



Super Retail Group 

2019 ANNUAL REPORT

Inspiring you to live your passion





About Us

Super Retail Group (ASX:SUL) is the proud owner of four iconic brands: Supercheap Auto, Rebel, BCF and Macpac, and is one of Australia and New Zealand's largest retailers.

Each of our powerful brands have established market leading positions in growing high involvement lifestyle categories of auto, sports and outdoor leisure.

One of our unique differentiators is our passionate and capable team of more than 12,000 team members. All of us are committed to delivering our purpose of providing solutions and engaging experiences,

which inspire our customers to enjoy their leisure passions.

We provide our customers and highly engaged 6.1 million active loyalty club members with the option to experience our brands whenever and however they choose – whether that's via our network of 690 stores or via our digital capabilities, which we continue to invest in and enhance.

ABOUT THIS REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of Super Retail Group Limited and its subsidiaries. The financial report is presented in Australian dollars.

Super Retail Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal 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 and Remuneration Report on pages 28 to 63.

The financial report was authorised for issue by the Directors on 14 August 2019. The Directors have

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 on our Investors and Media page on our website: www.superretailgroup.com.

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Chair's Message



DEAR SHAREHOLDER

In presenting our 2019 financial year results, I am pleased to report that Super Retail Group has made significant progress in building a stronger omni-retail business, well positioned for sustainable growth and enduring success.

While there is no doubt the past year was a challenging period for your company and the broader retail sector, we retained our focus on setting up the business to deliver long-term value for shareholders.

The Group's financial results for the year were solid despite a difficult retail environment and subdued economic conditions. The value of our brands and high customer engagement remained central to our success.

The Board spends considerable time visiting stores, support offices, distribution centres and other elements of our supply chain, and engages regularly with the Group's stakeholders to maintain a deep understanding of your business. This perspective enables the Board to provide effective support to the senior leadership team and help shape the business strategy.

In an environment where corporate Australia is facing heightened public and regulatory scrutiny, your company's commitment to good governance, based on an ethical approach to decision making,

supported the continued success of the Group's endeavours.

This year your Board made a significant decision relating to the Group Managing Director and Chief Executive Officer's position following a well-planned succession process.

After a comprehensive global executive search, the Board determined in January that Anthony Heraghty would succeed Peter Birtles as Group Managing Director and Chief Executive Officer. Anthony, who was previously Managing Director of the Outdoor division, is an experienced and customer-focused leader who will reshape the capability of the business, and lead our evolution to a leading omni-retailer.

With a wealth of retail experience and expertise, the Board is very confident that Anthony and his strengthened senior executive team is well equipped to drive the next chapter of growth and meet the challenges of an increasingly competitive and technology-driven retail environment.

In appointing Anthony, the business farewellled Peter Birtles who had been with the company for 18 years, including 13 years as Group Managing Director and Chief Executive Officer. Peter led the growth of Super Retail Group, adding the BCF, Rebel and Macpac brands to the business, and expanding and strengthening the Supercheap Auto business. Under Peter's leadership the Group has market-leading brands and highly engaged team members helping customers make the most of their leisure time. We wish him all the best for the future.

Regrettably, the Board was confronted with a difficult issue around remuneration for our retail managers after significant historical underpayments were identified. While all those affected will receive back payments with interest, the Board was disappointed with the lack of executive oversight that led to this issue. Both FY18 and FY19 Key Management Personnel remuneration outcomes are a reflection of this concern. New measures have been introduced – including quarterly reviews of team



member remuneration – to prevent these problems reoccurring.

Our engaged team members set us apart from other retailers in Australia and New Zealand. As we look ahead to the next chapter of our journey to becoming a leading omni-retailer, the Group's customer focus and healthy organisational culture – built on teamwork, engagement, and diversity and inclusion – underpins our performance.

The robust financial performance and prudent capital management supported the Board's decision to declare a final dividend of 28.5 cents per share fully franked, bringing full year dividends to 50 cents per share fully franked, an increase of 2 per cent on the prior year. The full year payout was in line with the

Group's policy to maintain a dividend payout ratio of between 55 per cent and 65 per cent of underlying net profit after tax.

Both the Board and management are pleased with the steps we have taken to build a stronger business during 2019 but we remain determined to continue Super Retail Group's evolution as an omni-retailer to take advantage of the opportunities ahead. I know Anthony is committed to building on the momentum by enhancing and optimising our capabilities to drive organic growth and sustainable returns to shareholders.

I offer my gratitude to every one of our team members for their immense dedication and commitment in delivering for our customers. Our solid

financial results and the underlying strength of the business reflect their hard work and expertise.

I also thank my Board colleagues for their commitment to the Group and guidance during a year of significant internal change for the company. The decisions we took this year as a Board will continue to strengthen the Group and help deliver long-term value for you, our shareholders.

Thank you for your continuing support of Super Retail Group.

Sally Pitkin
Independent Non-Executive Chair

CEO's Message



DEAR SHAREHOLDER

As only the fourth Managing Director and Chief Executive Officer in Super Retail Group's long history, I am honoured to have been appointed to the position by the Board in 2019.

I am pleased to report that 2018/19 has been another successful year for the Company.

In a tough consumer environment, Super Retail Group has delivered solid revenue and earnings growth, highlighting the strength of our four brands, resilience of our business and the attractiveness of the lifestyle categories in which we operate.

FINANCIAL PERFORMANCE

- Group revenue grew by 5.4%, supported by 2.9% Group like for like sales growth, 25% growth in online sales and strong customer engagement.
- Segment EBITDA increased by 7.0% to \$314.7 million and Segment EBIT increased by 3.9% to \$228.1 million.
- NPAT attributable to owners increased by 8.6% to \$139.3 million and normalised NPAT increased by 5.0% to \$152.5 million.

Strong operating cashflows have enabled us to fund our growth initiatives while reducing debt and increasing dividend payments to our shareholders.

FOUR POWERFUL BRANDS DELIVERING SOLID SALES GROWTH

Our four powerful brands have market-leading positions in attractive and growing lifestyle categories.

In 2018/19 all four brands delivered solid total sales growth driven by like for like sales growth and rapid growth in online sales.

The strength of our brands and their capacity to inspire and engage our customers is also reflected in key customer metrics for FY19. Our total customer transactions increased by 2.3 per cent to 46.7 million and our total club member NPS score improved to 59.6 (up from 57.9 in the previous year).

	FY19 Sales (\$m)	Sales growth	Like for like sales growth	Online sales growth
Supercheap Auto	1,040.6	3.4%	2.3%	25%
Rebel	1,016.4	3.8%	3.3%	33%
BCF	514.6	3.3%	3.2%	6%
Macpac	138.8	70.3% ⁽¹⁾	7.3% ⁽²⁾	24%

(1) Macpac was owned for 12 months in 2018/19 compared to 3 months in 2017/18.
 (2) Includes Macpac Adventure Hub stores post April Easter trading period (week 44).

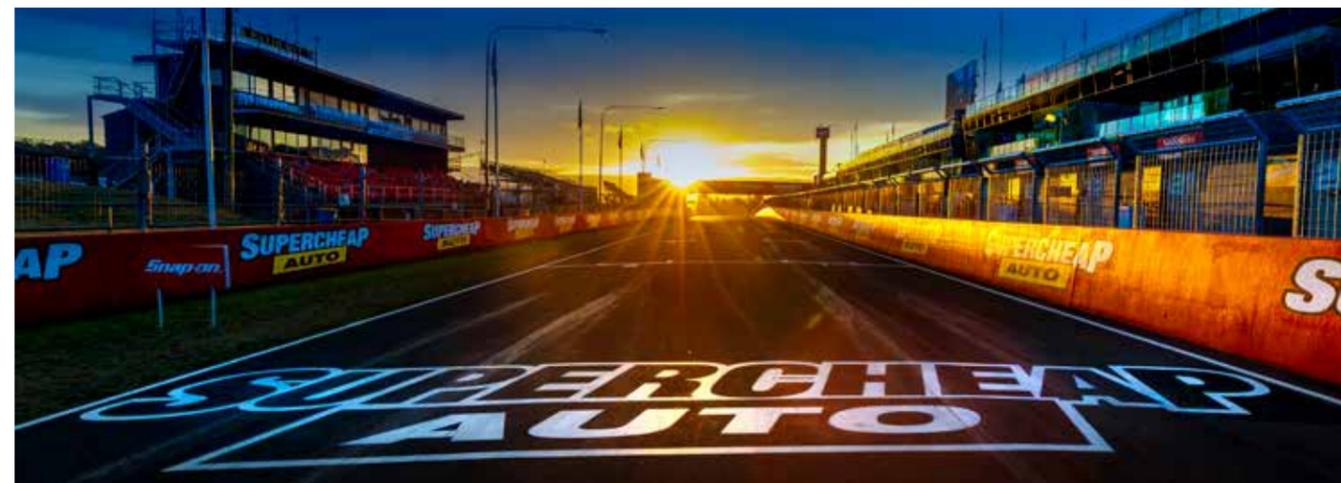
CUSTOMER LOYALTY IS KEY

Our large, growing and loyal customer base represents a sustainable competitive advantage for the organisation.

Strong brand awareness, our focus on the in-store experience and service excellence, and the benefits we offer in our loyalty programs have all contributed to a significant increase in loyalty club membership.

We now have more than 6 million active club members across our brands and together these club members contribute more than 56 per cent of total sales.

Looking forward, there is an opportunity to deepen our connection with our customers



by improving our customer data analytics to deliver more personalised offers and refreshing our customer loyalty programs.

INVESTING IN WINNING OMNI-RETAIL CAPABILITIES

We are investing in our omni-retail capabilities to grow our overall market share by providing multiple ways for our customers to engage with our brands and a seamless shopping experience.

More than 40 per cent of our online sales are via Click & Collect, where our customers order online, pick up their product in store and engage with a passionate team member in the process. This means we can leverage our existing portfolio of 690 stores across Australia and New Zealand to grow our online sales and mitigate our cost to serve.

I believe our 'clicks and bricks' approach to retailing is a winning strategy. While channel shift is clearly taking place, and network optimisation remains a key area of focus, the Group's national store footprint remains an integral part of our omni-retail offering.

A key focus in 2019/20 and beyond will be integrating technology into our retail businesses to improve the customer experience through initiatives like endless aisle, improved order orchestration and real-time marketing.

AN ENGAGED AND CAPABLE TEAM

We know that providing inspiring solutions and experiences for our customers relies on an engaged, capable and passionate team.

This starts with providing a safe working environment. I am pleased to report that in 2018/19 our Total Recordable Injury Frequency Rate (TRIFR) decreased by more than 10 per cent, with a result of 14.34. This is a pleasing outcome and we will

endeavour to deliver an even better result next year.

We are also committed to fairness, equity and gender equality and are proud of the diverse team we have grown and invested in. Across the organisation, 39 per cent of our leadership positions are filled by women, while female representation on our Board has remained consistent at 43 per cent. Advancing gender diversity at all levels is a priority, in line with our target of having 40 per cent female representation at Board and senior management level by 2020.

A disappointing note in 2018/19 was the identification of an underpayment of our retail managers.

The issue reflects the same problem we uncovered with our Set Up team members in 2017/18. We found that while retail managers' base salaries were correct, not all overtime hours worked were paid according to the General Retail Industry Award. Additionally, some allowances required under the award were not paid. They are both serious underpayments that we deeply regret and we apologise to our team members who have been affected.

To ensure ongoing compliance, we have introduced an increased level of governance, including quarterly audits of our employment arrangements. We are confident that we have the controls in place to pick up the sort of anomalies that may occur from time to time in an organisation of our size.

A SUSTAINABLE FUTURE

In FY19, we continued to make progress towards adopting a sustainable approach to our business operations. One example is the launch of our refreshed Responsible Sourcing Program, which promotes fair working conditions, sustainability and improved environmental outcomes in our supply chain (refer to page 19). Further details on

our sustainability initiatives will be available in our 2019 Sustainability Report, released in October 2019.

STRATEGIC FOCUS

Our primary focus is on achieving organic growth in our existing brands and optimising returns to our shareholders through the disciplined allocation of capital. Looking ahead, there are five initial areas of strategic focus:

- Delivery of a seamless omni-retail experience for our customers
- Integration of our supply chain
- Simplification of our operating model
- Improving our customer analytics
- Leveraging our powerful retail brands.

While the retail landscape is changing and competition is increasing, I am confident that Super Retail Group has a bright future. We own four iconic brands with leading market positions in growing high-involvement lifestyle categories of auto, sports and outdoor leisure.

In the coming year we will leverage this strong position with a specific focus on building brands that are as powerful as the products we sell, greater digitisation, supply chain integration and a seamless omni-retail experience.

With the right strategy in place, and an experienced management team focused on its execution, we are well positioned to inspire our customers to live their passion, grow our market share and create value for our shareholders.

Anthony Heraghty
 Group Managing Director and Chief Executive Officer

Our Business

OUR PURPOSE

At Super Retail Group, our purpose is to inspire our customers to live their leisure passions – whether that's proudly looking after their car, running a marathon, catching a 'barra' or reaching a mountain summit.

OUR FOUR POWERFUL BRANDS

Our success begins with our four powerful brands which provide solutions and engaging experiences to our loyal and growing customer base.

690

STORES

8

SUPPORT OFFICES

OUR VALUES

Our culture is built around a set of five Group values that help define who we are and guide us in the way we behave.



PASSION



OPENNESS



INTEGRITY



CARE



DISCIPLINE

BACKING OUR BRANDS

Leveraging our scale advantage, we back our brands with centralised service functions that establish our Group-wide strategy, as well as building and enabling the capabilities we need to create value and become a winning omni-retailer.

6

DISTRIBUTION CENTRES

3

COUNTRIES OF OPERATION

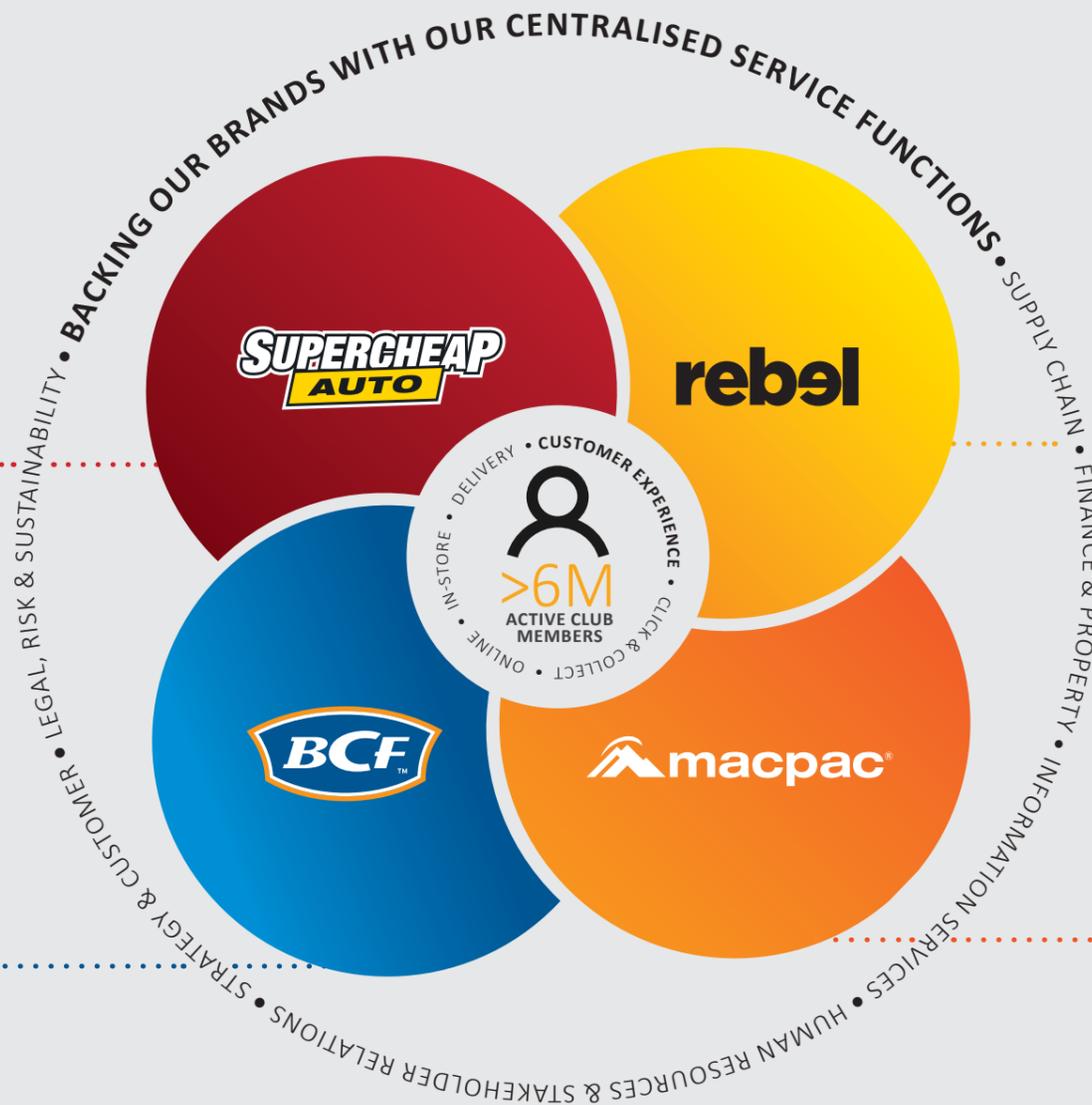
Australia, New Zealand & China



Supercheap Auto is Australia and New Zealand's largest specialty automotive parts and accessories retail business. We leverage our market leadership to bring a wide range of tools and accessories for the DIY home handyman, as well as products for travel, touring, outdoors, garage and the shed.



BCF is the leading outdoor retailer in the country, with stores across every state of mainland Australia. With expert knowledge and service, we provide everything you could possibly need for your next boating, camping or fishing adventure under the one roof.



Rebel helps our customers dream big. We are Australia's leading sporting goods specialist retailer, bringing the best of global brands direct to our customers. We inspire all Australians to live their sporting passion, by providing the right service, right advice, right brands and right products to help them start right and chase their dreams.



Macpac has designed apparel and equipment that has inspired a life outdoors since 1973. Designed, tested and proven in the ultimate outdoor test lab – New Zealand, Macpac's wide range of products are made for adventurers, by adventurers.

DELIVERING OUR CUSTOMER EXPERIENCE

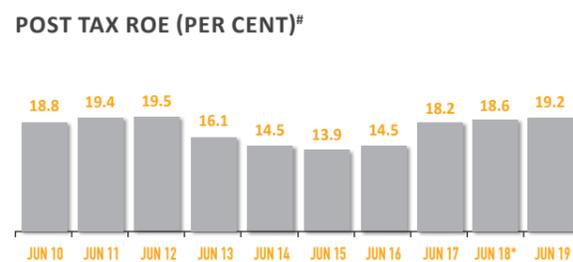
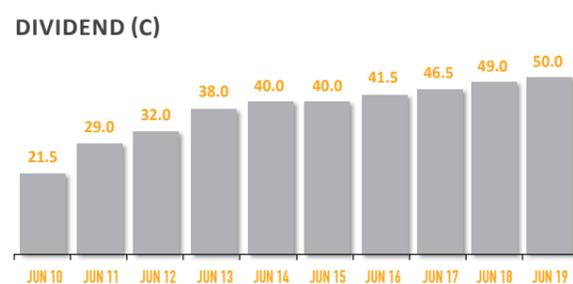
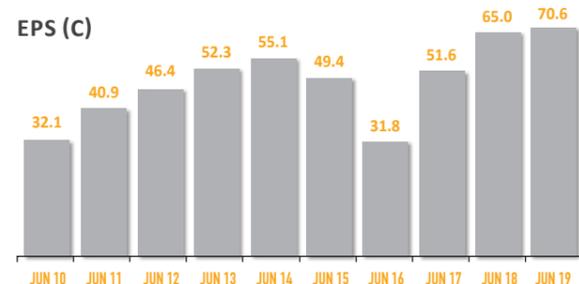
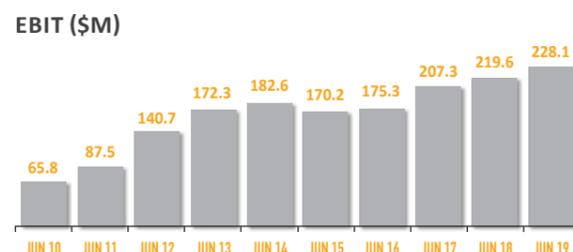
Our objective is to create an enjoyable and seamless shopping experience for our customers every time, no matter how they choose to shop with us – whether that's at one of our 690 conveniently located stores, online or via Click & Collect.

DELIVERING LONG-TERM VALUE FOR OUR SHAREHOLDERS

By inspiring, engaging and satisfying our customers, we will continue to grow our businesses in high involvement categories and aim to deliver top quartile shareholder returns.

2019 Performance Highlights

FINANCIAL



* As reported

Normalised * As reported

5.4%↑

SALES GROWTH YOY

8.6%↑

EPS GROWTH YOY

13.3%

POST TAX ROC

Customer Loyalty and Omni-retail Execution

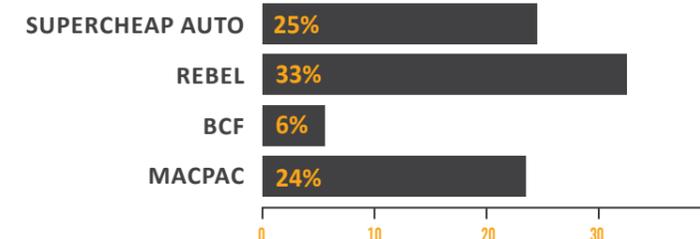
We have a large, growing and highly engaged customer loyalty base across our four powerful brands driving strong customer metrics.

LOYAL CUSTOMERS ARE OUR COMPETITIVE ADVANTAGE



GROWING ONLINE SALES (YOY)

BY BRAND

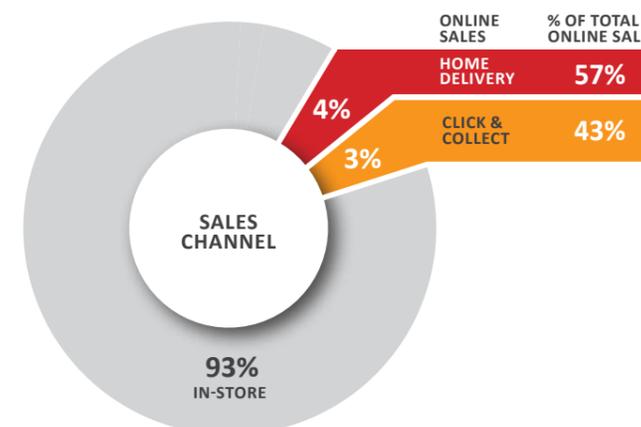


GROUP TOTAL



We are investing in our digital capability to provide a seamless omni-retail experience for our customers. This has delivered 25 per cent growth in online sales across the Group.

FOCUSED ON OMNI-RETAIL EXECUTION



We offer a Click & Collect service, where our customers order online and collect their purchase in-store, at all of our Supercheap Auto, Rebel and BCF stores.

Click & Collect represents more than 40 per cent of online sales. This enables the Group to leverage its portfolio of 690 stores to grow online sales while mitigating online cost to serve.



Our Supercheap Auto team at the 'Check It' day launch in Auckland, New Zealand.

'Check It' – the free vehicle safety initiative that's upskilling young drivers



Supercheap Auto is empowering young drivers to improve safety on our roads.

For many young Australians, owning a vehicle can mean freedom and independence. It's also the most common way we get home, to work, or to those leisure activities that make life worth living. However, for a driver to reach their destination safely, it is critical that their vehicle is checked regularly.

Research by Driver Safety Australia showed that 30 per cent of Australian and New Zealand drivers aged 25 and under say they don't have enough knowledge to perform a basic safety check on their vehicle. Alarming, two in five young drivers have knowingly driven a car with a safety issue.

Despite already being the group most likely to be involved in a road accident⁽¹⁾, young drivers are increasing this risk by allowing basic safety essentials to go unchecked.

At Supercheap Auto, we have always understood that education and awareness play a critical role in road safety.

(1) Research: Driver Safety Australia 2019

In an effort to better arm young people with car safety know-how, Supercheap Auto leveraged its long-standing partnership with Driver Safety Australia to launch 'Check It' in February 2018 – a campaign that raises awareness among young drivers on the importance of undertaking regular vehicle safety checks.

We knew there was more to do and built on this partnership by launching national 'Check It' day in March 2019. This day provides free training for all drivers across our Supercheap Auto store network in Australia and New Zealand.

Our inaugural national 'Check It' day was a great success with our skilled and capable team members providing training to more than 1,650 drivers in-store. This training shows drivers how to check a vehicle for basic problems that cause breakdowns, such as the condition of wipers, tyres, engine oil, coolant and engine fluids. More than 5,000 people have chosen to learn how to check their vehicle online by viewing the 'Check It' video tutorials and resources available at www.supercheapauto.com.au/checkit.

4/5

young drivers do not undertake any regular checks on their car, leaving it to someone else or believing a warning light will alert them to any safety issue.

15,230

services completed throughout our network during the week of national 'Check It' day.

43%

of young drivers believe that being able to undertake basic vehicle safety checks is an important skill that every driver should know.



Our Brands

Supercheap Auto is Australia and New Zealand's largest specialty automotive parts and accessories retail business. We leverage our market leadership to bring a wide range of tools and accessories for the DIY home handyman, as well as products for travel, touring, outdoors, garage and the shed.

POWERFUL CONSUMER BRAND



323

STORES



86%

BRAND AWARENESS

Data: Stellar Market Research; Australia April-June 2019



61

AVERAGE ACTIVE CLUB MEMBER NPS

FINANCIAL HIGHLIGHTS

3.4%↑

SALES GROWTH YOY

11.6%

EBIT MARGIN

25%↑

ONLINE SALES GROWTH

CUSTOMER LOYALTY



1.65M

ACTIVE CLUB MEMBERS



39%

ACTIVE CLUB MEMBERS % OF TOTAL SALES



12%

ACTIVE CLUB MEMBER GROWTH YOY

SALES (BY CHANNEL)



94%

IN-STORE % OF TOTAL SALES



4%

CLICK & COLLECT % OF TOTAL SALES



2%

HOME DELIVERY % OF TOTAL SALES

Queensland Thunderbirds and Diamonds player Gretel Tippett at Rebel for the Suncorp Super Netball player shopping spree.



Supporting the next generation of female sporting stars



From supporting grassroots participation to elite athletes, Rebel invests and supports Australia's major sporting codes including cricket, football, netball, rugby league and AFL. We want to inspire the stars of tomorrow by lifting the profile of female stars today.

In FY19, we continued our long-standing commitment to women in sport by developing and supporting young athletes through our Rebel Women Mentor Program. This program started in 2016 as part of an existing partnership with the Women's Big Bash League (WBBL) and has now expanded to include all Rebel-sponsored sporting codes.

Up-and-coming sportswomen are selected based on their on-field performance, off-field attitude, demonstrations of skill, tenacity, good sportsmanship and for inspiring other young female athletes to have a go.

The program provides essential skills to support women in their careers both on and off the field. With the backing of each sporting code, participating athletes are awarded a \$5,000 cash prize and access to a dedicated online mentor program developed in collaboration with Bianca Chatfield (former Australia

Diamonds netballer, Melbourne Vixens captain and leadership coach).

In addition to the online program, athletes are also provided with a one-on-one mentoring session with Laura Geitz, Rebel Ambassador and former captain of the Australian national netball team. This unique experience gives participants the chance to talk first-hand about the challenges and opportunities young female athletes face when navigating their professional sporting careers.

In FY19, we awarded the Rebel Women Mentor Program to the following inspirational athletes:

- AFL Women's – Libby Birch
- WBBL – Sophie Molineux
- Suncorp Super Netball – Jessica Anstiss
- W-League – Jada Whyman.

We are proud of our role in helping girls and young women appreciate that sport is not just a hobby, but a viable career path. We continue to identify new opportunities to develop the Rebel Women Mentor Program and build a community

where participants, past and present, can support each other and share experiences.



Rebel brand ambassador and mentor coach, Laura Geitz, with W-League player Jada Whyman (top left), Suncorp Super Netball player Jessica Anstiss (top right), AFL Women's player Libby Birch (bottom left) and WBBL player Sophie Molineux (bottom right).

Our Brands



Rebel helps our customers dream big. We are Australia's leading sporting goods specialist retailer, bringing the best of global brands direct to our customers. We inspire all Australians to live their sporting passion, by providing the right service, right advice, right brands and right products to help them start right and chase their dreams.

POWERFUL CONSUMER BRAND



161

STORES



94%

BRAND AWARENESS

Data: Stellar Market Research; Australia April-June 2019



57.1

AVERAGE ACTIVE CLUB MEMBER NPS

FINANCIAL HIGHLIGHTS

3.8% ↑

SALES GROWTH YOY

9.2%

EBIT MARGIN

33% ↑

ONLINE SALES GROWTH

CUSTOMER LOYALTY



2.57M

ACTIVE CLUB MEMBERS



61%

ACTIVE CLUB MEMBERS % OF TOTAL SALES



8%

ACTIVE CLUB MEMBER GROWTH YOY

SALES (BY CHANNEL)



91%

IN-STORE % OF TOTAL SALES



2%

CLICK & COLLECT % OF TOTAL SALES



7%

HOME DELIVERY % OF TOTAL SALES



OzFish Unlimited's Robbie Porter helping to restore fish habitat in Queensland's Moreton Bay.

Creating healthy waterways for future generations



Australia has some of the world's greatest outdoor spaces. By encouraging people to restore and improve our waterways, we are helping to keep it that way.

BCF understands that waterways play a major role in the outdoor activities enjoyed by many Australians. Fishing alone attracts almost 3.5 million Australians each year. However, there are a number of high-profile issues impacting the health of our waterways. As well as threatening our valued natural spots, concerns about high fish mortality and the loss of species diversity place the future of our fisheries at risk.

Since 2017, BCF has demonstrated a commitment to making a positive contribution to environmental and social change in this area by partnering with OzFish Unlimited, a fishing conservation organisation.

Together, in FY19, we opened a Moreton Bay Shellfish Recycling Centre as part of the 'Give Back to Habitat' initiative. The initiative restores marine life habitat by placing used oyster shells in waterways to encourage live oysters to return to the area and boost fish populations.



OzFish raised funds at the popular Wynnum Seafood Festival to help restore fish habitat.

These efforts will be concentrated across 100 hectares of oyster reef in Moreton Bay and will also encourage habitat restoration in surrounding areas.

The project relies on the ongoing support of many stakeholders, including government and our local community. Each year Australians eat millions of oysters, with the majority of discarded shells sent to landfill sites, contributing to the country's growing waste problem. To address this issue, local businesses can donate used oyster shells to OzFish, which offers the dual benefit of assisting OzFish operations and

preventing waste being sent to landfill.

Our work restoring the environment also relies on securing continued funding. Through our Round Up campaign, we encourage BCF customers to round up their purchases and donate the difference to OzFish. In FY19, our customers helped raise almost \$250,000, with BCF proudly contributing a further \$220,000.

Other BCF initiatives include donating useful sample stock and extending our team member discount to local OzFish chapters to source prizes for fundraising events.

Our Brands



BCF is the leading outdoor retailer in the country, with stores across every state of mainland Australia. With expert knowledge and service, we provide everything you could possibly need for your next boating, camping or fishing adventure under the one roof.

POWERFUL CONSUMER BRAND



136

STORES



74%

BRAND AWARENESS

Data: Stellar Market Research; Australia April-June 2019



61

AVERAGE ACTIVE CLUB MEMBER NPS

FINANCIAL HIGHLIGHTS

3.3% ↑

SALES GROWTH YOY

4.0%

EBIT MARGIN

6% ↑

ONLINE SALES GROWTH

CUSTOMER LOYALTY



1.45M

ACTIVE CLUB MEMBERS



81%

ACTIVE CLUB MEMBERS % OF TOTAL SALES



7%

ACTIVE CLUB MEMBER GROWTH YOY

SALES (BY CHANNEL)



93%

IN-STORE % OF TOTAL SALES



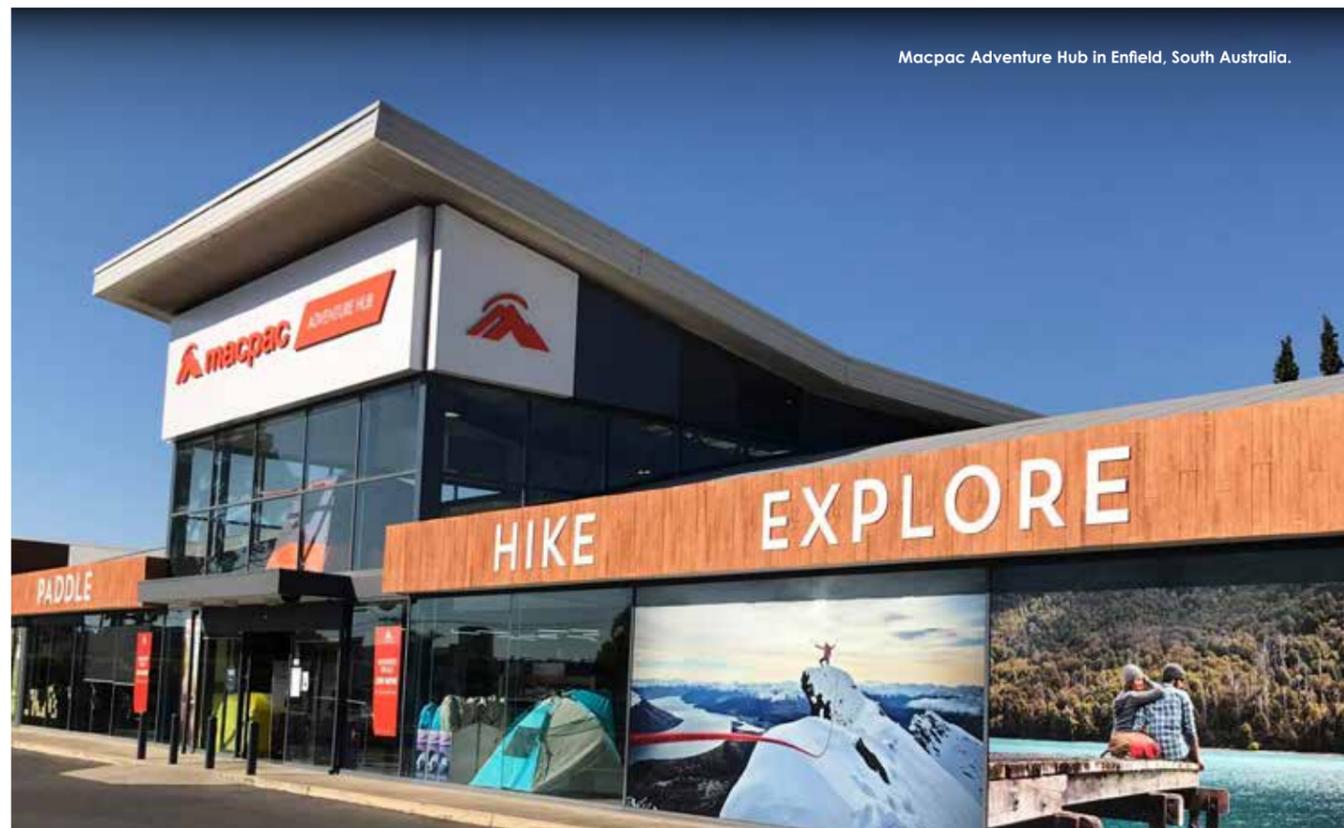
5%

CLICK & COLLECT % OF TOTAL SALES



2%

HOME DELIVERY % OF TOTAL SALES



Macpac Adventure Hub in Enfield, South Australia.

