APPENDIX 4E
PRELIMINARY FINAL REPORT

SUPER RETAIL GROUP LIMITED (SUL)
ABN 81 108 676 204

Statutory Results

Current Reporting Period: From 3 July 2016 to 1 July 2017 (52 weeks)
Previous Reporting Period: From 28 June 2015 to 2 July 2016 (53 weeks)

Results for Announcement to the Market

	Statutory Results $m	Comparison to 2015 Statutory Results $m			
Revenue from ordinary activities	$2,465.8	Up	1.8%	from	$2,422.2
Profit from ordinary activities after tax attributable to members	$101.8	Up	62.1%	from	$62.8
Net profit for the period attributable to members	$101.8	Up	62.1%	from	$62.8

Dividends

	Amount Per Share	Franked Amount Per Share
Interim dividend – Current Period	21.5¢	21.5¢
Final dividend – Current Period [1]	25.0¢	25.0¢
Record date for determining entitlements to the final dividend	5 September 2017	

[1]Declared 24 August 2017, payable 6 October 2017.

Brief explanation of figures reported above to enable the figures to be understood

This report is based on the consolidated financial statements which have been audited. The audit report, which was unqualified, is included within the Company's Financial Report which accompanies this Appendix 4E.

Key features of the result include:

- Normalised Net Profit After Tax (NPAT) at $135.8 million, an increase of 25.0 per cent over the comparative period
- Group's Segment Earnings Before Interest and Tax (EBIT) at $207.3 million, an increase of 18.3 per cent
- Strong contribution from all Divisions, with Auto, Leisure and Sports Segment EBIT growth of 6.1 per cent, 36.6 per cent and 17.4 per cent respectively
- Reported NPAT includes non-cash transformation costs of $34.0 million associated with the merging of the Rebel and Amart Sports businesses
- Operating cash flow of $234.5 million, $75.3 million higher than the comparative period
- Investing cash flows of $101.2 million supporting the Group's strategic plan
- Final dividend of 25.0 cents contributing to a full year dividend of 46.5 cents, 12.0 per cent higher than the comparative period

It should be noted that the Group's results are for the 52 weeks to 1 July 2017, while the previous corresponding period results were for the 53 weeks to 2 July 2016.

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Details of associates and joint venture entities

None

Control gained or lost over entities during the period

(a) Names of entities where control was gained in the period

None

(b) Names of entities where control was lost in the period
No entities were disposed of due to loss of control during the period.

Details of Annual General Meeting

Place: Kedron Wavell Services Club, 375 Hamilton Road, Chermside South, Queensland
Date: Monday, 23 October 2017
Time: 11.30 am

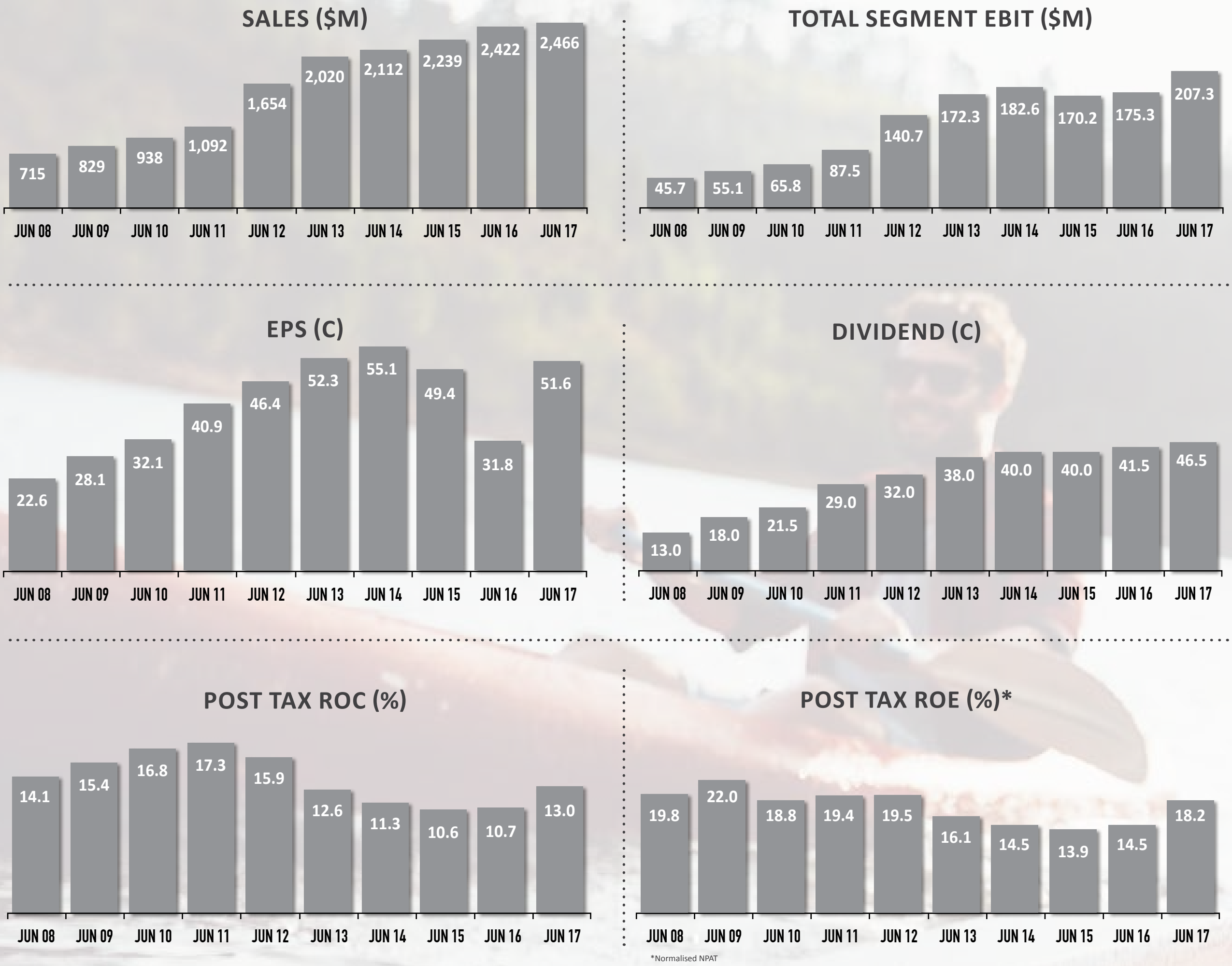
Super Retail Group

ANNUAL REPORT 2017

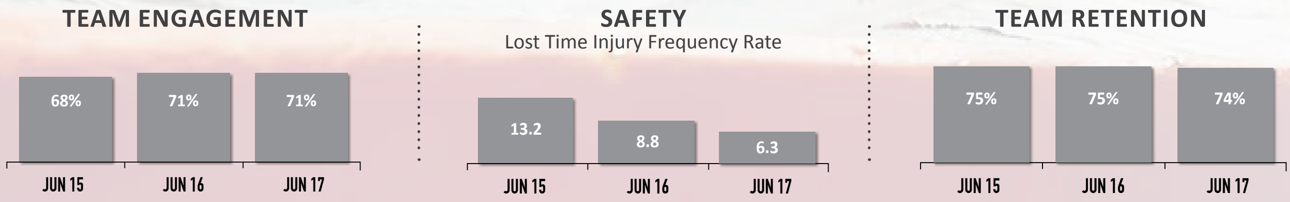
Inspiring you to live your passion

PERFORMANCE TRENDS

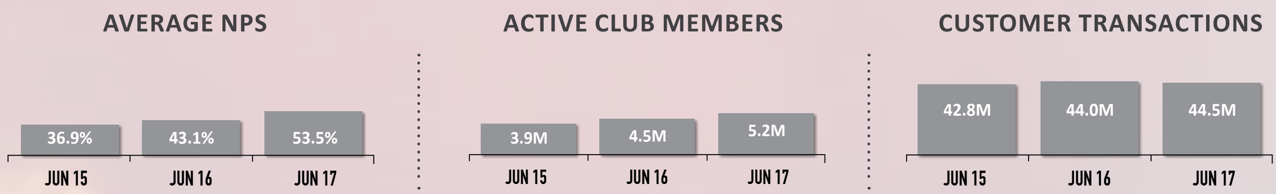
FINANCIAL



TEAM



CUSTOMER



*Normalised

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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 on pages 37 to 62.

The financial report was authorised for issue by the Directors on 24 August 2017. 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

OUR BUSINESS

PASSION

OPENNESS

INTEGRITY

CARE

DISCIPLINE

OUR PURPOSE

To provide solutions and engaging experiences that enable our customers to make the most of their leisure time.

OUR VISION

We exist to inspire you to live your passion.

STRATEGIC PILLARS

We see that customer engagement, delivering inspiring customer solutions, developing a world-class supply chain and building an engaged and capable team are critical to our future. We remain focused on our strategic pillars to ensure we continue to foster sustainable value creation in a changing retail environment.

OUR CORE BRANDS

Super Retail Group is one of Australasia's largest retailers, and is proud to provide solutions and engaging experiences that inspire our customers to live their leisure passions as the owner of iconic Australian brands including:

AUTO

SUPERCHEAP AUTO

Supercheap Auto is a thriving specialty retail business, specialising in automotive parts and accessories. Supercheap Auto stocks a wide range of tools and accessories for the DIY home handyman, as well as products for travel, touring, outdoors, garage and the shed.

LEISURE

BCF BOATING • CAMPING • FISHING

With stores across every state of mainland Australia, BCF is the largest outdoor retailer in the country. We only sell quality brands from trusted manufacturers and are committed to offering the widest product range to our customers, who are as passionate about boating, camping and fishing as we are.

RAYS

As Australia's largest outdoor entertainment and camping leisure retailer, Rays offers families everything they need to enjoy the outdoors from the backyard to the bush.

SPORTS

rebel

Rebel offers a wide range of the latest release, quality, branded sporting and leisure goods for the casual enthusiast and serious competitor, including fitness equipment, sports equipment, apparel and associated accessories.

AMART SPORTS

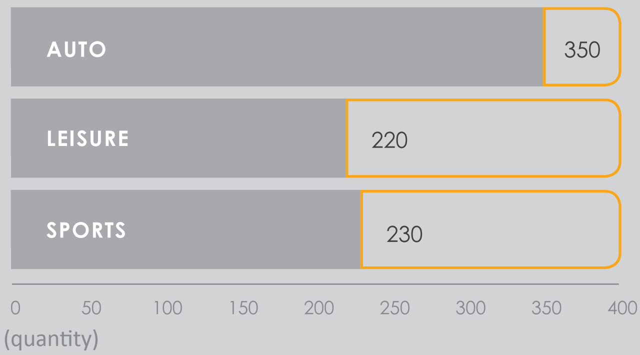
Amart Sports provides a broad range of leisure sports products designed for familyand team sports, and geared to the casual market at compelling prices. The Amart Sports brand will be merged into the Rebel business in November 2017.

OUR BUSINESS

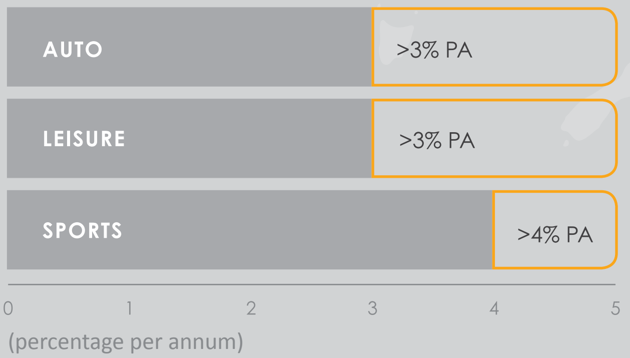
OUR GOALS Super Retail Group has a strong portfolio of retail businesses, each with strong potential for organic growth. We recognise the imperative of turning this potential into growth in total Group earnings.

