor for the review of Super Cheap Auto Group Limited for the 26 week period ended 31 December 2005, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



BS Delaney
Partner

Brisbane
23 February 2006

PricewaterhouseCoopers

Independent review report to the members of Super Cheap Auto Group Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Super Cheap Auto Group Limited (the Company) for the 26 week period ended 31 December 2005 included on Super Cheap Auto Group Limited's web site. The Company's directors are responsible for the integrity of the Super Cheap Auto Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Super Cheap Auto Group Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Super Cheap Auto Group Limited (defined below) as at 31 December 2005 and of its performance for the 26 week period ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Super Cheap Auto Group Limited (the consolidated entity), for the 26 week period ended 31 December 2005. The consolidated entity comprises both Super Cheap Auto Group Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

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

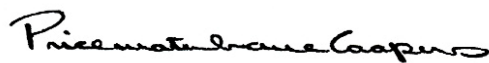
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

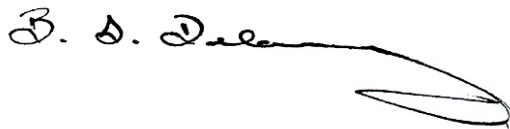
Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



BS Delaney
Partner

Brisbane
23 February 2006