Macpac opens nine new Adventure Hubs across Australia



The outdoor adventure retailing segment is benefiting from a global shift as more and more people are discovering the advantages of getting outdoors. Recognising this opportunity, we announced our decision to acquire New Zealand outdoor adventure retailer, Macpac, in February 2018.

Since the acquisition, a key focus has been transforming nine of the existing Rays stores to Macpac Adventure Hubs. These hubs respond to the growing demand for a premium destination for outdoor products and adventure advice and position us as the leading outdoor adventure specialist across Australia and New Zealand.

The outdoor business is a technical, high-involvement category, where customers look for expert advice and want to try the product before buying.

By combining the expertise and reputation of Rays and Macpac, we now offer a much broader range of quality products, information and services. The Adventure Hubs provide outdoor enthusiasts with the personalised customer experience they seek as well as a one-stop shop



A look inside the pack-fitting hut, Nunawading Adventure Hub, Victoria.

for all their hiking, camping, travelling and paddling needs.

The Adventure Hubs expand on the classic Macpac stores by combining our brand heritage and technical excellence with a selection of carefully curated apparel, equipment and accessories from some of the world's best brands.

A key part of Macpac's expansion into a premium retail solution has been ensuring our strong physical presence in Australia. In March 2019 we successfully transformed nine Rays stores into new large format retail Adventure Hubs in Victoria, New South Wales, ACT, South Australia and Queensland – bringing

Macpac's Australian store footprint to 34.

The Hubs' core customer experiences include:

- pack-fitting huts where our knowledgeable team members will professionally fit and show customers how to get the most out of their packs
- essential and practical resources to help customers feel prepared for their next adventure, including detailed world maps and packing lists
- chill-out zones where customers are offered personalised expert advice and a space to feel inspired to get outdoors.

Our Brands



Macpac has designed apparel and equipment that has inspired a life outdoors since 1973. Designed, tested and proven in the ultimate outdoor test lab – New Zealand, Macpac's wide range of products are made for adventurers, by adventurers.

POWERFUL CONSUMER BRAND



70

STORES



82%

BRAND AWARENESS

Data: Stellar Market Research; New Zealand April-June 2019



COMING IN FY20

AVERAGE ACTIVE CLUB MEMBER NPS

FINANCIAL HIGHLIGHTS

70.3% ↑

SALES GROWTH YOY

Macpac was owned for 12 months in 2018/19 compared to three months in 2017/18

9.4%

EBIT MARGIN

24% ↑

ONLINE SALES GROWTH

Macpac only excludes Rays

CUSTOMER LOYALTY



0.41M

ACTIVE CLUB MEMBERS



65%

ACTIVE CLUB MEMBERS % OF TOTAL SALES



36%

ACTIVE CLUB MEMBER GROWTH YOY

SALES (BY CHANNEL)



90%

IN-STORE % OF TOTAL SALES



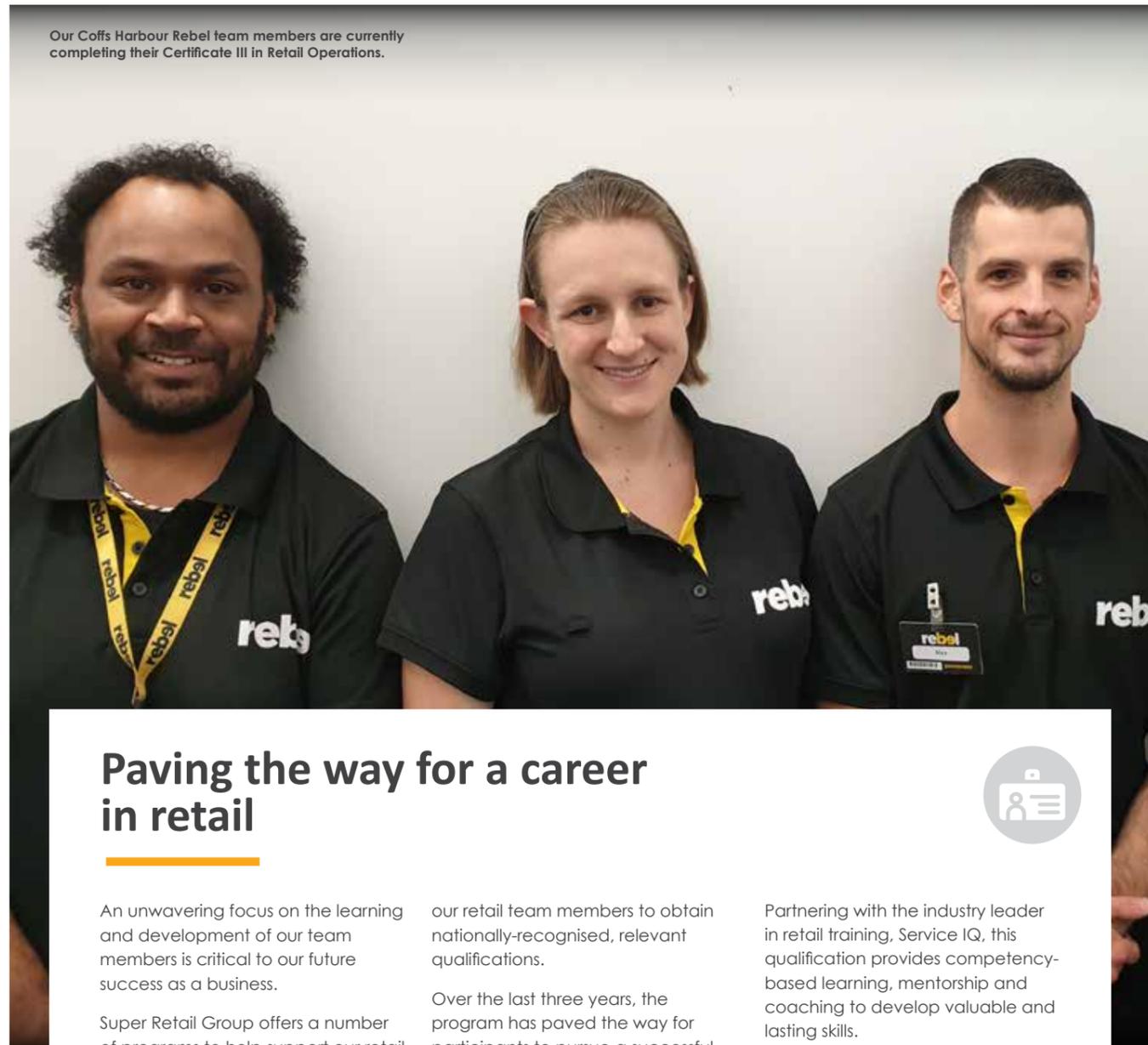
COMING IN FY20

CLICK & COLLECT % OF TOTAL SALES



10%

HOME DELIVERY % OF TOTAL SALES



Our Coffs Harbour Rebel team members are currently completing their Certificate III in Retail Operations.

Paving the way for a career in retail



An unwavering focus on the learning and development of our team members is critical to our future success as a business.

Super Retail Group offers a number of programs to help support our retail team members unlock their potential for a rewarding and valuable career in retail.

By providing development opportunities within the Group we are able to attract, grow and retain talented team members. In addition, investing in the skills and knowledge of our team members allows us to better serve our customers and strengthens our relationships with local communities. We view this commitment to learning and development as a competitive advantage in today's marketplace.

ACCREDITED LEARNING PROGRAMS

We partner with Registered Training Organisations to facilitate accredited learning programs, which provide a variety of training and assessment opportunities. These initiatives allow

our retail team members to obtain nationally-recognised, relevant qualifications.

Over the last three years, the program has paved the way for participants to pursue a successful career in retail, with approximately 20 per cent progressing into higher duty roles.

Within our Australian program, we are proud to have almost 220 retail team members currently completing either a Certificate III in Retail Operations or a Certificate IV in Retail Management. In FY19, more than 130 team members successfully completed their training and gained their qualification.

NEW ZEALAND RETAIL MANAGEMENT

In New Zealand, we remain focused on giving our team members opportunities to develop their management skills to become retail leaders of the future. For the first time, our New Zealand Store and Assistant Store Managers can enrol in a Level 4 Retail Management qualification.

Partnering with the industry leader in retail training, Service IQ, this qualification provides competency-based learning, mentorship and coaching to develop valuable and lasting skills.

We have 44 team members currently completing their qualification, with the first group of managers expected to complete their qualification by the end of 2019.

DEVELOPING THE RETAIL LEADERS OF THE FUTURE

In addition to our internal efforts, we view school-based traineeships as a valuable way for store managers to strengthen their connection with their local communities. Launched in February 2019, our school-based traineeships provide students aged 16 years or older with valuable industry skills while they complete their secondary school qualifications. Through these traineeships, we hope to inspire the next generation of team members with a rewarding hands-on experience and a nationally recognised qualification.



Our passionate Supply Chain team onsite at our Brendale Distribution Centre in Queensland.

SUSTAINABILITY

In FY19, Super Retail Group proudly:

joined the United Nations Global Compact

was included in the SAM 2019 Sustainability Yearbook as a sustainability leader in Australia in the retailing sector.

Driving improved outcomes in our supply chain



At Super Retail Group, we are committed to social and environmental initiatives that benefit our team, customers, trade partners and the communities in which we operate.

Responsible sourcing is now a fundamental expectation of businesses who operate in a global economy. We know that it's important to have responsible and ethical business practices across all our operations. This means addressing global social and environmental factors in our supply chain, including sourcing products in a sustainable and responsible way, respecting human rights and fair working conditions, and managing our environmental impact in the sourcing process.

In FY19, we launched our refreshed Responsible Sourcing Program. The program promotes fair working conditions, sustainability and improved environmental outcomes in our supply chain.

It is aligned with the UN Guiding

Principles on Business and Human Rights and the UN Global Compact (UNGC).

To address the challenges associated with responsible product sourcing, we need to operate under the guidance of our Group values, uphold high standards of behaviour and maintain a strong focus on our product supply chain – particularly with respect to human rights and the elimination of modern day slavery.

One of the key ways in which we will achieve positive long-term outcomes is by working closely with our trade partners. This view is based on the understanding that we cannot build responsible supply chains in isolation – close collaboration is needed to support our supply chains to remain ethical, transparent and environmentally sustainable.

It is equally important that our team members uphold these same standards every day. We will continue to support them with ongoing training to increase their knowledge of the important role they play in delivering improved

outcomes throughout our supply chain. Our refreshed Responsible Sourcing Program will also standardise policies and processes across the Group.

Our Responsible Sourcing Program is supported by two key documents:

- **Responsible Sourcing Policy:** which reinforces our commitment to responsible sourcing in line with industry best practice and the new Australian Modern Slavery legislation.
- **Responsible Sourcing Code:** which provides clarity to our trade partners and indirect suppliers about our requirements and expectations in relation to business integrity, environmental sustainability and respect for human rights in our supply chain.

These documents, including links to the UN Guiding Principles on Business and Human Rights and the UNGC, are available on our Super Retail Group website under Working with Us/Trade.

Further details on our sustainability initiatives will be available in our 2019 Sustainability Report in October 2019. For more details about our governance practices refer to our Corporate Governance Section on page 26.

Board of Directors



SALLY PITKIN
Independent Non-Executive Chair



ANTHONY HERAGHTY
Group Managing Director and Chief Executive Officer



REG ROWE
Non-Executive Director



DIANA EILERT
Independent Non-Executive Director



LAUNA INMAN
Independent Non-Executive Director



HOWARD MOWLEM
Independent Non-Executive Director



PETER EVERINGHAM
Independent Non-Executive Director

Appointed

Chair – 23 October 2017
Board – 1 July 2010

20 February 2019

8 April 2004

21 October 2015

21 October 2015

13 June 2017

19 December 2017

Committees

Chair of the Nomination Committee.

Member of the Nomination Committee.

Member of the Nomination Committee.

Audit and Risk Committee, Human Resources and Remuneration Committee and Nomination Committee.

Chair of the Human Resources and Remuneration Committee and member of the Nomination Committee.

Chair of the Audit and Risk Committee and member of the Nomination Committee.

Member of the Audit and Risk Committee, Human Resources and Remuneration Committee and Nomination Committee.

Experience

Dr Sally Pitkin has more than 20 years' experience as a Non-Executive Director in the listed, private, public and non-profit sectors, including experience in international markets, and more than 15 years' experience as a non-executive director of ASX200 companies. Sally served as an Independent Non-Executive Director for Super Retail Group (1 July 2010 – 23 Oct 2017) prior to her appointment as Chair and is an ex-officio member of the Audit and Risk Committee, and the Human Resources and Remuneration Committee. She is a lawyer and former partner of a national law firm with banking law, corporate law and corporate governance expertise. Sally holds a Doctor of Philosophy (Governance), a Master of Laws and Bachelor of Laws.

Anthony has more than 20 years' leadership experience across the retail, apparel, FMCG and marketing services industries. Prior to his appointment as Group Managing Director and Chief Executive Officer, Anthony was Managing Director – Outdoor Retailing (2015 – 2019) where he was responsible for the BCF, Rays and Macpac businesses. Anthony has served in a variety of senior roles including Group General Manager of Underwear for Pacific Brands Limited, where he led the overhaul of the Bonds business from a wholesale operation to an omni-retailer, Global Marketing Director for Foster's Group Limited and Managing Director for George Patterson and McCann Erickson.

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 that evolved into the thriving specialty retail business – Supercheap Auto. Reg served as Managing Director until 1996 and then Chairman from 1996 to 2004. Prior to this, Reg had 13 years' experience in various retail and merchandise roles at Myer department stores. Reg brings to the Board extensive retail industry and general management expertise and skills in retail and merchandise operations, property and strategy.

Diana is an experienced Non-Executive Director with strong strategic and operational experience. As a former Suncorp Group Executive and as a CEO, she has broad experience running large businesses. Combined with her Strategy Partner and executive experience, Diana brings to the Board particular skills in strategy, with an emphasis on customer and data, technology, digital disruption and business models. Diana's Non-Executive focus is mid-cap companies, with previous board roles including realestate.com, Veda and Navitas. Diana holds a Bachelor of Science (Pure Mathematics) (University of Sydney) and a Master of Commerce (UNSW).

Launa brings to the Board extensive experience in retailing, marketing (including digital technology and social media), finance and logistics. Her diverse experience includes terms as Managing Director and CEO of Billabong International (May 2012 – August 2013), Managing Director of Target Australia Pty Ltd (2005 – 2011), Managing Director of Office Works (2004 – 2005). She is formerly a Non-Executive Director of the Commonwealth Bank of Australia. Launa holds a Bachelor of Commerce (Hons) and a Master of Commerce. She is a member of the Australian Institute of Company Directors and has completed the Wharton Business School executive program.

Howard is experienced in many segments of the Australian and international retail industry and brings extensive experience in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, audit and governance. From 2001 – 2010, he was Chief Financial Officer and Board member of Dairy Farm International Holdings, a Hong Kong based pan-Asian retailer. Prior to that, he held the position of Finance Director for Coles Supermarkets for 12 years. Howard was formerly a Non-Executive Director of Billabong International Ltd. He holds a Bachelor of Economics (Hons), a Master of Business Administration and Securities Industry Diploma, and is a Fellow of CPA Australia.

Peter is an experienced executive with more than 25 years' corporate experience, including 18 years in senior executive roles in the digital sector. He was formerly Managing Director of SEEK Limited's International Division, and served as a Non-Executive Director of the education businesses, IDP Education, Online Education Services and THINK Education, as well as Chairman of Seek's China subsidiary, Zhaopin Limited. His previous executive roles include Director of Strategy for Yahoo! in Australia and Southeast Asia. Peter holds a Master of Business Administration from IESE, a Bachelor of Economics from The University of Sydney, and is a Graduate Member of the Australian Institute of Company Directors.

Other Roles

Non-Executive Director and Fellow of the Australian Institute of Company Directors and Chair of the Institute's Corporate Governance Committee, Director of ASX listed companies The Star Entertainment Group Limited and Link Administration Holdings Limited.

Director of a number of private family companies.

Independent non-executive Director of Domain Holdings Australia Limited and Elders Limited.

Non-Executive Director of Precinct Properties New Zealand Limited, and is a Board member of the Alannah and Madeline Foundation and Virgin Australia Melbourne Fashion Festival.

Non-Executive Director of ME Bank, iCar Asia Limited and WWF-Australia, Australia's largest conservation organisation.

Leisure Passion

Bush walking and skiing

Fishing, camping, hiking, cycling, running and cars

Enjoying time with family, walking and gardening

Skiing, cycling, hiking, swimming and jazz

Hiking, sailing and adventure travel

Golf

Ocean swimming

Executive Leadership Team



BENJAMIN WARD
Managing Director –
Supercheap Auto

Benjamin joined Super Retail Group in July 2019 as Managing Director – Supercheap Auto. Benjamin holds a Bachelor of Business (Marketing) from the University of Newcastle, and is an experienced retail executive with almost 25 years in senior management roles across Australia, UK, US and Europe, including two decades with international supermarket giant ALDI. Previously, he was Managing Director, Global Business Coordination for ALDI Supermarkets based in Germany. Benjamin also held various senior leadership roles at ALDI in strategy development and organisation management.



GARY WILLIAMS
Managing Director –
Rebel

Gary joined Super Retail Group in April 2019 as Managing Director – Rebel. Previously Gary served as Chief Operating Officer for Alceon Retail Group and was a member of the executive committee for the EziBuy and SurfStitch businesses. His global experience includes roles in USA, UK, Asia Pacific and South Africa. Gary has held executive, board and senior retail leadership roles with brands including David Jones/Country Road Group, Myer, Puma, Topshop, Reebok, Coca-Cola and Westfield.



DAVID BURNS
Chief Financial Officer

David joined Super Retail Group in December 2012 in the role of Chief Financial Officer (CFO). David has overall responsibility for the finance, investor relations, and property and store improvement portfolios. David holds a degree in Economics from the University of Sydney, and is a FCPA. He has more than 25 years of finance experience in a number of industry sectors, and previously held senior management positions at Qantas, Spotless and Lend Lease.



PAUL HAYES
Chief Information Officer

Paul joined Super Retail Group in December 2015 as Chief Information Officer (CIO) from UK retailer, John Lewis, where he served for a number of years as Head of Information Systems Delivery. Paul was previously a senior IT consultant with IBM, leading multi-million dollar projects for premier retailers including Tesco, Argos and Woolworths, and prior to that held a variety of roles with British Home Stores.



JANE KELLY
Chief Human
Resources Officer

Jane joined Super Retail Group in July 2016 as Chief Human Resources Officer (CHRO), and is responsible for advancing Super Retail Group's strong focus on team engagement, culture and capability development. Jane holds a Masters of Commerce and Employee Relations with Honours from the University of Melbourne, and a Bachelor of Commerce from the University of New South Wales. She was previously the Human Resources and Corporate Affairs Director at BT Financial Group, and also held senior roles as Head of Reward for St. George Bank and Head of HR Australian Financial Services at Westpac.



ETHAN ORSINI
Acting Managing Director –
BCF

Ethan was appointed Acting Managing Director for BCF in February 2019. Ethan first joined Super Retail Group in 2006 as a Senior Business Analyst, and after various management roles moved on to become the Group Financial Controller, and then General Manager Commercial. Ethan graduated with an Honours in Business Administration from Richard Ivey School of Business, University of Western Ontario and is also a Chartered Professional Accountant (Canada). Previously, Ethan held senior management roles across Canada and Australia working with brands including David Jones, Colgate, Subaru and Estee Lauder.



ALEX BRANDON
Chief Executive Officer –
Macpac

Alex was appointed as Macpac's Chief Executive Officer in July 2012 and continues to serve in this role after Super Retail Group acquired the outdoor adventure specialist retailer in April 2018. Originally from England, Alex holds a Bachelor of Economics and Marketing degree from the London Guildhall University and is currently based in Christchurch, New Zealand. Alex has more than 20 years of retailing experience across the US, Australia and New Zealand with companies including Bath and Body Works, Express, Surf Dive N Ski, Rip Curl and Just Kids.



PETER LIM
Group General Counsel
and Company Secretary

Peter joined Super Retail Group in January 2019 as Group General Counsel and Company Secretary and leads the legal, secretariat, risk management and compliance functions of the organisation. He has a Bachelor of Laws and a Bachelor of Commerce from the University of NSW, and is a graduate of the Advanced Management Program at INSEAD, Fontainebleau. Peter was previously the Executive General Manager, Legal and Corporate Affairs at Caltex Australia Limited.



KATIE McNAMARA
Chief Strategy and
Customer Officer

Katie joined Super Retail Group in April 2019 as Chief Strategy and Customer Officer, where she has responsibility for corporate strategy integration and execution, analytics, marketing and customer strategy. Katie holds a Bachelor of Pharmacy Degree, and a Master of Business Administration from Melbourne Business School and Cornell University. She has completed executive programs in Digital Marketing at INSEAD Administration and both Digital Transformation and Marketing at Harvard Business School. Katie brings more than 20 years' experience in top tier consulting, retail and FMCG businesses. She was previously Vice President Asia-Pacific for IBM, leading Digital Strategy and iX.



DARREN WEDDING
Chief Supply Chain Officer

Darren joined Super Retail Group in January 2019 as Chief Supply Chain Officer. Darren has more than 30 years' experience in supply chain and logistics having served in a broad array of industries including military, steel manufacturing, FMCG, retail and third party logistics, with nine of his past 10 years based in Asia. Darren holds a Bachelor of Business Degree, Graduate Diploma of Business and a Master of Business Administration from the University of Southern Queensland. Prior to joining Super Retail Group, Darren worked in a regional operations role for Zuellig Pharma serving their Asian based operations.

We inspire our customers to live their passion by building businesses that are market leaders in high involvement categories

Our Team

At Super Retail Group, everything starts with our team. Having healthy, happy, capable and passionate team members is essential to providing inspiring solutions and experiences for our customers.

STRATEGIC INVESTMENTS THAT DRIVE CUSTOMER VALUE

Continuously improving our skills and knowledge is one way we enable our team to develop the expertise they need to support our customers and, in FY19, we continued our targeted investment in our senior leaders so they could be our ongoing narrators of change. At the same time, we launched:

SOULibrary – a broad selection of voluntary learning tools for all our team members, including a digital library of more than 10,000 learning items. These tools reinforce that learning is not just training, but a continuous opportunity to build our team members' expertise.

A suite of new capabilities on **SOULmoments** – our digital team member recognition platform and a key driver of internal engagement. Our team members access the platform, on average, 13,500 times every month to give thanks to one another for living our values and delivering excellent customer service.

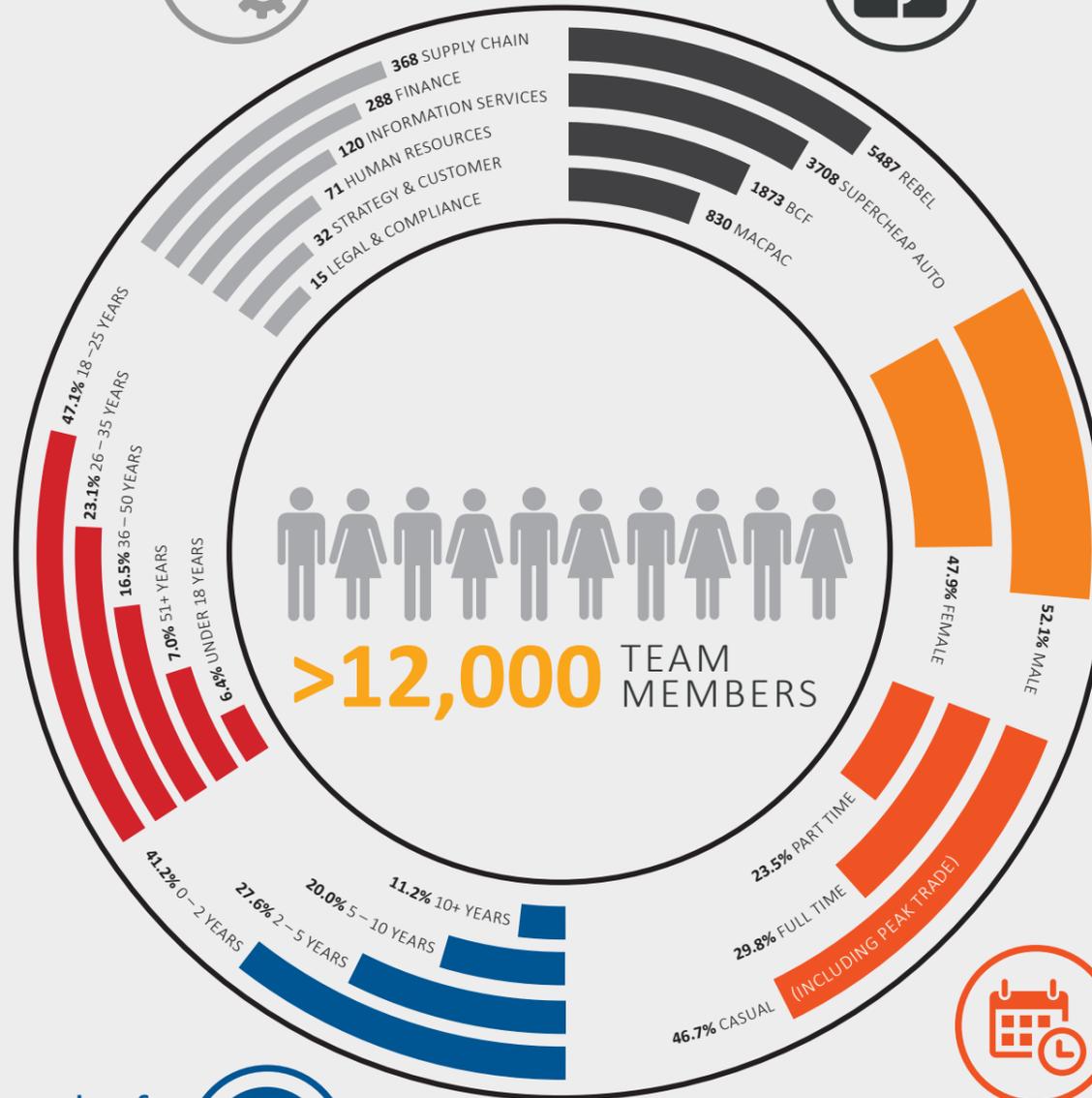
Next year, we will continue to focus on embedding our strategic learning and development initiatives in service of our team and customers.

MEASUREMENT WHERE IT MATTERS

A commitment to a healthy and safe work environment for team members, contractors, customers and visitors remains our highest priority.

We continue to track safety performance via our Total Recordable Injury Frequency Rate (TRIFR). This measures the number of fatalities, lost time injuries, restricted duties and other injuries requiring treatment by a medical professional, per million hours worked.

We are pleased to report a 10.1 per cent reduction on last year, with a result of 14.34 in FY19. There were no work-related fatalities recorded during the reporting period. The TRIFR result compared to the previous year reflects ongoing maturity of our reporting data, which recalculated FY18 TRIFR to 15.95.



Our focus this year has been on safety leadership, risk management, personal accountability and team member awareness and education. Next year, we will improve our health and safety maturity by continuing our efforts and activities in these core areas as well as our safety management system.

We believe that a diverse team and an inclusive work culture are essential to our organisation's growth. We know that team members who feel valued and supported are more likely to be engaged in their work. A diverse team also offers a wider variety of perspectives, which improves the quality of organisational decision-making.

An inclusive environment for all team members – regardless of gender, ethnicity, religion, age, sexual orientation and mobility – allows us to attract and retain the best talent and reflect the diversity of the communities in which we operate and the customers we serve.

These beliefs are underpinned by progressive ways of working, policies and practices.

In FY19, the Group achieved its highest rate of female participation with a total team mix of 47.9 per cent female and 52.1 per cent male. Women in senior management roles increased to 38.6 per cent in FY19 and by 2 per cent (to 35 per cent) for management roles.

Female representation on our Board remained consistent year-on-year at 43 per cent, while leadership renewal at the executive leadership level meant the number of women decreased to 20 per cent. We remain committed to our target of having 40 per cent female representation at Board and senior management levels by 2020.

TEAM ENGAGEMENT

In October 2019, we will conduct our annual team member engagement survey. Following this, we will start running shorter, more regular pulse surveys so we can listen and respond faster to the 'heartbeat' of our team members.

GENDER EQUALITY PUBLIC REPORT

To comply with the Workplace Gender Equality Act 2012, we have lodged our 2018-19 Gender Equality Report with the Workplace Gender Equality Agency. The report is available to view here: <https://www.wgea.gov.au/>.

47.9%

% OF FEMALE PARTICIPATION

38.6%

WOMEN IN SENIOR MANAGEMENT

35%

WOMEN IN MANAGEMENT

10.1% ↓

TOTAL RECORDABLE INJURY FREQUENCY RATE

75.9%

TEAM RETENTION

13,500

AVG TEAM MEMBER RECOGNITIONS PER MONTH across Super Retail Group

Corporate Governance

Super Retail Group is committed to sound corporate governance standards that protect and enhance the long-term performance of the Group, taking into account the interests of our stakeholders.

The Group has fully followed the recommendations of the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) throughout the reporting period. Further details are set out in the Group's Appendix 4G and Corporate Governance Statement, authorised for issue by the Directors on 14 August 2019, which are available on the Australian Securities Exchange (ASX) website at www.asx.com.au and the Group's website at: www.superretailgroup.com/investors-and-media/corporate-governance.

OUR PURPOSE

The purpose of our business is to provide solutions and engaging

experiences that inspire our customers to make the most of their leisure time. We aim to operate our business to create long-term shareholder value while taking account of the interests of team members, customers, and others with whom we do business, and the communities in which we operate.

We aspire to an organisational culture that promotes ethical and responsible behaviour and supports team members to achieve our purpose.

We have a set of five values to guide the behaviours of Directors and all team members. These are passion, openness, integrity, care and discipline. Further detail on our

values can be found at: www.superretailgroup.com/about-us/our-values.

Our Code of Conduct sets out our personal responsibilities and standards of behaviour, and provides guidance as to how to conduct our activities in a safe and fair manner. Our Code of Conduct is supported by other policies, including the Whistleblowing Policy. This policy encourages our team members, suppliers and associates to raise concerns about suspected unethical, unsafe or illegal activity, or any inappropriate conduct. Under this policy we also seek to safeguard people who make a report.



OUR GOVERNANCE FRAMEWORK

The Board's role, as set out in the Board Charter, includes responsibility to approve and oversee the strategic direction of the Group, to appoint the Group Managing Director and CEO and to oversee the governance, management and performance of the Group. The Board is supported through three standing Board Committees. Each Committee has its own Charter setting out its role and responsibilities, composition, and how it will operate.

The Board has a policy that it shall be composed of a majority

of independent, Non-Executive Directors who, with Executive Directors, have an appropriate mix of capabilities, experience and diversity to effectively meet the Board's responsibilities.

The Board delegates responsibility for the day to day management of the Group to the Group Managing Director and CEO. The Group Managing Director and CEO manages the Group in accordance with the strategy, business plans and delegations approved by the Board, and is accountable to the Board for the exercise of the delegated authority.

The Group recognises that risk is characterised by both threat and opportunity, and manages risk in order to enhance opportunities and mitigate threats. There is an Internal Audit function reporting to the Audit and Risk Committee and the Chief Financial Officer. The role of Internal Audit is to evaluate the adequacy and effectiveness of the risk management system and internal controls.

The External Auditor provides assurance on the Group's financial reporting.

The governance framework is depicted in the diagram below:



OUR APPROACH TO STAKEHOLDER ENGAGEMENT

We are committed to providing shareholders and the investment community with access to full, accurate and timely information

about our governance, financial performance and activities. We are also committed to meeting our continuous disclosure obligations.