DELIVERING OUR FINANCIAL TARGETS 5 YEAR TARGETS

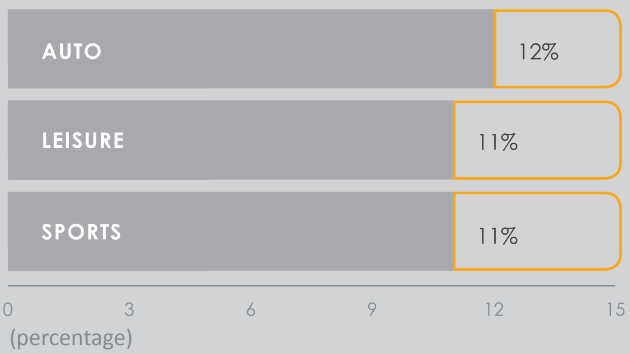
STORE NUMBERS



LFL GROWTH



EBIT MARGIN



PRE TAX ROC %*

*excludes acquired goodwill and brand names

OUR NETWORK

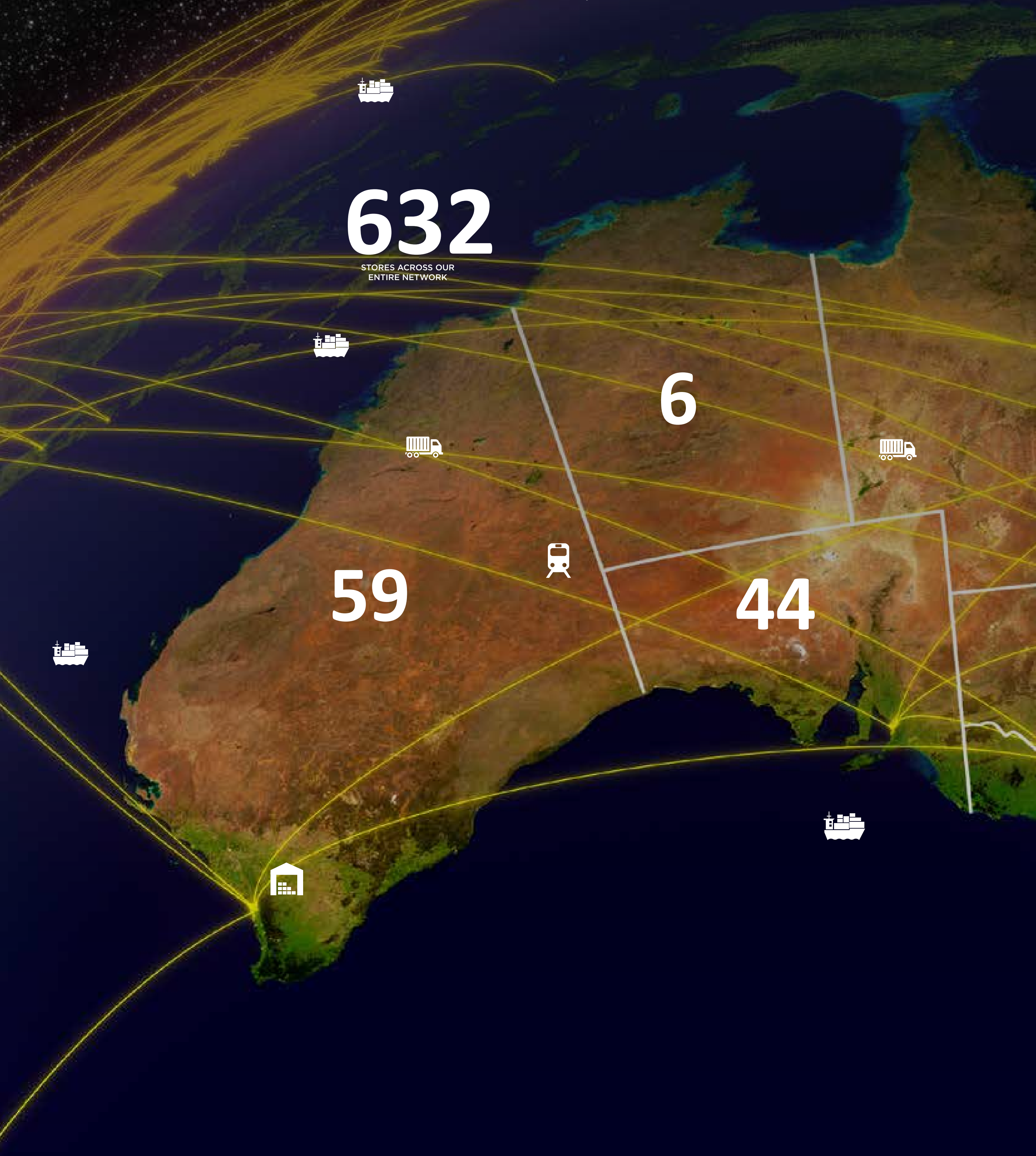
~12,000 TEAM MEMBERS

630+ STORES

4 SUPPORT OFFICES

7 DISTRIBUTION CENTRES

3 COUNTRIES OF OPERATION: AUSTRALIA, NZ & CHINA



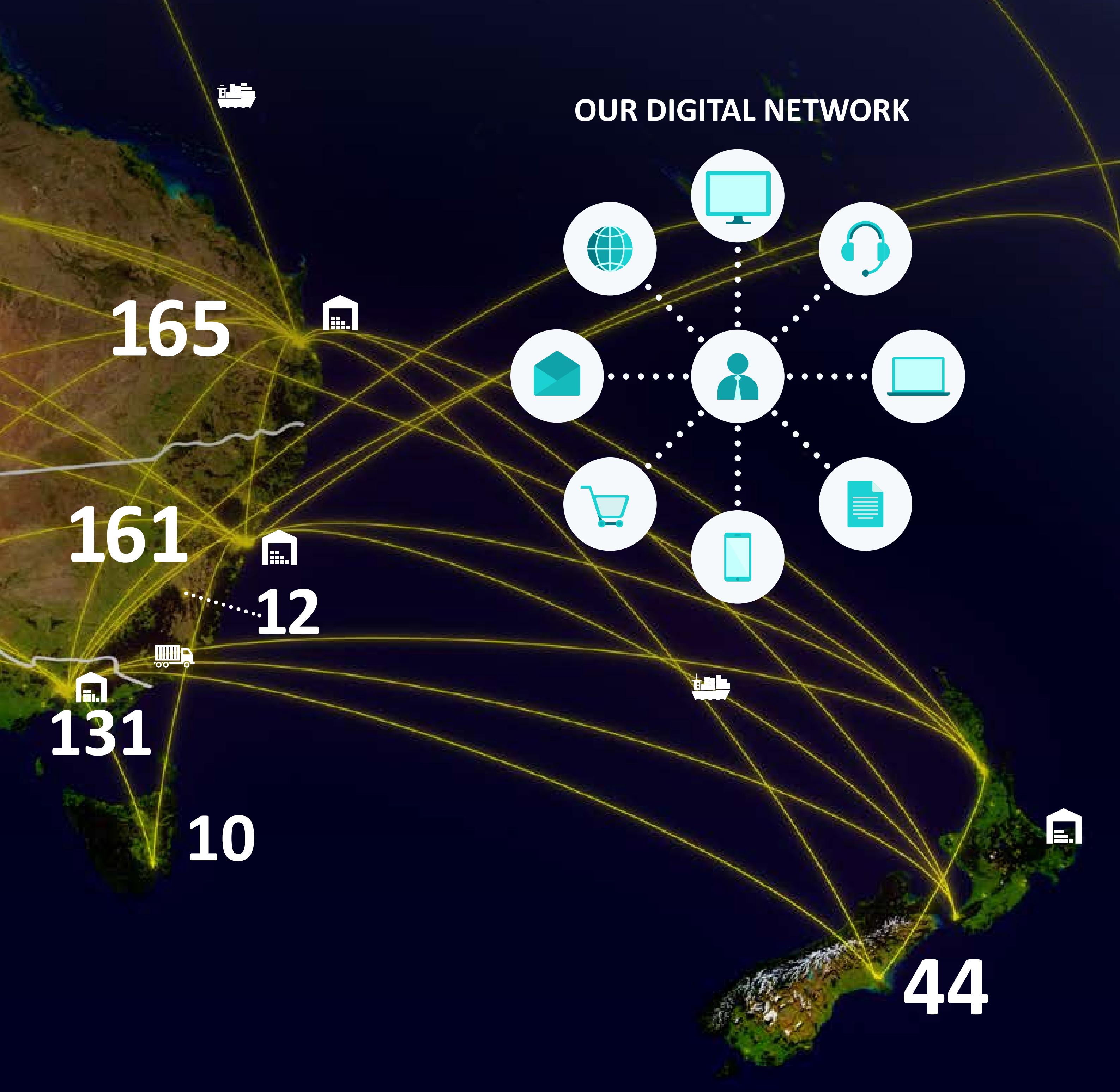
BRAND	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	NZ	TOTAL
AMART SPORTS	-	13	1	28	5	-	18	3	-	**68**
BCF	3	38	2	38	10	4	22	18	-	**135**
RAYS	1	1	-	1	1	-	11	-	-	**15**
REBEL	4	37	-	15	7	1	26	8	-	**98**
SUPERCHEAP AUTO	4	72	3	83	21	5	54	30	44	**316**
TOTAL	**12**	**161**	**6**	**165**	**44**	**10**	**131**	**59**	**44**	**632**

SUPER RETAIL GROUP DISTRIBUTION CENTRE

SHIPPING

ROAD FREIGHT

RAIL FREIGHT



CHAIR'S MESSAGE

DEAR FELLOW SHAREHOLDER,

On behalf of your Board of Directors, I am pleased to present Super Retail Group's annual report for the 2017 financial year.

Super Retail Group continues to perform strongly, growing profits and revenues, adding new customers in core and adjacent segments, expanding our store footprint to strategically match demand, investing in building strong connections with our passionate customers, and increasing dividends to shareholders.

2017 PERFORMANCE

I am pleased to report that it has been a record year for Super Retail Group.

The Group generated total sales of $2.5 billion, driven by a like for like sales increase of 4.1 per cent, and Normalised Net Profit After Tax attributable to owners of $135.8 million, an increase of 25.0 per cent over the prior comparative period.

Earnings Before Interest and Tax (EBIT) increased by 18.3 per cent to $207.3 million. This was largely driven by like for like sales growth, gross margin expansion and improved business efficiencies.

The Auto and Sports Divisions continued to perform strongly and we are pleased to see a return to positive results from our Leisure Division. The transformation initiatives undertaken in the last two years have contributed to the strong results with the significant improvement in performance in the Leisure Division and the turnaround in loss making businesses in the Sports Division.

We are also pleased that the investment in supply chain infrastructure and systems is generating significant operational efficiencies and better stock availability for our customers.

The Group maintained its disciplined approach to financial management, with operating cash flows of $234.5 million fully funding the Group's capital expenditure and dividend payments and reducing average net debt.

DIVIDEND

Reflecting the Group's strong financial performance and balance sheet, your Directors are pleased to have been able to declare a final dividend of 25.0 cents per share. Added to the interim dividend of 21.5 cents per share, this maintains a full year dividend of 46.5 cents per share, an increase of 12.0 per cent over the prior year.

GOVERNANCE & RISK

Your Board remains highly aware of the new and emerging risks arising from the changing nature of the environment in which the Group operates. Cyber security, privacy and digital disruption are all issues with increasing prominence and which require close and careful attention by all retailers. As the Company continues to accelerate its shift towards omni-retailing, we continue to invest in enhanced corporate governance and risk management capabilities to ensure the systems, processes and functions in place have the maturity and robustness required to protect and maintain the Group's ability to effectively navigate and mitigate any risks.

BOARD RENEWAL

The Board undertakes a regular review of its performance and of the experience and tenure of its members to ensure it maintains the necessary diverse range of skills and experience required to oversee the strategy and governance of the Group in the evolving retail market.

John Skippen retired from the Board in October 2016 having served as a Director for eight years. During this time, John made a significant contribution to the growth of the Group, drawing on his extensive retail, property and finance experience We wish John all the very best for his retirement.

Howard Mowlem was appointed to the Board in June 2017 and brings diverse experience across the retail sector, in Australia and throughout Asia. He has extensive expertise in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, investor relations, audit and governance. Howard will be appointed as the Chair of the Audit & Risk Committee following the publication of this report.

I have also announced my intention to retire from the Board, effective from the date of the Annual General Meeting in October. The Board have elected my fellow non-executive director, Dr Sally Pitkin as the new Chair.

Sally brings to the role a great depth of understanding of the Company, having joined the Board in July 2010, and I am certain that she shall provide outstanding leadership as the Company continues to respond to the dynamic retail environment and to drive sustainable value for shareholders.

It has been a great pleasure to serve as Chair of such a successful Australian Company and to work with such a strong Board and management team. Moving forward, the Company shall be extremely well served by having as its Chair a person of Sally's capacity and experience.

OUTLOOK

We enter the new financial year with good momentum. We will sustain our focus in the year ahead on the continuing growth and transformation of our existing businesses and the development of the capabilities and culture required to operate as a world-class omni-retail business.

We will continue to review the structure and positioning of our businesses to ensure they are best placed to compete strongly in the evolving retail market. We have decided to merge the Rebel and Amart Sports businesses, as we have determined that focusing on one business presents the best opportunity to meet the needs and wants of customers in the Sports Retail market. We will continue to assess the performance of the BCF and Rays businesses to determine the optimal strategy for our participation in the Outdoor Leisure Retail market. We are continuing to extend our service offerings for our Supercheap Auto customers to increasingly offer solutions not just products.

We are also making the investment necessary to build the digital, IT, supply chain and analytical capabilities to build our omni-retail capabilities. At the same time, we will continue our program of store network growth and refurbishment to ensure that we present our customers with engaging experiences in stores and enabling them to shop their way.

We look forward to the coming year with energy, enthusiasm and confidence.

On behalf of the Board, I thank all shareholders for their continued support, and Super Retail Group's management team and team members for their contributions.

Robert Wright, Chair

CEO'S MESSAGE

DEAR FELLOW SHAREHOLDER,

The record results achieved in 2017 reflect the strong underlying performance across all three of the Group's divisions, the benefits of transformation initiatives in the Leisure and Sports Divisions and the investment in the Group's omni-retail capabilities.

The investment in our store network, in the form of opening new stores and refurbishing existing stores, continues to deliver strong returns with our underlying sales growth significantly higher than the growth in consumer spending across the retail market. We continue to see large increases in the number of customers interacting with our brands through our digital channels. This is not only generating significant growth in digital sales, particularly through click-and-collect, but is also helping our customers make their buying decisions before coming into store to complete their purchases.

We are very pleased that we continue to see strong performance across the non-financial measures that we use as indicators of the long term health of our company. From the customer perspective, we have seen increases in customer traffic in store and online, and an increase in endorsement scores. From a team member perspective, we have seen another strong improvement in our safety performance and we have maintained engagement levels within the top quartile of all Australian businesses.

ROBUST FINANCIAL PERFORMANCE

All three divisions generated an increase in EBIT margins driven by solid like for like sales growth, improvement in gross margin and control of operating costs. The transformation initiatives undertaken during the last two years have contributed to the strong results, with the significant improvement in performance in the Leisure Division and the elimination of losses in the Infinite Retail business in the Sports Division.

Our investment in our supply chain capabilities is delivering expected benefits with improvement in store stock availability and reductions in logistics cost per unit. We expect to generate further efficiency savings in the coming year.

Continued good management of working capital has contributing towards generating operating cash flow of $234.5 million, $75.3 million above the previous corresponding period. This strength in cash conversion has enabled the Group to invest $101.2 million in supporting its strategic programs, at the same time as reducing average net debt.

Key highlights include:

- Normalised Net Profit After Tax (NPAT) at $135.8 million, an increase of 25.0 per cent over the comparative period
- Group Segment Earnings Before Interest and Tax (EBIT) at $207.3 million, an increase of 18.3 per cent
- Strong contribution from all Divisions, with Auto, Leisure and Sports Segment EBIT growth of 6.1 per cent, 36.6 per cent and 17.4 per cent respectively
- Reported NPAT includes non-cash transformation costs of $34.0 million associated with the merging of the Rebel and Amart Sports businesses.

TRANSFORMATION ACTIVITIES DELIVERING POSITIVE RESULTS

Integral to the Group's ongoing growth and financial performance has been the delivery of key transformation activities as we continue to evolve our business to stay ahead of changing customer and market dynamics.

BCF has reasserted itself as the market leader in outdoor leisure retail. Its sales performance strengthened through the year as its new brand campaign and revised pricing and promotion strategies strongly resonated with target customers.

The performance of many aspects of the new format Rays stores has been promising, with customer conversion, average transaction value and customer net promoter scores exceeding targets. However, customer traffic has not reached target levels and as a result sales have fallen short of expectations.

The Group will continue to develop and test the new Rays format to determine the most value creating participation strategy for the brand within the Leisure Division.

We have successfully returned the Infinite business to profit this financial year as a result of restructuring commercial contracts and integrating administrative functions within the Sports Division. The Infinite business plays an important role in the overall Sports strategy, and helps to further cement our strong partnerships with local sporting bodies, such as the AFL and NRL.

We announced in July that we have concluded that the long-term interests of shareholders, customers and team members will be best served by the Group focusing on one single core brand within the Sports Division. As a result we will be converting our network of Amart Sports stores to new Rebel stores by November 2017.

The Group will be combining Rebel's strengths in solutions and services with Amart Sports' customer service excellence into the one strong, national Sports retailer. This combination will sustain and strengthen the competitive position of the Sports Retailing Division in the changing customer and competitive landscape.

As a management team, we will continue to regularly review how we conduct our retail businesses to ensure they properly align with our Group strategy and meet the evolving needs of our customers and the changing competitive dynamics in the retail market.

STRATEGIC INITIATIVES ON TRACK

Our strong operating cash flows leave us well placed to invest in future growth. We will continue to invest in growing core businesses, including strategic investment in our retail footprint. Our store network is integral to our omni-retail strategy and we see ongoing positive uplift in sales per square metre across our brands.

We have seen continued strong growth in our digital sales across our brands. In the 2017 financial year, digital sales grew by 75 per cent for the Auto Division, over 150 per cent in the Leisure Division and 73 per cent in the Sports Division. These results, and the growth we're seeing particularly in click-and-collect, further underline the importance of enabling customers to shop however and wherever they want and the clear competitive advantage our national physical network of stores offers in this regard. To that end, we will continue to invest in further integrating the off-line to online experience we provide to our customers so it is seamless across all touchpoints.

In Supply Chain, we have realised the benefits of a multi-year operational

CEO'S MESSAGE (cont)

improvement program that has delivered efficiencies over and above our targeted $10 million goal. We see further potential benefits of a similar size that we are aiming to realise in the near term.

We expect capital expenditure for the 2018 financial year to be in the order of $120 million, with a number of key programs to form the main recipient of financial investment in the coming year:

- Implementing a new platform to improve the experience for our customers on our websites and investing in supply chain and inventory management to improve our inventory availability and improve speed and cost of fulfillment
- Strategic investment in enhancing the in-store experience through refurbishments and new formats, such as the Supercheap Auto's Customer Experience Centre (or 'Vision' store) and Rebel's Accelerate stores
- Strengthening customer endorsement through continuing our focus on our Net Promoter Score (NPS) performance and initiatives aimed at further strengthening our connections with our customers around their leisure passions
- Leveraging and building the strong customer loyalty we enjoy across our brands, with active club memberships continuing to increase and an increased focus on direct, personalised marketing to our various customers
- Continued focus on investing in our IT foundations that form a critical part of our omni-retail capabilities, including strategic partnering with external providers to upgrade our data centre capacity and an ongoing focus on cyber security management.

These initiatives are aligned with the Group's chief focus on continuing to build world-class omni-retail capabilities, capitalising on the progress already well embedded across our business operations.

OUR TEAM

On behalf of my fellow Directors and the Group Leadership Team, I would like to thank every one of our 12,000 team members across Australia, New Zealand and China for their tireless contribution to the Group's ongoing growth and success. Our team members' knowledge, passion and commitment to customer service has been and will continue to be the most important driver of our performance.

I am proud that we maintained top quartile levels of team engagement across the Group, with our overall team engagement score of 71 per cent, including a 6 per cent increase in the number of 'highly engaged' team members.

Engagement within retail team members remains particularly high, and we continue to see the benefits that come from being fortunate enough to be in a business with brands that both our team and customers are passionate about. We see opportunities to continue to improve our people and leadership activities to further increase our team engagement scores across our business, and that will be our focus for the year ahead.

Our commitment to continuing to improve our safety performance has been an ongoing focus for myself and my leadership team, and I am pleased to report that our Group Lost Time Injury Frequency Rate (LTIFR) for this financial year continues to reduce and compares favourably to industry benchmarks. This year LTIFR was 6.31 per million hours worked. As part of our ongoing development of the maturity of our data, we have revised the definition of LTIFR and adjusted the 2016 score to 8.77. While we are pleased with the reduction achieved, we will continue to strive towards getting our LTIFR as close as possible to zero, recognising that every injury is preventable. We will increasingly focus on our total injury frequency rate in the years ahead.

For Super Retail Group, a diverse and inclusive workforce is a core competitive advantage. We are one of those infamous ASX200 businesses that has a CEO named Peter, but we are proud of our efforts to increase gender diversity in our leadership. Females represent 43 per cent of our directors and 40 per cent of my direct reports. I am particularly pleased that we have been able to increase the number of female leaders in senior operational roles in retail and supply chain.

We remain committed to further advancing diversity and inclusion across our business and increasing the percentage of our leadership positions held by females not only at the Board and Group Leadership Team level, but throughout our senior and middle management from 34 per cent today to 40 per cent by 2019.

FUTURE STRATEGIC FOCUS

We recognise that the Retail Industry is going through unprecedented change as a result of the impact

> **WE HAVE BUILT A GROUP OF BUSINESSES THAT OPERATE IN RETAIL MARKETS IN WHICH OUR CUSTOMERS ARE LOOKING FOR MORE THAN PRODUCT.**

of ever more demanding customer expectations, global competition and digitalisation. However, we have been considering these forces for a number of years and our strategy has been developed to ensure that we continue to succeed in this evolving environment.

We have built a group of businesses that operate in retail markets in which our customers are looking for more than product. The products they buy are used to support a passion whether that's making sure that their prized Monaro continues to run well and look great or landing an 80cm barramundi or running the 10km in 40 minutes. We have the opportunity to engage the customer in store or online, provide them with related information and services and build a relationship based around a shared passion.

Central to our success will be our ability to attract, develop and engage team members who share our customers' passions and are dedicated to providing solutions that meet or exceed our customers' expectations.

We recognise that while we can differentiate through our shared passion and our focus on solutions we still need to ensure that our customer offer is competitive in the core aspects of retail – price, convenience, range, service and experience. We are now operating in a market in which the world's best retailers have set up shop so we need to build an organisation with world-class retail capabilities. Strengthening our capabilities in digital, IT, direct to customer delivery and analytics will be core focus areas in the next three years.

We also recognise that we will need to ensure that we operate as efficiently as possible and we will continue to look for opportunities to generate efficiencies in our ranging, sourcing and supply chain operations. We are also reviewing our operating model to ensure that we are set up to operate in the most effective and efficient manner to meet the needs of our customers in this omni-retail environment.

Customers will increasingly expect to be able to shop the way that is most convenient for them at any given moment in time, whether that's in store, at home or at work, or by clicking and collecting, and those retailers who are able to serve the customer however they want to shop will be best placed to succeed. We believe that the seamless integration of our digital business with our network of conveniently located stores offers us a major competitive advantage so we will continue to invest in the growth and refurbishment of our store network.

CONFIDENT OUTLOOK

The Group's focus for the year ahead will therefore be on the continuing growth and transformation of our existing businesses, and the development of the capabilities and culture required to operate as a world-class omni-retail business.

The benefits from the transformation initiatives, supply chain efficiencies and private brand development programs will be reinvested in our customer offer and we are confident that we can continue to deliver sales growth ahead of the retail market and also generate further improvements in our operating margins.

We will also sustain our focus on working capital efficiency and we expect that underlying operating cash flows will continue to be higher than operating profit over the next few years. This will enable the Group to continue to invest in building our capabilities and the growth and refurbishment of our store network while growing dividends and reducing debt.

We have a strong platform for the future having built strong businesses that are market leaders in their categories. We are confident we have the right strategies in place to continue to meet the evolving needs of our customers and keep us ahead of our competition.

We look forward to sharing our progress with you.

Peter Birtles, Group Managing Director and Chief Executive Officer


WELCOME TO
SUPERCHEAP
AUTO
PENRITH
MAINTENANCE CENTRE
WET FLOOR
PORT SECURITY
SUPERCHEAP
AUTO

CASE STUDY

CUSTOMER EXPERIENCE CENTRE

In a rapidly changing automotive landscape, innovation is the defining factor in **Supercheap Auto's** ability to keep pace with evolving customer needs and to stay at the forefront of the industry

This year, Supercheap Auto marked a key milestone in its journey of store evolution with the creation of an innovative new concept, known as the Customer Experience Centre or 'Vision' store. Located in the Sydney suburb of Penrith, the Customer Experience Centre opened in June 2017 and is the largest store in the Supercheap network.

The Customer Experience Centre creates a truly immersive and engaging experience for the customer where cutting edge digital is seamlessly integrated into the store environment, exemplifying what the future of omni-retail will look like.

TEAM MEMBERS MAKES THE DIFFERENCE

The key to delivering an authentic customer experience starts with having a passionate team who are driven to exceed customers' expectations and are willing to go above and beyond. In the Customer Experience Centre, Supercheap Auto has introduced a number of new roles including:

- 'Services and Customer Experience Manager' – a role focused on leading all customer experience connection points in the store
- 'Concierge' – responsible for providing a warm, authentic welcome and farewell for customers as they enter and leave the store
- 'Gurus' – a team of highly knowledgeable and experienced team members focused on delivering service in more complex and involved product categories.

Technology further enables the team to deliver service excellence through enhancing efficiency and communication.

FOCUS ON EXPERIENCE

- At the heart of the store is a Customer Experience Arena complete with grandstand seating around a central octagon digital screen. In this area, customers can watch and learn from live demonstrations or one of the 700 available 'How To' videos.
- The Car Clinic Advice Bar serves as a central hub of engagement and service, where team members can interact with customers in a more collaborative fashion, sitting side by side rather than standing behind a traditional store service counter.
- The Pit Stop area creates an environment for customers to sit and relax, perhaps whilst waiting for a fitment service to be completed. Complete with an iPad bar, complimentary refreshments and community sharing boards, this area enables customers to connect holistically with Supercheap Auto beyond a simple product transaction.

CUTTING EDGE DIGITAL ENGAGEMENT

- The Customer Experience Centre is a hub of digital innovation and connectivity with over 30 digital interaction points throughout the store, all seamlessly connected and controlled with the touch of an iPad.
- Greeting customers in the carpark is a 38 square metre external LED screen, complete with weather sensor for rapid content response to weather conditions. Audio streaming through a FM transmitter creates a 'drive-in theatre' feel for out-of-hours community events.
- 24-hour parcel pick up lockers allow customers to access their 'click and collect' or special order at a time that suits them by using a unique access code.
- Digital product selection tablets replace paper catalogues throughout the store, ensuring relevant and up-to-date product information is always on display. Endless aisle screens allow customers to shop an extended range of products online while digital product kiosks enable customers with instant access to rich, online content to assist their purchase decision.

STRATEGY & PERFORMANCE

The priority focus for the Group is continuing to build upon the substantial progress already underway in delivering world-class omni-retail capabilities. In 2017, we have seen the successful execution of our strategy in an improved customer experience, stronger supply chain efficiencies and enhanced system and infrastructure foundations.

Moving into 2018, the strategy for the Group remains focused on the delivery of the strategic pillars and financial targets we have set out for the business.

To deliver this, we will focus on three key areas:

1. We will keep growing our business in high involvement categories, so that we continue to invest in what our customers are most passionate about.
2. We will develop and attract capable team members who share our customers' passions, and are as passionate as they are.
3. We will transform our operating model and build a world-class omni-retail organisation, so customers can connect with us whenever and however they choose.

The successful execution of our strategy will require a focus on building world class capability in seven areas - our strategic pillars:

The development of solutions that engage and inspire is central to the strategies of our individual businesses while the development of the six other pillars are approached on a Group-wide basis. Through focusing on these pillars we prioritise the investment and resources on accelerating our transformation to a world class omni-retailer delivering the solutions and services to inspire our customers to live their leisure passions.

Our Group pillars underpin the defined growth path and have shaped the plan for the coming year. The Group anticipates a capital expenditure program amounting to circa $120 million in the 2018 financial year associated with the development of these strategic programs across the Group.

OUR PILLARS	PURPOSE
Seamless Omni Retail Capability	Provide the capability that will enable our customers to have a seamless, sustainable omni-retail experience.
Future Organisation	Challenge our operating approach, and continually improve how effectively and efficiently we work together as one team to deliver our strategy and provide the foundations of a scalable cost base.
Actionable Customer Insights	Develop a clear understanding of our customers' leisure passions, buying behaviours and opinions to drive the development of the best customer experience.
Agile and Efficient Supply Chain	Optimise the supply chain network, connecting our customers to our products, delivering as promised.
Engaged and Capable team	Develop and maintain an achievement culture that is consistent with our values, attracts, engages and empowers team members who share our customers' leisure passions.
Strong and Sustainable Foundations	Sustainable business performance, underpinned by system and information management capability that delivers visibility, alignment, stability and focus.

OUR CUSTOMER JOURNEY

STEP ONE
FIND INSPIRATION

Customers expect channel parity in their ability to access preliminary information to trigger or discover a potential need.

STEP TWO
BROWSE & RESEARCH

Customers expect channel parity in regards to consistency, quality (expertise) and quantity (depth and breadth) of information, ability to compare, a broad choice of offerings, along with expertise and personalised insights.

STEP THREE
SELECT & VALIDATE

In-store, customers expect a convergence of channels and an experience that subtly, and beneficially intertwines digital into the in-store experience.

STEP FOUR
PURCHASE & PAY

Customers expect the ability to purchase over their channel of choice (store vs online), pay in their preferred method, and have the order fulfilled in their preferred manner (take home, delivery, or click-and-collect).

STEP FIVE
RECONSIDER

Customers expect the ability to seamlessly change channel in order to A) return or exchange, and B) re-complete the journey with another purchase.


BCF
BOATING ■ CAMPING ■ FISHING

CASE STUDY

OUTDOOR LEISURE EXPERTS

BCF reinforces positioning as 'go to' for outdoor leisure solutions with BCFing experts.

Merit badges, made iconic by the popular Scouts movement, symbolise the aspirational desire within us all to achieve and accumulate practical new skills and knowledge that can be put to good use in the context of our daily lives.

Super Retail Group has been accelerating its ongoing shift away from being a chiefly product-centric business, and towards being focused on delivering the experiences, solutions and services our customers need to make the most of their leisure time. We want to help them catch the fish they've always wanted to – not just sell them the fishing rod. Building engagement and connection with customers around their passions, which our team members share, creates meaningful, long-term relationships, which ultimately drives long-term value, market growth, customer loyalty and financial performance.

Fundamental to the success of our omni-retail strategy is ensuring we are leveraging both our stores and online assets as places of engagement around the services and solutions our customers need. Being able to offer customers the benefit of our expert advice, knowledge and assistance is an important element of this, as well as being a key driver of customer advocacy.

To further enhance customer recognition and awareness, as well as continuing to develop the team's technical knowledge, BCF has launched the 'BCFing Experts' program, to be rolled out across the business in the coming financial year. The program is aimed at providing all BCF team members strong, consistent and shared knowledge of the range of products, solutions and services offered to customers, equipping them to help customers with the advice they need to catch that fish, have the best outdoor experience possible or get what they need to make the most of their leisure time.

As a program, BCFing Experts will:

- Provide technical knowledge to all team members to enable them to engage with customers and provide the superior, expert service that is part of the BCF brand's DNA.
- Ensure team members who are the most passionate experts across the full range of outdoor leisure pursuits that BCF is involved in are encouraged to share their knowledge with other team members as well as customers.

Under the program, team members will be able to achieve badges in four key areas: Camping, Fishing, Boating and Apparel. All team members will be expected to work to achieve a 'Bronze' badge in all four areas, while truly expert team members will be able to work at achieving 'Silver' and ultimately 'Gold' badges. Badges will be awarded on the basis of technical knowledge, as well as demonstrations of practical expertise that includes experience and community involvement. Team members will proudly display their accomplishments on their name badges, enabling customers to recognise team members with particular areas of expertise.

We hope achieving a BCF 'Gold' badge in Camping will become as famous across Australia as a mark of true expertise as the Climbing merit badge is the mark of a Scout adept in the art of tying figure-eight knots.

BOARD OF DIRECTORS

ROBERT WRIGHT

Independent Non-Executive Chairman

Robert Wright was appointed a Director of the Company on 19 May 2004 and Chair on 28 October 2009. Robert has over 35 years' financial management experience across a range of industries including Retail, Food Processing and Fast Moving Consumer Goods. During his executive career he was the Chief Financial Officer of several listed companies including ten years for David Jones Limited. He has over 25 years' experience as both an Executive Director and Non-Executive Director of a number of private and listed companies in the following industry sectors: Retail, Fast Moving Consumer Goods, Property Development, Manufacturing and Natural Gas Infrastructure. Robert was previously the Chairman of APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, Chairman of SAI Global Limited and a Director of Australian Pipeline Limited, the responsible entity of the registered managed investment schemes that comprise APA Group.

PETER BIRTLES

Group Managing Director Chief Executive Officer

Peter Birtles was appointed a Director of the Company on 5 January 2006. Peter has over 27 years' leadership experience in the retail, pharmaceutical and consumer products industries. Peter joined Super Retail Group Limited in April 2001 as Chief Financial Officer and also served as Secretary of the Company between May 2004 and January 2006. He was appointed Group Managing Director and Chief Executive Officer in January 2006. Prior to joining Super Retail Group, Peter spent 12 years working with The Boots Company in the United Kingdom and Australia in a variety of senior roles across finance, planning, operations, supply chain, human resources and information technology. Peter is a Chartered Accountant and prior to joining The Boots Company, he worked for Coopers & Lybrand. Peter is currently a Non-Executive Director of GWA Group Limited.

DIANA EILERT

Independent Non-Executive Director

Diana Eilert was appointed a Director of the Company on 21 October 2015. Diana is an experienced Non-Executive Director who brings three key skills to Super Retail Group: extensive operational experience as a Group Executive and CEO, Partner level skills in Strategy (with particular emphasis on technology customer experience and data), and, more recently, significant work in digital disruption and business models. Diana is currently appointed to the Boards of Navitas, Queensland Urban Utilities and NSW Electricity Networks. With over 25 years in executive roles, Diana was Group Executive with Suncorp and Citibank and also as a Partner with IBM, where she gained further technology experience. Most recently, Diana was Head of Strategy and Corporate Development for News Ltd where her focus was on digital transformation and emerging business models.

LAUNA INMAN

Independent Non-Executive Director

Launa Inman was appointed a Director of the Company on 21 October 2015. 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 to August 2013), Managing Director of Target Australia Pty Ltd (2005 to 2011) and Managing Director of Office Works (2004 to 2005). Launa is a member of the Australian Institute of Company Directors and has completed the Wharton Business School executive program. Launa has a Bachelor of Commerce majoring in Accounting and Economics and a Masters in Commerce and Strategy. Launa is a Non-Executive Director of the Commonwealth Bank of Australia and Precinct Properties New Zealand, and a member of the boards of the Alannah and Madeline Foundation and Virgin Australia Melbourne Fashion Festival.

SALLY PITKIN

Independent Non-Executive Director

Dr Sally Pitkin was appointed a Director of the Company on 1 July 2010. Sally is the Chair of the Human Resources and Remuneration Committee. Sally has over 20 years' experience as a Non-Executive Director in the listed, private, public and non-profit sectors, including experience in international markets, and 13 years' experience as a Non-Executive Director of ASX200 companies. She is a lawyer and former partner of Clayton Utz with banking law, corporate law and corporate governance expertise. Sally is a Non-Executive Director and Fellow of the Australian Institute of Company Directors and is President of the Queensland Division. Sally is presently a Director of ASX listed companies Star Entertainment Group Limited, Link Administration Holdings Limited, and IPH Limited. Sally holds a Doctor of Philosophy (Governance), awarded in 2012.

REG ROWE

Non-Executive Director

Reg Rowe was appointed a Director of the Company on 8 April 2004. Reg and Hazel Rowe founded an automotive accessories mail order business in 1972 which they ran from their Queensland home. In 1974 they commenced retail operations of the business which evolved into Supercheap Auto. Reg served as Managing Director until 1996 and then Chair 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. Reg is a Director of a number of private family companies.

HOWARD MOWLEM

Independent Non-Executive Director

Howard Mowlem was appointed a Director of the Company on 13 June 2017. Howard is experienced in many segments of the Australian and international retail industry. From 2001 to 2010 he was Chief Financial Officer and a Board member of Dairy Farm International Holdings, a Hong Kong-based pan-Asian retailer operating over 5,000 stores predominantly in the fast moving consumer goods sector. Prior to that, for over 12 years he held a range of financial management positions with the Coles Myer Group, including as finance director for Coles Supermarkets. Howard brings extensive experience in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, audit and governance. He holds a Bachelor of Economics (Hons), MBA and Securities Industry Diploma. He is a Fellow of CPA Australia. Since October 2012, Howard has been a Non-Executive director of Billabong International Ltd, and Chair of its Audit and Risk Committee.

GROUP EXECUTIVE TEAM

DAVID AJALA

Managing Director – Super Retail Commercial

David joined Super Retail Group in July 2005 as General Manager of Merchandise, subsequently serving as Chief Operating Officer and Managing Director of the Group's Auto Retailing business. He currently leads the Super Retail Commercial business. Prior to Super Retail Group, David held various senior management positions in Coles Myer's supermarket division.

DAVID BURNS

Chief Financial Officer

David joined Super Retail Group in December 2012 in the role of Chief Financial Officer. David holds a degree in Economics from the University of Sydney, and is a CPA. David has over 20 years of finance experience in a number of industry sectors. He has held senior management positions at Qantas, Spotless and Lend Lease. David has overall responsibility for the finance, risk management and customer relationship management functions for the Group.

ERICA BERCHTOLD

Managing Director – Sports Retailing

Erica joined Super Retail Group in November 2011 as Managing Director – Sports Retailing, following the acquisition of Rebel Group, and leads the Rebel, Amart Sports and Goldcross Cycles businesses. Erica has over 15 years of Australian retail experience and has served in senior management positions, including General Manager of two women's apparel businesses for Specialty Fashion Group and National Product Management roles at Harvey Norman.