We have programs of engagement with a broad range of stakeholders,

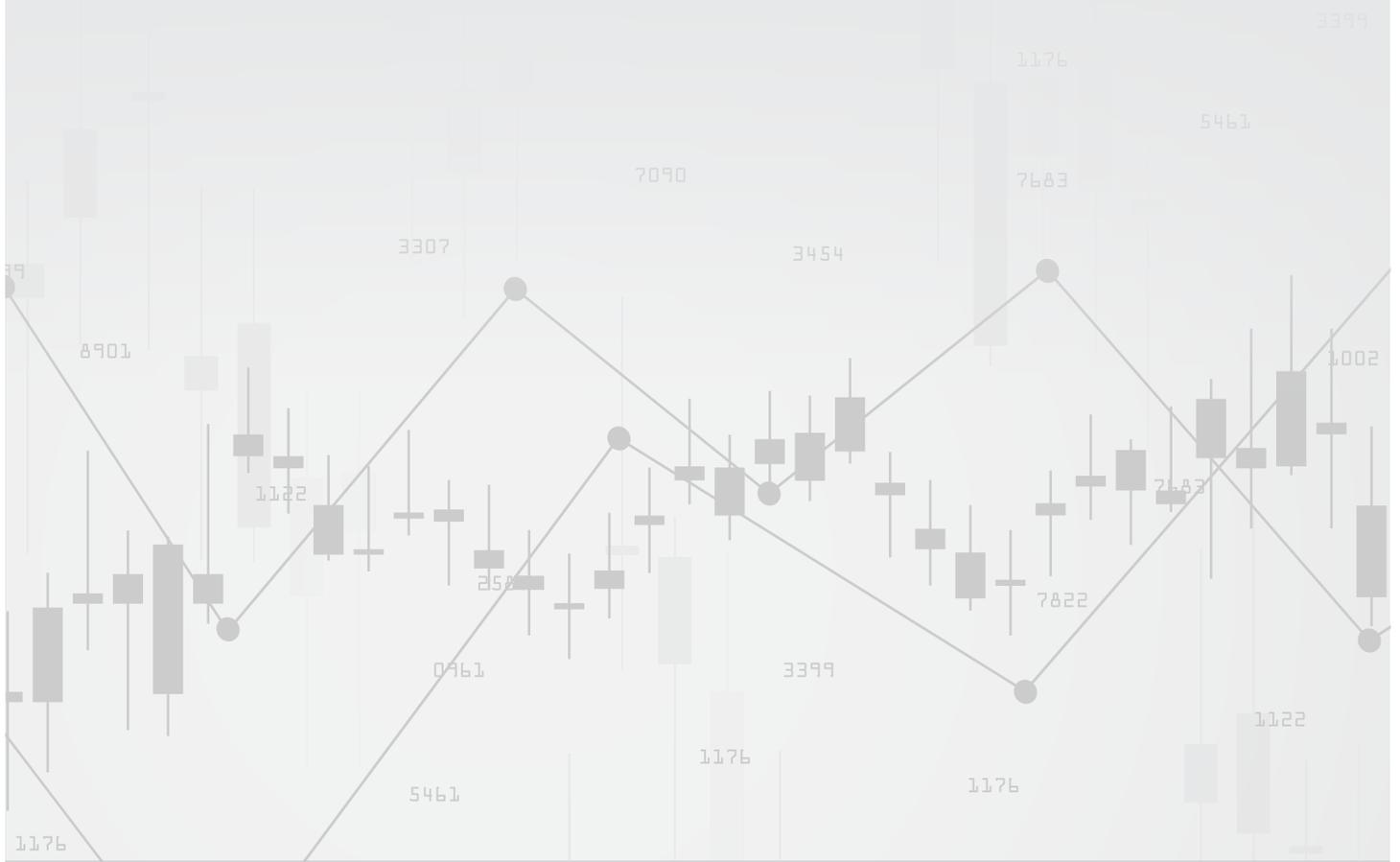
including our team members, customers, business partners, industry participants and local communities. We value our engagement with all our stakeholders.

2018 – 2019

● Directors' Report Remuneration Report Financial Report

FOR THE YEAR ENDED 29 JUNE 2019

Super Retail Group Limited
ABN: 81 108 676 204
ASX Code: SUL



DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Super Retail Group Limited (SUL) (the Company) and its subsidiaries for the period ended 29 June 2019.

1. Directors

The Directors of the Company at any time during or since the end of the period, up to the date of this report are:

Directors:

S A Pitkin

(Independent Non-Executive Chair)

A M Heraghty

(Group Managing Director and Chief Executive Officer) (appointed 20 February 2019)

R A Rowe

(Non-Executive Director)

D J Eilert

(Independent Non-Executive)

L K Inman

(Independent Non-Executive)

H L Mowlem

(Independent Non-Executive)

P D Everingham

(Independent Non-Executive)

Former:

P A Birtles

(Group Managing Director and Chief Executive Officer) (retired 19 February 2019)

Details of the qualifications, experience and responsibilities of the Directors can be found in the Group's annual report.

Special Responsibilities of Directors:

Director	Audit & Risk Committee	Nomination Committee	Human Resources & Remuneration Committee
S A Pitkin	n/a	✓ ⁽¹⁾	n/a
A M Heraghty ⁽²⁾⁽³⁾	n/a	✓	n/a
R A Rowe	n/a	✓	n/a
D J Eilert ⁽³⁾	✓	✓	✓
L K Inman ⁽³⁾	n/a	✓	✓ ⁽¹⁾
H L Mowlem	✓ ⁽¹⁾	✓	n/a
P D Everingham	✓	✓	✓

⁽¹⁾ Denotes Chair of Committee.

⁽²⁾ Appointed 20 February 2019.

⁽³⁾ Resigned from Nomination Committee effective 22 July 2019.

1.1 Directorships of listed companies held by members of the Board

Current directors:

Director	Listed Company	Directorship	Key Dates
S A Pitkin	Super Retail Group Limited	Independent Non-Executive Chair	Current, appointed 01 July 2010 Appointed as Chair 23 October 2017
	The Star Entertainment Group Limited	Independent Non-Executive Director	Current, appointed 31 July 2014
	Link Administration Holdings Limited	Independent Non-Executive Director	Current, appointed 23 September 2015
	<i>Former directorships:</i>		
	IPH Limited	Independent Non-Executive Director	Former, appointed 23 September 2014 and ceased 20 November 2017
	Billabong International Limited	Independent Non-Executive Director	Former, appointed 28 February 2012 and ceased 15 August 2016
A M Heraghty	Super Retail Group Limited	Group Managing Director and Chief Executive Officer	Current, appointed 20 February 2019
R A Rowe	Super Retail Group Limited	Non-Executive Director	Current, appointed 08 April 2004

DIRECTORS' REPORT (continued)

1. Directors (continued)

1.1 Directorships of listed companies held by members of the Board (continued)

Current directors:

Director	Listed Company	Directorship	Key Dates
D J Eilert	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Elders Limited	Independent Non-Executive Director	Current appointed 14 November 2017
	Domain Holdings Australia Limited	Independent Non-Executive Director	Current appointed 16 November 2017
	<i>Former directorships:</i>		
Veda Group Limited	Independent Non-Executive Director	Former, appointed 4 October 2013 and delisted 26 February 2016	
	Navitas Limited	Independent Non-Executive Director	Former, appointed 28 July 2014 and delisted 5 July 2019
L K Inman	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Precinct Properties New Zealand Limited	Independent Non-Executive Director	Current, appointed 28 October 2015
	<i>Former directorships:</i>		
	Commonwealth Bank of Australia	Independent Non-Executive Director	Former, appointed 16 March 2011 and ceased 16 November 2017
Bellamy's Australia Limited	Independent Non-Executive Director	Former, appointed 15 February 2015 and ceased 28 February 2017	
Jaxsta Limited	Independent Non-Executive Director	Former, appointed 28 December 2018 and ceased 28 February 2019	
H L Mowlem	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 13 June 2017
	<i>Former directorships:</i>		
Billabong International Limited	Independent Non-Executive Director	Former, appointed 24 October 2012 and delisted 26 April 2018	
P D Everingham	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 19 December 2017
	iCar Asia Limited	Independent Non-Executive Director	Current, appointed 1 July 2017

Former director:

Director	Listed Company	Directorship	Key Dates
P A Birtles	Super Retail Group Limited GWA Group Limited	Group Managing Director and Chief Executive Officer Independent Non-Executive Director	Former, appointed 05 January 2006 and ceased 19 February 2019 Current, appointed 24 November 2010

1.2 Directors' Meetings

The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 29 June 2019 is set out below:

	Meetings of Committees							
	Board Meetings		Audit and Risk		Nomination		Human Resources and Remuneration	
	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾
S A Pitkin	12	12	5	5	2	2	6	6
A M Heraghty	5	5	1	1	1	1	2	2
P A Birtles	7	7	4	4	1	1	4	4
R A Rowe	12	12	5	5	2	2	6	6
D J Eilert	12	12	5	5	2	2	6	6
L K Inman	12	12	5	5	2	2	6	6
H L Mowlem	12	12	5	5	2	2	6	6
P D Everingham	12	12	5	5	2	2	6	6

⁽¹⁾Number of meetings held during the time the Director held office during the year.

DIRECTORS' REPORT (continued)

1. Directors (continued)

1.3 Directors' Interests

The relevant interest of each Director in shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange (ASX) in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Number of Ordinary Shares	Options over Ordinary Shares
S A Pitkin	42,153	-
A M Heraghty	40,691	-
R A Rowe	59,936,866	-
D J Eilert	15,500	-
L K Inman	22,175	-
H L Mowlem	30,000	-
P D Everingham	17,000	-

2. Company Secretary

The Company Secretary (and Group General Counsel) is Mr Peter Lim, B Com LLB (UNSW). Mr Lim was appointed and commenced with Super Retail Group Limited on 21 January 2019.

Prior to 21 January 2019, the Company Secretary (and Chief Legal and Property Officer) position was held by Mr R W Dawkins, B.Bus (Acct), Grad. Dip. AppCorpGov, ACIS, ACSA. Mr Dawkins commenced with Super Retail Group Limited as the Property Services Manager in July 2001 and was appointed Company Secretary in December 2010.

3. Operating and Financial Review

3.1 Overview of the Group

The Group is a for-profit entity and is primarily involved in the retail industry. Founded in 1972, as an automotive accessories mail order business which evolved into Supercheap Auto, the Group has grown through both organic growth and mergers and acquisitions evolving its principal activities to include:

- Super Cheap Auto (SCA): retailing of auto parts and accessories, tools and equipment;
- Rebel: retailing of sporting equipment and apparel;
- BCF: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
- Macpac: retailing of apparel, camping and outdoor equipment.

3.2 Review of Financial Condition

(a) Group Results	2019 \$m	2018 \$m
Revenue from continuing operations	2,710.4	2,570.4
Segment earnings before interest, taxes, depreciation and amortisation (EBITDA)	314.7	294.1
Segment earnings before interest and taxes (EBIT)	228.1	219.6
Normalised NPAT	152.5	145.3
Profit for the period attributable to owners	139.3	128.3
Profit for the period	139.2	127.3
Operating cash flow	240.9	308.4
EPS – basic (cents)	70.6	65.0
Dividends per share (cents)	50.0	49.0

The Group has delivered a solid result for the financial year. The Group achieved total sales growth of 5.4% which reflected sales and like for like sales growth across all four divisions. This top line growth translated into a 7.0% increase in Segment EBITDA, a 3.9% increase in Segment EBIT and a 5.0% increase in normalised net profit after tax. Super Retail Group delivered another period of strong operating cashflows. Normalised EBITDA cash conversion of 94% reflected an ongoing focus on working capital management together with a strategic decision to invest in inventory levels to increase in-store availability of products. This enabled the Group to fund its growth initiatives while reducing net debt by \$36.2 million and paying fully franked dividends totalling 50.0 cents per share.

During the financial period the Group completed a comprehensive review of employment arrangements across the business following the identification of underpayments to retail managers and other team members. As previously announced to the market on 12 February 2019, the Group will make back payments to all impacted team members. An estimate has been completed for the period between financial years 2013 to 2018. The annual amounts were not material to profit for any of the individual years to which they related. A total of \$24.0 million after tax is included in the restatement of retained earnings. In addition, the Group has recognised net \$8.9 million before tax (\$6.2 million after tax) as an expense in 2019 relating to revision of wages underpayment estimates and associated remediation costs.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(a) Group Results (continued)

Net profit after tax (NPAT) attributable to owners was \$139.3 million compared to \$128.3 million in the prior period representing an increase of 8.6%. Normalised NPAT was \$152.5 million compared to \$145.3 million in the prior period, an increase of 5.0%. The table below provides the reconciliation to the statutory profit.

	2019	2018
	\$m	\$m
Profit for the period	139.2	127.3
Loss for the period attributable to non-controlling interests	0.1	1.0
Profit for the period attributable to owners of Super Retail Group Limited from continuing operations	139.3	128.3
Wages underpayment and remediation costs ⁽¹⁾	6.2	6.0
Business restructuring costs ⁽¹⁾	3.1	11.8
Losses from associates accounted for using the equity method	2.2	-
Loss on divestment of investments	1.7	-
Macpac acquisition costs ⁽¹⁾	-	3.9
Autoguru net gain on divestment ⁽²⁾	-	(4.7)
Normalised net profit after tax	152.5	145.3

⁽¹⁾ Net of tax

⁽²⁾ Net of tax and share of trading losses

Basic earnings per share (EPS) was 70.6 cents compared to 65.0 cents in the prior comparable period.

Total sales have increased 5.4% on the prior comparative period to \$2,710.4 million. This included a full 12 month contribution from the Macpac business which was acquired effective 31 March 2018, compared to a 3 month contribution in the prior comparative period. The increase in total Group sales compared to the prior comparative period was driven by solid like for like growth in all divisions together with new store growth.

Online sales grew by 25% as more customers shifted to the omni-channel experience allowing them to shop online and receive their purchases either in store or at the location of their choice. Online sales now represent over 7% of total Group sales, however almost half of all online sales are Click & Collect transactions where the customer visits a store to collect their purchase. This means the Group can leverage its national store footprint to grow online sales and mitigate its cost to serve.

The Group remains focused on growing market share by investing in its digital capability and omni-retail platform to provide customers with a seamless multi-channel shopping experience that gives them the flexibility to shop when, where and how they want. The Group's scale provides the opportunity to fractionalise the cost of investment in technology and systems across its entire brand portfolio, store network and customer transaction base.

The Group has over 6 million active members in its loyalty club programs. These customers represent over 56% of Group sales and they have a higher average transaction value than non-members across each of the four brands. The Group has a significant opportunity to leverage this customer base and develop closer customer relationships by refreshing its loyalty programs and utilising customer data analytics to develop more tailored and personalised offers.

(b) Division Results

	Sales		EBITDA		EBIT	
	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m
Supercheap Auto	1,040.6	1,006.4	156.1	148.2	120.6	116.4
Rebel	1,016.4	979.2	122.6	115.7	93.8	91.5
BCF	514.6	498.3	40.2	44.2	20.8	27.3
Macpac (including Rays)	138.8	81.5	15.6	3.7	13.0	2.3
Unallocated	-	5.0	(19.8)	(17.7)	(20.1)	(17.9)
	2,710.4	2,570.4	314.7	294.1	228.1	219.6

Supercheap Auto

Divisional sales of \$1,040.6 million were 3.4% higher than the prior comparative period, supported by like for like growth of 2.3% and new store growth.

Like for like sales growth of 2.3% was driven by higher ATV and reflected an increase in average item value and higher average units per transaction.

Gross margin was in line with the prior comparative period and operating expenses as a percentage of sales improved by 0.3%.

Segment EBITDA increased by 5.3% to \$156.1 million and EBITDA margin of 15.0% was 0.3% higher than the prior comparative period.

Segment EBIT increased by 3.6% to \$120.6 million and EBIT margin of 11.6% was in line with the prior comparative period.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Supercheap Auto (continued)

Auto maintenance and auto accessories, which represent approximately three quarters of divisional revenue, were the strongest performing categories and delivered solid sales and LFL sales growth.

Supercheap Auto is focused on expanding the value added services it provides to customers to encourage them to visit our stores when purchasing products. Growth in services like diagnostics, blade, bulb and battery fitting supported product sales and helped deliver \$8.0 million in total services revenue in the financial period.

Sales growth was achieved across all Australian states and New Zealand delivered very strong growth. Gross margin was in line with the prior comparative period.

The business successfully relaunched the Supercheap Auto website during the financial period with pleasing results. Growth in online traffic and a significant improvement in online conversion resulted in online sales growth of 25%. Online sales now represent 6% of Supercheap Auto's total sales and Click & Collect now accounts for approximately two thirds of these online sales.

Supercheap Auto Club Plus membership increased by 12% during the year to 1.65 million members. Sales attributable to club members increased to 39% of total sales. Average club member NPS increased to 61% from 59% in the prior comparative period.

The business opened five new Supercheap Auto Stores and closed one store in the financial period. The store refurbishment program completed 8 refurbishments and relocations plus an additional 14 layout changes. As at 29 June 2019, Supercheap Auto had a total of 278 stores in Australia and 45 stores in New Zealand.

Rebel

Divisional sales of \$1,016.4 million were 3.8% higher than the prior comparable period, supported by like for like sales growth of 3.3% and new store growth. Segment EBIT of \$93.8 million was 2.5% higher than the prior comparative period.

Like for like sales growth of 3.3% was driven by both transaction growth and higher average transaction value.

Gross margin was in line with the prior comparative period and operating expenses as a percentage of sales improved by 0.3%.

Segment EBITDA increased by 6.0% to \$122.6 million and EBITDA margin of 12.1% was 0.3% higher than the prior comparative period.

Segment EBIT increased by 2.5% to \$93.8 million and EBIT margin of 9.2% was 0.1% lower than the prior comparative period.

Key categories of apparel and footwear delivered solid sales growth in the financial period. Fitness accessories also performed well, while sales of hard goods decreased.

Queensland, Victoria and South Australia delivered the strongest like for like sales growth.

Following the launch of a new website platform in July 2018 as part of the Group's ongoing investment in its omni-channel retail capability, Rebel has delivered online sales growth of 33%. In the financial period, website traffic has increased and conversion rates have improved by almost 20%. Online sales now represent 9% of total Rebel sales and Click & Collect accounts for approximately one quarter of these online sales.

Rebel active club membership increased by 8% during the period to 2.57 million members. Sales to club members represent 61% of Rebel sales. Average club member NPS increased to 57% from 55% in the prior comparative period.

In the financial period, the business has opened 4 stores and closed 2 stores. The store refurbishment program completed 4 relocations and extensions together with 15 refurbishments. As at 29 June 2019 Rebel had a network of 161 stores.

BCF

BCF sales of \$514.6 million increased by 3.3% on the prior comparative period.

Sales growth was primarily attributable to LFL sales growth of 3.2% which was driven by higher average transaction value resulting from higher units per sale.

BCF delivered positive like for like sales growth across all states. The camping and apparel categories delivered strong LFL sales growth while LFL sales in the fishing category declined.

Over the financial period, gross margin materially declined across all categories due to the highly competitive environment driving a higher mix of promotional sales and deeper discounting on key value items. Gross margin began to stabilise in the second half as BCF pricing and promotional countermeasures took hold. The competitive pricing environment remains unchanged.

Operating expenses as a percentage of total sales improved by 0.5%.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

BCF (continued)

Segment EBITDA decreased to \$40.2 million and EBITDA margin of 7.8% was 1.1% lower than the prior comparative period.

Segment EBIT decreased to \$20.8 million and overall EBIT margin declined to 4.0% from 5.5% in the prior comparative period.

The BCF club loyalty program exhibited strong growth in the financial year with active memberships increasing by 7% to 1.45 million. BCF club members represent 81% of total BCF sales. Average club member NPS increased to 61% from 57% in the prior comparative period.

Online sales grew by 6% reflecting growth in online traffic and improvements in online conversion. BCF was the first of four brands to replatform which negatively impacted online sales. Online sales now represent 7% of total BCF sales and Click & Collect accounts for approximately 70% of these online sales.

BCF opened 3 stores and closed 1 store during the financial period. As at 29 June 2019, BCF had 136 stores.

Macpac

The Macpac business, which was acquired effective 31 March 2018, made a full year contribution in FY2019 compared to a three month contribution in FY2018.

During the financial period, the Group successfully completed the integration of Macpac and ceased operating Rays. Sales from Macpac stores (including Adventure Hubs) increased to \$119.3 million supported by store openings and like for like growth. Like for like sales growth for Macpac (including Adventure Hub stores post April Easter trading period, week 44) was 7.3%.

Macpac stores (including Adventure Hubs) delivered EBITDA of AUD 17.4 million compared to acquisition case of NZD 16 million (equivalent to AUD 14.7 million), in line with management's business plan.

Macpac stores (including Adventure Hubs) delivered \$15.4 million of EBIT in the financial period. Operating expenses increased, in line with management's business plan, as a result of investment in capabilities and systems to support expansion. Additional overhead costs relating to Adventure Hubs were also incurred in the period. The opportunity exists to fractionalise these costs over time as the formats mature and the store network expands.

The Group converted nine Rays stores to large format Macpac Adventure Hubs in March 2019. The Rays brand has ceased to operate and incurred \$2.4 million of EBIT losses in the financial period.

Macpac online sales grew by 24% during the financial period and now represent over 10% of total sales.

Macpac now has over 400,000 club members representing 65% of total sales.

Macpac opened 16 stores during the financial period including seven small format stores and nine large format Adventure Hub stores. As at 29 June 2019, Macpac had 70 stores comprising 61 small format stores and nine Adventure Hub stores.

The Group believes Macpac is now well positioned to grow profitably and to expand its store network in Australia and New Zealand.

Group Costs

Group costs for the period were \$20.1 million, up 12.3% compared to the prior period. The Group costs include Corporate costs of \$12.2 million, \$3.3 million of un-allocated distribution centre costs and \$4.6 million relating to omni-retail development and digital investment.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(c) Financial Position and Cash Flow

	2019 \$m	2018 \$m
BALANCE SHEET		
Trade and other receivables	37.6	23.8
Inventories	560.2	545.5
Trade and other payables	(412.2)	(391.4)
Current tax assets / (liabilities)	1.9	(9.6)
Total working capital	<u>187.5</u>	<u>168.3</u>
Cash and cash equivalents	7.5	15.2
Borrowings	(394.2)	(438.1)
Net debt	<u>(386.7)</u>	<u>(422.9)</u>
Property, plant and equipment	267.9	270.4
Intangible assets	894.2	891.6
Other financial assets	6.9	9.3
Derivatives	(3.4)	5.3
Provisions	(127.0)	(126.7)
Deferred taxes	(23.4)	(20.1)
	<u>816.0</u>	<u>775.2</u>
NET ASSETS		
CASH FLOW		
Net cash inflow from operations	240.9	308.4
Net cash (outflow) from investing	(90.5)	(241.2)
Net cash (outflow) from financing	(158.4)	(71.8)
Net increase / (decrease) in cash	<u>(8.0)</u>	<u>(4.6)</u>
Cash at the beginning of the period	15.2	19.9
Effects of exchange rates on cash	0.3	(0.1)
Cash at the end of the period	<u>7.5</u>	<u>15.2</u>

Net assets for the Group increased by \$40.8 million primarily due to lower borrowings, ongoing focus on working capital and the strategic decision to invest in inventory levels to increase in-store availability of products.

Net debt decreased by \$36.2 million to \$386.7 million as the Group utilised strong free cashflow to pay down debt. The Group remains comfortably within its banking covenants.

Group capital expenditure cash flow was \$90.5 million which included \$28.6 million in new and refurbished store fit out, \$0.7 million in acquisitions and \$61.2 million in building omni-retail capabilities, data and analytics, inventory management projects and other information technology projects.

(d) Dividends

Super Retail Group has declared a 28.5 cents per share fully franked final dividend for 2019. This will result in full year dividends of 50.0 cents per share fully franked, up 2.0% on the prior year. This represents a dividend payout ratio of 64.7% of underlying NPAT.

(e) Material Business Risks

The Group recognises that all of its businesses operate in an environment of change and uncertainty and is committed to managing the potential risks associated with this uncertainty in a continuous, proactive and systematic way. The Group regularly reviews the possible impact of these risks and seeks to minimise this impact through a commitment to its corporate governance principles and its risk management functions.

The business risks faced by the Group that are likely to have a material effect on its financial prospects are listed below, including an overview of the Group's mitigating actions:

- **Competition intensity** – The growth and intensity of competition in the increasingly globalised retail market continues to impact the Group. The Group may face increased competition from existing competitors and new entrants into the Australian and New Zealand retail markets. The Group expects this risk to increase in the future as competitors continue to enter the market. We will mitigate this risk by focusing on our Customer Promise, notably Inspiration, Experience and Solutions, and continue to build an emotional connection with our customers that will differentiate each Brand in market.
- **New retail business model** – Traditional retail business models are being disrupted and the cost of doing business is increasing. The Group's Operating Model and strategic investment must support the required capability uplift to transition to an omni-retailer. The Group expects this risk to continue to develop in the short and medium term. The Group has and will continue to invest in its Omni Channel Strategy to provide customers with seamless engagement options to meet their expectations.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(e) Material Business Risks (continued)

- **Breach of industrial practices** – The Group, like all retailers, is exposed to industrial relations risk that can impact the reputation and financial performance of the business. There are dedicated programs of work in place to mitigate this risk including remuneration oversight, an audit program, training, procedures and policies.
- **Health and safety** – The Group, like all retailers, is exposed to safety and wellbeing risks which include hazardous environments associated with retail operations and distribution centres. Safety and wellbeing is a priority area for the Group. The Group has an established Health and Safety Management System including resources, training and procedures, and this is supported through active reporting of incidents, regular monitoring and assurance activities.
- **Supply chain and inventory agility for omni-retail** – Supply Chain and inventory agility are critical requirements of a world class omni-retailer, in order to meet evolving customer expectations. Risks associated with the supply chain and inventory management remain constant in the current retail environment, and increased flexibility is key to future success. The Group continues to pursue opportunities to reduce the cost of the supply chain and working cost of capital through improved delivery models with major trade partners. The Group has made substantial investments in an updated supply chain network and supporting information systems to improve agility and meet changing customer expectations.
- **Cyber and information security** - The digital economy and associated transformation in retail delivery creates new challenges for all companies to maintain a strong cyber resilience program. The Group is implementing strategies to provide protection against deliberate exploitation of computer systems, technology-dependent enterprises and networks by internal and external parties. Cyber security is an evolving and significant risk to all retailers and the Group will need to maintain ongoing vigilance and adopt appropriate responses to protect its information assets. The Group has made and will continue to make a significant investment in cyber security to meet the challenges of the digital economy and evolving technology landscape.
- **Financial risk** – The Group's activities expose it to a number of financial risks. The Group adopts a financial risk management program which seeks to minimise potential adverse impacts on the financial performance of the Group. Financial risks and specific risk management approaches are reported in more detail in the Notes to the Consolidated Financial Statements.
- **Compliance** – The Group is required to maintain compliance with all applicable regulations, including consumer law, product quality, ethical sourcing and transport regulations. Failure to comply with these regulations would expose the Group to financial and non-financial penalties. The Group has dedicated compliance programs in place to mitigate compliance risks.

3.3 Dividends

Dividends paid or declared by the Group to members since the end of the previous financial year were:

	Cents per share	Total amount \$m	Payment date
<i>Declared and paid during the year:</i>			
2018 final fully franked dividend	27.5	54.3	2 October 2018
2019 interim fully franked dividend	21.5	42.4	28 March 2019
<i>Declared after end of year:</i>			
2019 final fully franked dividend	28.5	56.3	26 September 2019

3.4 Significant Changes in the State of Affairs

There were no significant changes in the Group's state of affairs during the period other than that described in section 3.5 below.

3.5 Matters Subsequent to the End of the Financial Year

Since 29 June 2019 Super Retail Group limited does not have any matters subsequent to the end of the financial year to be disclosed.

3.6 Likely Developments and Future Prospects

Information on likely developments in the operations of the Group is set out in this report under the section Review of Financial Condition. Further information on the expected results of operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

3.7 Environmental Regulation

The Group's environmental obligations are regulated under State, Territory, Federal and International Law. The Group has an Environmental Management System in place and a policy of complying with its environmental performance obligations. All material environmental performance obligations are monitored by the Board. No environmental breaches have been notified to the Group during the period ended 29 June 2019.

DIRECTORS' REPORT (continued)

4. 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.

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.

During the period the following fees were paid or payable for services provided by the auditor PricewaterhouseCoopers of the parent entity and its network firms for audit and non-audit services provided during the year is set out below:

	2019 \$	2018 \$
Audit Services		
PricewaterhouseCoopers Australian firm:		
Remuneration for audit and review services	807,976	585,570
Other assurance ⁽¹⁾	13,407	44,721
Total remuneration for audit and review services	821,383	630,291
Taxation and Other Services		
PricewaterhouseCoopers Australian firm:		
Taxation Services	295,484	394,329
Customs prudential review	-	18,500
Digital advertising advisory	-	49,572
Workshop facilitation	-	51,601
Network firms of PricewaterhouseCoopers Australia:		
Taxation Services	56,283	66,924
Total remuneration for non-audit services	351,767	580,926

⁽¹⁾ Cyber security review.

5. Corporate Governance Statement

The Group's Corporate Governance Statement sets out the corporate governance framework adopted by the Board of Super Retail Group Limited. This statement is publicly available on the Super Retail Group external website:

<http://www.superretailgroup.com>

6. Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

7. 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 39.

8. Remuneration Report (Audited)

The audited remuneration report is set out on pages 40 to 63.

DIRECTORS' REPORT (continued)

9. Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 instrument to the nearest hundred thousand dollars or in certain cases to the nearest dollar.

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



S A Pitkin
Chair



A M Heraghty
Group Managing Director and
Chief Executive Officer

Brisbane
14 August 2019



Auditor's Independence Declaration

As lead auditor for the audit of Super Retail Group Limited for the period 1 July 2018 to 29 June 2019, 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 Retail Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'K Challenor'.

Kim Challenor
Partner
PricewaterhouseCoopers

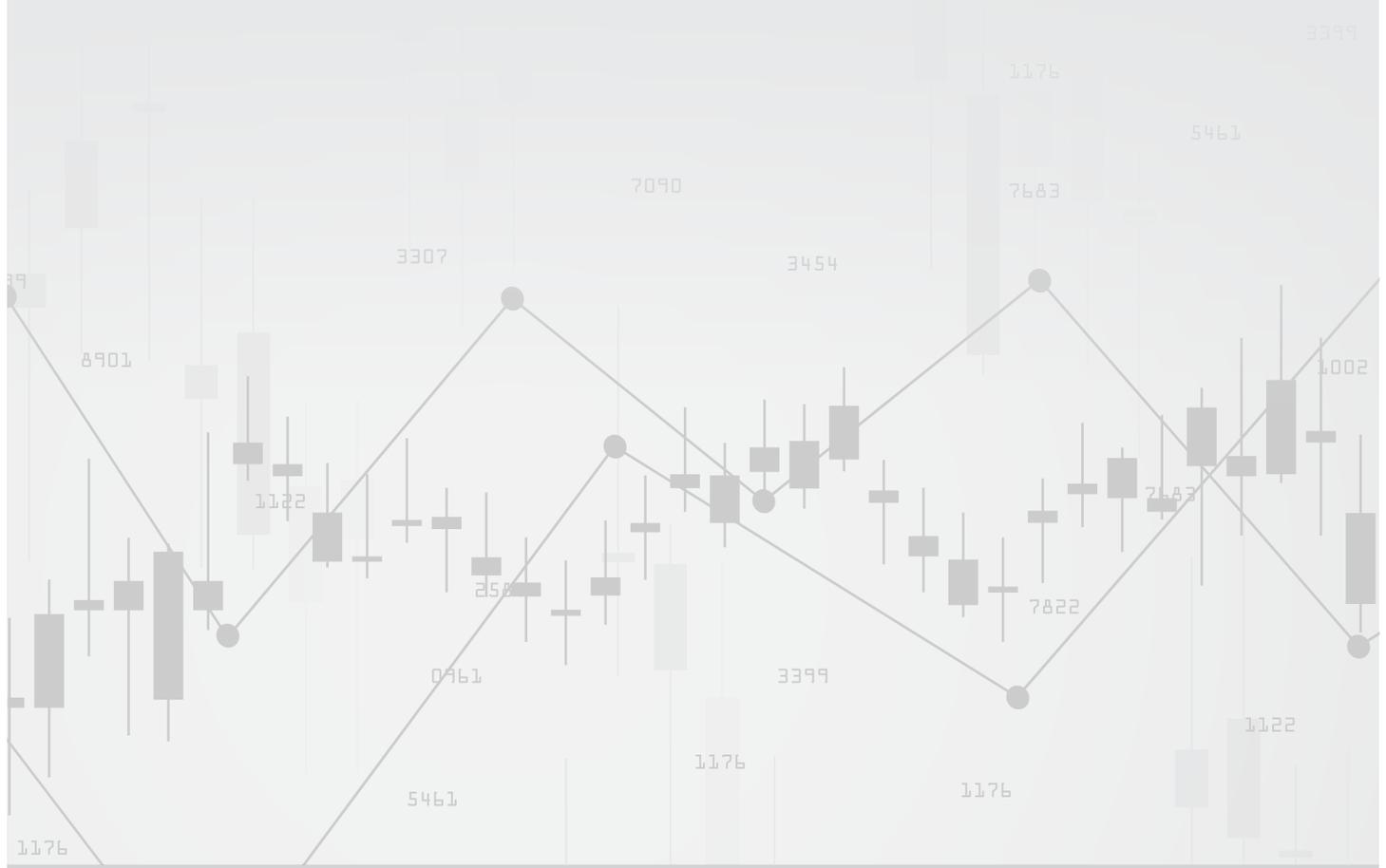
Brisbane
14 August 2019

2018 – 2019

● Remuneration Report Audited

FOR THE YEAR ENDED 29 JUNE 2019

Super Retail Group Limited
ABN: 81 108 676 204
ASX Code: SUL



Remuneration Report (Audited)

FOR THE YEAR
ENDED 29 JUNE 2019

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Section 6	Executive Remuneration Framework Changes for FY20
Section 7	Non-Executive Directors' Remuneration Arrangements
Section 8	Executive KMP Remuneration Outcomes for FY19
Section 9	Remuneration Governance

Introduction

The Directors of Super Retail Group present this Remuneration Report for the 52-week period ended 29 June 2019. The Remuneration Report outlines the Group's remuneration philosophy and practices, explains how the Group's 2019 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) and applicable accounting standards.

The Remuneration Report for the year ended 29 June 2019 (FY19) has been restructured to enhance clarity. We welcome your feedback on the Report.

REMUNERATION REPORT APPROVAL AT 2018 ANNUAL GENERAL MEETING (AGM)

Our Remuneration Report for the 2018 financial year received positive shareholder support at the 2018 AGM, with 99.4% of votes in favour of adoption.

SECTION 1

Summary

GROUP FINANCIAL PERFORMANCE

Overall, the Group had a solid year of performance:

- Core business delivering solid sales growth;
- Year one of Macpac multi-year business case achieved;
- Continuing investment in omni-retail capabilities underpinning growth;
- Successfully re-platformed core websites;
- Continued safety improvement; and
- Strong performance in team and customer metrics.

Sales growth of 5.4% has been achieved with a Segment EBIT growth of 3.9% and a 5.0% increase in normalised net profit after tax. There were improvements in customer metrics (including Net Promoter Score) and a reduction of 10.1% in the Total Recordable Injury Frequency Rate (TRIFR).

UNDERPAYMENT OF TEAM MEMBERS

Super Retail Group initiated a comprehensive review of employment arrangements across the Group in FY19. The review followed the discovery in FY18 of a breach of the General Retail Industry Award (GRIA) with the underpayment of overtime and allowances for team members involved in store Set Up projects.

Super Retail Group found that while retail managers' base salaries were correct, not all overtime hours worked were paid according to the GRIA. Additionally, some allowances required under the award were not paid.

In its FY19 full year financial results, Super Retail Group has recognised net \$8.9 million before tax (\$6.2 million after tax) as an expense relating to a revision of wages underpayment estimates and associated remediation costs. In addition, \$24.0 million after tax costs associated with prior year retail management underpayment

was recognised as a restatement of retained earnings as required by the accounting standards.

SHORT-TERM INCENTIVE (STI)

The Group's solid financial performance resulted in the gate to the STI scheme opening. The Executive KMP STI achievement, as detailed in Section 4 of this report, was commensurate with the solid performance of the Company during the FY19 year.

Recognising the accountability of Executive KMP, the Board determined the following adjustments to remuneration outcomes to recognise the impact of the underpayment of retail managers:

- No STI was awarded to the former Group Managing Director and CEO (Group MD and CEO), with his agreement.
- A 25% reduction was applied to other Executive KMPs' payments.

Remuneration Report (Audited)

FOR THE YEAR
ENDED 29 JUNE 2019

LONG-TERM INCENTIVE (LTI)

The FY17 LTI grant reached the end of its three-year performance period on 29 June 2019 and 77.3% will vest as a result of performance against the LTI hurdles. The threshold hurdles for both Earnings Per Share (EPS) and Return on Capital (ROC) were achieved reflecting a period of growth for both key shareholder return metrics.

An analysis was completed to understand the financial impact the underpayments would have had on the LTI vesting across the relevant performance periods, and appropriate adjustments made to vesting outcomes for all grants on foot. For details see Section 4.

GROUP MANAGING DIRECTOR AND CEO TRANSITION

Mr Heraghty succeeded Mr Birtles as Group MD and CEO from 20 February 2019. Mr Heraghty's remuneration has been set by the Board in accordance with the Group's Remuneration Framework. The components of Mr Heraghty's remuneration, as disclosed to the market on 22 January 2019, are as follows:

- Base salary (inclusive of superannuation and salary sacrificed items) of \$1,050,000, which will be reviewed annually, plus an allowance for car and home office usage.
- STI target of \$500,000 (maximum \$750,000), assessed by the Board having regard to his STI objectives.
- Subject to shareholder approval at the 2019 AGM, Mr Heraghty will be entitled to a one-off co-investment grant of Performance Rights to the value of \$400,000 (vesting over a three to five-year period), on the condition that Mr Heraghty acquires an additional \$200,000 worth of Super Retail Group ordinary shares to build his shareholding (which has been satisfied) and subject to service conditions. Mr Heraghty's initial purchase of shares in March 2019 is progress towards meeting his obligations under the Minimum Securities Holding Policy.
- At the discretion of the Board, and subject to shareholder approval at the 2019 AGM, Mr Heraghty is eligible to participate in the Group's LTI plan for FY20. Mr Heraghty's FY20 LTI grant will be equivalent to \$850,000 at face value and measured over a three-year period, and will vest over a four-year period. Refer to Section 6 for FY20 LTI scheme changes.

Upon his retirement Mr Birtles received his statutory leave entitlements. As agreed with Mr Birtles, no STI for FY19 was awarded. The FY19 LTI grant lapsed. Adjustments to the FY16, FY17 and FY18 LTI grants were made in light of the team member underpayment issue as set out in Section 4 and Table 14.

NON-EXECUTIVE DIRECTOR (NED) FEES

There was no change made to NED fees (including Committee fees) in FY19.

EXECUTIVE REMUNERATION FRAMEWORK CHANGES FOR FY20

The Group has been progressively reviewing the executive total reward framework. The approach to setting base salary and the STI scheme (the Scheme) has been reviewed and revised. A review of the Long Term Incentive plan (the Plan) has identified several areas where the Plan could be enhanced with related implications for the STI Scheme.

The changes to the Executive Remuneration Framework for FY20 include:

- Changing the vesting period of the LTI plan
- Introducing deferral for a portion of the STI scheme.

No changes are proposed to fixed remuneration for Executive KMP.

Further details of the changes to the Executive Remuneration Framework for FY20 are set out in Section 6.

No changes are proposed to NED fees for FY20.

Remuneration Report (Audited)

FOR THE YEAR
ENDED 29 JUNE 2019

SECTION 2 Key Management Personnel

The names and titles of the Group's KMP, being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, are set out below.

Name	Position	Term as KMP
Chair		
S A Pitkin	Chair and Independent Non-Executive Director	1 July 2010
Non-Executive Directors		
R A Rowe	Non-Executive Director	8 April 2004
D J Eilert	Independent Non-Executive Director	21 October 2015
L K Inman	Independent Non-Executive Director	21 October 2015
H L Mowlem	Independent Non-Executive Director	13 June 2017
P D Everingham	Independent Non-Executive Director	19 December 2017
Managing Director and CEO		
A M Heraghty	Group Managing Director and Chief Executive Officer (Group MD and CEO)	27 April 2015
Executives		
A Brandon	Chief Executive Officer - Macpac	1 May 2019
D J Burns	Chief Financial Officer	3 December 2012
C D Wilesmith	Managing Director – Auto	29 June 2014
G Williams	Managing Director – Sports	2 April 2019
Former Managing Director and CEO		
P A Birtles	Group Managing Director and Chief Executive Officer	5 January 2006
Former Executives		
E A Berchtold	Managing Director – Sports	5 November 2011

Mr Brandon joined the business through the acquisition of Macpac in March 2018 and has since continued to lead the Macpac division. Mr Brandon joined the Executive Leadership Team in May 2019 when Mr Heraghty restructured his Leadership Team.

Mr Williams, Managing Director – Sports, joined the business in April 2019. Mr Williams was previously Chief Operating Officer at Alceon Retail Group and brings more than 30 years of global retailing and marketing experience to the Group.

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ENDED 29 JUNE 2019

SECTION 3 FY19 Executive Remuneration Overview

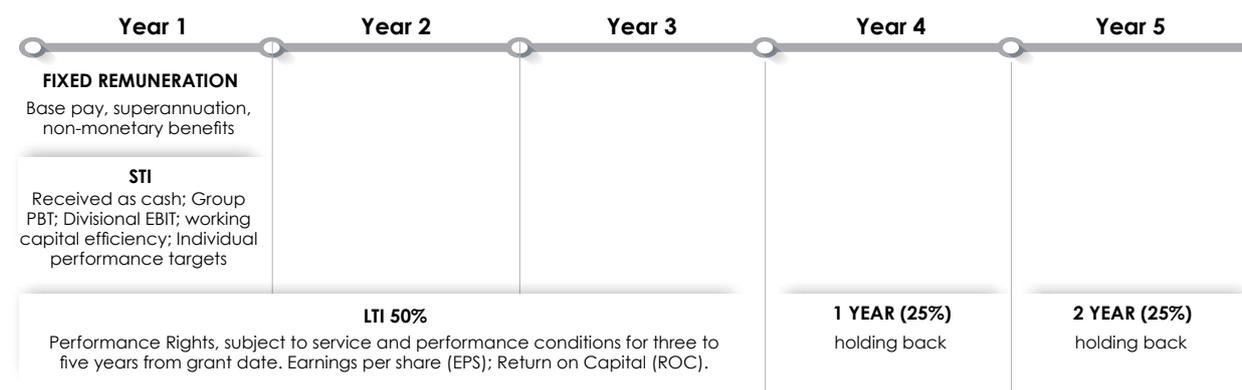
Our philosophy is to provide flexible and market competitive remuneration arrangements that are linked to the performance of the Group and its businesses.

The key elements are:



FY19 EXECUTIVE REMUNERATION FRAMEWORK

The Group MD and CEO, together with the other Executive KMP, are remunerated under a Total Reward Framework. The diagram below summarises the FY19 remuneration framework over the period for which FY19 remuneration is delivered and when the awards may vest.



FY19 EXECUTIVE REMUNERATION OBJECTIVES

The Total Reward Framework is designed to appropriately reward executives for their contribution to the success of the Group by aligning all remuneration elements to the delivery of both short-term milestones and long-term sustainable value to the Group's shareholders. Further detail of the Executive Total Reward Framework is provided in Section 5 of this report.

Our Remuneration Objectives	Attract, motivate, and retain executive talent	Differentiate reward to drive performance including values and behaviours	Alignment to shareholder interests and value creation through equity components	An appropriate balance of fixed and 'at-risk' components focused on long-term strategy and short-term milestones
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ALIGNMENT OF OBJECTIVES TO OUR REMUNERATION FRAMEWORK

	Base Salary Package	Short Term Incentive (STI)	Long Term Incentive (LTI)	Remuneration Mix
Strategic Intent and Market Positioning	Positioned at the median compared to relevant market-based data (similarly sized S&P/ASX200 companies), considering expertise and performance in the role.	To achieve Board approved targets, in support of the execution of the Group's strategy. Combined, base salary package and STI is intended to be positioned within the third quartile of relevant benchmark comparisons.	To reward Executive KMP for sustainable long-term growth aligned to shareholders interests. Combined, base salary package, STI and LTI is intended to be positioned within the third quartile of relevant benchmark comparisons.	Higher weighting of 'at-risk' remuneration and higher weighting towards shorter-term remuneration than the broader market norm due to the nature of the organisation and shorter business cycles.

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SECTION 4 FY19 Performance and Remuneration Outcomes

Overall, the Group had a solid year of performance:

- Core business delivering solid sales growth;
- Year one of Macpac multi-year business case achieved;
- Investment in omni-retail capabilities underpinning growth;
- Successfully re-platformed core websites;
- Continued safety improvement; and
- Strong performance in team safety and customer metrics.

The strategic direction of the Group has been reviewed with the focus continuing on omni-retailing execution by the Divisions supported by strong, common, cost-effective infrastructure.

RELATIONSHIP OF REMUNERATION TO GROUP PERFORMANCE

The STI scheme and LTI plan operate to create a clear link between executive remuneration and the Group's performance, motivating and rewarding the Group MD and CEO and Executive KMP.

The performance of the Group over the last six years is summarised in Table 1 below:

Table 1:

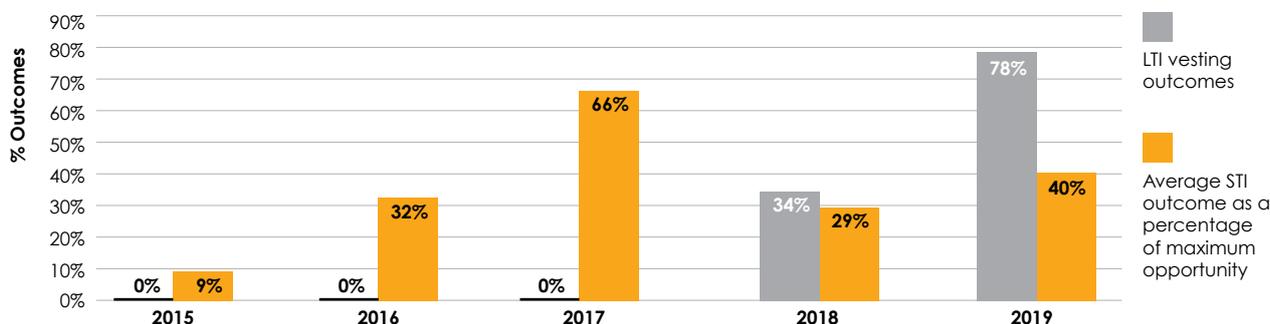
Financial performance	2014	2015 ⁽¹⁾	2016 ⁽²⁾	2017	2018	2019	CAGR ⁽³⁾
Sales (\$m)	2,112.1	2,238.7	2,422.2	2,465.8	2,570.4	2,710.4	5%
Normalised Profit before tax (\$m)	158.6	148.6	155.9	190.5	201.9	206.8	5%
Normalised Post Tax ROC (%)	11.3	10.6	10.7	13.0	13.1	13.3	3%
Shareholder value created							
Normalised Earnings Per Share (¢)	55.1	54.0	55.1	68.9	73.7	77.3	7%
Dividends Per Share (¢)	40.0	40.0	41.5	46.5	49.0	50.0	5%
Closing June Share Price (\$)	8.46	9.40	8.77	8.20	8.10	8.23	(1%)

(1) Results from continuing operations.

(2) 2016 is a 53-week reporting period compared to 52 weeks for the other five years.

(3) Represents the five-year normalised Compound Annual Growth Rate.

Table 2:



The Group's incentive awards are designed to align Executive KMP remuneration with business performance. This alignment is demonstrated in Table 2 and shows the variability in the history

of incentive plan outcomes for participants. This table shows LTI vesting percentages and average STI outcome as a percentage of maximum opportunity. The figures in Table 2 include the adjustments

made for the underpayment of retail managers and store Set Up team members. This impact is detailed in Table 5.

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FY19 REMUNERATION OUTCOMES

Short-Term Incentive Scorecard Outcomes for FY19

For the year to 29 June 2019, the profit before tax (PBT) target was set at \$212.9 million, 5.4% higher than the normalised profit before tax achieved in the period to 30 June 2018 of \$201.9 million.

The financial gateway for the STI scheme of \$191.6 million was exceeded and therefore, per scheme rules, Executive KMP scorecards were activated.

The Divisional profit is measured by segment EBIT performance against budget. In the year to

29 June 2019, only the Auto Division achieved its segment EBIT budget.

The individual KPIs and 2019 achievement as determined by the Board for the Group MD and CEO and other Executive KMP are detailed in Table 3.

Table 3:

Executive KMP						
Individual Performance Against STI Measures						
Name	Role	Financial (50%)	Business Improvement (20–30%)	Customer (10–15%)	People (10–20%)	STI scorecard outcome
A Heraghty	MD and CEO	Threshold to Target	Target to Stretch	Threshold to Target	Target to Stretch	91%
A Heraghty	Former MD – Outdoor	Threshold to Target	Target to Stretch	Target to Stretch	Below Threshold	80%
D J Burns	Chief Financial Officer	Threshold to Target	Target to Stretch	Threshold to Target	Target to Stretch	95%
C D Wilesmith	MD – Auto	Threshold to Target	Target	Threshold to Target	Below Threshold	80%

GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER + MANAGING DIRECTOR OUTDOOR – A HERAGHTY

Mr Heraghty's performance was assessed for seven-and-a-half months (64%) of the year as the Managing Director, Outdoor (MD Outdoor) and then for the remaining period as Group MD and CEO.

For the period he was MD Outdoor his performance was assessed by the Board at 80% of target. However, to recognise the impact of the underpayment of retail managers, a 25% reduction was applied to this STI achievement. The overall outcome of Mr Heraghty as the Group MD and CEO was assessed by the Board to be a performance level of 91% of target, driven by outperformance in the Working Capital, Business Improvement and Safety measures and impacted by underperformance in PBT measure.

Therefore a STI outcome of \$317,400 was awarded to Mr Heraghty with \$153,600 (reduced from \$204,800) relating to his period as MD Outdoor and \$163,800 relating to his period as the Group MD and CEO. The Board determined not to reduce the Group MD and CEO portion of Mr Heraghty's incentive as an adjustment to the STI for the former Group MD and CEO had been made.

FORMER MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – P. BIRTLES

Due to the underpayment of retail managers, the Board and Mr Birtles agreed that no FY19 STI would be awarded.

OTHER EXECUTIVE KMP

Mr Burns' performance was assessed at 95% of target driven by outperformance in Working Capital and Business Improvement but moderated by Group PBT underperformance. Mr Wilesmith was assessed at 80% of target as a result of at target performance in Business Improvement but offset by under performance across the other measures. The Board determined that the STI outcomes for both Mr Burns and Mr Wilesmith would be reduced by 25% to recognise the impact of the underpayment of retail managers.

Mr Williams and Mr Brandon were KMP for a partial period of the year (two months respectively) and the scheme did not apply given the short nature of time in role.

Ms Berchtold was not eligible for short term incentives due to time in role.

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The STI payments for the other Executive KMP have been reduced by 25% to account for the impact of the underpayment of retail managers. These outcomes are reflected in Table 13.

The 2019 STI payment was determined on 22 July 2019.

In the 2019 financial year the STI award will be paid in cash. In order to support an increase in executive shareholding, enhance risk management and executive retention, and reflect broader market practice, the Board has determined to defer a portion of STI into equity from and including FY20 for all Executive KMP. See Section 6 for details.

LONG TERM INCENTIVE OUTCOMES FOR FY19

The FY17 LTI grant reached the end of its three-year performance period on 29 June 2019 and 77.3%

will vest as a result of performance against the LTI hurdles. The threshold hurdles for both Earnings Per Share (EPS) and Return on Capital (ROC) metrics were achieved.

Table 4 outlines the performance outcomes for LTI Performance Rights granted between the 2015 to 2017 financial periods. Table 5 outlines the subsequent vesting and forfeiture adjusting for the Set Up and retail management underpayment as follows:

- The percentage of FY17 performance rights granted in September 2016, that will vest in accordance with the LTI Plan Rules is 77.3%
- The FY16 grant, tested in FY18 which previously had a determined vesting percentage of 56.2% would reduce to 33.5% as the FY18 ROC performance hurdle dropped below the threshold of 12%. Aligned with

the vesting schedule, 28.1% (50% of the original vesting outcome) of the FY16 grant vested in September 2018. To account for the adjustment to the overall vesting outcome, the remaining amount to vest will reduce from 28.1% to 5.4%. These will proceed to vest in line with original timelines that is 50% September 2019 and 50% September 2020. This treatment will be applied to Executive KMP and Executives who hold unvested portions of the FY16 grant.

- The FY14 and FY15 grants, tested in FY15 and FY16 respectively: Previously determined nil vesting, so no adjustments are required.

Each grant is subject to equally weighted performance measures (EPS and ROC).

Table 4: Before adjustment for impact of underpayment of Set Up and retail managers

Grant Date	Financial Results determining vesting	EPS three-year CAGR			ROC Averaged		
		Performance outcome	Vested	Forfeited	Performance outcome	Vested	Forfeited
September 2014	June 2017	7.7%	nil	100%	11.4%	nil	100%
September 2015	June 2018	10.9%	29.5%	20.5%	12.2%	26.7%	23.3%
September 2016	June 2019	11.9%	34.5%	15.5%	13.1%	34.2%	15.8%

Table 5: Adjustment for impact of underpayment of Set Up and retail managers

Grant Date	Financial Results determining vesting	EPS three-year CAGR			ROC Averaged		
		Performance outcome	Vested	Forfeited	Performance outcome	Vested	Forfeited
September 2014	June 2017	8.1%	nil	100%	11.0%	nil	100%
September 2015	June 2018	11.7%	33.5%	16.5%	11.9%	nil	50.0%
September 2016	June 2019	13.8%	44.0%	6.0%	13.0%	33.3%	16.7%

- ROC vesting reduces for all years due to lower returns. FY18 ROC drops below the vesting hurdle threshold of 12%.
- EPS increases in FY18 and FY19. This is due to the lower base EPS years in FY14 to FY16 which results in higher growth in later years.

UNDERLYING PERFORMANCE

Each year, the Board reviews any significant items, positive and negative, and considers their relevance for the PBT results. The Board may exclude any significant events/items to give

a clearer reflection of financial performance from one period to the next. Significant events/items are considered unusual by their nature and size and/or not in the ordinary course of the business. In relation to the FY19 year, the principle exclusions were in

relation to prior period store wages underpayment and remediation costs, business restructuring costs, equity accounted losses and losses on divestments (refer to note 4b in the financial statements).

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SECTION 5

Detail of the FY19 Executive Total Reward Framework

The Group is committed to creating a high-performance culture. The philosophy is to provide flexible and competitive market based total remuneration arrangements that are linked to the performance of the Group and its businesses and support services.

Remuneration and benefits practices are set in the context of an overall policy to provide market competitive remuneration arrangements which support the attraction, development, engagement and retention of passionate team members. These are also aligned with the interests of shareholders.

For the 2019 financial year, remuneration benchmarking for all Executive KMP was sourced from Ernst & Young (EY) Remuneration Consultants. The Board referenced two sets of comparator groups to benchmark remuneration, being:

- Market Capitalisation comparator group: S&P/ASX 200 companies within 50% to 200% of Super Retail Group's 12-month average market capitalisation; and
- Market Capitalisation and GICS comparator group: S&P/ASX 200 companies within the 'Consumer Discretionary Sector' Global Industry Classification Standard (GICS).

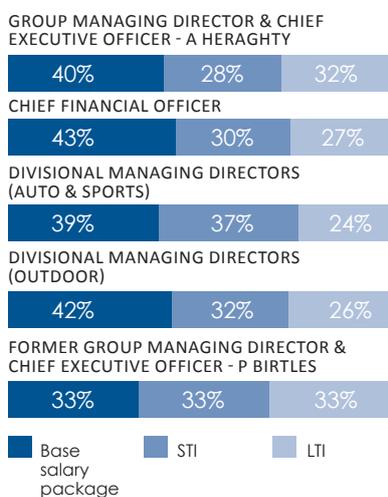
TARGET REMUNERATION MIX

The mix of remuneration between fixed and variable components is determined having regard to the seniority of the role, the responsibilities of the role for driving business performance, developing and implementing business strategy, and external remuneration practices.

Figure 1 shows the remuneration mix based on the base salary package (as at June 2019), and the incentives payable assuming maximum STI is received and full vesting of the LTI plan for:

- the Group MD and CEO and;
- other Executive KMPs.

Figure 1:



The Chief Executive Officer – Macpac participates in a cash-based retention scheme, agreed at the time of acquisition, with vesting dependent on the performance of the Macpac business. The current intention is that the Chief Executive Officer – Macpac will not receive an annual LTI grant of performance right under the SRG scheme until the expiry of the retention scheme.

BASE SALARY

Base salary comprises base pay and superannuation, and may include prescribed non-financial benefits at the executives' discretion on a salary sacrifice basis. The Group provides superannuation contributions in line with statutory obligations.

No guaranteed base salary increases are included in any Executive KMP's service contract. Approved amendments to base salary packages are effective from the commencement of the new financial year.

VARIABLE OR 'AT-RISK' REMUNERATION

Variable or 'at-risk' remuneration forms a significant portion of the Executive KMP remuneration opportunity. The purpose of variable remuneration is to focus executives on the execution of the Group's strategy, and delivery of long-term sustainable value.

The information below provides detail of the Group's short-term and long-term incentives.

SHORT TERM INCENTIVE REWARD

Consistent with the prior year, the 2019 STI scheme (the Scheme) for all Executive KMP (and other key executives) is based on a balanced scorecard. Taking a balanced scorecard approach allows Executive KMP performance to be assessed in a holistic way for four key drivers of performance (outlined in Table 6). The Human Resources and Remuneration Committee (the Committee) governs the design of the STI scheme, KPI and target setting, and the Board holds discretion over the outcomes.

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Table 6:

The key aspects of the FY19 STI are summarised in table 6. See Section 6 for changes to the STI for FY20:

Scheme	STI awards are made under the Super Retail Group Short Term Incentive Scheme (the Scheme).																		
Participation	The Group MD and CEO and other Executive KMP are invited to participate in the scheme.																		
Purpose	The scheme rewards a combination of Board-approved financial and non-financial performance measures that articulate performance expectations at both target and over-achievement that are aligned to the execution of the Group's strategy.																		
Performance Period	The performance period is for 12 months ending 29 June 2019.																		
Financial Gateway	A minimum Group PBT of at least 90% of target must be met before any short-term incentives are payable. If this level is not reached, the Scheme is deemed to be discretionary and any payment made to Executive KMP will be at the Board's discretion.																		
Performance Targets	<p>The achievement of individual KPI targets (once the financial gateway has been achieved) shall determine the proportion of the potential bonus entitlement that will be granted.</p> <p>For FY19, the following performance goals and weightings were selected. These goals are aligned to the Group's strategic plan.</p> <table border="1"> <thead> <tr> <th>Measures</th> <th>Category</th> <th>Weighting (% of STI)</th> <th>Performance Goals</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial</td> <td>Financial</td> <td>50</td> <td> <ul style="list-style-type: none"> Net Profit Before Tax (PBT) Working Capital Efficiency </td> </tr> <tr> <td>Business Improvement</td> <td>20 - 30</td> <td> <ul style="list-style-type: none"> F20 Budget and Execution Framework Division business plan delivery </td> </tr> <tr> <td rowspan="2">Non-Financial</td> <td>Customer</td> <td>10 - 15</td> <td> <ul style="list-style-type: none"> Net Promotor Score (NPS) Omni Retail Customer Offer </td> </tr> <tr> <td>People</td> <td>10 - 20</td> <td> <ul style="list-style-type: none"> Total Recordable Injury Frequency Rate (TRIFR) One Super Team </td> </tr> </tbody> </table> <p>The significant weighting of financial outcomes with a minimum of 50% maintains a strong link between actual financial performance and incentive paid</p>	Measures	Category	Weighting (% of STI)	Performance Goals	Financial	Financial	50	<ul style="list-style-type: none"> Net Profit Before Tax (PBT) Working Capital Efficiency 	Business Improvement	20 - 30	<ul style="list-style-type: none"> F20 Budget and Execution Framework Division business plan delivery 	Non-Financial	Customer	10 - 15	<ul style="list-style-type: none"> Net Promotor Score (NPS) Omni Retail Customer Offer 	People	10 - 20	<ul style="list-style-type: none"> Total Recordable Injury Frequency Rate (TRIFR) One Super Team
Measures	Category	Weighting (% of STI)	Performance Goals																
Financial	Financial	50	<ul style="list-style-type: none"> Net Profit Before Tax (PBT) Working Capital Efficiency 																
	Business Improvement	20 - 30	<ul style="list-style-type: none"> F20 Budget and Execution Framework Division business plan delivery 																
Non-Financial	Customer	10 - 15	<ul style="list-style-type: none"> Net Promotor Score (NPS) Omni Retail Customer Offer 																
	People	10 - 20	<ul style="list-style-type: none"> Total Recordable Injury Frequency Rate (TRIFR) One Super Team 																
2019 Target and Maximum Stretch Opportunity	For the Group MD and CEO and other Executive KMP, the target STI opportunity is 100%, and the maximum stretch STI opportunity is 150% of target. For each measure, a threshold level of performance is set. This level must be met to achieve a score. In setting this threshold, consideration is given to prior year performance and target.																		
Use of Discretion	The Committee, in its advisory role, reviews proposed adjustments to STI outcomes and makes recommendations for any changes to performance measures, which may only be approved by the Board. The Committee also reviews the nature of the adjustments to earnings to assess the impacts (if any) on remuneration.																		

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Governance and Approval Process	<p>The Group MD and CEO's STI is recommended by the Committee based on his balanced scorecard performance and is approved by the Board.</p> <p>The amount of STI paid to other Executive KMP is recommended by the Group MD and CEO to the Committee based on each executive's balanced scorecard performance and is recommended by the Committee for approval by the Board.</p> <p>The Board may apply discretion in determining the STI outcomes to ensure they are appropriate. By way of illustration, the Board may take into consideration the Executive KMP's alignment to Company values, prudent risk management and the Company's long-term financial soundness.</p>
Payment Vehicle	FY19 STI awards are delivered in cash with no deferral.
Payment Frequency	STI awards are paid annually. Payments are made in September following the end of the performance period.

LONG-TERM INCENTIVE REWARD

The Group's remuneration structure aims to align long-term incentives for Executive KMPs and other executives with the delivery of sustainable value to shareholders. The alignment of interests is important in ensuring that Executive KMPs and other executives are focused on delivering sustainable returns to shareholders, whilst allowing the Group to attract and retain executives of a high calibre. The Board has determined that the combination of EPS and ROC are appropriate measures of sustainable shareholder returns.

The key aspects of the LTI plan are summarised in Table 7. See Section 6 for changes to the LTI plan for FY20.

Table 7:

Plan	LTI awards are granted under the Super Retail Group Employee Performance Rights Plan (the Plan).
Participation	The Plan allows for the annual grant of Performance Rights to Executive KMP and other executives.
LTI Instrument	Performance Rights are granted by the Group for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if service-based and performance-based vesting conditions are met.
Allocation Methodology	The number of Performance Rights granted to each Executive KMP is determined in accordance with the Executive Remuneration Framework, and have a value of between 50% and 100% of their base salary package. The notional value of Performance Rights granted to Executive KMP and other executives is determined on a face value basis using the volume weighted average price for Super Retail Group shares traded on the ASX on the five trading days from the day following the release of the Group's results for the preceding reporting period. The value of Performance Rights for grant purposes may differ from the accounting valuation shown in the financial statements which considers probability of vesting and other factors.
Performance Period	The performance period is three years commencing on 1 July in the year the award is made. For the 2019 awards, this is the three-year period from 1 July 2018 to 26 June 2021.
Performance Hurdles and Vesting Schedules	Equity grants to Executive KMP and other executives are in two equal tranches of 50% for the three year compound annual growth rate in normalised EPS and 50% for normalised three year averaged ROC.

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The performance conditions for Performance Rights granted in September 2018 are:

Measure	Normalised earnings per share CAGR	Averaged ROC
Weight	50%	50%
Nature	Growth of Group	Group Absolute
Performance Zone (Threshold to Maximum)	8% to 13% compound annual growth	10% to 15% annual average
Payout	<p>Below threshold (<8%): 0% of elements vested</p> <p>Threshold (8%): 30% of elements vested</p> <p>Target (10%): 50% of elements vested</p> <p>Maximum (13%): 100% of elements vested</p> <p>Straight-line vesting: Between threshold (8%) and target (10%) and then target and maximum (13%)</p>	<p>Below threshold (<10%): 0% of elements vested</p> <p>Threshold (10%): 30% of elements vested</p> <p>Target (12%): 50% of elements vested</p> <p>Maximum (15%): 100% of elements vested</p> <p>Straight-line vesting: Between threshold (10%) and target (12%) and then target and maximum (15%)</p>
Performance Period	If the Performance Conditions are satisfied within the Performance Period, the Performance Rights will vest over the subsequent years in accordance with the following schedule:	
	Time after grant of Performance Rights:	Percentage of Performance Rights that vest:
	3 years	50%
	4 years	25%
	5 years	25%

Under these performance hurdles, for the plan to achieve 100% vesting, the compound EPS growth must be at least 13%, and ROC must average at least 15%. The normalised EPS measure excludes the value of franking credits being generated, which are transferred to shareholders through the Group's fully franked dividend.

For Performance Rights granted in September 2017 and prior, the normalised earnings performance hurdle was as follows:

Normalised EPS CAGR	% vesting of Performance Rights
10% (threshold)	50%
15% (maximum)	100%

Performance Rights will vest on a pro rata basis between these compound annual growth ranges.

Each year, the Board reviews any significant items, positive and negative, and considers their relevance for the PBT, ROC and EPS results. The Board may include or exclude any significant events/items to give a clearer reflection of normalised financial performance from one period to the next. Significant events/items are considered unusual by their nature and size and/or not in the ordinary course of the business. In relation to the FY19 year, exclusions made in relation to the performance measures include: prior period store underpayment and remediation costs, business restructuring costs, equity accounted losses and losses on divestments (refer to note 4b in the financial statements).

Testing and Time Restrictions

At the end of three financial years, equity grants are tested against the performance hurdles set. Awards will only vest once the Board, in its discretion, determines that relevant conditions have been satisfied. If the performance hurdles are not met at the vesting date, the Performance Rights will lapse. There is no retesting of performance hurdles under the Plan. The Board has discretion to determine that an Award vests prior to the end of the relevant period and retains a discretion to adjust performance related outcomes.

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Dividends and Voting Rights	Performance Rights do not carry voting or dividend rights.
Hedging Arrangements	Participating executives are prohibited from entering into any hedging arrangements in relation to Performance Rights.
Clawback Policy	There is a Clawback Policy within the Plan. The Board may determine any treatment in relation to an Award, without limitation, in certain circumstances such as fraud, dishonesty, or breach of obligations (including, without limitation, a material misstatement of financial information). The Plan document is available on the Group's website. The vesting outcome of the FY16 LTI grant has been reduced due to prior period underpayment of retail managers and store Set Up team members.
Termination Provisions	Executive KMP must be employed at the time of vesting to receive the allotment of shares. The Board has discretion to amend the employment requirement based on the circumstances associated with the Executive KMP and other executives leaving. The Board has previously exercised its discretion where an employee left due to retirement, retrenchment or redundancy, or termination by mutual consent. The employee may, in these circumstances, retain entitlement to a portion of the Performance Rights pro-rated to reflect the period of service from the start of the Performance Period to the date of departure. After the employee's departure the Performance Rights would only be available to vest to the extent that the performance conditions are met. In the event the Board has not exercised discretion, when an employee leaves due to resignation or termination with cause, all unvested Performance Rights will lapse.
Change of Control Provisions	Any unvested Performance Rights may vest at the Board's discretion, having regard to pro-rated performance.

The Super Retail Employee Performance Rights Plan Rules are available on the Group's website, www.superretailgroup.com.au/investors-and-media/corporate-governance/

PERFORMANCE-BASED RETENTION ARRANGEMENTS FOR CHIEF EXECUTIVE OFFICER – MACPAC

As part of the acquisition of Macpac, an executive retention scheme was established for the Chief Executive Officer – Macpac, Mr Brandon. The performance hurdles of the retention scheme align to the five-year business strategy disclosed to the market in May 2018.

The retention scheme arrangements for Chief Executive Officer – Macpac are outlined in Table 8.