ROBERT DAWKINS

Company Secretary, Chief Legal & Property Officer

Robert joined Super Retail Group in 2001 as Property Manager and was appointed the Group Company Secretary in December 2010. He also leads the Group's Legal, Compliance, Sustainability and Property Services functions. Prior to joining the Group, Robert was Property Manager for Bank of Queensland Limited. He holds a Bachelor Degree in Accountancy from QUT and a Postgraduate Diploma in Applied Corporate Governance.

AMANDA FLEMING

Chief Transformation Officer

Amanda was appointed Chief Transformation Officer (CTO) in June 2017 from Coles, where she was Director of Human Resources. Previous senior roles also include Chief Operations Officer and Chief People Officer for Pizza Hut USA and Human Resources Director for Mars in Australia, where she also served as European Organisational Development Manager for Mars in the UK and Europe. Amanda has a Masters in Organisation Change from Hult International Business School and a Bachelor of Business from Deakin University.

PAUL HAYES

Chief Information Officer

Paul was appointed Chief Information Officer (CIO) in December 2015 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.

ANTHONY HERAGHTY

Managing Director – Leisure Retailing

Anthony joined the Group in April 2015 from Pacific Brands Limited, where he most recently served as Group General Manager of Underwear. Anthony was previously Global Marketing Director for Foster's Group Limited and spent more than 10 years at advertising agencies George Patterson and McCann-Erickson, where he served as Managing Director. As Managing Director - Leisure Retailing, Anthony is responsible for the BCF Boating Camping Fishing and Rays businesses.

JANE KELLY

Chief Human Resources Officer

Jane joined Super Retail Group in July 2016 as Chief Human Resources Officer (CHRO) from BT Financial Group, where she served as Human Resources and Corporate Affairs Director. Previously, she served in a number of senior roles in large, complex organisations, including Head of Reward for St. George Bank and Head of HR Australian Financial Services at Westpac. 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. As CHRO, Jane is responsible for advancing Super Retail Group's strong focus on team engagement, culture and capability development.

DEANNA LOMAS

Chief Supply Chain Officer

Deanna joined Super Retail Group in 2016 as Chief Supply Chain Officer. Prior to joining the Group, Deanna was Director of Supply Chain at Telstra, leading a centralised team responsible for $3 billion consumer product supply and distribution operations. Previously, Deanna held senior roles with MMG, Carlton United Breweries, and BP. Deanna holds bachelor degrees in Engineering, Business and Arts, and a Masters of Business Administration. She is a Graduate of the Australian Institute of Company Directors, a Fellow and Engineering Executive with Engineers Australia and has completed executive programs in the USA at Kellogg School of Management, Massachusetts Institute of Technology and WHU School of Management in Germany.

STEVE TEWKESBURY

Managing Director – International Operations

Steve joined the Super Retail Group in 2004 as Supply Chain Manager and in 2006 was appointed as General Manager – Overseas Sourcing. Prior to Super Retail Group, Steve worked in Global Supply Chain and E-Commerce Strategy for Reckitt & Colman, then as a Supply Chain Consultant within the Australian FMCG sector. He holds a degree qualification in e-Commerce from Monash University. Steve has been based in China since August 2006, managing our overseas sourcing, shipping and logistics operations in Hangzhou and Shanghai. Steve has announced his intention to retire from the Group in January 2018. Deanna Lomas assumed responsibility for international operations in July 2017 with Steve providing transitional support.

CHRIS WILESMITH

Managing Director – Auto Retailing

Chris joined Super Retail Group in 2007. He is a graduate of the Australian Graduate School of Management and has over 25 years retail and wholesale experience across Australasia, US and the greater Asia Pacific region. Prior to Super Retail Group, Chris was General Manager at Toys 'R' Us and previously spent 13 years with Woolworths, holding Senior Management roles in Merchandise, as well as Retail Operations within Dick Smith and Big W. Chris is responsible for the Supercheap Auto Retail Stores, Trade, Online and Auto Trade Direct businesses.

"OUR FOCUS IS ON HELPING OUR CUSTOMER CATCH THE FISH THEY'VE ALWAYS WANTED TO – NOT JUST TO SELL THEM THE FISHING ROD.

OUR TEAM

In retail, we know the only constant is constant change. In 2017, that was ever more evident with customers becoming more empowered through social technologies, giving rise to evolving expectations and an increasingly competitive market landscape.

To ensure Super Retail Group continues to thrive in this new retail reality, we know that our team members are our first and most valuable asset, and an engaged and capable team is critical to our success.

By developing and maintaining an achievement culture that is consistent with our values, we will attract, engage and empower team members who share our customers' leisure passions and in so doing provide critical support for our business as we continue our transformative journey as a world-class omni-retailer.

Quite simply, our team members are critical to our business success. It is our team members who deliver and execute our strategy, provide world-class customer experiences and ensure we are working towards a sustainable future.

TEAM ENGAGEMENT

Fundamental to our success as a business is a workplace where team members enjoy coming to work, are engaged and inspired, as well as equipped to meet our customers' needs.

Our Group values of Passion, Openness, Integrity, Care and Discipline symbolise who we are and how we approach our work. These values are embedded throughout all stages of the team member lifecycle including attraction and recruitment, on-boarding, ongoing training and development, performance management, recognition, reward and retention. These values support a strong, positive team culture that is aligned to the Group strategy.

One way we understand the needs and desires of our team members is through a Group-wide team member engagement survey undertaken every two years, with a pulse survey every alternate year. These surveys are conducted by an independent third party and provide valuable insights that allow us to track team engagement over time, as well as compare how we are tracking against industry benchmarks. In addition to measuring engagement at a specific point-in-time we garner valuable insights about what we are doing well and where we can improve.

Our most recent engagement survey was conducted in May 2017. We maintained our strong levels of team engagement, with an overall Group score consistent with the 2015 score of 71 per cent, putting us in the top quartile of employers in Australia and New Zealand and above the global norm for the retail sector. Pleasingly, we improved the strength of engagement across the team, with 33 per cent of team members categorised as 'highly engaged', an increase of 6 per cent on 2015, and improved our already strong overall participation rate of 82 per cent in 2015 to 85 per cent in 2017.

We are proud of our continued high levels of engagement across the Group and are committed to leveraging the insights to make meaningful change to our team members' experience at work.

Complementing our highly engaged team is our strong levels of team member retention. During the reporting period, 3,260 team members joined Super Retail Group and our total retention levels continued to be strong at over 74 per cent, maintaining the Group's high levels of retention.

TEAM MEMBER SAFETY & WELLBEING

Super Retail Group is committed to providing a healthy and safe work environment for all our team members, contractors, customers and visitors. Our Work Health and Safety Policy defines this commitment and is supported by our Group safety and wellbeing strategic plan and safety management system, which reflects a proactive risk and behaviour-based approach.

Safety is a key performance measure at all levels and across all aspects of our business, including stores, Distribution Centres and Support Offices, reinforcing our approach that safety and injury management practices are embedded in the way we do business.

In the 2017 financial year, the Group Lost Time Injury Frequency Rate (LTIFR) was 6.31 per million hours worked, compared to 8.77 for the previous year. Our result for the 2016 financial year was adjusted from the previously reported 6.87 to reflect re-clarification of key definitions, continuing the ongoing maturation of our data measurement.

The continued decrease in our LTIFR reflects a whole-of-business focus on safety leadership, actively working towards meeting standardised safety-positive performance indicators and targets, and increasing team member awareness and education.

There were no work related fatalities recorded during the reporting period.

At the same time, we recognise a healthy team member is a safer team member and, this year, we increased our support for our team members' health and wellbeing through providing, or providing access to, a range of health and wellbeing resources. These resources educate and support our team members to be physically, mentally and emotionally in peak condition so they can meet the demands of their roles and go home safe and energised to enjoy life outside of work.

DIVERSITY & INCLUSION

We believe a diverse and inclusive workforce is a core competitive advantage. Ensuring the make-up of our team reflects the diversity of our customers in the areas we serve means we can better understand and anticipate customer needs and develop deeper, more meaningful connections.

Given our collective understanding on this belief, we are committed to ensuring all team members' contributions are welcomed and valued, differences are celebrated and everyone benefits from inclusive practices and behaviours.

As a business, we are about inspiring people to live their passions and we believe supporting diversity, inclusion and flexibility enables our team members to both live their passions and realise their full potential.

We proudly offer flexible working arrangements to support our team members enjoy greater work-life balance, so they, like our customers, can enjoy their leisure passions. We also offer flexible work arrangements that cater to family needs and commitments.

GENDER DIVERSITY

In the 2017 financial year, we achieved continued progress on gender diversity at our most senior levels. The number of women within the Group Executive Team (Band 1), reporting into the CEO, rose to four, up from two the prior year, resulting in female representation at this senior level of 40 per cent.

At the same time, we are proud that gender representation within our Board of Directors was maintained at 43 per cent, with Dr Sally Pitkin named as independent Non-Executive Chair to replace Mr Robert Wright upon his retirement in October 2017. This again underlines the strong commitment to gender diversity being championed by the highest levels within Super Retail Group.

There was continued improvement in other key workplace diversity indicators over the period, including an increase in the overall population of women as well as the number of women in leadership, with 12 additional female appointments to key senior management roles (Bands 1-3), taking the total representation of women at this level to 34 per cent. We remain committed to further advancing gender diversity at all levels, in line with our target of having 40 per cent female representation at Board and senior management level by 2019.

Workplace diversity continues to be fostered through the Group's learning and development programs. This includes continued investment in targeted leadership development programs, such as our dedicated 'Women in Leadership and Development' (WILD) program, and increased female representation in Turbo Boost, aimed at developing emerging leaders.

We encourage all our team members across Super Retail Group to be strong advocates for diversity and inclusion in the business and retail sectors, and this is led by our CEO Peter Birtles who is an active member of the Queensland Male Champions of Change and a regular speaker on gender diversity and inclusion.

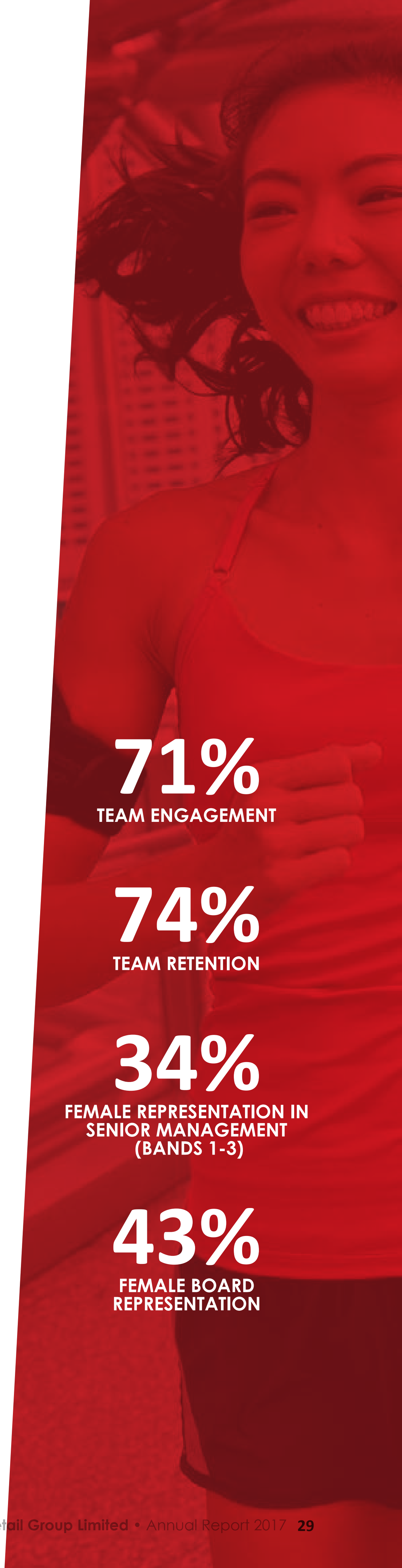
Super Retail Group's 2017 Workplace Gender Equality Agency (WGEA) report may be obtained via the WGEA website: https://www.wgea.gov.au/.

TEAM LEARNING & DEVELOPMENT

Investing in our team is a Group-wide commitment and evidenced by our development pathways, retail training, management development and personal development programs, as well as product and sales training suites.

This includes a partnership with a Registered Training Organisation that delivers training modules for a range of nationally-recognised qualifications for retail team members. Our learning and development programs are delivered through a variety of formats to best meet the needs of our diverse and geographically-dispersed team.

In 2018, leadership development will be a key focus. We know we need to be best equipping our managers to effectively lead the business through the period of ongoing change for the retail sector, and a new leadership program will be introduced in the coming financial year to support our leaders with this opportunity.



rebel

CASE STUDY

SHARED PASSION

Rebel engages with customers around a shared passion for women in sport.

Rebel is proud to have partnered with the Women's Big Bash League (WBBL) for a second year as it continues to support women in sport. Its approach to the partnership is but one example of how Rebel is driving deeper connections with customers through engaging with them around meaningful experiences that we share together.

In 2015, Rebel made history by signing on as the Naming Rights Partner of the inaugural WBBL. Now in its second year, the partnership has allowed Rebel to cement its position as a leading supporter of women in sport. Through a number of different touch points, Rebel has been able to demonstrate the brand's commitment to inspiring young women to play cricket.

Key to the success of the opening weekend was the launch of the 'Rebel women' content series - driving interest in the athletes on and off the ground. The videos provided a rare platform for these athletes to share their stories. On the forefront of the mainstream Australian sporting landscape, a female's story of rising to success is often very different to their male counterparts. The ultimate aim of these profile pieces is to inspire young women to pick up a bat or ball and play cricket.

The 'Rebel women' content series features one player from each Rebel WBBL franchise including Meg Lanning from the Melbourne Stars and Alyssa Healy from the Sydney Sixers. The content was distributed through Rebel and Cricket Australia's social channels right through the WBBL season and provided a platform to showcase the inspiring tales of sacrifice and dedication.

The videos have a dual purpose: to showcase and elevate the profiles of these amazing athletes and tell each of their unique stories, and it's also about letting younger women know that sport – and in this instance cricket – is a viable career path and that Rebel wants to step up and support them.

To date, the videos have been viewed over 300,000 times on Rebel's social channels and 218,291 on Cricket Australia pages. The reception has been overwhelmingly positive, with Channel 10 airing several of the videos during WBBL broadcast matches throughout the season.

" WE CAN WIN BY CONNECTING WITH AND INSPIRING OUR CUSTOMERS AROUND THEIR PASSIONS BY PROVIDING SOLUTIONS AND ENGAGING EXPERIENCES – NOT JUST PRODUCT AND PRICE TRANSACTIONS.

SUSTAINABILITY

At Super Retail Group we share your passion to make our world a cleaner, healthier and happier place. We recognise the important role we have to play ensuring the well-being of the environment and the communities in which we operate.

As a key focus area for our business, sustainability is embedded in our business practices through ensuring high standards of governance, promoting responsible business practices across our supply chain, fostering a highly engaged workforce to create a diverse and high performing team, and managing our environmental impacts to minimise our carbon footprint.

During the reporting period, our Sustainability efforts have been publicly recognised by the following organisations;

- CDP (formerly Carbon Disclosure Project) Australian Climate Leadership Award: Most profitable carbon reduction activity
- Dow Jones Sustainability Indices (DJSI) Review: Named one of the leaders in the Retail category in Australia compared with our peers
- Australian Packaging Covenant: Remained a high performer signatory with a star rating 4 out of 5
- Australian Council of Superannuation: Recognised the Group's levels of corporate sustainability disclosure and ESG reporting as 'Leading'.

Detailed information on our sustainability performance will be set out in the Group's Sustainability Report, which will be published on our corporate website.

MANAGING OUR MOST MATERIAL SUSTAINABILITY ISSUES

We continue to refine our materiality assessment process to ensure we identify and respond to the sustainability issues and opportunities that are most important to our business and stakeholders. We manage our exposure to economic, environmental and social sustainability risks in accordance with our risk management strategy and frameworks.

During the 2017 financial year, we enhanced our materiality assessment process by extending our engagement with selected customers, trade partners and team members. The issues identified were substantially consistent with past years, reflecting the fact that the issues we face remain an ongoing and complex challenge and require us to monitor them diligently.

ETHICAL SOURCING

We are committed to promoting better working conditions in our global supply chain and ensuring the products we provide to our customers are ethically and sustainably sourced.

An updated Ethical Sourcing Policy was implemented in 2017 across the Group. The Policy incorporates the standards of behaviour mandated in the Group's Code of Conduct, the principles contained in the International Labour Organisation's International Labour Standards, the employment rights provisions within the United Nations Human Rights Charter and the labour laws and regulations in the country of manufacture or supply. Adherence to the policy applies to all our trade partners. With an initial focus on our private branded products, a program of factory audits was extended to align with the new policy.

PRODUCT SAFETY & QUALITY

We are committed to providing products that are safe and of high quality to enable our customers to make the most of their leisure time. Our dedicated compliance team, together with our trade partners, aim to ensure our products comply with product safety requirements and relevant consumer laws. Our product testing regime addresses mandatory and regulated Australian and New Zealand standards, and includes testing by either in-house or third-party NATA-accredited facilities.

DIGITAL & CYBER SECURITY

As we live and thrive in the digital economy, we continue to evolve our business to better protect our operations from disruption. Dramatic changes in digital technology coupled with frequent media reports of cyber breaches has demanded better controls from companies in this space. Key areas of priority include detection and response, technical security, people security and data security.

CUSTOMER DATA & PRIVACY

Protecting customer information and ensuring the confidentiality, integrity and availability of our systems is an obligation we take seriously. We strive to conduct our business in full compliance with the laws and regulations, and have controls in place to protect the personal information of our customers, club members and team members. For the reporting period the Group has had no notifiable breaches to the Privacy Commissioner.

OUR ENVIRONMENT

We share the same passion for the outdoors with our customers and continue to work with them and our trade partners to reduce the impacts of our products and activities in the environment.

Our direct environmental impacts relate to packaging, energy use and waste production. We manage those impacts by maintaining an environmental management system for the prevention of pollution, complying with applicable environmental laws, identifying risks and opportunities associated with our operations and conducting business in accordance with our Environmental Policy and Ethical Sourcing Policy.

CLIMATE CHANGE

Climate change remains a prominent issue and presents some level of risk and disruption for all businesses globally. We recognise that action on climate change also offers significant potential to create sustainable value for the Group through reducing our greenhouse emissions and operational costs related to waste, packaging and electricity consumption.

Super Retail Group has been disclosing its carbon emissions in Australia and New Zealand to the CDP (formerly Carbon Disclosure Project) since 2015. Our annual CDP Reports are available on our corporate website.

PACKAGING & WASTE

We recognise the products we sell contribute to the generation of waste, the major contributor being product packaging.

During the reporting period, we continued to decrease the waste produced within Australia and improved our recycling rates by 7.3 per cent (59.8 per cent in total), well above our target of 54.5 per cent for the 2017 financial year. This was achieved through waste management process improvements during store refurbishments, openings, closures and relocations.

Packaging efficiency and waste reduction was further improved through:

- Packaging optimisation that achieved a 21.8 per cent pallet utilisation improvement and 11.2 per cent container utilisation improvement through reducing packaging materials and improving air space. This will save an estimated 2,700 kg of plastic material per year
- Packaging for private label products imported from China were made of 100 per cent recycled materials.

PRODUCT RECYCLING & REUSE

We continue to explore opportunities to improve resource recovery of products that we sell in stores and use in our operations. Some current recycling programs of note include:

- Battery Recycling: We collected over 60,000 batteries for recycling during the 2017 financial year
- Oil Recycling: For the reporting period, we collected 750,200 litres of oil for recycling
- Clothes hangers reuse: Hangers used in our Leisure and Sports stores are returned to our trade partners for reuse
- Pallet reuse: Stores return their pallets to our Distribution Centres for reuse, and any damaged pallets are recycled.

ENERGY & GREENHOUSE GAS EMISSIONS

During the reporting period, we achieved a decrease in our energy use intensity of 4.9 per cent and decrease in emissions intensity of 7.9 per cent. Overall, our total energy consumption increased by 3.0 per cent due to business growth and store refurbishment activity. Despite this increase, our total greenhouse gas emissions slightly decreased by 0.3 per cent compared to the previous reporting period, due to a 26.0 per cent reduction in the number of vehicles fully maintained by the Group.

OUR COMMUNITY

Super Retail Group is committed to having a positive impact on the many communities in which we operate. Our community initiatives include corporate philanthropy, supporting community groups and other NGOs, actively participating in improving community well-being, and providing on-the-ground assistance in times of natural disasters, such as fires, floods and earthquakes.

With our significant store presence in communities large and small across Australia and New Zealand and large number of team members we employ nationally, Super Retail Group has a unique opportunity to contribute to the communities where we live, work and play. We believe that being part of the communities where we operate is mutually beneficial both for our business and the people who are part of those communities, and helps to strengthen our relationships with local customers, partners and team members.

COMMUNITY PARTNERSHIPS

Super Retail Group maintains a number of partnerships with community organisations and seeks to be actively involved in the issues that matter to us and the community.

We are proud to continue to support the important work of Australian Red Cross, raising over $160,000 to support the Red Cross Disaster preparedness, relief and recovery campaign. The Group also donated almost $700,000 of winter clothing to Red Cross for sale through their Red Cross store network in support of their Winter Woolies campaign.

Amart Sport's Community Kickbacks and Rebel's Support Your Sport are community programs that provides support to local clubs and schools. These programs have provided over $4.5 million in sporting goods to local groups in the 2017 financial period.

During the period, Super Retail Group contributed a total of more than $111,000 through cash donations, sponsorships and team member contributions in support of our community partnerships. In addition, we also provide discounted products and store credits to support local community groups.

DIRECTORS' & FINANCIAL REPORTS 2017

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 1 July 2017.

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:
R J Wright
(Independent Non-Executive Chair)
P A Birtles
(Group Managing Director and Chief Executive Officer)
R A Rowe
(Non-Executive Director)
S A Pitkin
(Independent Non-Executive)
D J Eilert
(Independent Non-Executive)
L K Inman
(Independent Non-Executive)
H L Mowlem
(Independent Non-Executive) *(appointed 13 June 2017)*

Former:
R J Skippen
(Independent Non-Executive) *(retired 24 October 2016)*

Details of the qualifications, experience and responsibilities of the Directors are on pages 22 to 23 of this annual report.

Special Responsibilities of Directors

Director	Audit & Risk Committee	Nomination Committee	Human Resources & Remuneration
R J Wright	n/a	✓[1]	n/a
P A Birtles	n/a	✓	n/a
R A Rowe	n/a	✓	n/a
S A Pitkin	✓	✓	✓[1]
D J Eilert	✓	✓	✓
L K Inman	✓[1][2]	✓	✓
H L Mowlem [3]	✓	✓	✓

[1] Denotes Chair of Committee.
[2] L K Inman replaced R J Skippen as the Chair of the Audit & Risk Committee, effective 24 October 2016.
[3] Appointed 21 June 2017.

1.1 Directorships of listed companies held by members of the Board

Current directors:

Director	Listed Company	Directorship	Key Dates
R J Wright	Super Retail Group Limited	Independent Chair	Current, appointed 28 October 2009
		Independent Non-Executive Director	Appointed 19 May 2004
	APA Ethane Limited	Chair and Non-Executive Director	Former, appointed 10 July 2008 and ceased September 2016
	Australian Pipeline Limited	Independent Non-Executive Director	Former, appointed 10 Feb 2000 and ceased October 2015
P A Birtles	Super Retail Group Limited	Group Managing Director and Chief Executive Officer	Current, appointed 05 January 2006
	GWA Group Limited	Independent Non-Executive Director	Current, appointed 24 November 2010
R A Rowe	Super Retail Group Limited	Non-Executive Director	Current, appointed 08 April 2004

1. Directors (continued)

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

Current directors:

Director	Listed Company	Directorship	Key Dates
S A Pitkin	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 01 July 2010
	Star Entertainment Group Limited	Independent Non-Executive Director	Current, appointed 31 July 2014
	IPH Limited	Independent Non-Executive Director	Current, appointed 23 September 2014
	Link Administration Holdings Limited	Independent Non-Executive Director	Current, appointed 23 September 2015
	Billabong International Limited	Independent Non-Executive Director	Former, appointed 28 February 2012 and ceased 15 August 2016
D J Eilert	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Navitas Limited	Non-Executive Director	Current appointed 28 July 2014
	Veda Group Limited	Non-Executive Director	Former, appointed 4 October 2013 and delisted 26 February 2016
L K Inman	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Commonwealth Bank of Australia	Non-Executive Director	Current, appointed 16 March 2011
	Bellamy's Australia Limited	Non-Executive Director	Former, appointed 15 February 2015 and ceased 28 February 2017
	Precinct Properties New Zealand Limited	Independent Non-Executive Director	Current, appointed 28 October 2015
H L Mowlem	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 13 June 2017
	Billabong International Limited	Independent Non-Executive Director	Current, appointed 24 October 2012

Former director:

Director	Listed Company	Directorship	Key Dates
R J Skippen	Super Retail Group Limited	Independent Non-Executive Director	Former, appointed 21 October 2015 and ceased 24 October 2016
	Slater & Gordon Limited	Independent Chairman and Non-Executive Director	Current, appointed 26 May 2010
	Flexigroup Limited	Independent Non-Executive Director	Current, appointed 20 November 2006
	Emerging Leaders Investment Limited (delisted 19/06/2014)	Non-Executive Director	Former, appointed 12 October 2010 and ceased 15 September 2014

1.2 Directors' Meetings

The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 1 July 2017 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)]
R J Wright	10	10	4	4	2	2	4	4
P A Birtles	10	10	4	4	2	2	4	4
R A Rowe	10	10	4	4	2	2	4	4
R J Skippen	4	4	1	1	1	1	1	1
S A Pitkin	10	10	4	4	2	2	4	4
D J Eilert	10	10	4	4	2	2	4	4
L K Inman	10	10	4	4	2	2	4	4
H L Mowlem	1	1	n/a	n/a	1	1	n/a	n/a

[(1)]Number of meeting held during the time the Director held office during the year.

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
R J Wright	69,001	-
P A Birtles	1,408,421	-
R A Rowe	59,912,667	-
S A Pitkin	26,453	-
D J Eilert	4,500	-
L K Inman	5,241	-
H L Mowlem	-	-

2. Company Secretary

The Company Secretary (and Chief Legal and Property Officer) is 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:

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

3.2 Review of Financial Condition

(a) Group Results

	2017 $m	2016 $m
Revenue from continuing operations	**2,465.8**	2,422.2
Segment earnings before interest, taxes, depreciation and amortisation (EBITDA)	**278.0**	245.7
Segment earnings before interest and taxes (EBIT)	**207.3**	175.3
Normalised NPAT	**135.8**	108.6
Profit for the period attributable to owners	**101.8**	62.8
Profit for the period	**100.5**	58.0
Operating cash flow	**234.5**	159.2
EPS – basic (cents)	**51.6**	31.8
Dividends per share (cents)	**46.5**	41.5

The 2016 comparison period represents a 53 week period end of 2 July 2016 compared to the 2017 financial period which represents a 52 week trading period end of 1 July 2017. All comparatives to the prior period need to factor in the additional week of trading with the exception of like for like sales comparisons which have been adjusted.

The Group has delivered a strong result for the financial year with a 25.0% increase in normalised net profit after tax as all divisions delivered robust performances. Profit for the period increased by 73.3% and operating cash flows increased by 47.3%. The financial results reflect an improvement in underlying divisional performance, the benefits of restructuring activities announced in the 2016 financial period and the benefits of strategic programmes including the supply chain transformation.

During the 2017 year the Group undertook a strategic review of the Sports Retailing Division. The existing strategy since acquisition, to leverage two brands with distinct identities has been successful in delivering growth for the Sports Division. The review though identified that changes in customer expectations would result in the two brand strategy to be less distinctive over time. A decision was made and announced in July 2017 to operate a single brand strategy for Sports. All Amart Sports stores will be converted to Rebel by November 2017 with a full integration of ranges complete by June 2018. The conversion of Amart Sports stores to Rebel means that future cash flow from these stores will be attributed to the Rebel brand and as a result the Amart Sports brand has been fully impaired.

The converted stores will no longer include a dedicated Goldcross store-in-store and the remaining unamortised Goldcross brand name has been fully impaired. The Group has therefore recognised after tax costs of $34.0 million in the 2017 financial period associated with the Sports business transformation. A further $3.0 million of after tax costs will be incurred in the 2018 financial period. The capital investment in fitting out the converted stores are expected to be circa $9.0 million.

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 $101.8 million compared to $62.8 million in the prior period. After excluding the Sports restructuring activities, the normalised NPAT was $135.8 million compared to $108.6 million in the prior period, an increase of 25.0%. The table below provides the reconciliation to the statutory profit.

	2017 $m	2016 $m
Profit for the period	**100.5**	58.0
Loss for the period attributable to non-controlling interests	**1.3**	4.8
Profit for the period attributable to owners of Super Retail Group Limited from continuing operations	**101.8**	62.8
Business restructuring costs[1]	**7.8**	31.8
Impairment of Amart Sports and Goldcross Cycles brand names[1]	**26.2**	-
Impairment of Ray's Outdoors brand name[1]	**-**	14.0
Normalised net profit after tax	**135.8**	108.6
Business restructuring costs comprise:		
- Sports business restructuring	**48.5**	-
- Ray's Outdoors	**-**	38.3
- Infinite Retail	**-**	5.0
- Tax effect	**(14.5)**	(11.5)
Total business restructuring costs	**34.0**	31.8

[1] Net of tax

Basic earnings per share (EPS) was 51.6 cents compared to 31.8 cents in the prior comparable period, an increase of 62.3% reflecting the robust performance of all divisions.

Total sales increased 1.8% to $2,465.8 million on the prior comparative period. Normalising for a 52 week comparison the sales have increased 3.5%.

Like for like sales growth was achieved in each division with total revenue growth for Auto Retailing, BCF and Sports Retailing. In the Auto Retailing Division, new stores, like for like sales growth and gross margin expansion contributed to EBITDA growth. The Leisure Retailing Division also delivered an improvement in like for like sales and gross margin expansion. The Sports Retailing Division reported sales increases due to strong underlying like for like sales growth, new stores and improved EBITDA margins. Infinite Retail is included in the Sports Retailing result.

The Group continues to invest in the development of its businesses through the expansion and improvements to the retail store network and supporting omni-retailing capability through information technology, digital initiatives and inventory management projects.

(b) Division Results

	Sales		EBITDA		EBIT	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Auto	**955.9**	922.8	**139.4**	133.2	**111.0**	104.6
Leisure	**553.5**	581.9	**43.1**	37.5	**25.4**	18.6
Sports	**949.2**	910.2	**115.1**	100.3	**91.3**	77.8
Unallocated	**7.2**	7.3	**(19.6)**	(25.3)	**(20.4)**	(25.7)
	2,465.8	2,422.2	**278.0**	245.7	**207.3**	175.3

Auto Retailing

Divisional sales at $955.9 million were 3.6% higher than the prior comparative period with like for like sales growth of 3.5%. Segment EBIT at $111.0 million was 6.1% higher than the comparative period.

Like for like sales growth of 3.5% was driven by improvement in average item value and growth in total transactions. Gross margin improvements were again driven by ranging and sourcing initiatives plus benefits from supply chain efficiencies. Operating costs leverage was achieved after accommodating increased investment in store services standards and omni-retailing customer experience initiatives.

The Supercheap Auto Club Plus membership increased during the year, with active members totalling over 1.3 million. Sales attributable to club members are increasing and club members continue to have higher average transaction values than non-club members.

Supercheap Auto has an ongoing focus on sales and margin growth with particular focus on store refurbishment, ranging initiatives, private brand development, partnering with the world's best automotive brands and team engagement.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Auto Retailing (continued)

Key major product categories delivered positive growth during the financial period with particularly strong growth being achieved in the audio, power, car care, lubricants and spare parts categories. The tools and outdoor category delivered negative growth due to the impact of the closure of Masters and the resultant discounting. The strongest like for like sales growth was achieved in New Zealand. All Australian states achieved like for like growth with the exception of Western Australia which remained flat.

The business opened 12 new stores and closed three stores during the year. The store refurbishment program increased this year to 28 stores including eight superstores. At 1 July 2017, there were 316 stores across Australia and New Zealand with the business targeting additional store growth over the next five years.

The Penrith Customer Experience Centre opened in June 2017 and has experienced strong sales and exceptional customer feedback. The business will continue to trial this format in other locations and is planning to refurbish around 46 stores and open 10 new stores in the coming year.

The business continues to invest in the development of digital engagement for customer through web site development, increasing product videos and partnering integrations. Supercheap Auto has extended the omni-channel offering through the introduction of 90 minute click-and-collect promise, track and trace for home deliveries increasing e-commerce sales by 75% above the prior comparable period.

Leisure Retailing

Divisional sales at $553.5 million decreased by $28.4 million as BCF grew and Rays executed its restructuring and market repositioning activities.

BCF experienced like for like sales growth of 5.1% (weeks 11 to 52) and total sales growth of 8.8%. Margin improvement was achieved through improvements in pricing and promotions management in the key Christmas trading period combined with sourcing and private brand development initiatives.

Operating cost leverage was less significant for BCF as the converted Rays stores operate at a higher cost to sales than the existing BCF stores. This is expected to improve over the next few years as sales intensity increases. During the year the business invested in improving brand saliency with the launch of the BCFing campaign which increased marketing costs compared to the prior comparative period.

The BCF club loyalty program continued to grow in the financial year with active membership totalling over 1.3 million members. The BCF club membership group have higher levels of visitation, average transaction value and engagement than other customers. Increasing and deepening engagement with BCF club members was and remains a key strategy for the business.

The business opened four new stores, closed one store and converted 12 stores from Rays to BCF during the year taking total store numbers to 135. BCF expects to extend the store network in the next five years.

Rays repositioning continued during the period with there being 15 stores at the end of the period after commencing the year with 53 stores. The store network is below the level expected 12 months ago as one site was identified to be more suited to BCF and another site was closed. The new Rays business has delivered strong growth in key win categories which will need to be compounded in the next financial year for the strategy to be validated.