Table 8:

Vehicle	Cash
Incentive Opportunity	NZ\$1,500,000
Performance Period	Five years (2018 – 2023)
Performance Conditions	Vesting is tied to the EBIT (CAGR over five years) measured at three intervals; 30 June 2021, 30 June 2022 and 30 June 2023, against the consolidated MacPac business plan as approved by the Board.
Payment schedule	On the basis that the performance conditions are met at each interval the retention payment will be made in the following manner: 1 July 2021 NZ\$500,000 1 July 2022 NZ\$500,000 1 July 2023 NZ\$500,000
Eligibility	The executive is eligible to receive payment if EBIT achieves plan and he remains employed on 1 July immediately following each testing date.

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SECTION 6: Executive Remuneration Framework Changes for FY20

BASE SALARY CHANGES

The comparator benchmarks show that overall Executive KMP base salary package and short-term incentive packages for the 2020 year will be in the range of 90% to 132% of the respective market median. Executive KMP base salaries will not increase in FY20.

REMUNERATION STRUCTURE CHANGES

Super Retail Group has been progressively reviewing the executive total reward framework. The approach to setting base salary and the STI scheme have previously been reviewed and revised. During FY19, the Company reviewed the LTI plan taking into consideration market competitiveness as well as the effectiveness of the Plan in supporting the strategic direction

(namely to become a sustainable, world class omni-retailer). The review identified several areas where the LTI plan could be enhanced, with associated implications and further changes for the STI plan. We consulted on the approach to changes to understand shareholders' and governance advisers' perspectives.

The following summarises the key changes between FY19 and FY20.

DEFERRED SHORT-TERM INCENTIVE

Together with the changes to the LTI plan, deferred STI in the form of Performance Rights (allocated based on the face value of award) will be introduced from and including FY20. The introduction of deferred STI is aimed to support equity ownership, enhance risk management, retain key executives and reflect market remuneration practices.

The key components of the deferred STI are outlined as follows:

Table 9:

Key change	Key terms of change
Portion of deferred STI	Up to 30% of the total STI awarded to KMP will be deferred across two years (20% deferral in FY 20, transitioning to 30% deferral in FY21). Transitioning towards a 30% deferral over two years allows the Group to appropriately manage costs. Each KMP's target STI will be increased by 25%, to facilitate the immediate introduction of the deferral scheme and to maintain executive engagement, consistent with the remuneration strategy and principles. On completion of transition the targets will be reviewed against market.
Vesting period	Vesting of the deferred STI will occur in two, equal tranches (i.e., 50% of Rights vest one year after grant and remaining 50% vests 2 years after grant). Accumulated dividend equivalent payments will be received when awards are fully vested.
Clawback	The deferred STI awards will be subject to the same clawback provisions as the LTI (refer to Section 5 for further detail on the LTI clawback policy).

LONG-TERM INCENTIVE

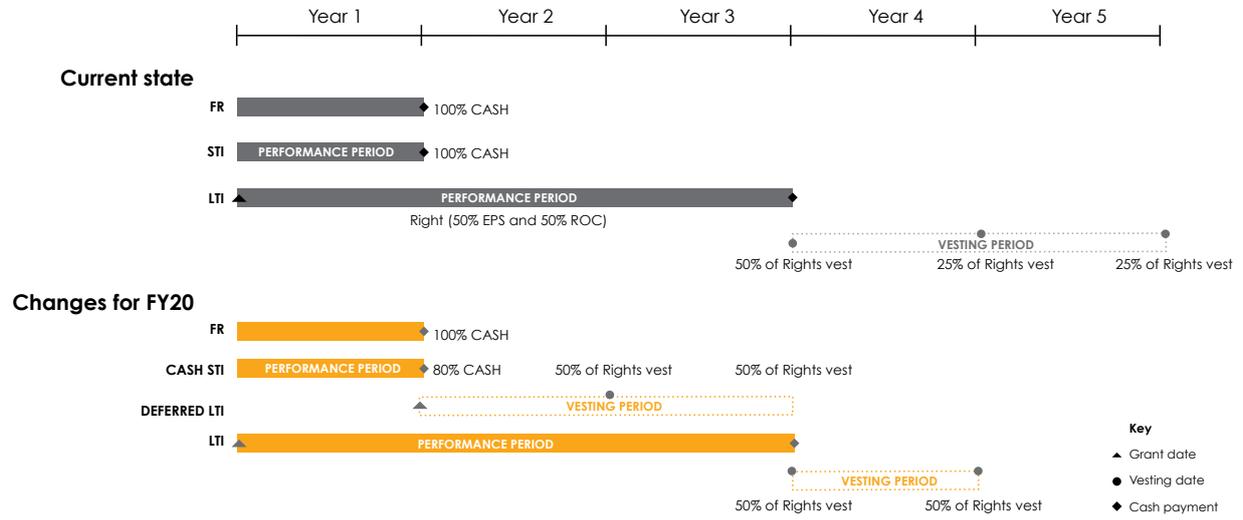
Key change	Key terms of change
Maintain a three-year performance measure but transition to a simplified tranche vesting structure. This means that 50% of Rights vest three years after grant and the remaining 50% vest four years after grant.	This approach simplifies the vesting period while maintaining the existing performance period. The vesting period remains longer than the majority of companies in the S&P/ASX200 index. In conjunction with the introduction of the deferred STI, the changes will result in a larger portion of remuneration held in equity and a longer weighted-average period to receive remuneration, despite the 25% reduction in the vesting period of the LTI.

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IMPACT OF CHANGES OVER TIME

Table 10:



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SECTION 7: Non-Executive Directors' Remuneration Arrangements

NON-EXECUTIVE DIRECTORS REMUNERATION STRUCTURE

The Group's remuneration strategy is designed to attract and retain experienced, qualified Non-Executive Directors and to remunerate appropriately to reflect the responsibilities of the position. Non-Executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees on which they serve.

The Nominations Committee reviews the level of fees annually. Under the current fee framework, Non-Executive Directors are remunerated by way of a base fee, with additional fees paid to the Chairs and members of Committees; namely, the

Audit and Risk, and the Human Resources and Remuneration Committees. This reflects the additional time commitment required by the Chairs and members of these Committees. The Board Chair receives an all-inclusive fee and no other fees (e.g. Committee fees) are paid. Fees are inclusive of superannuation contributions required by the Superannuation Guarantee legislation. Non-Executive Directors do not receive any performance-related remuneration. Non-Executive Directors may opt each year to receive a proportion of their remuneration in Super Retail Group Limited shares, which would be acquired on market. Non-Executive Directors are not

eligible for termination payments or to receive retirement benefits other than superannuation on resignation or retirement from the Board.

Non-Executive Directors' Fees are determined within an aggregate Directors' fee pool approved by shareholders. The fee pool of \$1,200,000 per annum was approved at the Annual General Meeting on 23 October 2013. No increase in the pool is proposed for FY20.

NON-EXECUTIVE DIRECTORS' FEES

The fees paid to Non-Executive Directors are set out in Table 11 and are annual fees, inclusive of superannuation, unless otherwise stated.

Table 11:

Annual Fees	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee
Chair ⁽¹⁾	\$313,650	\$25,000	\$25,000	Nil
Members	\$141,143	\$10,000	\$10,000	Nil

(1) Committee fees are not paid to the Chair.

There was no change to Non-Executive Directors' fees (including Committee fees) in FY19 and there will be no change in FY20.

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Details of the remuneration of the Non-Executive Directors of the Group are set out in Table 12.

Table 12:

2019	Short-term Benefits			Post-employment	Share based		
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Performance Rights \$	Other \$	Total \$
Name							
Non-Executive							
S A Pitkin	313,650	–	–	–	–	–	313,650
R A Rowe	121,371	–	–	19,771	–	–	141,142
D J Eilert	147,163	–	–	13,980	–	–	161,143
L K Inman	166,143	–	–	–	–	–	166,143
H L Mowlem	151,729	–	–	14,414	–	–	166,143
P D Everingham	147,163	–	–	13,980	–	–	161,143
Total	1,047,219	–	–	62,145	–	–	1,109,364

2018	Short-term Benefits			Post-employment	Share based		
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Performance Rights \$	Other \$	Total \$
Name							
Non-Executive							
S A Pitkin ⁽¹⁾	252,928	–	–	18,857	–	–	271,785
R A Rowe	118,761	–	–	22,382	–	–	141,143
D J Eilert	147,162	–	–	13,980	–	–	161,142
L K Inman ⁽²⁾	176,143	–	–	–	–	–	176,143
H L Mowlem ⁽³⁾	156,944	–	–	14,910	–	–	171,854
P D Everingham ⁽⁴⁾	68,911	–	–	6,547	–	–	75,458
R J Wright ⁽⁵⁾	97,867	–	–	7,337	–	–	105,204
Total	1,018,716	–	–	84,013	–	–	1,102,729

(1) S A Pitkin commenced as Board Chair on 23 October 2017.

(2) L K Inman commenced as Chair of the Audit & Risk Committee from 24 October 2016, ceased as chair on 23 October 2017 and subsequently commenced as chair of the Human Resources & Remuneration Committee from 23 October 2017.

(3) H L Mowlem commenced as Director on 13 June 2017, and commenced as Chair of the Audit & Risk Committee from 23 October 2017.

(4) P D Everingham commenced as Director on 19 December 2017.

(5) R J Wright retired at the conclusion of the 2017 Annual General Meeting on 23 October 2017.

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SECTION 8:

Executive KMP Remuneration Outcomes for FY19

Details of the remuneration of the Executive KMP of the Group are set out in Table 13:

Table 13:

2019	Short-term Benefits				Post-employment	Share based			
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Annual leave \$	Super-annuation \$	Termination benefits \$	Performance Rights \$	Other long term benefits ⁽¹⁾ \$	Total \$
Executive Director									
A M Heraghty ^{(2) (8)}	838,014	317,400	25,916	32,303	20,531	-	336,949	6,971	1,578,084
P A Birtles ⁽³⁾	790,582	-	2,380	41,079	15,399	132,952	(339,972)	17,366	659,786
Other Executive KMP									
A Brandon ⁽⁴⁾	54,825	15,454	2,952	7	3,550	-	-	61,764	138,552
D J Burns ⁽⁸⁾	654,468	249,375	-	(2,779)	20,531	-	37,228	8,245	967,068
C D Wilesmith ^{(5) (8)}	651,469	276,000	48,000	40,905	20,531	445,469	45,525	13,228	1,541,127
G S Williams ⁽⁶⁾	167,254	136,986	-	14,215	5,133	-	-	270	323,858
E A Berchtold ⁽⁷⁾	203,841	-	-	30,956	15,231	188,160	(248,965)	6,999	196,222
Total	3,360,453	995,215	79,248	156,686	100,906	766,581	(169,235)	114,843	5,404,697

2018	Short-term Benefits				Post-employment	Share based			
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Annual leave \$	Super-annuation \$	Termination benefits \$	Performance Rights \$	Other long term benefits ⁽¹⁾ \$	Total \$
Executive Director									
P A Birtles	1,230,911	-	3,640	(15,277)	20,049	-	241,391	23,066	1,503,780
Other Executive KMP									
D J Burns ⁽⁹⁾	637,851	168,750	-	(2,712)	20,049	-	65,598	6,789	896,325
E A Berchtold ⁽⁹⁾	629,072	195,750	4,154	(30,293)	20,049	-	76,400	8,553	903,685
A M Heraghty ⁽⁹⁾	738,343	254,100	11,608	40,629	20,049	-	83,716	3,058	1,151,503
C D Wilesmith ⁽⁹⁾	631,951	222,750	48,000	(19,888)	20,049	-	76,043	12,870	991,775
Total	3,868,128	841,350	67,402	(27,541)	100,245	-	543,148	54,336	5,447,068

(1) Includes accruals for long service leave entitlements and accrued long term retention bonus for A Brandon of \$61,764 in 2019.

(2) A M Heraghty was Managing Director of Outdoor from 1 July 2018 to 19 February 2019 and commenced as Managing Director and Chief Executive Officer from 20 February 2019.

(3) P A Birtles retired as Managing Director and Chief Executive Officer on 19 February 2019.

(4) A Brandon commenced as a KMP effective 1 May 2019.

(5) C D Wilesmith resignation effective 9 August 2019. Termination benefits are accrued obligations as at 29 June 2019.

(6) G S Williams commenced on 2 April 2019. Included in Cash bonus is an accrued sign on bonus for G S Williams of \$136,986 in 2019.

(7) E A Berchtold resigned 11 January 2019.

(8) Cash bonus for FY19 is reflective of a 25% reduction to recognise the impact of the underpayment of retail managers.

(9) Cash bonus for FY18 is reflective of a 25% reduction to recognise the impact of the underpayment of store Set Up team members.

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PERFORMANCE RIGHTS OVER EQUITY INSTRUMENTS OF SUPER RETAIL GROUP LIMITED

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly or indirectly or beneficially by each Executive KMP, including their related parties is as per Table 14. Adjustments relating to the impact of the underpayment of store Set Up team members and retail managers occurred subsequent to 29 June 2019 and are therefore not reflected in Table 14 below.

Table 14:

	Held at 1 July 2018	Granted ⁽¹⁾	Vested	Lapsed or Forfeited	Other Changes ⁽²⁾	Held at 29 June 2019	Value of Performance Rights granted in year ⁽³⁾	Financial year in which grant vests
2019	Number	Number	Number	Number	Number	Number	\$	Year
A M Heraghty								
2016	52,258	-	(14,684)	(22,889)	-	14,685	n/a	2019, 2020, 2021
2017 ⁽⁴⁾	45,586	-	-	-	-	45,586	n/a	2020, 2021, 2022
2018	59,526	-	-	-	-	59,526	n/a	2021, 2022, 2023
2019	-	50,200	-	-	-	50,200	384,030	2022, 2023, 2024
A Brandon								
2019	-	-	-	-	-	-	-	n/a
D J Burns								
2016	34,994	-	(9,833)	(15,327)	-	9,834	n/a	2019, 2020, 2021
2017 ⁽⁴⁾	30,685	-	-	-	-	30,685	n/a	2020, 2021, 2022
2018	50,860	-	-	-	-	50,860	n/a	2021, 2022, 2023
2019	-	44,006	-	-	-	44,006	336,646	2022, 2023, 2024
C D Wilesmith								
2016	43,897	-	(12,335)	(19,227)	-	12,335	n/a	2019, 2020, 2021
2017 ⁽⁴⁾	39,666	-	-	-	-	39,666	n/a	2020, 2021, 2022
2018	54,114	-	-	-	-	54,114	n/a	2021, 2022, 2023
2019	-	46,940	-	-	-	46,940	359,091	2022, 2023, 2024
G S Williams								
2019	-	-	-	-	-	-	-	n/a
P A Birtles								
2016	104,516	-	(29,369)	(45,778)	(29,369)	-	n/a	2019, 2020, 2021
2017 ⁽⁴⁾	117,031	-	-	-	(117,031)	-	n/a	2020, 2021, 2022
2018	156,433	-	-	-	(156,433)	-	n/a	2021, 2022, 2023
2019	-	131,924	-	-	(131,924)	-	1,009,219	2022, 2023, 2024
E A Berchtold								
2016	45,291	-	(12,727)	(19,837)	(12,727)	-	n/a	2019, 2020, 2021
2017	40,554	-	-	-	(40,554)	-	n/a	2020, 2021, 2022
2018	54,114	-	-	-	(54,114)	-	n/a	2021, 2022, 2023

(1) Performance Rights provided as remuneration to each of the Executive KMP of the Group during the financial year.

(2) Ceased as Executive KMP therefore Performance Rights disclosed as being Executive KMP become nil.

(3) The maximum possible total financial value in future years is dependent on the Group share price at exercise date, the minimum possible total value is nil.

(4) These performance rights will partially vest with the announcement of the June 2019 financial results.

(5) All vested Performance Rights are exercisable.

Treatment of departing Executive KMP

In July 2019, the Board made determinations under the Super Retail Employee Performance Rights Plan rules in relation to LTI awards held by Executive KMP who departed from the Group during the financial year. The impacts of these determinations are as follows:

To recognise the impact of the Set Up team members and retail managers underpayment (refer to Section 4) the following treatment was determined for Mr Birtles:

- 2016 - remaining unvested Performance Rights will lapse;
- 2017 - 50% of the grant will lapse, remaining Performance Rights will follow the adjusted vesting calculation (refer Table 5);
- 2018 - 50% of the grant will lapse, remaining Performance Rights will remain on foot (prorated for time served); and
- 2019 - lapse.

In relation to Mr Wilesmith's resignation:

- 2016 - remaining unvested Performance Rights will follow the adjusted vested calculation (refer Table 5);
- 2017 - the Performance Rights will follow the adjusted vesting calculation (refer Table 5);
- 2018 - the Performance Rights will remain on foot (prorated for time served); and
- 2019 - lapse.

In relation to Ms Berchtold's resignation:

- 2016 - remaining unvested Performance Rights will follow the adjusted vested calculation (refer Table 5);
- 2017 & 2018 - lapse.

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The Performance Rights granted in the current reporting period were valued for the purpose of the financial statements using a fair value of \$7.65 which is the share price at the date of issue. The Performance Rights are expensed over a five-year period in line with the vesting conditions of the Performance Rights; refer

to Section 5 for details of these vesting conditions. Performance Rights are granted using a face value methodology. Plan participants may not enter into any transaction designed to remove the at-risk aspect of the Performance Rights before they vest. The value at exercise date for Performance Rights is the Group

share price. There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2019 financial year.

OPTION OVER EQUITY INSTRUMENTS OF SUPER RETAIL GROUP LIMITED

No Options were granted or vested during the financial year.

REMUNERATION EXPENSE OF DIRECTORS AND EXECUTIVE KEY MANAGEMENT PERSONNEL

Table 15:

	2014 \$m	2015 \$m	2016 ⁽¹⁾ \$m	2017 ⁽²⁾ \$m	2018 ⁽³⁾ \$m	2019 ⁽⁴⁾ \$m
Base Salary Package	4.8	4.9	5.4	5.1	5.2	5.6
Short Term Incentive	0.4	0.4	0.8	2.1	0.8	1.1
Long Term Incentive	0.4	0.1	0.5	1.1	0.5	(0.2)
Total	5.6	5.4	6.7	8.3	6.5	6.5

(1) 2016 is a 53-week reporting period compared to 52 weeks for the other five years and excludes "Other" remuneration.

(2) During 2017 the number of Executive KMP decreased from six to five which impacts year-on-year comparisons.

(3) The 2018 remuneration expense attributable to Executive KMP accounts for the impact of the underpayment of Set Up team members.

(4) The 2019 remuneration expense attributable to Executive KMP accounts for the impact of the underpayment of retail managers.

Since 2014 normalised earnings per share have increased by 40.3% and dividends per share have increased by 25.0%.

During the same period, total remuneration paid to Executive

KMP has increased 16.1%. The amount of total remuneration is significantly impacted by the value of incentive payments which have varied over the years in line with Group performance.

Total remuneration paid to KMP as a proportion of normalised profit before tax was 3.5% in 2014 and has decreased to 3.1% in 2019 (refer to Table 1 and Table 15).

(A) EQUITY INSTRUMENTS HELD BY KMP

(i) Shares provided on exercise of Performance Rights and Options

The table below lists the ordinary shares in the Company issued during the year as a result of the exercise of Performance Rights. There were no shares issued during the year ended 29 June 2019 on the exercise of Options.

Table 16:

Name ⁽¹⁾	Incentive Scheme ⁽²⁾	Number of Ordinary Shares Issued on Exercise of Share Plans During the Year ⁽³⁾	Market Value at Exercise Date ⁽⁴⁾
A M Heraghty	Performance Rights	14,684	139,645
A Brandon	n/a	n/a	n/a
D J Burns	Performance Rights	9,833	93,512
C D Wilesmith	Performance Rights	12,335	117,306
G S Williams	n/a	n/a	n/a
P A Birtles	Performance Rights	29,369	279,299
E A Berchtold	Performance Rights	12,727	121,034
Total		78,948	750,796

(1) G Williams and A Brandon were not employees of the Company at the time of the grant of performance rights detailed above and were therefore not eligible to participate in these incentive schemes.

(2) Refer to Section 4(c) - Long-Term Incentives.

(3) The 2016 grants vesting due to hurdles being met.

(4) The value at exercise date for Performance Rights is determined using the Company share price.

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(ii) Movement in shares

The movement during the year in the number of ordinary shares in the Company held directly or indirectly or beneficially, by each Executive KMP, including their related parties is as per Table 17 below:

Table 17:

2019	Held at 30 June 2018	Exercise of performance rights	Purchases	In lieu of dividends ⁽¹⁾	Sales	Other changes	Held at 29 June 2019
Non Executive Directors:							
S A Pitkin	39,153	–	3,000	–	–	–	42,153
R A Rowe	59,925,001	–	–	11,865	–	–	59,936,866
D J Eilert	8,500	–	7,000	–	–	–	15,500
L K Inman	22,175	–	–	–	–	–	22,175
H L Mowlem	10,000	–	20,000	–	–	–	30,000
P D Everingham	10,000	–	7,000	–	–	–	17,000
Executive Director:							
A M Heraghty	–	14,684	25,590	417	–	–	40,691
P A Birtles ⁽²⁾	1,392,596	29,369	–	–	–	(1,421,965) ⁽⁴⁾	–
Other Executive KMP:							
A Brandon	–	–	–	–	–	–	–
D J Burns	11,000	9,833	–	–	–	–	20,833
C D Wilesmith	3,776	12,335	–	236	(12,000)	–	4,347
G S Williams	–	–	–	–	–	–	–
E A Berchtold ⁽³⁾	–	12,727	–	–	–	(12,727) ⁽⁴⁾	–

(1) Shareholders are eligible to receive dividends in cash or choose to participate in the dividend reinvestment plan.

(2) P A Birtles retired and ceased to be a KMP on 19 February 2019.

(3) E A Berchtold ceased to be a KMP on 11 January 2019.

(4) Ceased as KMP therefore KMP Shareholding becomes nil.

(iii) Unissued shares under Performance Rights and Options plans

Unissued ordinary shares of Super Retail Group Limited under the Performance Rights Plan at the date of this report are set out in the table below:

Table 18:

Grant date	Value per Performance Right at Grant Date	Number of Performance Rights
1 September 2012	\$7.95	–
1 September 2013	\$10.83	–
1 September 2014	\$6.03	–
1 September 2015	\$8.17	136,707
1 September 2016	\$7.99	453,535
1 September 2017	\$6.38	633,916
1 September 2018	\$7.65	592,684
Total		1,816,842

(1) Performance Rights vest progressively three to five years after grant date and have no expiry date. Refer to Section 5 for details of these vesting conditions.

(2) Due to resignations and retirements of Executive KMP, the Board has exercised its discretion per the LTI plan with the Performance Rights and as such certain Performance Rights are due to lapse – refer to Table 14 for impacts on Executive KMP.

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Plan participants may not enter into any transaction designed to remove the at risk aspect of Performance Rights. As at the date of this report there are no remaining unissued ordinary shares of Super Retail Group Limited under Option.

(B) LOANS TO KMP AND THEIR RELATED PARTIES

There are no loans to Executive KMP and their related parties as at 29 June 2019 and no loans were made during the financial year.

(C) OTHER TRANSACTIONS WITH KMP

No Executive KMP held positions in other companies that transacted with the Group in the reporting period. Dividends paid to KMP as shareholders in the reporting period amounted to \$30,133,125 (2018: \$28,538,241). Other

payments made to Director R A Rowe in the form of store lease payments during the reporting period amounted to \$12,087,041 (2018: \$10,789,552). Rent payable at year-end was nil (2018: nil). Rent on properties are deemed to be on an arms length basis. There were no other transactions with KMP during the reporting period.

(D) INSURANCE OF OFFICERS

During the financial year, the Group paid a premium of \$545,000 (2018: \$202,880) to insure the Officers of the Group including 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 Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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SECTION 9: Remuneration Governance

The Board's role, as set out in the Board Charter, includes responsibility to approve and oversee the strategic direction of the Group, to appoint the MD and CEO and to oversee the governance, management and performance of the Group. The Board is supported through three standing Board Committees

including the Human Resources and Remuneration Committee.

Each Committee has its own Charter setting out its role and responsibilities, composition, and how it will operate.

The Board established the following Committees: Audit and Risk Committee; Nomination

Committee; and Human Resources and Remuneration Committee. The Audit and Risk Committee will liaise with the Human resources and Remuneration Committee, as necessary, relating to risk, policies and framework relating to KMP remuneration.

Figure 2:

Board	Human Resources and Remuneration Committee	Remuneration Advisors
<p>The Board approves company wide remuneration strategy, policy and framework to ensure alignment with company's business strategy and objectives.</p> <p>The Board reviews and approves (as appropriate) the Human Resources and Remuneration Committee recommendations. The Board is responsible for evaluating the performance and determining the remuneration of the Group MD and CEO and senior management.</p>	<p>The Board has delegated responsibility to the Human Resources and Remuneration Committee to review and make recommendations to the Board in relation to the overall human resources and remuneration practices of the Company. This includes, but is not limited to, supporting and advising the Board in relation to the Company's human resources strategy including human resource policies; remuneration policies; health and safety; talent management; and otherwise assisting the Board to comply with legal and statutory requirements in respect of human resources and remuneration matters.</p>	<p>The Committee operates independently of senior executives and engages directly with remuneration advisors. The requirements for external advisors' services are assessed annually in the context of remuneration matters that the Committee requires to address. During 2019, external advice was received from Ernst & Young related to market remuneration benchmarking, market remuneration practices for remuneration structures, gender pay equity review, Group MD and CEO dividend arrangement advice, equity advice, and a review of the executive remuneration framework (including the STI Scheme and LTI Plan) and support for executive remuneration changes. No remuneration recommendations were provided.</p>

The Corporate Governance Statement (available on the Group's website at www.superretailgroup.com.au) provides further information on the role of the Committee. The membership of the Committee is noted in Section 1 of the Directors' report, as is the number of meetings and individual attendance during the period ended 29 June 2019.

GENDER PAY EQUITY

The Group is committed to remunerating all employees

fairly and equitably. The Group will conduct annual gender pay equity reviews that are presented to the Committee. The last review conducted identified a small gender pay gap, at organisation-wide level. This gap is being addressed at the Divisional level and organization level. In addition, the organisation is monitoring recruitment, performance and reward processes, and promotional data to ensure we deliver on our commitment to provide equitable, fair and

consistent pay arrangements to team members.

The analysis shows that gender representation contributes to gender pay equity at the organisation level. While this is not necessarily a pay related issue it highlights that uneven participation at all levels does mean the continuing emphasis and focus on women in leadership across the Group is necessary.

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SERVICE AGREEMENTS

Remuneration and other terms of employment for ongoing Executive KMP 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 Performance Rights Plans and Option Plans. Restraint provisions are detailed below.

All contracts with Executive KMP may be terminated early by either party as shown in Table 19:

Table 19:

Name	Term of Agreement	Agreement Commencement Date ⁽¹⁾	Review Term ⁽²⁾	Termination payment	Commencement date with Super Retail Group
A M Heraghty	Ongoing	20 February 2019	Annual	12 months ⁽³⁾	27 April 2015
A Brandon	Ongoing	31 March 2018	Annual	6 months ⁽³⁾	31 March 2018
D J Burns	Ongoing	3 October 2018	Annual	6 months ⁽³⁾	3 December 2012
C D Wilesmith	Ongoing	1 October 2018	Annual	6 months ⁽³⁾	18 September 2007
G Williams	Ongoing	1 April 2019	Annual	6 months ⁽³⁾	1 April 2019
P Birtles	Ongoing	1 December 2016	Annual	12 months ⁽³⁾	30 April 2001
E Berchtold	Ongoing	15 May 2017	Annual	6 months ⁽³⁾	5 November 2011

(1) Commencement date of service agreement.

(2) Reviewed annually by the Human Resource and Remuneration Committee.

(3) Payment of a termination benefit on early termination by the Company, other than for cause, equal to the base salary for the period detailed.

PERIOD OF RESTRAINT

Executive KMP have post-employment restraints within their service contracts.

After cessation of employment for any reason, the employee must not compete with the Company's relevant speciality retailing businesses (including direct or indirect involvement as a principal, agent, partner, employee, shareholder, unit holder, director, trustee, beneficiary, manager, contractor, adviser or financier), without first obtaining the consent of the Company in writing. These restraints range from periods of 12 months for Group MD and CEO to 3 – 12 months for other Executive KMP.

MINIMUM SECURITIES HOLDING POLICY

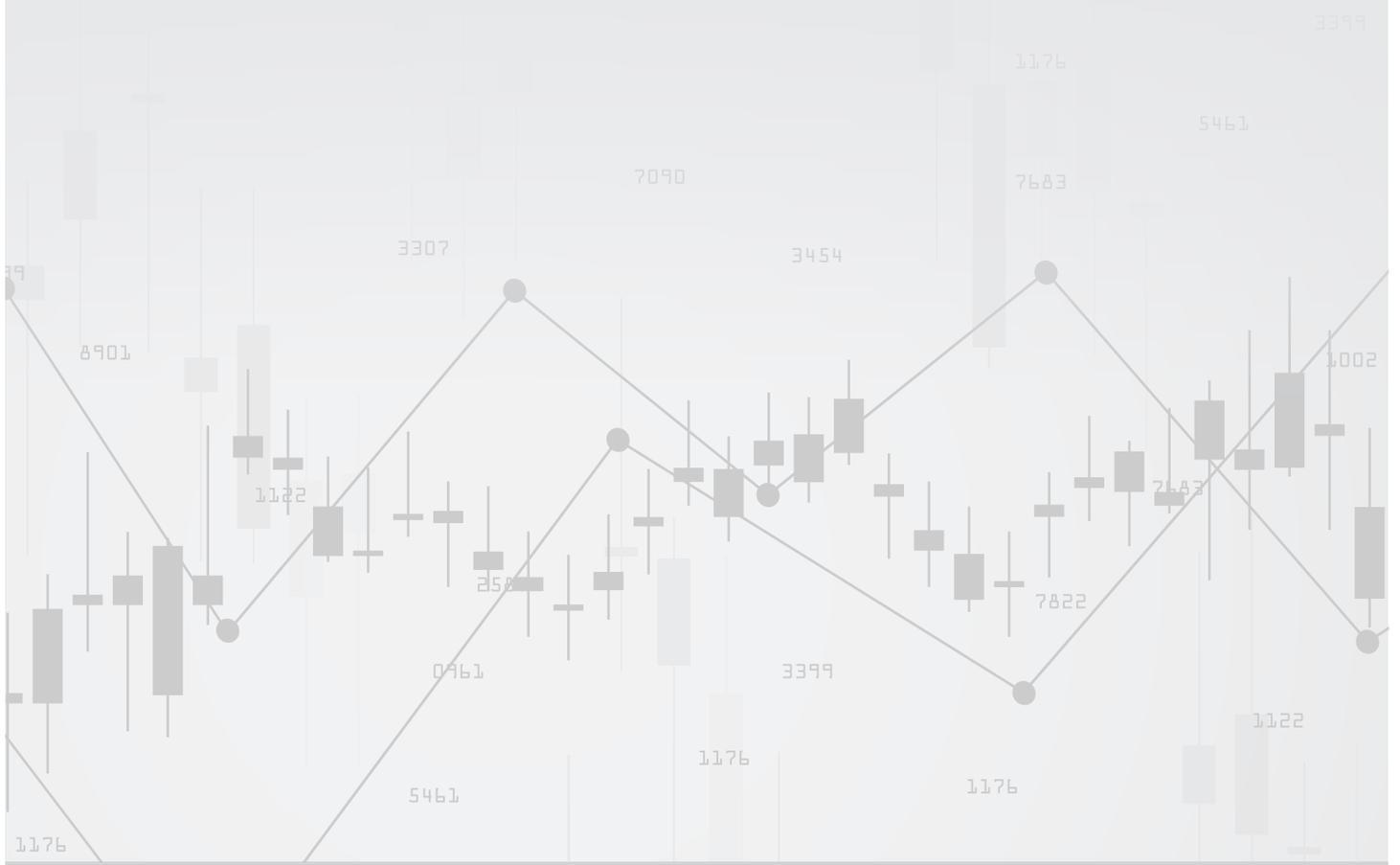
Commencing in 2015 financial year, the Board introduced a minimum shareholding requirement for Non-Executive Directors valued at a minimum of 100% of one year's pre-tax base fees. The Group MD and CEO to be 150% of one year's pre-tax base salary; and for other Executive KMP to be 100% of one year's pre-tax base salary. This is to be achieved by October 2020 or within five years from the commencement of employment. This requirement may be extended due to reduced vesting. This is to further align the interest of Non-Executive Directors and Executive KMP with those of shareholders (referenced in Tables 16 and 17).