Sports Retailing

Divisional sales at $949.2 million were 4.3% higher than the prior period and Segment EBIT at $91.3 million was 17.4% higher than the prior period. Like for like sales growth for Rebel and Amart Sports was 4.4%.

Like for like sale growth in Rebel and Amart Sports was driven by growth in transaction volume and average transaction value. The major categories all delivered strong like for like growth. Gross margin improvements were strongest in Apparel. The business experienced its strongest growth in the key Christmas trading period with sales growth slowing in the second half of the year. Pleasingly the business experienced more robust growth in late May and June.

The Sports division remains focused on building customer engagement with the key brands. Loyalty programs have grown strongly during the financial period with active members now totalling 2.4 million.

The Sports Division increased total store numbers by five stores during the period with a total of 166 at the end of the period. Of these, 68 are Amart Sports stores which will be rebranded to Rebel by November 2017.

The Sports Division has continued to build its omni-retailing capability through improvements to websites, fulfilment and in store digital engagement. These improvements have supported on-line sales growth of 73% in the financial period.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Sports Retailing (continued)

The Infinite Retail business restructure was completed in the financial year with the business delivering a small EBIT contribution, compared to a $5.6 million EBIT loss in the prior comparative period. The majority of poor performing contracts have been renegotiated or terminated during the year.

Group Costs

Group costs for the period were $20.4 million, down 20.6% compared to the prior period. Included in Group costs is $10.6 million in corporate costs, $4.1 million related to un-utilised distribution centre space, $4.8 million related to digital including investment in digital businesses and $0.9 million in costs associated with commercial and other projects.

(c) Financial Position and Cash Flow

	2017 $m	2016 $m
BALANCE SHEET		
Trade and other receivables	**42.6**	42.7
Inventories	**481.5**	501.9
Trade and other payables	**(297.9)**	(292.8)
Current tax (liabilities) / assets	**(1.5)**	(6.3)
Total working capital	**224.7**	245.5
Cash and cash equivalents	**19.9**	15.6
Borrowings	**(400.6)**	(415.8)
Net debt	**(380.7)**	(400.2)
Property, plant and equipment	**264.5**	236.9
Intangible assets	**750.1**	772.4
Derivatives	**(3.1)**	(8.0)
Provisions	**(83.8)**	(87.9)
Deferred taxes	**(17.1)**	(24.7)
NET ASSETS	**754.6**	734.0
CASH FLOW		
Net cash inflow from operations	**234.5**	159.2
Net cash (outflow) from investing	**(101.2)**	(79.9)
Net cash (outflow) from financing	**(129.0)**	(77.0)
Net increase / (decrease) in cash	**4.3**	2.3
Cash at the beginning of the period	**15.6**	13.1
Effects of exchange rates on cash	**-**	0.2
Cash at the end of the period	**19.9**	15.6

Net assets for the Group increased $20.6 million as strong profitability and operating cash flows were invested into strategic initiatives.

Group Net Debt was $380.7 million, which was a $19.5 million net reduction on 2016. The Group remains comfortably within its banking covenants.

Cash flow from operations of $234.5 million was $75.3 million higher than the prior year. This is due to both higher sales and improvement in inventory management. In addition, 2016 was a 53 week year ending on 2 July 2016 impacting 2016 only in terms of timing of cash outflows. Net cash outflows relating to the 53rd week in 2016 equated to $37.9 million.

Group capital expenditure cash flow was $101.2 million which included $64.7 million in new and refurbished store fit out, and $36.5 million in information technology projects, inventory management projects and building omni-retail capabilities.

(d) Dividends

Super Retail Group has declared a 25.0 cents per share fully franked final dividend for 2017. This will result in a full year dividend of 46.5 cents per share fully franked, an increase of 12.0% over the prior year. This represents a dividend payout ratio of 64.9% of underlying NPAT.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(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 various 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** - The Retail market is becoming increasingly globalised through the growing impact of on-line shopping and overseas retailers' investment into Australasia, which expose the Group to more intense competition. The Group continues to develop strategies to build a stronger emotional connection with customers around their passions for their leisure activities rather than historical levers or range and price differentiation. The Group's strategic change programs have been developed to build the capabilities required to be successful in the global market place. With competitors constantly seeking to enter the market with improved designs, the Group sees this risk increasing in the future.
- **Digital** - The proliferation and growth of new sales and marketing channels will make it increasingly challenging to 'stand out from the crowd' and to develop customer loyalty. With digitally enabled competitors constantly seeking to enter the market with improved designs, the Group sees this risk increasing in the future. Increased digital disruption requires new and agile forms of development and consequentially impact on the Group's business models and ways of working. The Group's strategies are focused on developing a strong and well supported digital capability to ensure the Group manages the pace of change in technology and its impact on customer expectations and business models. The Group continues to develop mitigating omni-channel strategies leveraging its existing market presence.
- **The breakdown of traditional business models** - Traditional retail business models are being disrupted through increasing vertical integration of the end-to-end supply chain. This is increasing competition risk and cost pressures. The Group continues to develop its sourcing and product and brand development capabilities. These risks are continuously monitored and mitigation strategies updated. Some of these actions include an annual review of brand strategies, regular customer research, and external research of brand perception. Targets are in place for private brand sales for each business. The Group expects this risk to continue to develop as market aggregators enter and disrupt the market.
- **Customer power** - Customer expectations have changed significantly over the last few years and will continue to do so in the future. The Group recognises changes to consumer behaviour and engagement methods will require the Group to 'earn the right' to meet a customer need. There is an increasing expectation of engaging experiences, solutions rather than products and 'do it for me' rather than 'do it yourself'. The Group has established an organisation wide customer centricity program to place the customer at the centre of every action and its strategies will show greater alignment to changing customer expectations and build greater agility in the organisation's operating model to address future changes to customer expectations. The Group believes that this will remain a consistent risk in the retail market for years to come and if not adequately managed will result in loss of sales to alternative suppliers.
- **Supply Chain and Inventory Management** - Supply Chain maturity and agility are critical to the requirements of a world class omni-retailer and for the Group to meet evolving customer expectations. The Group has made substantial investments in an updated supply chain network and supporting information systems. The Group continues to pursue opportunities to reduce the cost of the supply chain through improved delivery models with its major trade partners including the development of mutual business opportunities. Risks associated with the supply chain remain constant. Product compliance achievement, including the production of inventory at agreed quality standards, compliance with consumer law, dangerous goods legislation etc is a risk that is managed through the Group's integrated risk management plan via a cyclical audit programme. Ineffective or inefficient management of inventory is a significant risk to all retailers.
- **Organisation structure, culture and capabilities** - Attraction, retention, engagement, safety and succession of team members are key risks to be managed to maximise financial growth in the retail sector. The Group has undertaken strategies that have successfully mitigated these risks. A review of the Group's operating model is underway and will identify the design requirements and transformation to a new way of working to support the Group's strategy to be a world class omni-retailer. Transitioning the organisation to a new operating model will increase risk in the near term, however reduce risk in the medium to long term.
- **Stakeholder management and expectations** - Confidence in our brands is critical for the Group's success, key external stakeholders can have a material impact on the Group's reputation and the Group recognises the importance of minimising the risk of breach of corporate policy, fraud or compliance in legislation / regulations. The increase in regulatory controls and compliance obligations and impact of increased Corporate Social Responsibility expectations (direct and indirect) has a direct cost implication for the Group. Ethical sourcing, ensuring that products are sourced within acceptable community standards, requires dedicated focus. The Group has developed strong compliance processes and a clear focus on Corporate Social Responsibility and sustainable business practices. On-going review of changes to regulation and stakeholder sustainability expectations is required to assess the impact on the Group and develop appropriate response strategies.
- **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 the potential adverse impacts on 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.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(e) Material Business Risks (continued)

- **Cyber & Emerging Technology risk** - The digital economy and transformation in retail delivery creates new challenges for all companies in relation to maintaining a strong cyber resilience program. The Group is implementing strategies to prevent deliberate exploitation of computer systems, technology-dependent enterprises and networks by internal and external parties. Cyber security is an evolving and significant risk and the Group will need to maintain ongoing vigilance and adopt appropriate responses (technological / physical / other) to protect its information assets. During this reporting period the Group, through formal risk assessments, considered its exposure and there is continuous focus on mitigating emerging risks in relation to cyber risks. It is also recognised that the Group requires a stable, secure and efficient information systems environment that can deliver competitive advantage. The Group has made and will continue to make a significant investment in Information Management Systems to meet the challenges of the digital economy and evolving technology landscape. The Group believes that this will remain a consistent and increasing risk requiring ongoing management.

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
Declared and paid during the year:			
2016 final fully franked dividend	21.5	42.4	7 October 2016
2017 interim fully franked dividend	21.5	42.4	7 April 2017
Declared after end of year:			
2017 final fully franked dividend	25.0	49.3	6 October 2017

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

The Group has undertaken a review of the strategy for its Sports Division recognising that the dynamics of the sports retail market are set to evolve in the next few years. As such the Group has concluded that the optimal strategy to sustain its position as the market leader in sports retailing will be to focus on building one retail brand. Therefore the Group will commence a program of converting all Amart Sports stores to Rebel with a target of presenting one brand to market by November 2017 as announced to the market on 25 July 2017. This is considered to be an adjusting event for the purposes of the 2017 financial statements and as such the Group has recognised after tax costs of $34.0 million in the 2017 financial year associated with the Sports business transformation.

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 Annual 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 and Federal 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 1 July 2017.

4. Remuneration Report – Audited

The Directors of Super Retail Group present this Remuneration Report for the period ended 1 July 2017. The Remuneration Report outlines the Group's remuneration philosophy and practices, explains how the Group's 2017 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 structure of the Remuneration Report is outlined below.

Contents

Section 1: Remuneration Governance

1.1 Role of the Human Resources and Remuneration Committee

The primary objective of the Human Resources and Remuneration Committee (the Committee) is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Group's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

The Committee's duties and responsibilities are:

- Undertake an annual review of the Group's remuneration strategy and remuneration policy to facilitate understanding of the overall approach to remuneration, and to confirm alignment with the Group's business strategy, high standards of governance and compliance with regulatory standards;
- Review and recommend to the Board for approval, remuneration arrangements for the Group Managing Director and Chief Executive Officer and other senior executives. The Committee reviews the arrangements on an annual basis against the Remuneration Policy, obtaining independent external remuneration advice where appropriate;
- Undertake an annual review of the Group's performance management system to confirm the integrity of systems and processes in making incentive based payments. The Committee also verifies compliance with vesting or exercise requirements for equity based rewards;
- Establish the policy for the remuneration arrangements for Non-Executive Directors, reviewing remuneration arrangements annually and obtaining independent external remuneration advice where appropriate; and
- Review and recommend to the Board for approval the Remuneration Report and any other report required to be produced for shareholders to meet regulatory requirements.

The Committee reviews its Charter at least once in each financial year. The Corporate Governance Statement (available in the Investor Centre, Corporate Governance section of the Group's website at www.superretailgroup.com) provides further information on the role of the Committee.

1.2 Involvement of Independent Advisors

The Human Resources and Remuneration Committee operates independently of senior executives and engages directly with remuneration consultants. The requirements for external consultants' services are assessed annually in the context of remuneration matters that the Committee requires to address. During 2017, external advice was received from Ernst & Young related to market remuneration benchmarking, and market remuneration practices around remuneration structures.

No remuneration recommendations as defined by the *Corporations Act 2001* were provided.

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.

4. Remuneration Report – Audited (continued)

2.1 Non-Executive Directors

Current:

R J Wright	Chair and Independent Non-Executive Director
R A Rowe	Non-Executive Director
S A Pitkin	Independent Non-Executive Director
D J Eilert	Independent Non-Executive Director
L K Inman	Independent Non-Executive Director
H L Mowlem	Independent Non-Executive Director (appointed 13 June 2017)

Former:

R J Skippen	Independent Non-Executive Director (retired 24 October 2016)

2.2 Executive Director

P A Birtles	Group Managing Director and Chief Executive Officer

2.3 Other Executive KMP

Current:

D J Burns	Chief Financial Officer
E A Berchtold	Managing Director – Sports Division
C D Wilesmith	Managing Director – Auto Division
A M Heraghty	Managing Director – Leisure Division

Former:

G G Carroll	Chief Supply Chain Officer (resigned effective 22 July 2016)

Section 3: Remuneration Strategy and Policy

One of the Group's core principles is that the attraction, development, engagement and retention of passionate team members provides a competitive advantage which is fundamental to the long term success of the Group. The maintenance of a workplace culture and the development of people practices that support this principle are strategic priorities for the Group.

The development of people practices covers a number of areas including attraction, diversity, learning and development, engagement, workplace health and safety, talent and succession management, and remuneration and benefits.

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, and that are aligned with the interests of shareholders.

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.

The key elements of the Remuneration Policy are:
- to provide competitive total remuneration arrangements that enable the Group to attract and retain high performing team members, and to reward them for their contribution to the success of the Group;
- to align remuneration arrangements with the delivery of sustainable value to the Group's shareholders;
- to maintain a pay for performance environment through linking incentive pay opportunities to the achievement of specific, measurable business goals;
- to position base salaries at or around the median and performance incentives in the 3rd quartile of relevant market remuneration levels, subject to individual performance;
- to provide gender pay equity across the Group through regular analysis and review;
- to provide arrangements with the flexibility to recognise individuals based on performance, experience and qualifications; and
- to provide equitable, fair and consistent pay arrangements across the Group through a systematic methodology involving job value and market positioning.

The Group is committed to ensuring all employees are remunerated fairly and equitably. The Group conducts annual gender pay equity reviews that are presented to the Remuneration Committee. No significant gaps were identified during 2017.

Remuneration can include a number of different elements such as base pay, superannuation, short term incentives, long term incentives, tools of trade, study and relocation assistance, share plans and novated lease arrangements. The elements of the total remuneration package may vary according to the job role, team members' experience and performance and market practice. The Group Managing Director and Chief Executive Officer, and his direct reports (senior executives) are remunerated under a Total Target Remuneration structure.

For the 2017 financial year, remuneration benchmarking for all KMP was sourced from Ernst & Young (EY) Remuneration Consultants. The Board referenced three sets of comparator groups to benchmark remuneration, being:

4. Remuneration Report – Audited (continued)

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

Section 4: Senior Executive Remuneration Structure

The senior executive remuneration structure is reviewed annually by the Human Resources and Remuneration Committee against the Remuneration Policy, external remuneration practices, market expectations and regulatory standards.

The Group Managing Director and Chief Executive Officer, together with the other executive KMP, are remunerated under a Total Target Remuneration (TTR) structure consisting of three elements:
- Base Salary Package (inclusive of superannuation contributions, car allowance and other non-monetary benefits);
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

In line with the Group's Remuneration Policy, these remuneration categories are illustrated in Table 1 below:

Table 1:

Super Retail Group's Remuneration Policy				
Market Competitive	Aligned to Shareholders' Sustainable Value	Pay-for-Performance Environment – Specific and Measurable	Equitable, fair and consistent across the Group	Flexible – Recognise Performance, Experience and Qualifications

Super Retail Group's Executive Remuneration Objectives			
Attract, motivate, and retain executive talent	Differentiate reward to drive performance including values and behaviours	An appropriate balance of fixed and 'at-risk' components focused on long-term strategy and short-term milestones	Alignment to shareholder interests and value creation through equity components

Group Managing Director & Chief Executive Officer and Senior Executive Remuneration Structure			
	Fixed	**At Risk**	
	Base Salary Package	**Short Term Incentive (STI)**	**Long Term Incentive (LTI)**
Determination	Base salary package is set based on relevant market data relativities, reflecting responsibilities, performance, qualifications and experience.	STI performance criteria are set by reference to the Group PBT and divisional revenue and EBIT, and individual performance targets relevant to the specific position.	LTI targets are linked to both Earnings per Share (EPS) and Return on Capital (ROC) performance measures, over a three year vesting period.
Delivery	Base pay and superannuation and may include prescribed non-financial benefits at the executives' discretion on a salary sacrifice basis.	Cash only.	Equity in performance rights. All equity is held subject to service and performance for 3 to 5 years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date.
Strategic Intent and Market Positioning	Base salary package will generally be positioned at the median compared to relevant market-based data, taking into account expertise and performance in the role.	Performance incentive is directed to achieving Board approved targets, reflective of market circumstances. Combined, base salary package and STI is intended to be positioned in the 3rd quartile of the relevant benchmark comparisons.	LTI is intended to reward executive KMP for sustainable long-term growth aligned to shareholders interests. LTI allocation values are intended to be positioned at the top of the 3rd quartile of the relevant benchmark comparisons.

Total Target Remuneration (TTR)
TTR is positioned to achieve the remuneration objectives outlined above. Outperformance generates higher reward. The remuneration structure is designed to ensure top quartile executive KMP remuneration and is only achieved if Super Retail Group outperforms against stated targets.