2018 – 2019

● Financial Report

FOR THE YEAR ENDED 29 JUNE 2019

Super Retail Group Limited
ABN: 81 108 676 204
ASX Code: SUL



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 29 June 2019

	Notes	2019 \$m	2018 \$m
CONTINUING OPERATIONS			
Revenue from continuing operations		2,710.4	2,570.4
Other income from continuing operations		2.8	8.5
Total revenues and other income	5	2,713.2	2,578.9
Expenses			
Cost of sales of goods		(1,488.2)	(1,415.5)
Other expenses from ordinary activities			
- selling and distribution		(347.8)	(332.3)
- marketing		(81.9)	(83.9)
- occupancy		(215.5)	(213.0)
- administration		(366.4)	(339.4)
Net finance costs	6	(21.3)	(17.7)
Share of net loss of associates and joint ventures	6	(2.6)	(1.0)
Total expenses		(2,523.7)	(2,402.8)
Profit before income tax		189.5	176.1
Income tax expense	13	(50.3)	(48.8)
Profit for the period		139.2	127.3
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		139.3	128.3
Non-controlling interests		(0.1)	(1.0)
		139.2	127.3
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	18	(6.3)	6.2
Exchange differences on translation of foreign operations	18	2.7	(0.9)
Other comprehensive income for the period, net of tax		(3.6)	5.3
Total comprehensive income for the period		135.6	132.6
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		135.7	133.6
Non-controlling interests		(0.1)	(1.0)
		135.6	132.6
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	70.6	65.0
Diluted earnings per share	16	69.9	64.5

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 29 June 2019

	Notes	2019 \$m	2018 Restated* \$m	2017 Restated* \$m
ASSETS				
Current assets				
Cash and cash equivalents		7.5	15.2	19.9
Trade and other receivables	7	37.6	23.8	42.6
Inventories	8	560.2	545.5	481.5
Current tax asset	13	1.9	-	-
Derivative financial instruments	15	2.8	6.8	-
Total current assets		610.0	591.3	544.0
Non-current assets				
Property, plant and equipment	9	267.9	270.4	264.5
Intangible assets	10	894.2	891.6	750.1
Other financial assets	23(b)	6.9	9.3	-
Total non-current assets		1,169.0	1,171.3	1,014.6
Total assets		1,779.0	1,762.6	1,558.6
LIABILITIES				
Current liabilities				
Trade and other payables	11	362.7	342.3	253.7
Interest-bearing liabilities	12	3.4	3.0	2.6
Current tax liabilities	13	-	9.6	1.5
Provisions	14	107.3	105.0	96.3
Derivative financial instruments	15	6.2	1.5	3.1
Total current liabilities		479.6	461.4	357.2
Non-current liabilities				
Trade and other payables	11	49.5	49.1	44.2
Interest-bearing liabilities	12	390.8	435.1	398.0
Deferred tax liabilities	13	23.4	20.1	7.1
Provisions	14	19.7	21.7	21.5
Total non-current liabilities		483.4	526.0	470.8
Total liabilities		963.0	987.4	828.0
NET ASSETS		816.0	775.2	730.6
EQUITY				
Contributed equity	17	542.3	542.3	542.3
Reserves	18	8.2	10.3	3.5
Retained earnings	18	265.9	223.3	186.7
Capital and reserves attributable to owners of Super Retail Group Limited		816.4	775.9	732.5
Non-controlling interests		(0.4)	(0.7)	(1.9)
TOTAL EQUITY		816.0	775.2	730.6

*Refer note 3(b) for details regarding the restatement as a result of a prior period error.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 29 June 2019

	Notes	Contributed Equity \$m	Reserves \$m	Retained Earnings Restated* \$m	Total Restated* \$m	Non- Controlling Interests \$m	Total Equity Restated* \$m
Balance at 1 July 2017		542.3	3.5	210.7	756.5	(1.9)	754.6
Correction of prior period error (net of tax)		-	-	(24.0)	(24.0)	-	(24.0)
Restated total equity at the beginning of the financial period		542.3	3.5	186.7	732.5	(1.9)	730.6
Profit for the period		-	-	128.3	128.3	(1.0)	127.3
Other comprehensive loss for the period		-	5.3	-	5.3	-	5.3
Total comprehensive income for the period		-	5.3	128.3	133.6	(1.0)	132.6
Transactions with owners in their capacity as owners							
Dividends provided for or paid	21	-	-	(91.7)	(91.7)	-	(91.7)
Employee performance rights	18	-	1.1	-	1.1	-	1.1
Transactions with non-controlling interests	23(b)	-	0.6	-	0.6	2.0	2.6
Change in ownership interest in controlled entities	23(a)	-	(0.2)	-	(0.2)	0.2	-
		-	1.5	(91.7)	(90.2)	2.2	(88.0)
Balance at 30 June 2018		542.3	10.3	223.3	775.9	(0.7)	775.2
Profit for the period		-	-	139.3	139.3	(0.1)	139.2
Other comprehensive loss for the period		-	(3.6)	-	(3.6)	-	(3.6)
Total comprehensive income for the period		-	(3.6)	139.3	135.7	(0.1)	135.6
Transactions with owners in their capacity as owners							
Dividends provided for or paid	21	-	-	(96.7)	(96.7)	-	(96.7)
Employee performance rights	18	-	1.3	-	1.3	-	1.3
Change in ownership interest in controlled entities	23(a)	-	0.2	-	0.2	0.4	0.6
		-	1.5	(96.7)	(95.2)	0.4	(94.8)
Balance at 29 June 2019		542.3	8.2	265.9	816.4	(0.4)	816.0

*Refer note 3(b) for details regarding the restatement as a result of a prior period error.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 29 June 2019

	Notes	2019 \$m	2018 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,995.8	2,850.1
Payments to suppliers and employees (inclusive of goods and services tax)		(2,438.0)	(2,268.6)
Rental payments			
- external		(250.6)	(218.5)
- related parties		(12.1)	(10.8)
Income taxes paid		(54.2)	(43.8)
Net cash inflow from operating activities	19	240.9	308.4
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		(89.8)	(107.1)
Proceeds from sale of property, plant and equipment		-	-
Payments for acquisitions of investments in associates/joint ventures	23(b)	(0.7)	(0.3)
Acquisition of subsidiary, net of cash acquired	23(a)	-	(133.8)
Net cash (outflow) from investing activities		(90.5)	(241.2)
Cash flows from financing activities			
Proceeds from borrowings		946.0	994.5
Repayment of borrowings		(986.0)	(955.5)
Finance lease payments		(3.3)	(2.7)
Borrowing costs paid		(2.4)	(0.3)
Interest paid		(16.0)	(16.2)
Interest received		-	0.1
Dividends paid to Company's shareholders	21	(96.7)	(91.7)
Net cash (outflow) from financing activities		(158.4)	(71.8)
Net increase / (decrease) in cash and cash equivalents		(8.0)	(4.6)
Cash and cash equivalents at the beginning of the period		15.2	19.9
Effects of exchange rate changes on cash and cash equivalents		0.3	(0.1)
Cash and cash equivalents at end of the period		7.5	15.2

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 29 June 2019

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

1. Reporting entity

Super Retail Group Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is 751 Gympie Road, Lawnton, Queensland.

The consolidated annual financial report of the Company as at and for the period ended 29 June 2019 comprises: the Company and its subsidiaries (together referred to as the Group, and individually as Group entities).

The Group is a for-profit entity and is primarily involved in the retail industry. Principal activities of the Group consist of:

- retailing of auto parts and accessories, tools and equipment;
- retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
- retailing of sporting equipment and apparel.

2. Summary of significant accounting policies

This section sets out the principal accounting policies upon which the Group's consolidated financial statements are prepared as a whole. Specific accounting policies are described in their respective Notes to the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial statements and accompanying notes of Super Retail Group Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of measurement

These financial statements have been prepared under the historical cost convention, unless otherwise stated.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Super Retail Group Limited (the Company or parent entity) as at 29 June 2019 and the results of its controlled entities for the period then ended. The effects of all transactions between entities in the consolidated entity are fully eliminated.

(i) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ii) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

(iii) *Business combinations*

The acquisition method of accounting is used to account for all business combinations (refer note 23 - Business combinations), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values as at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iii) Business combinations (continued)

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(iv) Investments in associates and joint ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control but not control. They are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated balance sheet.

(v) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Super Retail Group Limited.

(vi) Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the consolidated financial statements.

(c) 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 Retail 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

2. Summary of significant accounting policies (continued)

(d) 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. 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 statement of financial position 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.

(e) Rounding of amounts

The economic entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 instrument to the nearest hundred thousand dollars.

(f) Financial year

As allowed under Section 323D(2) of the *Corporations Act 2001*, the Directors have determined the financial year to be a fixed period of 52 calendar or 53 calendar weeks. For the period to 29 June 2019, the Group is reporting on the 52 week period that began 1 July 2018 and ended 29 June 2019. For the period to 30 June 2018, the Group is reporting on the 52 week period that began 2 July 2017 and ended 30 June 2018.

(g) New and amended standards adopted by the Group

The following new accounting standards and amendments to accounting standards became applicable in the current reporting period:

AASB 9 *Financial Instruments*
AASB 15 *Revenue from Contracts with Customers*

AASB 9 Financial Instruments Treatments

AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial instruments: Recognition and measurement* with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. However as permitted by AASB 9, the Group continues to apply hedge accounting under AASB 139 instead of the requirements of the new standard.

Also introduced was a new impairment model with the introduction of:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

There are no significant impacts on the Group's consolidated financial statements resulting from the application of AASB 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

2. Summary of significant accounting policies (continued)

(g) New and amended standards adopted by the Group (continued)

AASB 15 Revenue from Contracts with Customers

The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

There are no significant impacts on the Group's consolidated financial statements resulting from the application of AASB 15.

(h) Impact of standards issued but not yet applied by the Group

AASB 16 Leases – effective 30 June 2019

AASB 16 Leases (AASB 16) is applicable to the Group for the period commencing 30 June 2019 and replaces the current standard AASB 117 Leases. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with corresponding right-of-use (ROU) assets.

As a result of adoption of AASB 16, the nature of expenses relating to leases will change. Operating lease expenses are currently recognised on a straight-line basis. However, under AASB 16 the Group will recognise depreciation expense for ROU assets and interest expense for lease liabilities. There will also be an impact to both the operating and financing activities for cash flows where cash paid for operating leases will be split between principal and interest repayments as a financing activity instead of as rental payments in operating cash flows.

The Group expects to adopt AASB 16 using the modified retrospective approach with election of the option to retrospectively measure the ROU assets using the transition discount rate. Furthermore, the Group plans to elect the following transition practical expedients:

- To retain the classification of existing contracts as leases instead of reassessing whether existing contracts are or contain a lease at the date of initial application;
- Lessee arrangements with a short remaining term from date of initial application or leases assessed as low value will be disregarded;
- Discount rates applied to a portfolio of leases with similar characteristics; and
- Use of hindsight with regards to determination of the lease term.

Under this approach the cumulative effect of adoption will be recognised as an adjustment to opening retaining earnings at 30 June 2019, with no restatement of comparative information.

The Group has materially completed the impact assessment of adopting AASB 16. The impact on the Consolidated Balance sheet as at 30 June 2019 is expected to be as follows:

- An increase of between \$900 million to \$950 million to lease liabilities;
- An increase of between \$800 million to \$850 million to ROU assets; and
- A resulting adjustment to retained earnings of between \$50 million to \$150 million.

The financial impact on the Consolidated Statement of Comprehensive Income for the year of adoption is estimated as follows:

- A decrease in operating lease rentals of between \$210 million to \$220 million
- An increase in depreciation expense of between \$150 million and \$175 million; and
- An increase in interest expense of between \$25m to \$35 million.

There will be a nil net effect to the Consolidated Statement of Cashflows as a result of adopting AASB 16, as operating lease payments will continue to be paid as previously, however the cash outflow will be reclassified to financing activities rather than operating activities.

The estimated financial impacts above could be different to actuals due to changes in lease portfolio, incremental borrowing rate used and foreign currency fluctuations.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$957.2 million (refer note 31 - Commitments).

Interpretation 23 Uncertainty over Income Tax Treatments – effective 1 July 2020

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a Group, depending on which approach better predicts the resolution of the uncertainty

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

2. Summary of significant accounting policies (continued)

(h) Impact of standards issued but not yet applied by the Group (continued)

- that the Group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, there is a reminder of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

3. Critical accounting estimates, judgements and errors

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 included in the following Notes to the consolidated financial statements:

- Note 8 – Inventories;
- Note 9 – Property, plant and equipment;
- Note 10 – Intangible assets;
- Note 14 – Provisions;
- Note 23 – Business combinations.

(b) Correction of prior period error

During the reporting period, the Group completed a comprehensive review of employment arrangements across the business. This review identified an underpayment of overtime and some allowances to retail managers. This underpayment is in addition to the discovery of a related underpayment of overtime and allowances for team members involved in store set-up activities identified and recognised in the previous financial year.

An estimate has been completed for the period between financial years 2013 to 2018. The annual amounts were not material to profit for any of the individual years to which they related. A total of \$24.0 million after tax is included in the restatement of retained earnings as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. In addition, the Group has recognised net \$8.9 million before tax (\$6.2 million after tax) as an expense in 2019 relating to revision of wages underpayment estimates and associated remediation costs - refer note 4 (b). The estimate has been revised based on the ongoing remediation considerations and additional data.

Critical accounting estimates and judgements have been made in the calculations as to the number of overtime hours, allowance payments and the valuation based on assumed work patterns. Any revisions of the estimates will be recognised in the period the revisions are identified.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet (extract)	As previously stated 30 June 2018 \$m	Increase/ (decrease) 30 June 2018 \$m	Restated 30 June 2018 \$m	As previously stated 2 July 2017 \$m	Increase/ (decrease) 2 July 2017 \$m	Restated 2 July 2017 \$m
Provisions – current	71.0	34.0	105.0	62.3	34.0	96.3
Deferred tax liabilities	30.1	(10.0)	20.1	17.1	(10.0)	7.1
Net assets	799.2	(24.0)	775.2	754.6	(24.0)	730.6
Retained earnings	247.3	(24.0)	223.3	210.7	(24.0)	186.7
Total equity	799.2	(24.0)	775.2	754.6	(24.0)	730.6

There was no profit and loss impact for the year ended 30 June 2018, and no impact on basic or diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

4. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group Managing Director and Chief Executive Officer that are used to make strategic decisions.

During the period the operating segments changed due to how the operations are currently reviewed. The previous Outdoor segment has been split into two segments being BCF and Macpac. The Macpac segment incorporates the previous Rays business which was fully transitioned to Macpac during the period.

No operating segments have been aggregated to form the below reportable operating segments. This results in the following business segments:

Super Cheap Auto (SCA): retailing of auto parts and accessories, tools and equipment;

Rebel: retailing of sporting equipment and apparel;

BCF: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and

Macpac: retailing of apparel, camping and outdoor equipment.

(b) Segment information provided to the Group Managing Director and Chief Executive Officer

Detailed below is the information provided to the Group Managing Director and Chief Executive Officer for reportable segments. Items not included in Normalised Net Profit After Tax (Normalised NPAT) are one-off charges relating to business restructuring, equity accounted non-core businesses, divestments and prior year wages underpayment and remediation costs.

Other items not included in total segment NPAT are determined by management based on their nature and size. They are items of income or expense which are, either individually or in aggregate, material to the Group or to the relevant business segment but are not in the ordinary course of business (for example reorganisations), or are part of the ordinary activities of the business but are unusual due to their size and nature (for example professional fees in relation to remediation activities).

For the period ended 29 June 2019	SCA \$m	Rebel \$m	BCF \$m	Macpac \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income							
External segment revenue ⁽¹⁾	1,040.6	1,016.4	514.6	138.8	2,710.4	-	2,710.4
Inter segment sales	-	-	-	-	-	-	-
Other income	0.1	1.5	0.2	0.1	1.9	0.9	2.8
Total segment revenue and other income	1,040.7	1,017.9	514.8	138.9	2,712.3	0.9	2,713.2
Segment EBITDA⁽²⁾	156.1	122.6	40.2	15.6	334.5	(19.8)	314.7
Segment depreciation and amortisation	(35.5)	(28.8)	(19.4)	(2.6)	(86.3)	(0.3)	(86.6)
Segment EBIT result	120.6	93.8	20.8	13.0	248.2	(20.1)	228.1
Net finance costs							(21.3)
Total segment NPBT							206.8
Segment income tax expense ⁽³⁾							(54.3)
Normalised NPAT							152.5
Other items not included in the total segment NPAT ⁽⁴⁾							(13.2)
Profit for the period attributable to:							
Owners of Super Retail Group Limited							139.3
Non-controlling interests							(0.1)
Profit for the period							139.2

⁽¹⁾ Includes non-controlling interest (NCI) revenue of \$1.3 million.

⁽²⁾ Adjusted for \$8.9 million of prior year store wages underpayment and remediation costs, \$4.4 million of net business restructuring costs including gains of \$1.7 million due to the release of previous restructuring provisions, \$2.2 million of equity accounted losses, losses on divestment/investments of \$1.7 million and NCI operating result of \$0.1 million.

⁽³⁾ Segment income tax expense of \$54.3 million excludes \$4.0 million relating to the tax effect of prior year store wages underpayment and remediation costs and business restructuring costs.

⁽⁴⁾ Includes \$8.9 million related to the revision of wages underpayment estimates and associated remediation costs, \$4.4 million of net business restructuring costs including gains of \$1.7 million due to the release of previous restructuring provisions, \$2.2 million of equity accounted losses and losses on divestment/investments of \$1.7 million. Total related income tax impact of \$4.0 million.

Other items not included in total segment NPAT – 2019

Prior Year Store Wages Underpayment and Remediation Costs

The Group has recognised net \$8.9 million before tax (\$6.2 million after tax) as an expense in 2019 relating to revision of wages underpayment estimates and associated remediation costs – refer note 3 (b).

Business Restructuring Costs

During the reporting period there was both organisational restructure and a review of current and prior restructuring provision requirements. Net costs of \$4.4 million before tax (\$3.1 million after tax) were recognised which will result in an on-going lower cost base for these expenses. Included in the \$4.4 million is \$1.7 million before tax (\$1.2 million after tax) of restructure costs recognised in previous years that were released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

4. Segment information (continued)

(b) Segment information provided to the Group Managing Director and Chief Executive Officer (continued)

Equity Accounted Losses

During the 2018 financial year, the Group ceased to control Autoguru and now accounts for its share in this associate using the equity method. Equity accounted losses relating to Autoguru amount to \$2.2 million during the period and have been excluded from normalised NPAT.

Losses on Divestment/Investments

During the period the Group sold its shares in Youcamp – refer note 23 (a). The net loss on divestment was \$0.6 million (nil tax). In addition a review of the investment value in Autocrew has resulted in a net loss of \$1.1 million being excluded from normalised NPAT.

For the period ended 30 June 2018	SCA \$m	Rebel \$m	BCF \$m	Macpac \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income							
External segment revenue ⁽¹⁾	1,006.4	979.2	498.3	81.5	2,565.4	5.7	2,571.1
Inter segment sales	-	-	-	-	-	(0.7)	(0.7)
Other income ⁽²⁾	0.6	0.7	0.2	-	1.5	0.1	1.6
Total segment revenue and other income	1,007.0	979.9	498.5	81.5	2,566.9	5.1	2,572.0
Segment EBITDA⁽³⁾	148.2	115.7	44.2	3.7	311.8	(17.7)	294.1
Segment depreciation and amortisation ⁽⁴⁾	(31.8)	(24.2)	(16.9)	(1.4)	(74.3)	(0.2)	(74.5)
Segment EBIT result	116.4	91.5	27.3	2.3	237.5	(17.9)	219.6
Net finance costs							(17.7)
Total segment NPBT							201.9
Segment income tax expense ⁽⁵⁾							(56.6)
Normalised NPAT							145.3
Other items not included in the total segment NPAT ⁽⁶⁾							(17.0)
Profit for the period attributable to:							
Owners of Super Retail Group Limited							128.3
Non-controlling interests							(1.0)
Profit for the period							127.3

⁽¹⁾ Includes non-controlling interest (NCI) revenue of \$1.6 million.

⁽²⁾ Excludes gain on divestment of controlled entities \$6.9 million.

⁽³⁾ Adjusted for NCI operating result of \$1.0 million, \$16.9 million of business restructuring costs, \$4.0 million of acquisition costs, \$8.6 million of prior year store set-up costs and net gain on divestment of \$4.7 million.

⁽⁴⁾ Adjusted for \$5.2 million provision for asset depreciation and impairment relating to business restructuring costs.

⁽⁵⁾ Segment income tax expense of \$56.6 million excludes \$7.8 million relating to the tax effect of prior year store set-up costs and business restructuring costs.

⁽⁶⁾ Includes \$24.8 million of costs consisting of business restructuring costs \$16.9 million, acquisition costs \$4.0 million, prior year store set-up costs \$8.6 million and net gain on divestment of \$4.7 million and the related income tax effect of \$7.8 million.

Other items not included in total segment NPAT - 2018

Rebel

During the 2018 reporting period the Group completed the program of converting all Amart Sports stores to Rebel in line with the strategy to sustain the Group's position as the market leader in sports retailing. In June 2017 the Group recognised \$34.0 million of after tax restructuring costs associated with the rebranding. A further \$2.7 million of after tax costs have been incurred during the current reporting period consistent with the announcement made to the market on 25 July 2017.

Macpac

During the 2018 reporting period the Group acquired the Macpac group of companies as announced to the market on 20 February 2018. Following the acquisition of Macpac, the Group has completed the trial of the Rays business and will integrate its profitable stores into the Macpac business in the fourth quarter of the 2019 financial year. Costs associated with the business restructuring and integration incurred during the current reporting period total \$13.0 million before tax (\$9.1 million after tax), consistent with that announced to the market. Transaction costs to complete the acquisition of Macpac total \$4.0 million before tax (\$3.9 million after tax).

Gain on divestment – Autoguru

During the 2018 reporting period the Group's investment in Autoguru decreased to 49.5% - refer note 23 (b). The net gain on divestment partially offset by associated trading losses was \$4.7 million before tax (nil tax) and has been excluded from normalised NPAT.

Prior year store set-up costs

The Group has identified that team members involved in store set-up activities should have received additional amounts to the amounts paid. A remediation program is underway and will be completed in 2019. The amount relating to prior periods of \$8.6 million, (\$6.0 million after tax) is not included in normalised NPAT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

4. Segment information (continued)

(c) Other information

Revenue is attributable to the country where the sale of goods has transacted. The consolidated entity's divisions are operated in two main geographical areas with the following areas of operation:

Australia (the home country of the parent entity)

Super Cheap Auto (SCA): retailing of auto parts and accessories, tools and equipment;

Rebel: retailing of sporting equipment and apparel;

BCF: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and

Macpac: retailing of apparel, camping and outdoor equipment.

New Zealand

Super Cheap Auto (SCA): retailing of auto parts and accessories, tools and equipment; and

Macpac: retailing of apparel, camping and outdoor equipment.

	2019 \$m	2018 \$m
<i>(i) Total revenue and other income from continuing operations</i>		
Australia	2,528.9	2,442.7
New Zealand	184.3	136.2
	2,713.2	2,578.9
<i>(ii) Total non-current assets</i>		
Australia	1,023.3	1,093.1
New Zealand	145.7	78.2
	1,169.0	1,171.3

Significant Accounting Policies

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group Managing Director and Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments. Unallocated items comprise mainly of corporate assets (primarily the Support Office, Support Office expenses, and income tax assets and liabilities).

5. Revenue and other income from continuing operations

	2019 \$m	2018 \$m
Revenue from the sale of goods	2,710.4	2,570.4
<i>Other income</i>		
Insurance claims	0.7	0.5
Reversal of contingent consideration	1.1	-
Gain on divestment	-	6.9
Sundry	1.0	1.1
Total revenues and other income	2,713.2	2,578.9

Significant Accounting Policies

Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Sale of goods – retail

Payment of the transaction price is due immediately when the customer purchases products and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

6. Expenses from continuing operations

	2019 \$m	2018 \$m
Profit before income tax includes the following specific gains and expenses:		
<i>Expenses</i>		
Net loss on disposal of property, plant and equipment	0.2	-
Share of net loss from associates and joint ventures accounted for using the equity method	2.6	1.0
<i>Depreciation</i>		
Plant and equipment	41.1	40.9
Motor vehicles	0.1	0.1
Computer equipment	15.1	14.1
Total depreciation	<u>56.3</u>	<u>55.1</u>
<i>Amortisation and impairment</i>		
Computer software amortisation	30.3	22.2
Plant and equipment impairment	-	2.4
Total amortisation and impairment	<u>30.3</u>	<u>24.6</u>
<i>Net finance costs</i>		
Interest and finance charges	21.3	17.8
Interest revenue	-	(0.1)
Net finance costs	<u>21.3</u>	<u>17.7</u>
<i>Employee benefits expense</i>		
Superannuation	38.0	36.1
Salaries and wages	502.2	474.7
Total employee benefits expense	<u>540.2</u>	<u>510.8</u>
<i>Rental expense relating to operating leases</i>		
Lease expenses	232.8	229.2
Equipment hire	3.3	3.4
Total rental expense relating to operating leases	<u>236.1</u>	<u>232.6</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange (gain)/ loss	<u>(3.4)</u>	<u>2.4</u>

Significant Accounting Policies

Depreciation, amortisation and impairment

Refer to notes 9 and 10 for details on depreciation, amortisation and impairment.

Finance costs

Finance 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. Finance 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
- interest revenue.

Employee benefits

Refer to note 14 for details on employee provisions and superannuation.

Leases

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.

Foreign exchange gains and losses

Refer to note 2 (c) for details on foreign exchange gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

7. Trade and other receivables

	2019	2018
	\$m	\$m
Current		
Trade receivables	16.0	10.0
Loss allowance	(0.3)	(0.6)
Net trade receivables	15.7	9.4
Other receivables	14.2	7.7
Prepayments	7.7	6.7
Net current trade and other receivables	37.6	23.8

(a) Impaired trade receivables

As at 29 June 2019 current trade receivables of the Group with a nominal value of \$0.3 million (2018: \$0.6 million) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers with whom the Group no longer trade.

(b) Past due but not impaired

As at 29 June 2019, trade receivables of \$3.5 million (2018: \$2.4 million) 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:

	2019	2018
	\$m	\$m
30 to 60 days	0.8	0.2
60 to 90 days	0.3	0.7
90 days and over	2.4	1.5
	3.5	2.4

Significant Accounting Policies

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 15.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at period end was determined for both trade receivables to be minor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

8. Inventories

	2019 \$m	2018 \$m
Finished goods, at lower of cost or net realisable value	560.2	545.5

(a) Inventory expense

Inventories recognised as expense during the period ended 29 June 2019 amounted to \$1,408.3 million (2018: \$1,338.7 million).

Write-downs of inventories to net realisable value recognised as an expense during the period ended 29 June 2019 amounted to \$1.0 million (2018: \$9.4 million). The expense in the 2018 financial year was impacted by provisioning for the exit of the Ray's stock lines. This expense has been included in cost of sales of goods within the consolidated statement of comprehensive income.

Significant Accounting Policies

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 in bringing them to their existing location and condition. Costs are assigned to individual items of stock on the basis of weighted average costs.

Critical accounting estimates and assumptions

Net realisable value

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.

9. Property, plant and equipment

	2019 \$m	2018 \$m
Plant and equipment, at cost	435.2	407.3
Less accumulated depreciation	(208.0)	(180.4)
Net plant and equipment	227.2	226.9
Motor vehicles, at cost	0.6	0.6
Less accumulated depreciation	(0.5)	(0.4)
Net motor vehicles	0.1	0.2
Computer equipment, at cost	106.8	104.7
Less accumulated depreciation	(66.2)	(61.4)
Net computer equipment	40.6	43.3
Total net property, plant and equipment	267.9	270.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

9. Property, plant and equipment (continued)

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Plant and equipment \$m	Motor vehicles \$m	Computer equipment \$m	Total \$m
2019				
Carrying amounts at 30 June 2018	226.9	0.2	43.3	270.4
Additions	41.0	-	12.4	53.4
Depreciation	(41.1)	(0.1)	(15.1)	(56.3)
Disposals	-	-	(0.2)	(0.2)
Foreign currency exchange differences	0.4	-	0.2	0.6
Carrying amounts at 29 June 2019	227.2	0.1	40.6	267.9
2018				
Carrying amounts at 1 July 2017	217.2	0.2	47.1	264.5
Additions	47.9	-	10.2	58.1
Acquisition of subsidiary (note 23(a))	5.6	0.1	0.2	5.9
Depreciation	(40.9)	(0.1)	(14.1)	(55.1)
Impairment ⁽¹⁾	(2.4)	-	-	(2.4)
Divestment of subsidiary (note 23(b))	(0.1)	-	-	(0.1)
Foreign currency exchange differences	(0.4)	-	(0.1)	(0.5)
Carrying amounts at 30 June 2018	226.9	0.2	43.3	270.4

⁽¹⁾ During 2018 certain items of Plant and equipment relating to assets in leased locations associated with the Rebel business transformation activities were considered to be impaired – refer note 4 – Segment information.

Finance Leases

The carrying value of computer equipment held under finance leases as at 29 June 2019 was \$8.1 million (2018: \$9.9 million). Additions during the year were \$1.0 million (2018: \$1.0 million). Leased assets are pledged as security for the related finance lease liability.

Significant Accounting Policies

Carrying value

Property, plant and equipment are stated at historical cost, less any accumulated depreciation or amortisation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

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 repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortisation of property, plant and equipment

Depreciation and amortisation are calculated on a straight line basis for accounting and on a diminishing value basis for tax. Depreciation and amortisation allocates 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 statement of financial position date.

The depreciation rates used for each class of assets are:

Plant and equipment	7.5% – 37.5%
Capitalised leased plant and equipment	10% – 37.5%
Motor vehicles	25%
Computer equipment	20% – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

9. Property, plant and equipment (continued)

Significant Accounting Policies (continued)

Gains and losses

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.

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.

Leases

The Group leases certain property, plant and equipment. 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. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Critical accounting estimates and assumptions

Impairment

Assets that are subject to depreciation 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).

10. Intangible assets

	2019 \$m	2018 \$m
Goodwill, at cost	528.6	528.0
Less accumulated impairment charge	(2.1)	(2.1)
Net goodwill	<u>526.5</u>	<u>525.9</u>
Computer software, at cost	240.7	213.9
Less accumulated amortisation	(126.3)	(101.5)
Net computer software	<u>114.4</u>	<u>112.4</u>
Brand names, at cost	311.8	311.8
Less accumulated amortisation and impairment charge	(58.5)	(58.5)
Net brand names	<u>253.3</u>	<u>253.3</u>
Total net intangible assets	<u>894.2</u>	<u>891.6</u>

(a) Reconciliations

Reconciliations of the carrying amounts for each class of intangible asset are set out below:

	Goodwill \$m	Computer Software \$m	Brand Name \$m	Totals \$m
2019				
Carrying amounts at 30 June 2018	525.9	112.4	253.3	891.6
Additions	-	32.3	-	32.3
Adjustment to provisional accounting (note 23(a))	0.6	-	-	0.6
Amortisation charge	-	(30.3)	-	(30.3)
Carrying amounts at 29 June 2019	<u>526.5</u>	<u>114.4</u>	<u>253.3</u>	<u>894.2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

10. Intangible assets (continued)

(a) Reconciliations (continued)

	Goodwill \$m	Computer Software \$m	Brand Name \$m	Totals \$m
2018				
Carrying amounts at 1 July 2017	447.6	93.5	209.0	750.1
Additions	-	41.1	-	41.1
Acquisition of subsidiary (note 23(a))	79.0	0.2	44.3	123.5
Divestment of subsidiary (note 23(b))	(0.7)	(0.2)	-	(0.9)
Amortisation charge	-	(22.2)	-	(22.2)
Carrying amounts at 30 June 2018	525.9	112.4	253.3	891.6

(b) 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. A CGU level summary of the goodwill allocation is presented below:

CGU	2019 \$m	2018 \$m
Super Cheap Auto	45.3	45.3
Rebel	376.5	376.5
BCF	25.1	25.1
Macpac	79.6	79.0
Total	526.5	525.9

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial business plans 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.

Key assumptions used for value-in-use calculations

Management have consistently applied two key assumptions in the value-in-use analysis across each business segment CGU, a pre-tax discount rate of 12.4% (2018: 14.0%) and terminal growth rate of 3.0% (2018: 3.0%). Budgeted gross margin is determined 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 recoverable amount of the Group's goodwill currently exceeds its carrying value. Management does not consider that a reasonably possible change in any of the key assumptions would cause the carrying value of any of the CGU's to exceed their recoverable amounts.

(c) Impairment tests for the useful life for brands

No amortisation is provided against the carrying value of the purchased brand names on the basis that they are considered to have indefinite useful lives.

Key factors taken into account in assessing the useful life of brands were:

- the strong recognition of brands; and
- there are currently no legal, technical or commercial factors indicating that the life should be considered limited.

The carrying values of the purchased brand names are:

Brand	2019 \$m	2018 \$m
Rebel	209.0	209.0
Macpac	44.3	44.3
Total	253.3	253.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

10. Intangible assets (continued)

(c) Impairment tests for the useful life for brands (continued)

Key assumptions used for value-in-use calculations

Management have consistently applied two key assumptions in the value-in-use analysis across each brand, a pre-tax discount rate of 12.4% (2018: 14.0%) and terminal growth rate of 3.0% (2018: 3.0%). Budgeted gross margin is determined 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 recoverable amount of the brand names currently exceeds their carrying values. Management does not consider that a reasonably possible change in any of the key assumptions would cause the carrying value of any of the brand names to exceed their recoverable amounts.

Significant Accounting Policies

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 is not amortised. Instead, it 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. Any impairment is recognised as an expense and is not subsequently reversed.

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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Intangible assets with indefinite useful lives

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks are amortised over their useful lives.

Other intangible assets

Amortisation is calculated on a straight line basis. The amortisation rates used for each class of intangible assets are as follows:

Computer software	10% – 33.3%
Brand names	Nil

Computer software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, employee costs and an appropriate portion of relevant overheads. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Brand names

Brand names 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 impairment losses. Brand names are valued using the relief from royalty method. Brand names are determined to have indefinite useful lives and therefore do not attract amortisation.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

10. Intangible assets (continued)

Significant Accounting Policies (continued)

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.

Critical accounting estimates and assumptions

Capitalised software costs and useful lives

The Group has undertaken significant development of software in relation to the multi-channel customer programme and multi-channel supply chain and inventory programme. The useful lives have been determined based on the intended period of use of this software.

Estimated impairment of indefinite useful life non-financial assets

The Group tests annually whether indefinite useful life non-financial assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer above for details of these assumptions.

11. Trade and other payables

	2019	2018
	\$m	\$m
Current		
Trade payables	274.8	255.6
Other payables	82.5	81.2
Straight line lease adjustment	5.4	5.5
Total current trade and other payables	<u>362.7</u>	<u>342.3</u>
Non-current		
Straight line lease adjustment	49.5	49.1
Total non-current trade and other payables	<u>49.5</u>	<u>49.1</u>

Significant Accounting Policies

Trade and other payables

Trade and other payables 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 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

Leases

Refer to note 6 for details on the straight lining of lease expenses.

12. Interest-bearing liabilities

	2019	2018
	\$m	\$m
Current		
Finance leases - secured by leased asset	3.4	3.0
Total current interest-bearing liabilities	<u>3.4</u>	<u>3.0</u>
Non-current		
Finance leases - secured by leased asset	3.8	6.5
Bank debt funding facility - unsecured ⁽¹⁾	387.0	428.6
Total non-current interest-bearing liabilities	<u>390.8</u>	<u>435.1</u>

⁽¹⁾Net of borrowing costs capitalised of \$3.0 million (2018: \$1.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

12. Interest-bearing liabilities (continued)**(a) Reconciliation of liabilities arising from financing activities**

	30 June 2018 \$m	Cash flows \$m	Non-cash – Amortisation and additions \$m	29 June 2019 \$m
Finance leases	9.5	(3.3)	1.0	7.2
Bank debt funding facility ⁽¹⁾	428.6	(42.4)	0.8	387.0
Total	438.1	(45.7)	1.8	394.2
	1 July 2017 \$m	Cash flows \$m	Non-cash – Amortisation and additions \$m	30 June 2018 \$m
Finance leases	11.2	(2.7)	1.0	9.5
Bank debt funding facility ⁽¹⁾	389.4	38.7	0.5	428.6
Total	400.6	36.0	1.5	438.1

⁽¹⁾Net of borrowing costs paid**Significant Accounting Policies****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 value is recognised in the income statement over the period of the borrowings using the effective interest method.