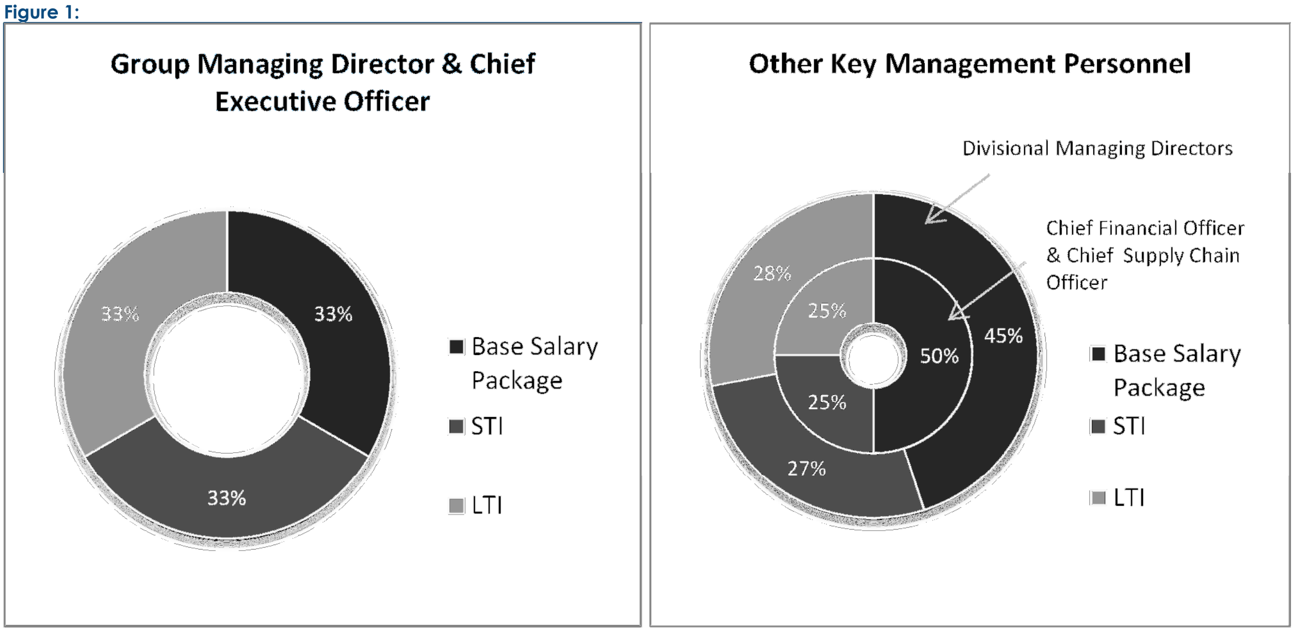
Target Remuneration Mix

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.

4. Remuneration Report – Audited (continued)

The diagrams below (Figure 1), show the mix of fixed and at-risk components of remuneration, as a percentage of total annual remuneration, for the Group Managing Director and Chief Executive Officer and other executive KMPs disclosed in the Remuneration Report. Remuneration is based on the base salary package as at July 2016 and the incentive payable if all performance conditions are met, and assumes maximum STI is received and full vesting of the LTI plan.

Figure 1:



The LTI component is based on the notional monetary value at the time of grant. This notional valuation may differ from the accounting valuation which considers probability of vesting and other factors.

(a) Base Salary Package

The Remuneration Policy provides executive KMP a base salary package that reflects the median market base salary package for a comparable role in a similarly sized publicly listed company operating in the retail and consumer goods industry. The executive KMP's performance, skills and experience are also considered in determining the base salary package.

The base salary package 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.

(b) Short Term Incentive (STI)

(i) Review of the STI Scheme

As indicated in the 2016 Remuneration Report, the Human Resources and Remuneration Committee undertook a review of the incentive component of the executive remuneration framework as part of the Board's commitment to achieve stronger alignment of the Group's approach to remuneration with its strategic objectives.

Central to the review was an acknowledgement that the previous profit share structure that was put in place 5 years ago, was fit for purpose then as it was strongly aligned to the strategy of the business. However, evolving internal and market challenges since then precipitated a change in approach. The complexity of the operating environment requires executives to drive performance in a non linear manner and to be accountable for creating short and long term shareholder value. Accordingly, a single measure of profit whilst always a primary consideration needs to be balanced with all stakeholder interests and competing priorities. This approach resulted in the introduction of a new STI scheme (the Scheme) based on a balanced scorecard. Taking a balanced scorecard approach allows us to assess performance in a holistic way by measuring the four key drivers of performance, namely:

- Financial (50%)
- Strategy / Business Improvement (20% - 30%)
- Customer (10% - 15%)
- People (10% - 15%)

4. Remuneration Report – Audited (continued)

In considering the needs of the shareholder this approach takes a prospective view of performance and rewards not only for the financial performance in any given year but also for ensuring those results are sustainable and in the long term interest of shareholders.

The significant weighting of financial outcomes with a minimum of 50% ensures the strong link between actual financial performance and incentive paid is maintained. A minimum Group Profit Before Tax (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 executives will be at the Board's discretion.

Setting performance levels at target and stretch is a critical element of the STI scheme. They support continuous improvement and are correlated with the overall Group target and the contribution of each executive. Accordingly, the performance required at each "target" (100%) level, is equivalent to the budget for each available measure. The performance required at the "Stretch" level (150%) is equivalent to the strategic plan levels for each available measure.

The Committee governed the scheme design, KPI and target setting and held discretion over the outcomes.

The principles and key elements of the Scheme are as per Table 2 below:

Table 2:

Principles	Elements of the scheme satisfies the principles
Alignment of remuneration arrangements with the delivery of sustainable value to the Group's shareholders.	• The induction of a formulaic scorecard allows the Group to appropriately balance short and long term financial outcomes and have this recognised in the reward to executives. The Board's discretion to take into account extraordinary items provides the ability to support that appropriate outcomes are achieved. • Decouples the link between fixed remuneration and STI target. • The use of year-on-year financial hurdles are designed to ensure that incentives are affordable and not disproportionately dilutive to overall profit. Minimum performance hurdle established. • Capping of STI payments at 150% of target.
Market competitiveness.	• The application of targets will anchor STI and therefore total cash at the desired market position with potential upside to a more aggressive position.
Maintain a pay for performance environment through linking incentive pay opportunities to the achievement of specific, measurable business goals.	• The creation of measurable scorecards coupled with the use of target and stretch elements to encourage outperformance.
Be fair and valued by executives, reflect performance both at the individual and company level but must not reward executives for failure.	• STI targets are common at an executive level and provide transparent line of sight between performance at target and stretch and reward opportunity. It provides the optimum balance between achievability and performance. • Having a minimum Group performance standard across all scorecards supports the appropriate mix of Group and individual measures. • Importantly, target does not equate to minimum and under-performance will be reflected in the scorecard with zero possible.

(ii) Performance-based 'At Risk' Remuneration and Evaluating the Performance of Senior Executives in 2017

Variable or 'at-risk' remuneration forms a significant portion of the executive KMP remuneration opportunity. The purpose of variable remuneration is to direct executives' behaviours towards maximising the Group's short-term performance. The key aspects are summarised in Table 3 below:

Table 3:

Plan	STI awards are made under the Super Retail Group Short Term Incentive Scheme.
Participation	The Group Managing Director and Chief Executive Officer 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 creation of shareholder value. The primary financial measure is Group PBT combined with Divisional EBIT (where appropriate). In addition, a balance of non-financial measures are included on executing key objectives such as business improvement, customer and people, which are aligned to the Group's business plan.
Performance Period	The performance period is for 12 months ending 1 July 2017.
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 executives will be at the Board's discretion.

4. Remuneration Report – Audited (continued)

Performance Targets	The achievement of individual KPI targets (independent of profit performance) shall determine the proportion of the potential bonus entitlement that will be granted. During the 2017 financial year, following the review of the scheme, existing 2017 business performance targets were translated into the new scheme KPIs. These goals are specific to the individual and aligned to the Group's strategic plan.

Measures	Category	Weighting (% of STI)	Performance Goals
Financial	Financial	50%	Net Profit Before Tax (PBT) Working Capital Efficiency
	Business Improvement	20-30%	Supply Chain Optimisation Business Transformation BCF Earnings (EBIT)
Non-Financial	Customer	10-15%	Net Promotor Score (NPS)
	People	10-15%	Lost Time Injury Frequency Rate (LTIFR) Employee Engagement

2017 Target & Maximum Stretch Opportunity	For the Group Managing Director and Chief Executive Officer and other executive KMP, the target STI opportunity is 100% of target, 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. Importantly, the threshold is set higher than prior year performance thereby maintaining a key principle of year on year improvement.
Use of Discretion	The Human Resources and Remuneration Committee, in its advisory role, reviews proposed adjustments to STI outcomes where there are exceptional, unforeseen and uncontrollable impacts on the agreed performance measures and makes recommendations for any changes to performance measures, which may only be approved by the Board.
Governance and Approval Process	The Group Managing Director and Chief Executive Officer's STI is recommended by the Committee based on his balanced scorecard performance and is approved by the Board. The amount of STI paid to other executive KMP is recommended by the Group Managing Director and Chief Executive Officer to the Committee based on each executive's balanced scorecard performance and is recommended by the Committee for approval by the Board. The Board may apply discretion in determining the STI outcomes to ensure they are appropriate.
Payment Vehicle	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.

(iii) Company and Divisional Performance Measures

In designing the measures relating to the financial performance of the Group, three core drivers were considered – sustainable growth, profitability and operating efficiency. Net profit, earnings growth and working capital efficiency were determined to be the most appropriate and therefore all or a combination of, are detailed in each scorecard.

Insofar as profit is concerned, all executives hold PBT as the primary performance measure, noting that NPAT is a key driver of LTI outcomes and is used judiciously in that instrument as it provides a purer alignment to the returns to shareholders.

All scorecards carry a weighting of 50% for pure financial metrics and all scorecards have an element of Group financial performance and for the Managing Directors of each Division, Divisional EBIT.

An important consideration in the Business Improvement category was for the measures to be appropriately balanced between immediate business priorities and longer term strategic initiatives. Each executive KMP has measures accordingly.

For the year to 1 July 2017, the normalised profit before tax target was set at $184.1 million, 18.1% higher than the normalised profit before tax achieved in the period to 2 July 2016 of $155.9 million. This target was exceeded and therefore the gateway was also met. The Divisional profit is measured by segment EBIT performance against budget. In the year to 1 July 2017, the Auto and Sports Divisions achieved their budgets while the Leisure Division did not achieve its budgeted EBIT.

(iv) Executive Performance Objectives and Outcomes for 2017

The individual KPIs and 2017 achievement as determined by the Human Resources and Remuneration Committee for the Group Managing Director and Chief Executive Officer were as per Table 4 below:

4. Remuneration Report – Audited (continued)

Table 4:

Measure	Description of Measure	Weighting	Actual Performance Range: Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	Commentary on Performance
1. Financial Measures:								
Financial	Net Profit Before Tax (PBT)	35%				✓		In 2017, the Group's normalised profit before tax outcome was $190.5m. This exceeded the target and represents a 22% year-on-year performance improvement. This is a significant improvement to performance from prior years.
	Working Capital Efficiency – Inventory Investment to Sales	15%		✓				Year-end result was slightly hampered by stock investment in stores yet to open.
Business Improvement	Supply Chain Optimisation – Cost per Unit	20%		✓				Whilst there was a 10% year-on-year improvement it fell slightly below target.
	Transformation of Rays				✓			Successful execution of the closure of Ray's Outdoors and trialling of new Rays format.
	BCF Earnings (EBIT)						✓	Earnings up 19% year-on-year.
2. Non-Financial Measures:								
Customer	Customer Centricity - Net Promotor Score (NPS)	15%					✓	NPS result represents a significant improvement of 23% year-on-year.
People	Lost Time Injury Frequency Rate (LTIFR)	15%		✓				Whilst slightly below target, a 17% year-on-year improvement has been achieved.
	Level of Employee Engagement		✓					Engagement levels remain flat from the prior corresponding period.

The overall outcome for the Group Managing Director and Chief Executive Officer was assessed by the Board to be a performance level of 103%, driven by outperformance in the financial measures and impacted by underperformance in LTIFR and no movement in the Employee Engagement score. As a point of calibration, in the 2017 financial year, the Group's normalised profit before tax outcome was $190.5m. This exceeded the target by 3.4% and represents a 22% year-on-year performance improvement.

In considering the outcomes, the following are noted:

- ***Performance*** – A scorecard outcome of 103% is an above target ($820,000) outcome resulting in a payment of $844,600. This result is 69% of earning potential (100% of fixed at $1.23 million) for delivering a 20% year-on-year improved profit performance and therefore the result is robust, fair and appropriate.
- ***Comparison to Prior Scheme*** – A key feature of the Board's decision to implement a new scheme was that in the first year (2017), a no disadvantage test would be applied by considering what the same result would return on the prior scheme. Under the previous STI scheme, this same PBT outcome would translate into a bonus outcome of $738,000 or 60% of the maximum earning potential.

The individual KPIs and 2017 achievement as determined by the Human Resources and Remuneration Committee for the executive KMP were as per Table 5 below:

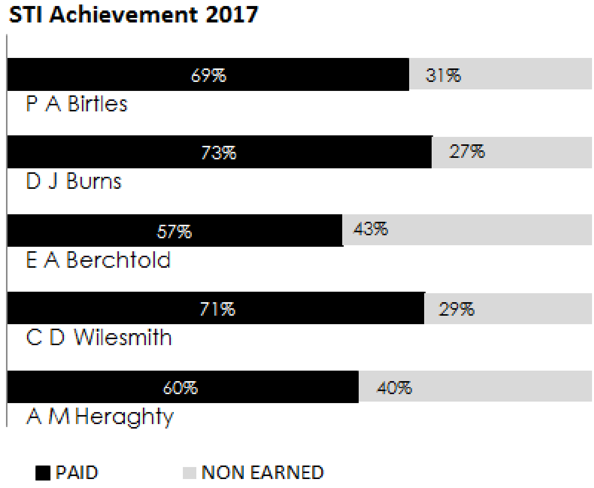
Table 5:

Name	Company Measures: Financial (50%)	Business Improvement (20%)	Customer (15%)	People (15%)	STI Total %
D Burns	Target	Target to stretch	Target to stretch	Threshold to target	109%
E Berchtold	Threshold to target	Threshold to target	Target	Threshold to target	86%
C Wilesmith	Target to stretch	Threshold to target	Stretch	Threshold to target	107%
A Heraghty	Threshold to target	Target to stretch	Target	Threshold to target	90%

4. Remuneration Report – Audited (continued)

Tables 4 and 5 are shown graphically in Figure 2.

Figure 2:



In considering the outcomes, the following is noted:

- ***Position to Market*** – The collective average outcome will position the executive KMP between the median and the 3rd quartile for awarded STI (market capitalization comparator group). This positioning is in line with our Remuneration philosophy and recognises the strong performance in a challenging year for the sector.

The Committee has again this year considered the deferral of a portion of the STI award into equity. This has not been introduced due to the Board's assessment that:

- the nature of the business is one where revenue is not dependent on long term contracts;
- the Group has a strong risk management framework;
- STI payment arrangements are reasonable and the Group can demonstrate a clear link between STI payments and the Group performance over a number of years; and
- deferral of STI and part payment in equity may cause confusion between STI and LTI arrangements.

(c) Long Term Incentive (LTI)

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.

In October 2009, the Group's shareholders approved the establishment of the Super Retail Group Limited Performance Rights Plan (Plan). The Plan is an at-risk component of executive remuneration under which an equity award may be provided to executives based on the achievement of specific performance measures, linking the long-term remuneration of executive KMP and other executives with the economic benefit derived by shareholders over a three to five year performance period. Participation in the Plan is by invitation only as determined by the Board. The key attributes of the Group's LTI Plan are provided in Table 6 below:

Table 6:

Plan	LTI awards are granted under the Super Retail Group Employee Performance Rights Plan.
Participation	The Plan allows for the annual grant of Performance Rights to executive KMP and other executives.
Purpose	The Plan aligns executive remuneration with the creation of shareholder value. This is achieved through the use of both Earnings Per Share (EPS) Compound Annual Growth and Return on Capital (ROC). The Plan has also been designed to act as a retention mechanism, and to encourage executive KMP and other executives to build and retain the Group's shares over the long term. The Super Retail Employee Performance Rights Plan Rules are available on the Group's website.
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 Structure outlined above, and have a value of between 50% and 100% of their base salary. 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 (VWAP) for Super Retail Group shares traded on the ASX on the five trading days from, and including 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 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 2017 awards, this is the three year period from 1 July 2017 to 30 June 2020.