13. Income taxes

	2019 \$m	2018 \$m
(a) Income tax expense		
Current tax expense	45.1	51.9
Deferred tax (benefit)	6.0	(2.4)
Adjustments to tax expense of prior periods	(0.8)	(0.7)
	50.3	48.8
Deferred income tax expense/ (revenue) included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 13(e))	5.9	(3.6)
Increase in deferred tax liabilities (note 13(e))	0.1	1.2
	6.0	(2.4)
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit before income tax from continuing operations	189.5	176.1
Tax at the Australian tax rate of 30% (2018: 30%)	56.9	52.8
Tax effect of amounts not deductible / (taxable) in calculating taxable income:		
Tax consolidation adjustments regarding NZ branches	-	(3.2)
Gain on divestment of subsidiary	-	(2.0)
Non-deductible acquisition costs	-	1.1
Sundry items	2.9	0.4
	59.8	49.1
Difference in overseas tax rates	(2.6)	(0.3)
Derecognition of tax losses and deferred tax assets	1.0	0.7
Previously unrecognised tax losses and deferred tax assets	(7.1)	-
Adjustments to tax expense of prior periods	(0.8)	(0.7)
Income tax expense	50.3	48.8
Effective tax rate:		
Australia	30.8%	29.1%
Consolidated group	26.5%	27.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

13. Income taxes (continued)

	2019	2018
	\$m	Restated \$m
(c) Numerical reconciliation of income tax expense to income tax payable		
Income tax (expense)	(50.3)	(48.8)
Tax effect of timing differences:		
Depreciation	(2.1)	(1.6)
Provisions	11.9	(4.4)
Accruals and prepayments	(0.7)	2.6
Tax losses	(4.4)	-
Sundry temporary differences	0.8	(1.1)
Current tax payable	(44.8)	(53.3)
Income tax instalments paid during the year	46.7	43.7
Income tax receivable / (payable)	1.9	(9.6)

(d) Amounts recognised directly in equity

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 (credited) / debited directly to equity (note 13(e))	(2.7)	2.6
	(2.7)	2.6
Tax expense relating to items of other comprehensive income		
Cash flow hedges	(2.7)	2.6
	(2.7)	2.6

(e) Deferred tax assets and liabilities

Assets

Amounts recognised in profit or loss

Provisions	40.1	51.3
Accruals and prepayments	5.4	4.3
Depreciation	15.0	13.7
Tax losses	4.4	-
Sundry temporary differences	1.1	2.6
	66.0	71.9

Amounts recognised directly in equity

Cash flow hedges	1.1	-
	67.1	71.9
Set off with deferred tax liabilities	(67.1)	(71.9)
Net deferred tax assets	-	-

Liabilities

Amounts recognised in profit or loss

Brand values	75.3	76.0
Depreciation	15.2	14.4
	90.5	90.4

Amounts recognised directly in equity

Cash flow hedges	-	1.6
	90.5	92.0
Set-off of deferred tax assets	(67.1)	(71.9)
Net deferred tax liabilities	23.4	20.1
Net deferred tax assets / (liabilities)	(23.4)	(20.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

13. Income taxes (continued)

(e) Deferred tax assets and liabilities (continued)

	2019	2018
	\$m	Restated \$m
Movements in deferred tax assets:		
Opening balance	71.9	67.8
Acquisition of subsidiary (note 23(a))	-	0.5
(Charged) / credited to the income statement	(5.9)	3.6
Credited / (charged) to equity	1.1	-
Closing balance	<u>67.1</u>	<u>71.9</u>
Deferred tax assets to be recovered after more than 12 months	40.7	45.0
Deferred tax assets to be recovered within 12 months	26.4	26.9
	<u>67.1</u>	<u>71.9</u>
Movements in deferred tax liabilities:		
Opening balance	92.0	74.9
Acquisition of subsidiary (note 23(a))	-	13.3
Charged to the income statement	0.1	1.2
(Credited) / charged to equity	(1.6)	2.6
Closing balance	<u>90.5</u>	<u>92.0</u>
Deferred tax liabilities to be settled after more than 12 months	90.5	92.0
Deferred tax liabilities to be settled within 12 months	-	-
	<u>90.5</u>	<u>92.0</u>

(f) Unrecognised deferred tax assets

Tax losses	7.3	13.6
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Deferred tax assets have not been recognised in respect of these tax losses because it is not considered probable that future taxable profit will be available against which they can be realised.

(g) Tax transparency report

In May 2016, the government announced the release of the Board of Taxation's final report on the voluntary Tax Transparency Code. The aim of the Code is to provide a mechanism by which medium and large companies can be held accountable for their Australian tax affairs, and to give stakeholders confidence that companies are compliant with their statutory obligations.

Currently the Code is voluntary. Super Retail Group supports the concept of voluntary tax transparency as an important measure for all large companies to provide assurance to the Australian community that their tax obligations are being appropriately met. We know that Super Retail Group's success is dependent on the wellbeing of the economies and communities where our businesses operate and our conservative approach to tax strategy is one of the many ways we act to ensure sustainability of our operations. We are pleased to disclose our taxes paid in Australia and to detail our approach to tax planning for the first time.

The requirements of the Code are broken into Part A which forms part of the tax note as referenced below and Part B as disclosed below. The make-up of the respective parts is as follows:

(i) Part A:

- Effective company tax rates for our Australian and global operations (Note 13 (b))
- A reconciliation of accounting profit to tax expense and to income tax payable (Note 13 (c))
- Identification of material temporary (Note 13 (b)) and non-temporary differences (Note 13 (c))

(ii) Part B:

- Tax policy, tax strategy and governance
- Information about international related party dealings
- A tax contribution summary of Income tax paid

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

13. Income taxes (continued)

(g) Tax transparency report (continued)

Part B discloses the Australian income tax paid by the Group in the 2019 and 2018 financial years and provides qualitative information about our approach to tax risk and international related party dealings.

Tax policy, tax strategy and governance

Super Retail Group is committed to full compliance with its statutory obligations and takes a conservative approach to tax risk. Super Retail Group's Tax Policy includes an internal escalation process for referring tax matters to the corporate Group Tax function. The CFO must report any material tax issues to the Board. Tax strategy is implemented through Super Retail Group's Tax Governance Policy. Super Retail Group's approach to tax planning is to operate and pay tax in accordance with the tax law in each relevant jurisdiction. The Group aims for certainty on all tax positions it adopts. Where the tax law is unclear or subject to interpretation, advice is obtained, and when necessary the Australian Taxation Office (ATO) (or other relevant tax authority) is consulted for clarity.

International related party dealings

Super Retail Group is an Australian based group, with some trading operations in other countries, including New Zealand (Super Cheap Auto (SCA) and Macpac) and China (Sourcing assistance). Given its current profile, the Group has very limited international related party dealings. Super Retail Group always seeks to price international related party dealings on an arm's length basis to meet the regulatory requirements of the relevant jurisdictions.

Super Retail Group's international related party dealings are summarised below:

- Super Retail Group's Australian retail businesses source material amounts of trading stock from overseas, particularly through Asian based third-party suppliers. To facilitate this, the Group has a Chinese based subsidiary that co-ordinates these supplies. Super Retail Group's Australian businesses pay the overseas subsidiaries for these services.
- Super Retail Group SCA and Macpac retail businesses operate across Australia and New Zealand. To meet customer demand and manage stock levels, trading stock is occasionally transferred between jurisdictions, for which arm's length consideration is paid by the recipient of the trading stock.
- Certain Super Retail Group businesses operating outside of Australia are utilising intellectual property developed by Super Retail Group businesses in Australia. Where appropriate, and as required by international cross border tax rules, a royalty payment is made by the off-shore subsidiary to the relevant Super Retail Group business in Australia.
- Various administrative and support services are provided by Super Retail Group head office and divisional parent entities to offshore subsidiary businesses. As required by international cross border tax rules, arm's length consideration is paid for these services.

Other jurisdictions

The Super Retail Group includes a few subsidiary companies that are incorporated in jurisdictions outside of Australia as summarised in the table below:

Country	Nature of activities
China ⁽¹⁾	Co-ordinating the sourcing of trading stock for SCA, Rebel and BCF
New Zealand	Active trading operations (SCA and Macpac) and dormant entities

⁽¹⁾ These companies are subject to the Australian Controlled Foreign Company rules. Under these rules profits generated by these subsidiaries from trading with Super Retail Group are taxable in Australia at the 30 per cent Australian corporate tax rate. For the 2019 year, the gross value of international related party transactions in and out of Australia represented less than 1.0 per cent of revenue.

Australian income taxes paid

Super Retail Group is a large taxpayer and paid Corporate Income Tax of \$46.7 million in 2019 and \$43.7 million in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

13. Income taxes (continued)

Significant Accounting Policies

Current and deferred 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

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.

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.

A deferred tax liability is recognised in relation to some of the Group's indefinite life intangibles. The tax base assumed in determining the amount of the deferred tax liability is the capital cost base of the assets.

Tax consolidation

Super Retail Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003 and account for current and deferred tax amounts under the Separate taxpayer within Group approach in accordance with AASB Interpretation 1052, *Tax Consolidation Accounting*.

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 Retail Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Super Retail Group Limited for any current tax payable assumed and are compensated by Super Retail 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 Retail 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

14. Provisions

	2019	2018 Restated
	\$m	\$m
Current		
Employee benefits ^(a)	97.8	94.6
Onerous contracts ^(b)	2.5	4.3
Make good provision ^(c)	5.8	5.0
Other provisions ^(d)	1.2	1.1
Total current provisions	107.3	105.0
Non-current		
Employee benefits ^(a)	9.5	8.7
Onerous contracts ^(b)	1.1	4.5
Make good provision ^(c)	9.1	8.5
Total non-current provisions	19.7	21.7

(a) Employee benefits

Provisions for employee benefits includes accrued annual leave, long service leave and accrued bonuses. In addition the Group has identified that certain salaried team members should have received additional amounts to the amounts paid. A remediation program is underway and will be completed in the next financial period. At 29 June 2019 there is a provision to recognise payments for additional overtime and allowances to current and former team members of an estimated \$44.3 million (2018: \$44.6 million).

(b) Onerous contracts

Onerous contracts include the provision for surplus lease space which represents the present value of the future lease payments that the Group is obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue. During the 2016 year, the Group committed to a plan to restructure the Ray's Outdoors business by converting various stores into either the new concept Rays stores or to other Group brands and close other stores. As at 29 June 2019 \$1.9 million associated with the transformation relates to surplus lease space (2018: \$6.8 million). During the 2018 year, the Group completed the program of converting all Amart Sports stores to Rebel in line with the strategy to sustain the Group's position as the market leader in sports retailing. As at 29 June 2019 \$0.5 million associated with this conversion relates to surplus lease space (2018: \$1.2 million).

Onerous contracts also includes the provision for loss making contracts which represents the present value of the forecasted loss. During the 2016 year the Group performed a review of key contracts relating to Infinite Retail that were loss making. As at 29 June 2019 \$0.8 million is provided for loss making contracts related to Infinite Retail (2018: \$0.7 million).

(c) 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.

(d) Other provisions

The current provision for other items includes the provision for store refunds.

(e) Movement in provisions

Movements in each class of provision during the period, except for other, are set out below:

	Employee benefits	Onerous contracts	Make good	Total
	\$m	\$m	\$m	\$m
2019				
Opening balance as at 30 June 2018	103.3	8.8	13.5	125.6
Provisions made	38.2	0.4	1.2	39.8
Indexing of provisions	-	-	2.4	2.4
Provisions used	(34.2)	(5.6)	(2.2)	(42.0)
Closing balance as at 29 June 2019	107.3	3.6	14.9	125.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

14. Provisions (continued)

Significant Accounting Policies

Provisions

Provisions for legal claims, service warranties and make good obligations 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 statement of financial position 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.

Employee benefits - short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Employee benefits – long term obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 end of the reporting period 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 end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

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

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.

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.

Critical accounting estimates and assumptions

Estimated value of make good provision

The Group has estimated the present value of the estimated expenditure required to remove any leasehold improvements and return leasehold premises to their original state, in addition to the likelihood of this occurring. These costs have been capitalised as part of the cost of the leasehold improvements.

Long service leave

Judgement is required in determining the following key assumptions used in the calculation of long service leave at balance date.

- Future increase in salaries and wages;
- Future on-cost rates; and
- Experience of employee departures and period of service.

Onerous contracts

For surplus leases, the Group estimates the period it will take to exit surplus lease space. It then records a liability for the present value of the future lease payments for the estimated exit period less estimated future sub-lease revenue. For loss making revenue contracts, the Group estimates a range of potential financial outcomes for each contract based on forecasted scenarios. It then records a liability for the present value of the resulting forecasted loss of each contract.

Employee benefits

Judgements have been made in the calculations as to the number of overtime hours, allowance payments and the valuation based on assumed work patterns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

15. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

2019	Notes	Derivatives used for hedging \$m	Financial assets and liabilities at amortised cost \$m	Total \$m
Financial assets				
Cash and cash equivalents		-	7.5	7.5
Trade and other receivables	7	-	37.6	37.6
Derivative financial instruments	20	2.8	-	2.8
Total		2.8	45.1	47.9
Financial liabilities				
Trade and other payables	11	-	412.2	412.2
Interest-bearing liabilities	12	-	394.2	394.2
Derivative financial instruments	20	6.2	-	6.2
Total		6.2	806.4	812.6
2018				
Financial assets				
Cash and cash equivalents		-	15.2	15.2
Trade and other receivables	7	-	23.8	23.8
Derivative financial instruments	20	6.8	-	6.8
Total		6.8	39.0	45.8
Financial liabilities				
Trade and other payables	11	-	391.4	391.4
Interest-bearing liabilities	12	-	438.1	438.1
Derivative financial instruments	20	1.5	-	1.5
Total		1.5	829.5	831.0

The Group's exposure to various risks associated with the financial instruments is discussed in note 20 – Financial risk management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(b) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

15. Financial assets and financial liabilities (continued)

(b) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

The following tables present the Group's entity's assets and liabilities measured and recognised at fair value.

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
2019				
Financial assets				
Derivatives used for hedging	-	2.8	-	2.8
Total	-	2.8	-	2.8
Financial liabilities				
Derivatives used for hedging	-	6.2	-	6.2
Total	-	6.2	-	6.2
2018				
Financial assets				
Derivatives used for hedging	-	6.8	-	6.8
Total	-	6.8	-	6.8
Financial liabilities				
Derivatives used for hedging	-	1.5	-	1.5
Total	-	1.5	-	1.5

There were no transfers between any levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: 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 which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date;
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

15. Financial assets and financial liabilities (continued)

Significant Accounting Policies

Financial assets classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

15. Financial assets and financial liabilities (continued)

Significant Accounting Policies (continued)

Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derivative financial instruments and hedging activities

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: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or 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.

Cash flow hedges

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 payment 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.

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.

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.

16. Earnings per share

	2019	2018
	Cents	Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	70.6	65.0
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	69.9	64.5
(c) Normalised earnings per share⁽¹⁾		
From continuing operations attributable to the ordinary equity holders of the company	77.3	73.7

⁽¹⁾ Normalised profit attributable to ordinary equity holders is \$152.5 million (2018: \$145.3 million) – note 4(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

16. Earnings per share (continued)

	2019	2018
(d) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of shares used as the denominator in calculating basic EPS	197,342,404	197,240,020
Adjustments for calculation of diluted earnings per share – performance rights	1,816,842	1,773,137
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	199,159,246	199,013,157
	2019	2018
(e) Reconciliations of earnings used in calculating earnings per share	\$m	\$m
<i>Basic earnings and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in EPS	139.3	128.3

(f) Information concerning the classification of securities

Options and Performance Rights

Options and performance rights 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.

Significant Accounting Policies

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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.

17. Contributed equity

(a) Share capital

	2019	2018
	\$m	\$m
Ordinary shares fully paid (197,383,751 ordinary shares as at 29 June 2019)	542.3	542.3
	Number of Shares	Issue Price
<i>(i) Movement in ordinary share capital</i>		\$m
Balance 1 July 2017	197,240,020	542.3
Shares issued under performance rights	-	-
Closing balance 30 June 2018	197,240,020	542.3
Shares issued under performance rights	143,731	-
Closing balance 29 June 2019	197,383,751	542.3

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

17. Contributed equity (continued)

(a) Share capital (continued)

Performance rights over 622,684 (2018: 734,862) ordinary shares were issued during the period with 143,731 (2018: nil) performance rights vesting during the period. Under the share option plan, no (2018: nil) ordinary shares were issued during the period. Information relating to performance rights and options outstanding at the end of the financial period are set out in note 28 – Share-based payments.

Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by shares purchased on market rather than by being paid in cash.

Significant Accounting Policies

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.

18. Reserves and retained earnings

	2019	2018
	\$m	\$m
(a) Reserves		
Foreign currency translation reserve	5.2	2.5
Share based payments reserve	12.9	11.6
Hedging reserve	(2.3)	4.0
NCI equity reserve	(7.6)	(7.8)
Total	8.2	10.3
<i>(i) Movements</i>		
Foreign currency translation reserve		
Balance at the beginning of the financial period	2.5	3.4
Net exchange difference on translation of foreign controlled entities	2.7	(0.9)
Balance at the end of the financial period	5.2	2.5
Share-based payments reserve		
Balance at the beginning of the financial period	11.6	10.5
Options and performance rights expense	1.3	1.1
Balance at the end of the financial period	12.9	11.6
Hedging reserve		
Balance at the beginning of the financial period	4.0	(2.2)
Revaluation – gross	(9.0)	8.8
Deferred tax	2.7	(2.6)
Balance at the end of the financial period	(2.3)	4.0
NCI equity reserve		
Balance at the beginning of the financial period	(7.8)	(8.2)
Change in ownership interest in controlled entities	0.2	0.4
Balance at the end of the financial period	(7.6)	(7.8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

18. Reserves and retained earnings (continued)

(a) Reserves (continued)

(ii) *Nature and purpose of reserves*

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 15 – Financial assets and financial liabilities. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options and performance rights issued.

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 2(c). The reserve is recognised in profit and loss when the net investment is disposed of.

NCI equity reserve

The NCI equity reserve is used to recognise the change in ownership interest in controlled entities.

(b) Retained earnings

	2019	2018
		Restated
	\$m	\$m
Balance at the beginning of the financial period	223.3	186.7
Net profit for the period attributable to owners of Super Retail Group Limited	139.3	128.3
Dividends paid	(96.7)	(91.7)
Retained profits at the end of the financial period	265.9	223.3

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

	2019	2018
	\$m	\$m
Profit from ordinary activities after related income tax	139.3	128.3
Depreciation and amortisation	86.6	77.3
Impairment charge	-	2.4
Net loss on sale of non-current assets	0.2	-
Non-cash employee benefits expense/share based payments	1.3	1.1
Loss / (gain) on divestment	1.1	(6.9)
Equity accounting loss	2.6	1.0
Profit for the period attributable to non-controlling interests	(0.1)	(1.0)
Net finance costs	21.3	17.7
Change in operating assets and liabilities, net of effects from the purchase of controlled entities		
- (increase) / decrease in receivables	(13.8)	19.6
- (increase) / decrease in net current tax liability	(11.5)	7.3
- (increase) in inventories	(14.7)	(37.0)
- increase in payables	25.3	94.0
- (decrease) / increase in provisions	(4.1)	7.0
- increase / (decrease) in deferred tax liability	7.4	(2.4)
Net cash inflow from operating activities	240.9	308.4

Significant Accounting Policies

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

	Market risk		Credit risk	Liquidity risk
	Foreign exchange	Interest rate		
Exposure arising from	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Long-term borrowings at variable rates	Cash and cash equivalents, trade and other receivables and derivative financial instruments	Borrowings and other liabilities
Measurement	Cash flow forecasting Sensitivity analysis	Sensitivity analysis	Aging analysis Credit ratings	Credit limits and retention of title over goods sold
Management	Forward foreign exchange contracts and options	Interest rate swaps	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Derivative Financial Instruments

Derivative Financial Instruments are only used for economic hedging purposes and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	2019	2018
	\$m	\$m
Current assets		
Forward foreign exchange contracts – cash flow hedges	2.8	6.8
Total current derivative financial instrument assets	<u>2.8</u>	<u>6.8</u>
Current liabilities		
Interest rate swap contracts – cash flow hedges	6.2	1.5
Total current derivative financial instrument liabilities	<u>6.2</u>	<u>1.5</u>

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 15 – Financial assets and financial liabilities. For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 15 – Financial assets and financial liabilities.

(b) Market risk

(i) Foreign exchange risk

Group companies are required to hedge their foreign exchange risk exposure using forward contracts transacted with the finance department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States dollar (USD) and Chinese Yuan (CNY).

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's risk management policy is to hedge between 50% and 75% of anticipated foreign currency purchases for the subsequent 4 months and up to 50% of anticipated foreign currency purchases for the following 5 to 12 month period.

Instruments used by the Group

The economic entity retails products including some that have been imported from Asia, with contract pricing denominated in USD. In order to protect against exchange rate movements, the economic entity has entered into forward exchange rate contracts to purchase USD. The contracts are timed to mature in line with forecasted payments for imports and cover forecast purchases for the subsequent twelve months, on a rolling basis. The Group does not currently enter into forward exchange rate contracts to purchase CNY.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2019	2018
	USD	USD
	\$m	\$m
Trade receivables	1.8	1.9
Trade payables	27.8	28.7
Forward exchange contract - foreign currency (cash flow hedges)		
Buy United States dollars and sell Australian/New Zealand dollars with maturity		
- 0 to 4 months	46.0	41.8
- 5 to 12 months	48.0	46.5
	94.0	88.3
	2019	2018
	CNY	CNY
	\$m	\$m
Trade receivables	0.2	0.2
Trade payables	29.7	7.9

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 consolidated balance sheet by the related amount deferred in equity. In the year ended 29 June 2019, no hedges were designated as ineffective (2018: 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:

	2019	2018
	\$m	\$m
- unrealised gains on USD foreign exchange contracts	2.8	6.8
- unrealised (losses) on interest rate swaps	(6.2)	(1.5)
Total unrealised (losses) / gains	(3.4)	5.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Group sensitivity

Based on the financial instruments held at 29 June 2019, 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 \$8.3 million lower/\$10.2 million higher (2018: \$7.2 million lower/\$8.8 million 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.

(ii) Cashflow and fair value interest rate risk

Instruments used by the Group - interest rate swap contracts

Bank loans of the economic entity currently bear an average variable interest rate of 3.18% (2018: 3.36%). It is policy to protect part of the forecasted debt 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 receivables or other payables.

At period end, the Group was a party to multiple interest rate swaps for a total nominal value of \$215.0 million (2018: \$240.0 million). The Group also has \$260.0 million (2018: \$260.0 million) interest rate swaps in place for future periods up until June 2022 at an average rate of 2.35%.

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 on the current debt balance cover approximately 55.1% (2018: 56.0%) of the loan principal outstanding. The average fixed interest rate is 2.36% (2018: 2.43%).

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 \$m	Fixed interest maturing in			Non-interest bearing \$m	Total \$m
		1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m		
2019						
Financial assets						
	5.8	-	-	-	1.7	7.5
Trade and other receivables	7	-	-	-	37.6	37.6
Total financial assets	5.8	-	-	-	39.3	45.1
Weighted average rate of interest	1.00%					
Financial liabilities						
Trade and other payables	11	-	-	-	412.2	412.2
Interest-bearing liabilities	12	387.0	3.4	3.8	-	394.2
Provisions (employee benefits)	14	-	-	-	107.3	107.3
Total financial liabilities	387.0	3.4	3.8	-	519.5	913.7
Weighted average rate of interest	3.18%					
Net financial (liabilities) / assets	(381.2)	(3.4)	(3.8)	-	(480.2)	(868.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management (continued)

(b) Market risk (continued)

(ii) Cashflow and fair value interest rate risk (continued)

	Notes	Fixed interest maturing in					Total Restated \$m
		Floating interest rate \$m	1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m	Non-interest bearing Restated \$m	
2018							
Financial assets							
Cash and cash equivalents		13.4	-	-	-	1.8	15.2
Trade and other receivables	7	-	-	-	-	23.8	23.8
Total financial assets		13.4	-	-	-	25.6	39.0
Weighted average rate of interest		1.50%					
Financial liabilities							
Trade and other payables	11	-	-	-	-	391.4	391.4
Interest-bearing liabilities	12	428.6	3.0	6.5	-	-	438.1
Provisions (employee benefits)	14	-	-	-	-	103.3	103.3
Total financial liabilities		428.6	3.0	6.5	-	494.7	932.8
Weighted average rate of interest		3.36%					
Net financial (liabilities) / assets		(415.2)	(3.0)	(6.5)	-	(469.1)	(893.8)

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 the 2019 and 2018 financial years, the Group's borrowings were at variable rates and were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2019 \$m	2018 \$m
Bank overdrafts and bank loans	390.0	430.0
Interest rate swaps	215.0	240.0

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

The Group risk management policy is to maintain fixed interest rate hedges of approximately 40% of anticipated debt levels over a 3 year period. The Group utilises interest rate swaps to hedge its interest rate exposure on borrowings.

As at 29 June 2019, 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 \$1.2 million lower/higher (2018: \$1.3 million lower/higher), mainly as a result of higher/lower interest expense on bank loans.

(c) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management (continued)

(c) Credit risk (continued)

(i) Risk management (continued)

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Security

For wholesale customers without credit rating, the Group generally retains title over the goods sold until full payment is received, thus limiting the loss from a possible default to the profit margin made on the sale. For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

(i) Financing arrangements

	2019	2018
	\$m	\$m
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
- bank debt funding facility	635.0	640.0
- multi-option facility (including indemnity/guarantee)	20.0	20.0
Total	655.0	660.0
Facilities used at balance date		
- bank debt funding facility ⁽¹⁾	390.0	430.0
- multi-option facility (including indemnity/guarantee)	3.2	3.3
Total	393.2	433.3
Unused balance of facilities at balance date		
- bank debt funding facility	245.0	210.0
- multi-option facility (including indemnity/guarantee)	16.8	16.7
Total	261.8	226.7

⁽¹⁾ As at 29 June 2019, \$22.3 million (2018: \$20.7 million) of the overdraft facility has been drawn and in accordance with financing arrangements this is offset by cash funds in transit.

Current interest rates on bank loans of the economic entity are 2.79% - 3.55% (2018: 3.25% - 3.51%).

(ii) Maturities of financial liabilities

The following tables analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

20. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

	Less than 6 months \$m	6-12 months \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m	Total contractual cash flows \$m	Carrying amount (assets) / liabilities \$m
2019							
Non-derivatives							
Trade and other payables	357.3	-	-	-	-	357.3	357.3
Interest-bearing liabilities ⁽¹⁾	6.2	6.2	12.4	395.9	-	420.7	390.0
Finance lease liabilities	1.8	1.8	3.6	0.3	-	7.5	7.2
Total non-derivatives	365.3	8.0	16.0	396.2	-	785.5	754.5
Derivatives							
Net settled (Interest Rate Swaps)	0.8	0.8	1.5	0.5	-	3.6	6.2
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(88.2)	(45.5)	-	-	-	(133.7)	(2.8)
- outflow	86.1	44.6	-	-	-	130.7	-
Total derivatives	(1.3)	(0.1)	1.5	0.5	-	0.6	3.4

⁽¹⁾Excludes finance leases.

	Less than 6 months \$m	6-12 months \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m	Total contractual cash flows \$m	Carrying amount (assets) / liabilities \$m
2018							
Non-derivatives							
Trade and other payables	336.8	-	-	-	-	336.8	336.8
Interest-bearing liabilities ⁽¹⁾	7.2	7.2	259.7	183.4	-	457.5	430.0
Finance lease liabilities	1.6	1.6	3.3	3.5	-	10.0	9.5
Total non-derivatives	345.6	8.8	263.0	186.9	-	804.3	776.3
Derivatives							
Net settled (Interest Rate Swaps)	0.4	0.3	0.2	0.2	-	1.1	1.5
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(82.0)	(38.1)	-	-	-	(120.1)	(6.8)
- outflow	77.1	35.5	-	-	-	112.6	-
Total derivatives	(4.5)	(2.3)	0.2	0.2	-	(6.4)	(5.3)

⁽¹⁾Excludes finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

21. Capital management

(a) 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 maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors 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 consolidated balance sheet (including non-controlling interests) plus net debt.

During 2019 the Group's strategy, which was unchanged from 2018, was to ensure that the gearing ratio remained below 50%. This target ratio range excludes the short-term impact of acquisitions. The gearing ratios at 29 June 2019 and 30 June 2018 were as follows:

	2019	2018 Restated
	\$m	\$m
Total borrowings	394.2	438.1
Less: Cash & cash equivalents	(7.5)	(15.2)
Net Debt	386.7	422.9
Total Equity	816.0	775.2
Total Capital	1,202.7	1,198.1
Gearing Ratio	32.2%	35.3%

The Group monitors ongoing capital on the basis of the fixed charge cover ratio. The ratio is calculated as earnings before net finance costs, income tax, depreciation, amortisation and store and rental expense divided by fixed charge obligations (being finance costs and store and distribution centre 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 2019 the Group's strategy, which was unchanged from 2018, was to maintain a fixed charge cover ratio of around 2.0 times and a net debt to EBITDA of below 2.5 times. The fixed charge cover and net debt to EBITDA ratios at 29 June 2019 and 30 June 2018 were as follows:

	2019	2018
	\$m	\$m
Profit attributable to Owners of Super Retail Group Limited	139.3	128.3
Add: Taxation expense	50.3	48.8
Net finance costs	21.3	17.7
Depreciation and amortisation (excludes impairment)	86.6	77.3
EBITDA	297.5	272.1
Rental expense	236.1	232.6
EBITDAR	533.6	504.7
Net finance costs	21.3	17.7
Rental expense	236.1	232.6
Fixed charges	257.4	250.3
Fixed charge cover ratio	2.07	2.02
Net debt to EBITDA ratio	1.30	1.55
Fixed charge cover ratio from normalised net profit after tax ⁽¹⁾	2.14	2.13
Net debt to EBITDA ratio from normalised net profit after tax ⁽¹⁾	1.23	1.44

⁽¹⁾ Normalised EBITDAR is \$551.2m (2018: \$521.2m) and normalised EBITDA is \$314.7m (2018: \$294.2m)

(i) Loan Covenants

Financial covenants are provided by Super Retail Group Limited with respect to leverage, gearing, fixed charges coverage and shareholder funds. The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 financial years. There are no assets pledged as security in relation to the unsecured debt in the 2019 financial year (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

21. Capital management (continued)

(b) Dividends	2019 \$m	2018 \$m
Ordinary shares		
Dividends paid by Super Retail Group Limited during the financial year were as follows:		
Final dividend for the period ended 30 June 2018 of 27.5 cents per share (2017: 25.0 cents per share) paid on 2 October 2018. Fully franked based on tax paid @ 30%	54.3	49.3
Interim dividend for the period ended 29 December 2018 of 21.5 cents (2018: 21.5 cents per share) paid on 28 March 2019. Fully franked based on tax paid @ 30%	42.4	42.4
Total dividends provided and paid	96.7	91.7
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
- paid in cash	95.0	87.0
- satisfied by issue of shares purchased on market	1.7	4.7
	96.7	91.7
Dividends not recognised at year end		
Subsequent to year end, the Directors have declared the payment of a final dividend of 28.5 cents per ordinary share (2018: 27.5 cents per ordinary share), fully franked based on tax paid at 30%.		
The aggregate amount of the dividend expected to be paid on 26 September 2019, out of retained profits as at 29 June 2019, but not recognised as a liability at year end, is		
	56.3	54.3
Franking credits		
The franked portions of dividends paid after 29 June 2019 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 29 June 2019.		
Franking credits remaining at balance date available for dividends declared after the current balance date based on a tax rate of 30%		
	138.7	142.7

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 will be a reduction in the franking account of \$24.1 million (2018: \$23.2 million). The recommended dividend has not been recognised as a liability at year end.

Significant Accounting Policies

Dividend distribution

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.

22. 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 Retail Group Limited, which is the ultimate Australian parent.

(b) Subsidiaries, associates and joint ventures

Interests in subsidiaries are set out in note 26 – Investments in controlled entities. Details on associates and joint ventures can be found at note 23(b) – Business combinations.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 27 – Key management personnel disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

22. Related party transactions (continued)

(d) Directors

The names of the persons who were Directors of Super Retail Group Limited during the financial period are S A Pitkin, R A Rowe, D J Eilert, L K Inman, H L Mowlem, P D Everingham, A M Heraghty and P A Birtles.

(e) Amounts due from related parties

Amounts due from Directors of the consolidated entity and their director-related entities are shown below in note 22(f).

(f) Loans to / (from) Related Parties

	2019 \$	2018 \$
<i>Loans to / (from) Related Parties</i>		
Loan to related parties ⁽¹⁾	302,888	282,523
Loan to former related party James Woodford Pty Ltd ⁽²⁾	850,000	-

⁽¹⁾ Loans to Australian Creatives Online Pty Ltd, an entity with a non-controlling interest in Autoguru Australia Pty Ltd, an associate of the Group. These loans were extended as part of the Group's acquisition arrangements with Autoguru Australia Pty Ltd. These loans are deemed to be on an arms-length basis, attracting interest at a rate of 7.0% (2018: 7.0%).

⁽²⁾ Loan to James Woodford Pty Ltd, an entity with a controlling interest in Youcamp Pty Ltd, a former subsidiary of the Group. This loan was extended in an agreement with James Woodford to sell all of the Group's shares in Youcamp for a total consideration of \$850,000. As a result the Group no longer has an ownership interest in Youcamp. This loan is deemed to be on an arms-length basis, and attracts interest in accordance with the loan agreement at a rate of 7.0%.

(g) Transactions with other related parties

	2019 \$	2018 \$
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:		
<i>Purchase of goods and services</i>		
Store lease payment ⁽¹⁾	12,087,041	10,789,552
Inventories ⁽²⁾	3,034,241	3,115,489

⁽¹⁾ Rent on properties, with rates which are deemed to be on an arms-length basis. Rent payable at year-end was nil (2018: nil).

⁽²⁾ Purchases of inventories from Robert Bosch (Australia) Pty Ltd on an arms-length basis. Amounts payable at year-end are \$78,844 (2018: \$214,924).

23. Business combinations

(a) Subsidiaries

2019

The Group's subsidiaries at 29 June 2019 are as detailed in note 26 - Investments in controlled entities. With the exception of changes to the Group's ownership interest in Youcamp Pty Ltd, detailed below, there were no other changes to the Group's ownership interest in these entities.

Youcamp Pty Ltd – December 2018

On 7 December 2018, the Group entered into an agreement with James Woodford Pty Ltd to sell all of its shares in Youcamp Pty Ltd for a total consideration of \$850,000. As a result the Group no longer has an ownership interest in Youcamp and the entity has been deconsolidated from December 2018. On divestment the Group has deconsolidated Youcamp by derecognising the assets and liabilities resulting in a loss on divestment of \$0.6 million which has been recognised in the Group's consolidated statement of comprehensive income.

2018

During the 2018 financial year the Group purchased the Macpac group of companies and changed its ownership interest in Youcamp Pty Ltd as detailed below.

Macpac Holding Pty Ltd – March 2018

On 20 February 2018, the Group entered into an agreement to acquire 100% of the Macpac group of companies. Settlement was completed on 5 April 2018 with an effective date of 31 March 2018. The Macpac group of companies is consolidated as part of the Group from this date.

Macpac is a vertically integrated outdoor apparel and equipment retailer with 54 stores throughout New Zealand and Australia. In addition to its retail stores, Macpac sells to commercial customers and export distributors in Europe, Japan and in the USA.

The acquired business contributed revenue and net profit after tax (NPAT) to the Group for the year ended 30 June 2018 of \$31,391,000 and \$5,718,000 respectively. If the acquisition had occurred on 2 July 2017 the Group's revenue and NPAT for the year would have been \$2,633,701,000 and \$132,477,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

23. Business combinations (continued)

(a) Subsidiaries (continued)

Purchase consideration:	2018
	\$m
Cash	138.3
Total	138.3

Assets acquired and liabilities assumed at the date of acquisition:	2018
	Restated
	\$m
Cash and cash equivalents	4.5
Trade and other receivables	1.0
Inventories	27.0
Property, plant and equipment	5.9
Intangible assets	44.5
Payables and provisions	(12.6)
Deferred taxes	(11.3)
Derivative financial instruments	(0.3)
Total	58.7

The fair value of receivables acquired includes trade receivables with a fair value of \$461,000. The gross amount due is \$473,000 of which \$12,000 is considered doubtful.

At 30 June 2018, the Group had completed the accounting for the acquisition of Macpac on a provisional basis. The finalisation of the assessment of the fair values of the identifiable assets and liabilities acquired has resulted in adjustments to previously reported items and a corresponding adjustment to goodwill (refer note 10).

Goodwill arising on acquisition:	2018
	Restated
	\$m
Consideration transferred	138.3
Less: fair value of net identifiable assets acquired	(58.7)
Goodwill arising on acquisition	79.6

The goodwill recognised in relation to the acquisition of Macpac is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the business into the Group's existing operations. Goodwill is not expected to be deductible for tax.

Net cash outflow on acquisition of subsidiaries:	2018
	\$m
Transaction costs (included in operating cash flows)	4.0
Cash consideration paid	138.3
Cash balance acquired	(4.5)
Outflow of cash	137.8

Youcamp Pty Ltd – October 2017

On 13 October 2017, the shareholders of Youcamp Pty Ltd, entered into an agreement to issue shares resulting in an increase in the Group's ownership interest from 51.0% to 58.68%. In recognising the change in ownership, the Group reassessed the value of the Group's non-controlling interest (NCI) held in Equity Reserves at the grant date, 13 October 2017, to reflect the change in NCI from 49.0% to 41.32%. The differential was transferred to a separate NCI Equity Reserve.

(b) Associates and joint ventures

2019

Autocrew Australia Pty Ltd – June 2019

During the period the Group injected additional capital of \$675,000 into Autocrew Australia Pty Ltd, a joint venture with Robert Bosch (Australia) Pty Ltd where the Group has a 50% ownership interest. Autocrew opened its second workshop in February 2019. Equity accounted losses of \$0.5 million are included in the Group's consolidated statement of comprehensive income. Based on initial trading results the value of the Group's investment in Autocrew has been impaired to nil resulting in a further loss of \$0.6 million also being recognised in the Group's consolidated statement of comprehensive income.

2018

Autoguru Australia Pty Ltd – February 2018

On 19 February 2018, the shareholders of Autoguru Australia Pty Ltd, entered into an agreement with OUTsurance Holdings Limited to subscribe for and acquire shares in Autoguru Australia Pty Ltd. The transaction has resulted in a decrease in the Group's ownership interest from 63.1% to 49.5% and loss of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

23. Business combinations (continued)

(b) Associates and joint ventures (continued)

As a result of the loss of control of Autoguru the entity has been deconsolidated from March 2018 and equity accounted as an associate. On loss of control the Group deconsolidated Autoguru by derecognising the assets and liabilities and revaluing its investment in Autoguru to fair value resulting in a gain of \$6.9 million which was recognised in other income in the Group's consolidated statement of comprehensive income. Trading and equity accounted losses of \$2.2 million were also included in the Group's consolidated statement of comprehensive income.

Autocrew Australia Pty Ltd – August 2017

On 15 August 2017 the Group acquired a 50% ownership interest in Autocrew Australia Pty Ltd in joint venture with Robert Bosch (Australia) Pty Ltd for \$325,000. The joint venture was established to open full service auto workshops initially in the Greater Sydney area. The first 'AutoCrew – Powered by Supercheap Auto' pilot workshop opened in June 2018 and offers drivers a full automotive service powered by Bosch's superior diagnostic and workshops technology.

24. Deed of cross guarantee

Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Workout World Pty Ltd, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, Ray's Outdoors Pty Ltd, Rebel Pty Ltd, Rebel Group Limited, Rebel Management Services Pty Limited, Rebel Sport Limited, Rebel Wholesale Pty Limited, Rebelsport.com Pty Limited, SCA Equity Plan Pty Ltd, SRG Leisure Retail Pty Ltd, SRGS Pty Ltd, Super Cheap Auto Pty Ltd, Super Retail Commercial Pty Ltd and Super Retail Group Services 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated Comprehensive Income Statement and Summary of Movements in Consolidated Retained Earnings

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 Retail Group Limited, they also represent the Extended Closed Group.

Set out below is a consolidated comprehensive income statement and a summary of movements in consolidated retained earnings for the period ended 29 June 2019 of the Closed Group.

	2019	2018
	\$m	Restated \$m
Consolidated Comprehensive Income Statement		
Revenue from continuing operations	2,441.4	2,395.4
Other income from continuing operations	1.6	5.8
Total revenues and other income	2,443.0	2,401.2
Cost of sales of goods	(1,346.9)	(1,323.8)
Other expenses from ordinary activities		
- selling and distribution	(314.8)	(312.6)
- marketing	(73.3)	(78.4)
- occupancy	(193.6)	(202.5)
- administration	(306.7)	(304.3)
Net finance costs	(20.8)	(16.9)
Share of net loss of associates and joint ventures	(2.6)	(1.0)
Total expenses	(2,258.7)	(2,239.5)
Profit before income tax	184.3	161.7
Income tax expense	(51.6)	(45.1)
Profit for the period	132.7	116.6
Statement of comprehensive income		
Profit for the period	132.7	116.6
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	(4.9)	4.8
Other comprehensive income for the period, net of tax	(4.9)	4.8
Total comprehensive income for the period	127.8	121.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

24. Deed of cross guarantee (continued)

(a) Consolidated Comprehensive Income Statement and Summary of Movements in Consolidated Retained Earnings (continued)

	2019	2018
	\$m	Restated \$m
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial period	209.5	184.6
Profit for the period	132.7	116.6
Dividends paid	(96.7)	(91.7)
Retained profits at the end of the financial period	245.5	209.5

(b) Consolidated Balance Sheet

Set out below is a consolidated balance sheet as at 29 June 2019 of the Closed Group.

	2019	2018
	\$m	Restated \$m
ASSETS		
Current assets		
Cash and cash equivalents	-	-
Trade and other receivables	28.1	17.9
Inventories	489.7	491.5
Current tax receivables	1.9	-
Derivative financial instruments	2.8	5.2
Total current assets	522.5	514.6
Non-current assets		
Other financial assets	277.7	182.9
Property, plant and equipment	243.3	250.3
Intangible assets	761.9	761.1
Total non-current assets	1,282.9	1,194.3
Total assets	1,805.4	1,708.9
LIABILITIES		
Current liabilities		
Trade and other payables	415.3	316.3
Interest-bearing liabilities	11.4	5.7
Current tax liabilities	-	6.8
Derivative financial instruments	6.2	1.5
Provisions	98.8	100.1
Total current liabilities	531.7	430.4
Non-current liabilities		
Trade and other payables	48.1	48.3
Interest-bearing liabilities	390.8	435.1
Deferred tax liabilities	17.2	7.9
Provisions	19.2	21.2
Total non-current liabilities	475.3	512.5
Total liabilities	1,007.0	942.9
NET ASSETS	798.4	766.0
EQUITY		
Contributed equity	542.3	542.3
Reserves	10.6	14.2
Retained profits	245.5	209.5
TOTAL EQUITY	798.4	766.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

25. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 \$m	2018 \$m
Balance Sheet		
Current assets	265.8	274.2
Total assets	<u>1,072.1</u>	<u>1,078.9</u>
Current liabilities	35.9	14.7
Total liabilities	<u>423.5</u>	<u>443.4</u>
NET ASSETS	<u>648.6</u>	635.5
Contributed equity	542.3	542.3
Reserves		
- share-based payments	12.9	11.6
- cash flow hedges	(4.3)	(1.0)
Retained earnings	97.7	82.6
Total Equity	<u>648.6</u>	<u>635.5</u>
Profit after tax for the period	<u>111.8</u>	136.6
Total comprehensive income	<u>108.5</u>	136.8

Significant Accounting Policies

Parent entity financial information

The financial information for the parent entity, Super Retail Group Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Super Retail Group Limited.

Tax consolidation legislation

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

The head entity, Super Retail Group Limited, and the controlled entities in the tax consolidated group account for current and deferred tax amounts under the Separate taxpayer within Group approach in accordance with AASB *Interpretation 1052, Tax Consolidation Accounting*.

In addition to its own current and deferred tax amounts, Super Retail Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Super Retail Group Limited for any current tax payable assumed and are compensated by Super Retail 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 Retail 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

26. Investments in controlled entities

The Group's subsidiaries at 29 June 2019 are set out below. Unless otherwise stated, they have share capital consisting of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of Entity	Country of Incorporation	Principal Activities	Equity Holding	
			2019 %	2018 %
A-Mart All Sports Pty Ltd ⁽¹⁾	Australia	Sports retail	100	100
Auto Trade Direct (NZ) Limited	New Zealand	Auto retail	100	100
Auto Trade Direct Pty Ltd ⁽¹⁾	Australia	Auto retail	100	100
BCF New Zealand Limited	New Zealand	Outdoor retail	100	100
Workout World Pty Limited ⁽¹⁾⁽²⁾	Australia	Sports retail	100	100
Coyote Retail Pty Limited ⁽¹⁾	Australia	Sports retail	100	100
Macpac New Zealand Limited ⁽⁵⁾	New Zealand	Outdoor retail	100	100
Foghorn Holdings Pty Ltd ⁽¹⁾	Australia	Sports retail	100	100
Goldcross Cycles Pty Ltd ⁽¹⁾	Australia	Sports retail	100	100
Infinite Retail Pty Ltd	Australia	Sports retail	95	95
VBM Retail (HK) Limited ⁽³⁾	Hong Kong	Sports retail	95	95
Infinite Retail UK Limited ⁽³⁾	United Kingdom	Sports retail	95	95
VBM Retail NZ Limited ⁽³⁾	New Zealand	Sports retail	95	95
Macpac Holdings Pty Ltd	Australia	Outdoor retail	100	100
Macpac Group Holdings Limited	New Zealand	Outdoor retail	100	100
Macpac Retail Pty Ltd	Australia	Outdoor retail	100	100
Macpac Limited	New Zealand	Outdoor retail	100	100
Macpac Enterprise	New Zealand	Outdoor retail	100	100
MP Finco Limited	New Zealand	Outdoor retail	100	100
Mouton Noir Management Pty Ltd	Australia	Outdoor retail	100	100
Mouton NOIR IP Limited	New Zealand	Outdoor retail	100	100
Oceania Bicycles Pty Ltd	Australia	Sports retail	100	100
Oceania Bicycles Limited ⁽⁴⁾	New Zealand	Sports retail	100	100
Ray's Outdoors New Zealand Limited	New Zealand	Outdoor retail	100	100
Ray's Outdoors Pty Ltd ⁽¹⁾	Australia	Outdoor retail	100	100
Rebel Pty Ltd ⁽¹⁾	Australia	Sports retail	100	100
Rebel Group Limited ⁽¹⁾	Australia	Sports retail	100	100
Rebel Management Services Pty Limited ⁽¹⁾	Australia	Sports retail	100	100
Rebel Sport Limited ⁽¹⁾	Australia	Sports retail	100	100
Rebel Wholesale Pty Limited ⁽¹⁾	Australia	Sports retail	100	100
Rebelsport.com Pty Limited ⁽¹⁾	Australia	Sports retail	100	100
SCA Equity Plan Pty Ltd	Australia	Investments	100	100
SRG Leisure Retail Pty Ltd ⁽¹⁾	Australia	Outdoor retail	100	100
SRGS (New Zealand) Limited	New Zealand	Product acquisition and distribution	100	100
SRGS Pty Ltd ⁽¹⁾	Australia	Product acquisition and distribution	100	100
Super Cheap Auto (New Zealand) Pty Ltd	New Zealand	Auto retail	100	100
Super Cheap Auto Pty Ltd ⁽¹⁾	Australia	Auto retail	100	100
Super Retail Commercial Pty Ltd ⁽¹⁾	Australia	Auto retail	100	100
Super Retail Group Services (New Zealand) Limited	New Zealand	Support services	100	100
Super Retail Group Services Pty Ltd ⁽¹⁾	Australia	Support services	100	100
Super Retail Group Trading (Shanghai) Ltd	China	Product sourcing	100	100
Youcamp Pty Ltd ⁽⁶⁾	Australia	Leisure services	-	58.68

⁽¹⁾ These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

⁽²⁾ Previously known as Coyote Retail Investments Pty Limited.

⁽³⁾ Investment is held directly by Infinite Retail Pty Ltd.

⁽⁴⁾ Investment is held directly by Oceania Bicycles Pty Ltd.

⁽⁵⁾ Previously known as FCO New Zealand Limited.

⁽⁶⁾ Ceased to be a subsidiary in December 2018 – refer note 23(a) - Business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

27. Key management personnel disclosures

(a) Key management personnel compensation	2019	2018
	\$	\$
Short-term employee benefits	5,638,821	5,768,055
Long-term employee benefits	114,843	54,336
Post-employment benefits	929,632	184,258
Share-based payments	(169,235)	543,148
	6,514,061	6,549,797

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

Loans to key management personnel

There were no loans to individuals at any time.

Other transactions with key management personnel

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

Amounts paid to key management personnel as shareholders	2019	2018
	\$	\$
Dividends	30,133,125	28,538,241

28. Share-based payments**(a) Executive Performance Rights**

The Company has established the Super Retail Group Executive Performance Rights Plan (Performance Rights) to assist in the retention and motivation of executives of Super Retail Group (Participants). It is intended that the Performance Rights 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 Performance Rights, rights may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of rights under the Rights Plan.

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

Performance Rights issued under the plan may not be transferred unless approved by the Board. The table below summarises rights granted under the plan.

<i>Number of Rights Issued</i>	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Unvested at the end of the year
Grant Date	(Number)	(Number)	(Number)	(Number)	(Number)	(Number)
2019						
1 September 2015	511,500	-	(143,731)	(231,062)	136,707	136,707
1 September 2016	536,775	-	-	(83,240)	453,535	453,535
1 September 2017	724,862	-	-	(90,946)	633,916	633,916
1 September 2018	-	622,684	-	(30,000)	592,684	592,684
	1,773,137	622,684	(143,731)	(435,248)	1,816,842	1,816,842
2018						
1 September 2014	479,724	-	-	(479,724)	-	-
1 September 2015	546,500	-	-	(35,000)	511,500	511,500
1 September 2016	571,775	-	-	(35,000)	536,775	536,775
1 September 2017	-	734,862	-	(10,000)	724,862	724,862
	1,597,999	734,862	-	(559,724)	1,773,137	1,773,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

28. Share-based payments (continued)

Expenses arising from share based payments transactions:

	2019 \$m	2018 \$m
Executive Performance Rights	1.3	1.1

Significant Accounting Policies

Share-based payments

Share-based compensation benefits are provided to certain employees via the Super Retail Group Performance Rights Plan.

The fair value of performance rights granted under the plan are 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 performance rights.

For performance rights, 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 performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance rights, 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 performance rights.

The fair value of the performance rights 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 performance rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of the performance rights, the balance of the share-based payments reserve relating to those performance rights remains in the share-based payments reserve.

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.

	2019 \$	2018 \$
(a) PricewaterhouseCoopers Australia		
<i>(i) Assurance services</i>		
Audit and review of financial statements	807,976	585,570
Other assurance ⁽¹⁾	13,407	44,721
Total remuneration for audit and other assurance services	821,383	630,291
<i>(ii) Taxation services</i>		
Tax compliance services, including review of Company income tax returns	295,484	394,329
Total remuneration for taxation services	295,484	394,329
<i>(iii) Other services</i>		
Customs prudential review	-	18,500
Digital advertising advisory	-	49,572
Workshop facilitation	-	51,601
Total remuneration for advisory services	-	119,673
Total remuneration of PricewaterhouseCoopers Australia	1,116,867	1,144,293
(b) Network firms of PricewaterhouseCoopers Australia		
<i>(i) Taxation services</i>		
Tax compliance services, including review of Company income tax returns	56,283	66,924
Total remuneration for taxation services	56,283	66,924
Total remuneration of network firms of PricewaterhouseCoopers Australia	56,283	66,924
Total auditors' remuneration	1,173,150	1,211,217

⁽¹⁾ Cyber security review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

29. Remuneration of auditors (continued)

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. The Board has considered the non-audit services provided during the year by the auditor, and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

30. Contingencies

	2019 \$m	2018 \$m
Guarantees		
Guarantees issued by the bankers of the Group in support of various rental arrangements.		
The maximum future rental payments guaranteed amount to:	<u>5.2</u>	<u>5.5</u>

The Group continues to work with the Fair Work Ombudsman as the underpayment of retail managers and set-up team members is remediated. This may result in further amounts being payable.

From time to time the Group is subject to legal claims as a result of its operations. An immaterial contingent liability may exist for any exposure over and above current provisioning levels.

31. Commitments

	2019 \$m	2018 \$m
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	<u>0.9</u>	<u>2.9</u>
Total capital commitments	<u>0.9</u>	<u>2.9</u>
Lease commitments		
Commitments in relation to operating lease payments for property and motor vehicles under non-cancellable operating leases are payable as follows:		
Within one year	224.1	222.1
Later than one year but not later than five years	655.5	654.2
Later than five years	132.6	132.8
Less lease straight lining adjustment (note 11)	(54.9)	(54.6)
Total lease commitments	<u>957.2</u>	<u>954.5</u>
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	<u>3.2</u>	<u>3.1</u>

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 29 June 2019

31. Commitments (continued)

Finance leases

The Group leases various plant and equipment with a carrying amount of \$8.1 million (2018: \$9.9 million) under finance leases expiring within five years.

	2019 \$m	2018 \$m
Commitments in relation to finance leases are payable as follows:		
Within one year	3.6	3.2
Later than one year but not later than five years	3.9	6.8
Minimum lease payments	<u>7.5</u>	10.0
Future finance charges	(0.3)	(0.5)
Total lease liabilities	<u>7.2</u>	9.5
Representing lease liabilities:		
Current (note 12)	3.4	3.0
Non-current (note 12)	<u>3.8</u>	6.5
	<u>7.2</u>	9.5

32. Net tangible asset backing

	2019 Cents	2018 Restated Cents
Net tangible asset per ordinary share	(\$0.01)	(\$0.20)

Net tangible asset per ordinary share is calculated based on Net Assets of \$816.0 million (2018: \$775.2 million) less intangible assets of \$894.2 million (2018: \$891.6 million) adjusted for the associated deferred tax liability of \$75.3 million (2018: \$76.2 million). The number of shares used in the calculation was 197,383,751 (2018: 197,240,020).

33. Events occurring after balance date

No matter or circumstance has arisen since 29 June 2019 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

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 65 to 117 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 consolidated entity's financial position as at 29 June 2019 and of its performance 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 24 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 24.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Group 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.



S A Pitkin
Director



A M Heraghty
Director

Brisbane
14 August 2019



Independent auditor's report

To the members of Super Retail Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Super Retail Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 29 June 2019 and of its financial performance for the period from 1 July 2018 to 29 June 2019 (the period)
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of comprehensive income for the period ended 29 June 2019
- the consolidated balance sheet as at 29 June 2019
- the consolidated statement of changes in equity for the period ended 29 June 2019
- the consolidated statement of cash flows for the period ended 29 June 2019
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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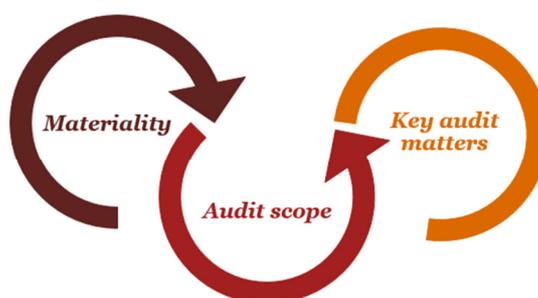
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used an overall Group materiality of \$9.5 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group is now segmented into four brands - SCA, BCF, Rebel and Macpac, and operates in three countries - Australia, New Zealand and China. The financial report is a consolidation of wholly owned and controlled subsidiaries. The Group accounting processes happen mainly in the Group head office finance function in Brisbane, supported by finance teams in Sydney and Christchurch, New Zealand.
- Our audit procedures were mostly performed at this head office and the Macpac office in New Zealand and also included site visits to stores and distribution centres in Australia and New Zealand to perform audit procedures over inventory. Our team included specialists in information technology and taxation and experts in data, payroll and valuations.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
------------------	--

<p>Inventory valuation and provisions <i>Refer to Note 8 (Inventories), \$560.2 million</i></p> <p>The valuation of inventory and provisions for stock loss, stock valuation and attributable overheads was a key audit matter because of the judgements involved in the areas described below.</p> <p>Stock loss provision</p> <p>As inventory was counted by the Group on a cyclical basis during the period, rather than in full at the end of the period, the stock loss provision at 29 June 2019 contained a degree of estimation as to the quantity and value of projected stock items for items not counted at the period end date.</p> <p>Stock valuation provision</p> <p>Inventory was recognised at the lower of cost and net realisable value based on a rolling average selling price. The determination of the net realisable value of inventory of a seasonal and discontinued nature required a degree of estimation as to the clearance margin for these stock items at balance date.</p> <p>Attributable overheads</p> <p>There was judgement involved in how much of the directly attributable overheads associated with bringing inventory to its final destination for sale are recognised as part of the cost of inventory.</p>	<p>Stock loss provision</p> <ul style="list-style-type: none"> • We attended a sample of stock counts throughout the period at selected retail stores, performing independent test counts. In considering the results of stock counts not observed, we obtained a sample of count sheets and evaluated any differences identified. • For the cyclical counts we attended, we obtained rollforward schedules showing activity in the period between the stock count date and period end date. We used the results of our cyclical counts to reconcile opening balances, and period ended closing balances were reconciled to the general ledger. • We re-performed the calculation for the projected stock variance. <p>Stock valuation provision</p> <ul style="list-style-type: none"> • For a sample of individual products, we compared the recognised costs to the relevant invoice and recalculated the allocation of directly attributable costs. • We compared the carrying value at period end date to the most recent sales price for a sample of inventory items. • For a sample of seasonal and discontinued inventory items, we compared the last stock movement date to the relevant invoice and assessed the mark down margin assigned to that stock item by checking the current retail prices of the items in stores. <p>Attributable overheads</p> <ul style="list-style-type: none"> • On a sample basis, we considered the nature of overhead costs capitalised by reading their description on supporting documentation, having regards to the types of costs allowable by Australian Accounting Standards.
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- We checked the mathematical accuracy of the calculation of the overhead costs attributed to inventory and compared the amount to the accounting records.

Carrying value of tangible and intangible assets

Note 10 (Intangible assets), \$526.5 million goodwill, \$253.3 million brand names and \$114.4 million computer software

Note 9 (Property, plant and equipment), \$267.9 million

Goodwill and brand names

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the group of assets based on acquisition. During the period, the reporting structure changed for the previous Outdoor segment, splitting CGUs and operating segments into BCF and Macpac. As required by the Australian Accounting Standards, the value of goodwill for BCF and Macpac was allocated to the new CGUs using the relative fair value approach. The brand values attributed for Rebel and Macpac remained unchanged.

During the annual review for impairment, the recoverable amount for each CGU was determined based on a discounted cash flow valuation model which relied on the directors' assumptions and estimates of future trading performance. The key assumptions applied by the directors in the valuation models were:

- CGU-specific discount rates
- future revenue growth
- gross margin.

The carrying value of goodwill and brand names was a key audit matter because of the judgements involved in determining the discount rate, the estimated future revenue growth and the potential future return from use of the brand name.

Computer software

The Group has undertaken significant development of software in relation to the omni-channel customer programme and omni-channel supply chain and inventory programme. The valuation of computer software was a key audit matter because of the judgments involved in assessing whether the recognition criteria of Australian Accounting Standards

Goodwill and brand names

Amongst other procedures, we assessed the valuation models by:

- Obtaining and evaluating the Group's assessment of segments and CGUs in light of the requirements of Australian Accounting Standards.
- Checking the mathematical accuracy of all calculations in the models.
- Assessing the discount rates used in the valuation models, with support from PwC valuation experts, by comparing the rates to our internal benchmark data and performing an independent calculation.
- Comparing the forecasted growth rates to relevant historical Group actual results and industry data including forecasts.
- Comparing the gross margins to historical Group data.
- Evaluating the information included in the valuation models against our knowledge of the Group gained through reviewing the strategic initiatives and meeting with managing directors and commercial managers from each segment.
- Stress-testing the key assumptions in the models, including: future revenue growth, trading margins and discount rates; and noting that the valuation under these sensitivities was within an acceptable range, which was determined taking into account market data and historical data.
- Evaluated the Group's assessment that the useful lives of indefinite life brand name remained appropriate at period end. This included discussions with management to develop an understanding of the Group's future strategy.

Computer software

For a sample of software capitalised during the period, we performed the following procedures, amongst others:

- Assessed the nature of the costs capitalised in light of the requirements of Australian



had been met and in estimating the useful life of software.

Property Plant & Equipment

The directors determined that each retail store represented a separate CGU when undertaking the impairment tests. Corporate assets were included within the valuation assessment of the key segments (SCA, Rebel, BCF, and Macpac).

The valuation of property plant & equipment was a key audit matter because of the key assumptions and judgements applied by the directors in the impairment tests were:

- the individual retail store contribution margin
- the strategic initiatives in place for individual stores with negative Group contribution margins.

Provision for Underpayment of employees *Note 14 (Provisions) \$44.3 million*

The Group undertook a review of employee arrangements during the period following on from the identification of underpayment of Store Set-up employees in the previous financial period.

The Group's review identified underpayment of overtime and some allowances to retail managers and determined an estimate for the period 2013 to 2018 with respect to this underpayment.

As required by Australian Accounting Standards, this was accounted for as a prior period error and the Group restated each of the affected financial statement line items in the opening balance sheet.

This was considered a key audit matter due to the key assumptions included in the critical estimate.

Accounting Standards.

- Evaluated the reasonableness of the estimated useful life estimated for software by comparing it to industry benchmark data.

Property Plant & Equipment

We performed the following procedures, amongst others:

- Obtained management's assessment of the profitability of all individual stores and their contribution margin to the Group
- Considered and discussed the strategic initiatives for stores with negative contributions to the Group during meetings with commercial managers for each brand.

In assessing the provision for additional overtime and allowance payments, our procedures included the following:

- Developed an understanding of the basis for management's best estimate of the provision and the nature of the estimation uncertainty at balance date.
- Assessed the objectivity and competence of management's experts who assisted them in the interpretation of the General Retail Industry Award (GRIA) and the preparation of a model to calculate the underpayment in accordance with that interpretation.
- Obtained the assumptions utilised by management's experts' in developing the estimate.
- Together with PwC data and payroll experts, we evaluated management's experts methodologies in preparing a model.
- Taking into account the above procedures, we tested a sample of calculations and evaluated the results.
- Tested the mathematical accuracy of the provision and its appropriateness in light of the requirements of Australian Accounting Standards.

We also considered the adequacy of the disclosures made in the financial statements, including their appropriateness under Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period ended 29 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 40 to 63 for the period ended 29 June 2019.

In our opinion, the remuneration report of Super Retail Group Limited for the period ended 29 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Super Retail Group Limited for the period ended 29 June 2019 included on Super Retail Group Limited's web site. The directors of the Company are responsible for the integrity of Super Retail Group Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'K Challenor'.

Kim Challenor
Partner

Brisbane
14 August 2019

SHAREHOLDER INFORMATION

For the period ended 29 June 2019

The shareholder information set out below was applicable as at 9 August 2019.

Number of Shareholders

There were 10,084 shareholders, holding 197,383,751 fully paid ordinary shares.

A. Distribution of equity securities

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

Range	Ordinary Shareholders	Performance Rights & Option holders
1-1000	5,100	-
1,001-5,000	4,045	3
5,001-10,000	598	11
10,001-100,000	298	41
100,001 and over	43	4
Total	10,084	59

There were 560 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	56,575,423	28.66%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	47,560,649	24.10%
CITICORP NOMINEES PTY LIMITED	20,970,497	10.62%
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,129,437	10.20%
NATIONAL NOMINEES LIMITED	9,133,064	4.63%
BNP PARIBAS NOMS PTY LTD	4,444,375	2.25%
BNP PARIBAS NOMINEES PTY LTD	2,316,866	1.17%
CITICORP NOMINEES PTY LIMITED	1,363,697	0.69%
SCCASP HOLDINGS PTY LTD	1,078,703	0.55%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	722,334	0.37%
MR PETER ALAN BIRTLES	675,000	0.34%
MR PETER ALAN BIRTLES	665,000	0.34%
AMP LIFE LIMITED	662,776	0.34%
EQUITAS NOMINEES PTY LIMITED	613,116	0.31%
EQUITAS NOMINEES PTY LIMITED	567,302	0.29%
EQUITAS NOMINEES PTY LIMITED	547,135	0.28%
EQUITAS NOMINEES PTY LIMITED	535,391	0.27%
CS THIRD NOMINEES PTY LIMITED	532,424	0.27%
PACIFIC CUSTODIANS PTY LIMITED	511,597	0.26%
SANTOS L HELPER PTY LTD	506,215	0.26%
	170,111,001	86.20%

SHAREHOLDER INFORMATION (continued)

For the period ended 29 June 2019

C. Substantial shareholdings

As at 9 August 2019, there are five substantial shareholders that the Company is aware of:

Name	Ordinary shares Number held	Percentage of issued shares	Date of most Recent notice
SCA FT PTY LTD	56,954,670	28.99%	02/08/2013
MITSUBISHI UFJ FINANCIAL GROUP, INC	13,614,792	6.90%	02/08/2019
VINVA INVESTMENT MANAGEMENT	12,007,196	6.09%	02/08/2018
UBS GROUP AG	10,022,757	5.02%	26/07/2019
BLACKROCK GROUP	10,678,954	5.41%	15/03/2019

D. Unquoted equity securities

As at 14 August 2019, there were 1,816,842 unlisted performance rights, granted to 59 holders, over unissued ordinary shares in the Company.

E. Voting rights

The voting rights relating to each class of equity securities is as follows:

a) Ordinary Shares

On a show of hands at a General Meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each ordinary share held.

b) Options and Performance Rights

Performance Rights and Options do not have any voting rights.

F. Market buy-back

There is currently no on market buy-back.

Corporate Directory

Name of Entity

SUPER RETAIL GROUP LIMITED

ABN

81 108 676 204

Company Secretary

Mr Peter Lim

Principal Registered Office

751 Gympie Road
LAWNTON QLD 4501 Australia
Telephone: +61 7 3482 7900
Facsimile: +61 7 3205 8522

Website Address

www.superretailgroup.com.au

Securities Exchange

Super Retail Group Limited (SUL) shares are quoted on the Australian Securities Exchange

Share Registry

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

Telephone:

1300 554 474

+61 2 8280 7100

www.linkmarketservices.com.au

Solicitors

King & Wood Mallesons

Auditors

PricewaterhouseCoopers

KEY DATES FOR SHAREHOLDERS

Event	Date ⁽¹⁾
Annual General Meeting ⁽²⁾	22 October 2019
Final Dividend Ex-Date	23 August 2019
Final Dividend Record Date	26 August 2019
Full Year DRP Election Date	27 August 2019
Full Year Dividend Payment Date	26 September 2019
Interim Results Announcement	20 February 2020
Interim Dividend Ex-Date	28 February 2020
Interim Dividend Record Date	2 March 2020
Interim DRP Election Date	3 March 2020
Interim Dividend Payment Date	2 April 2020

(1) If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.

(2) The 2019 Annual General Meeting of the Shareholders of Super Retail Group Limited will be held at the PwC Offices, Apollo Room Level 23, 480 Queen Street, Brisbane Queensland.

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