4. Remuneration Report – Audited (continued)

<table>
<tr><td>Performance Hurdles and Vesting Schedules</td><td>Equity grants to executive KMP and other executives are in two equal tranches of 50% to growth in EPS and 50% to averaged ROC. The performance conditions are:
<table>
<tr><th>Measure</th><th>Normalised EPS CAGR</th><th>Averaged ROC</th></tr>
<tr><td>Weight</td><td>50%</td><td>50%</td></tr>
<tr><td>Nature</td><td>Growth of Group</td><td>Group Absolute</td></tr>
<tr><td>Performance Zone
(Threshold to Maximum)</td><td>10% to 15% compound annual growth</td><td>12% to 15% annual average</td></tr>
<tr><td>Payout</td><td>Below threshold (<10%):
0% of elements vested
Threshold (10%):
50% of elements vested
Maximum of above (15%):
100% of elements vested
Straight-line vesting:
Between threshold (10%) and maximum (15%)</td><td>Below threshold (<12%):
0% of elements vested
Threshold (12%):
50% of elements vested
Maximum of above (15%):
100% of elements vested
Straight-line vesting:
Between threshold (12%) and maximum (15%)</td></tr>
<tr><td>Performance Period</td><td colspan="2">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:

<table>
<tr><th>Time after grant of Performance Rights:</th><th>Percentage of Performance Rights that vest:</th></tr>
<tr><td>3 years</td><td>50%</td></tr>
<tr><td>4 years</td><td>25%</td></tr>
<tr><td>5 years</td><td>25%</td></tr>
</table></td></tr>
</table>
Under these performance hurdles, for the plan to achieve 100% vesting, the cumulative EPS growth must be at least 15%, and ROC must average at least 15%.
For performance rights granted since 2016 the averaged ROC performance hurdle has changed as follows:

If the averaged ROC is 10%, then 30% of the Performance Rights will be available to vest;
If the averaged ROC is 12%, then 50% of the Performance Rights will be available to vest; or
If the averaged ROC is 15%, then 100% of the Performance Rights will be available to vest.

Performance Rights will vest on a pro rata basis between these averaged ROC ranges.</td></tr>
<tr><td>Testing and Time Restrictions</td><td>At the end of three financial years, equity grants are tested against the performance hurdles set. 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.</td></tr>
<tr><td>Dividends and Voting Rights</td><td>Performance Rights do not carry voting or dividend rights.</td></tr>
<tr><td>Hedging Arrangements</td><td>Participating executives are prohibited from entering into any hedging arrangements in relation to Performance Rights.</td></tr>
<tr><td>Clawback Policy</td><td>The Group implemented a Clawback Policy to meet good governance practice. The policy is available on the Group's website. There have been no circumstances to date where the policy was invoked.</td></tr>
<tr><td>Termination Provisions</td><td>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 plans to exercise its discretion where an employee leaves due to retirement, retrenchment or redundancy, or termination by mutual consent. The employee may 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 employees' departure the Performance Rights would only be available to vest to the extent that the performance conditions are met. Where an employee leaves due to resignation or termination with cause, all unvested Performance Rights will lapse.</td></tr>
<tr><td>Change of Control Provisions</td><td>Any unvested Performance Rights may vest at the Board's discretion, having regard to pro-rated performance.</td></tr>
</table>

The Plan allows for the annual grant of Performance Rights to executive KMP and other executives. The grant of Performance Rights entitles the executive to be granted an equivalent number of shares upon vesting of those Performance Rights. The vesting of Performance Rights is subject to the satisfaction of performance conditions and service conditions as detailed in the Super Retail Employee Performance Rights Plan Rules and can be viewed in the Investor Centre, Corporate Governance section of the Group's website, www.superretailgroup.com.

Section 5: 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 demands which are made on them and the responsibilities of the position. Non-Executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees that they serve.

4. Remuneration Report – Audited (continued)

The Human Resources and Remuneration 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. 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' Fees are determined within an aggregate Directors' fee pool approved by shareholders. The current fee pool of $1,200,000 per annum was approved at the Annual General Meeting on 23 October 2013. This pool facilitates board succession and regeneration. No increase in the pool is proposed for the 2018 financial year.

(a) Directors' Fees

The fees paid to Non-Executive Directors are set out in Table 7 below and are annual fees, inclusive of superannuation, unless otherwise stated.

Table 7:

Annual Fees	Board	Audit and Risk Committee[2]	Human Resources and Remuneration Committee[2]
Chair[1]	$307,500	$25,000	$25,000
Members	$138,375	$10,000	$10,000

[1] Committee fees are not paid to the Chair.
[2] Committee fees are not paid to members of the Nomination Committee.

Section 6: Relationship of Remuneration to Group Performance

The STI scheme operates to create a clear link between executive remuneration and the Group's annual performance, motivating and rewarding the Managing Director and Chief Executive Officer and executive KMP for performance during the year.

The performance of the Group and remuneration paid to KMP over the last 6 years is summarised in Table 8 below:

Table 8:

Financial performance	2012	2013	2014	2015[1]	2016[2]	2017	CAGR[3]
Sales ($m)	1,654.1	2,020.0	2,112.1	2,238.7	2,422.2	**2,465.8**	8%
Normalised Profit before tax ($m)	134.3	163.0	158.6	148.6	155.9	**190.5**	7%
Normalised Post Tax ROC (%)	15.9	12.6	11.3	10.6	10.7	**13.0**	
Shareholder value created							
Normalised Earnings Per Share(¢)	53.7	58.1	55.1	54.0	55.1	**68.9**	5%
Dividends Per Share (¢)	32.0	38.0	40.0	40.0	41.5	**46.5**	8%
June Share Price ($)	7.19	11.97	8.46	9.40	8.77	**8.20**	3%

[1] Results from continuing operations.
[2] 2016 is a 53 week reporting period compared to 52 weeks for the other 5 years.
[3] Percentage movement shown is the Compound Annual Growth Rate over the last 5 years.

Table 9:

Remuneration Expense of Key Management Personnel

	2012 $m	2013 $m	2014 $m	2015 $m	2016[1] $m	2017 $m
Base Salary Package	3.1	3.9	4.8	4.9	5.4	**5.1**
Short Term Incentive	1.1	1.5	0.4	0.4	0.8	**2.1**
Long Term Incentive	1.1	1.5	0.4	0.1	0.5	**1.1**
Total	5.3	6.9	5.6	5.4	6.7	**8.3**

[1] 2016 is a 53 week reporting period compared to 52 weeks for the other 5 years and excludes "Other" remuneration.

Since 2012 normalised earnings per share has increased by 28.1%, dividends per share have increased by 34.4% and the share price has increased by 14.0% demonstrating a balance between strategic growth and shareholder value.

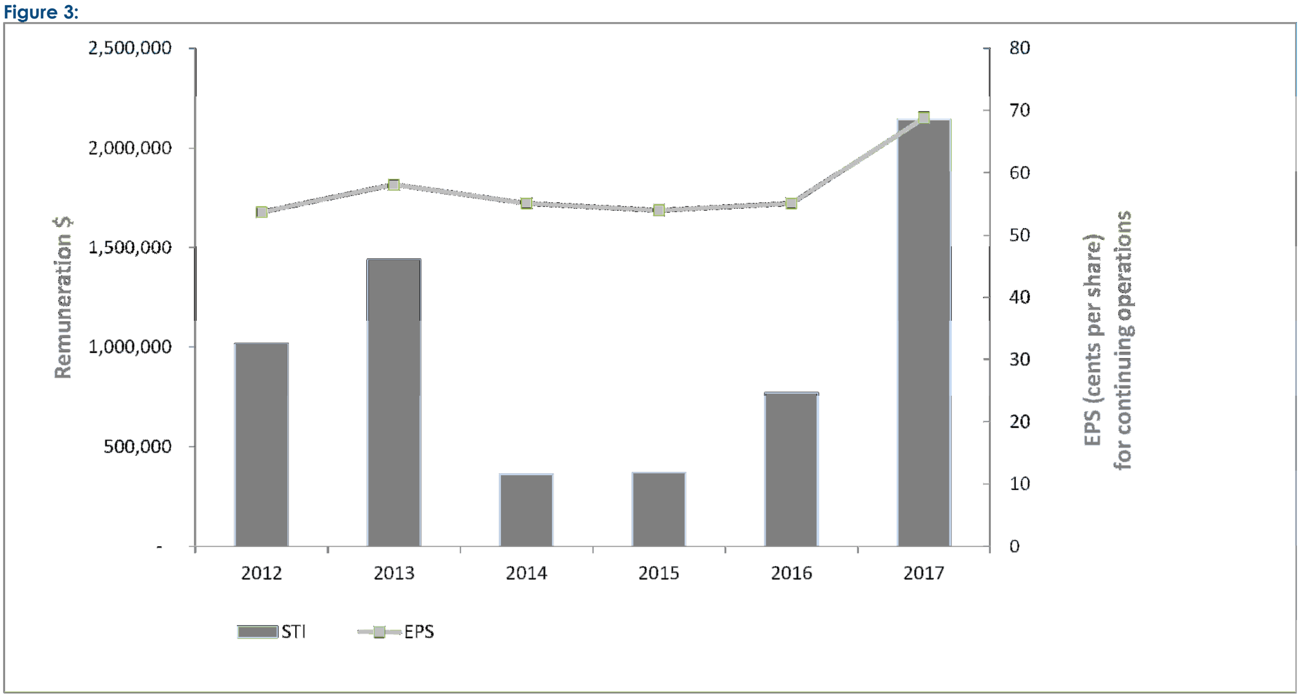
During the same period, total remuneration paid to KMP has increased by 56.6% whilst total base salary has increased by 64.5%. During this period the number of executive KMP decreased from 6 to 5 which impacts year on year comparisons. The amount of total remuneration is significantly impacted by the 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 3.9% in 2012 and has increased to 4.4% in 2017.

4. Remuneration Report – Audited (continued)

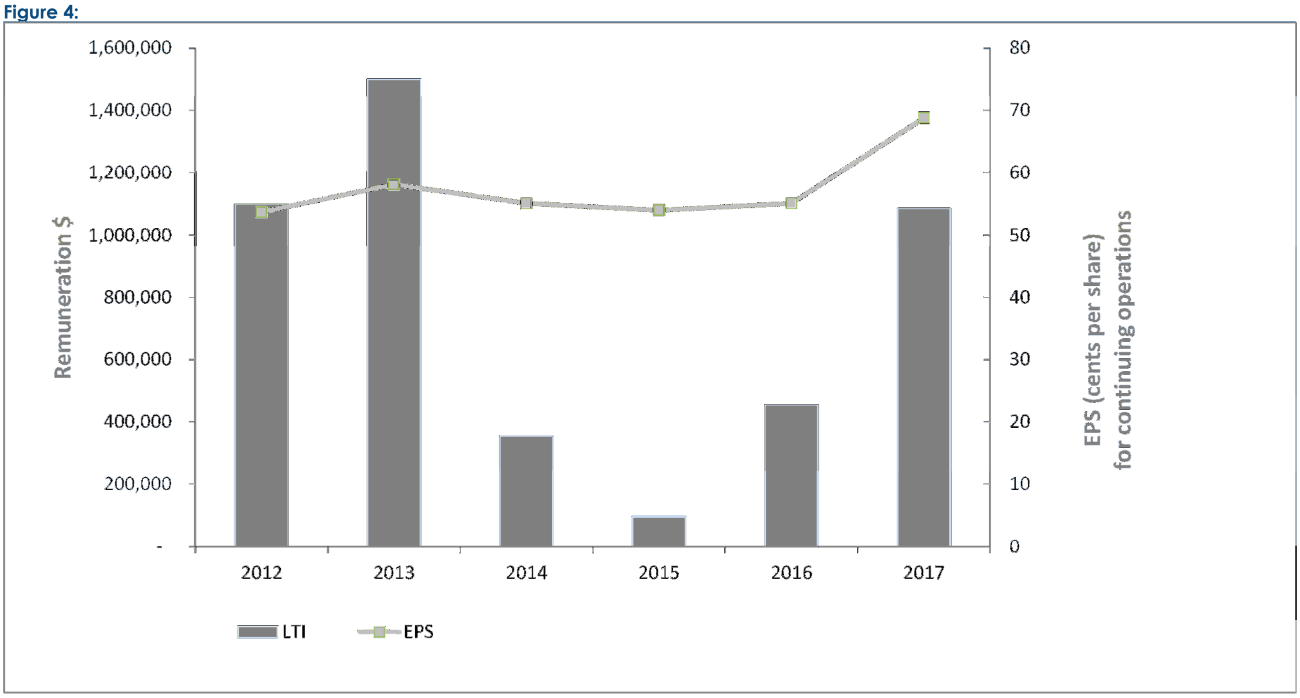
KMP STI paid compared to EPS over the last 6 financial years:

Figure 3:



KMP LTI expense compared to EPS over the last 6 financial years:

Figure 4:



DIRECTORS' REPORT (continued)

4. Remuneration Report – Audited (continued)

Section 7: Remuneration Outcomes for 2017

Details of the remuneration of the Directors and KMP of the Group are set out in Table 10 below:

Table 10: 2017	Short-term Benefits			Post-employment	Share-based		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Performance Rights [1] $	Other [2] $	Total [3] $
Non-Executive							
R J Wright	287,884	-	-	19,616	-	-	307,500
R A Rowe	104,074	-	-	34,301	-	-	138,375
R J Skippen[4]	52,778	-	-	5,014	-	-	57,792
S A Pitkin	158,333	-	-	15,042	-	-	173,375
D J Eilert	144,635	-	-	13,740	-	-	158,375
L K Inman[5]	168,657	-	-	-	-	-	168,657
H L Mowlem[6]	7,296	-	-	693	-	-	7,989
Subtotal	923,657	-	-	88,406	-	-	1,012,063
Executive Director							
P A Birtles	1,206,744	844,600	3,640	19,616	418,069	(7,335)	2,485,334
Other KMP							
D J Burns	625,384	272,500	-	19,616	122,121	10,471	1,050,092
E A Berchtold	635,384	331,100	30,000	19,616	163,274	(7,049)	1,172,325
C D Wilesmith	612,384	428,000	48,000	19,616	159,488	50,022	1,317,510
A M Heraghty	648,351	279,000	102,033	19,616	222,476	(12,566)	1,258,910
G G Carroll[7]	28,886	-	-	3,989	-	-	32,875
Subtotal	3,757,133	2,155,200	183,673	102,069	1,085,428	33,543	7,317,046
Total	4,680,790	2,155,200	183,673	190,475	1,085,428	33,543	8,329,109

2016	Short-term Benefits			Post-employment	Share-based		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Performance Rights [1] $	Other [2] $	Total [3] (53 weeks) $
Non-Executive							
R J Wright	280,692	-	-	19,308	-	-	300,000
R A Rowe	105,215	-	-	33,952	-	-	139,167
R J Skippen	155,251	-	-	14,749	-	-	170,000
S A Pitkin	150,685	-	-	14,315	-	-	165,000
D J Eilert[8]	96,640	-	-	9,181	-	-	105,821
L K Inman[8]	105,821	-	-	-	-	-	105,821
Subtotal	894,304	-	-	91,505	-	-	985,809
Executive Director							
P A Birtles	1,199,688	120,000	3,710	21,465	174,321	28,985	1,548,169
Other KMP							
D J Burns	617,340	125,000	-	20,414	53,158	3,833	819,745
E A Berchtold	612,244	229,255	30,577	20,460	72,131	33,354	998,021
C D Wilesmith	567,513	170,100	48,923	26,336	72,980	(14,887)	870,965
A M Heraghty	690,431	75,000	54,047	20,643	120,024	340,297	1,300,442
G G Carroll	510,321	52,000	-	20,223	(39,424)	18,561	561,681
Subtotal	4,197,537	771,355	137,257	129,541	453,190	410,143	6,099,023
Total	5,091,841	771,355	137,257	221,046	453,190	410,143	7,084,832

(1) As a result of confirming that prior issues of Performance Rights will not vest into shares, the Performance Rights value includes the reversal of amounts reported in prior periods. This results in certain positions displaying as negative values.
(2) Includes accruals for annual leave and long service leave entitlements, and a sign-on bonus based on successful completion of probation period in lieu of forgone incentives from previous employer of $300,000 paid to A M Heraghty in 2016.
(3) The reporting period of 3 July 2016 to 1 July 2017 is a period representing 52 weeks, compared to the comparative reporting period 28 June 2015 to 2 July 2016 representing 53 weeks, which has resulted in a $0.1 million decrease in expense for the period.
(4) R J Skippen retired effective 24 October 2016.
(5) L K Inman commenced as Chair of the Audit & Risk Committee on 24 October 2016.
(6) H L Mowlem commenced as KMP on 13 June 2017.
(7) G G Carroll resigned effective 22 July 2016 and ceased as KMP on this date.
(8) D J Eilert and L K Inman commenced as KMP on 21 October 2015.

(a) Remuneration related to performance

Both STI and LTI are awarded based on performance. The achievement rates of both STI and LTI are detailed below, indicating the relative proportions paid and forfeited linked to each performance based remuneration.

4. Remuneration Report – Audited (continued)

(i) Short Term Incentives

STI is dependent on the satisfaction of performance conditions as set out in Section 4(b). The 2017 STI cash bonus was awarded on 24 August 2017. No part of the bonuses are payable in future years.

As noted previously, the Committee reviewed the performance objectives and weightings for 2017 to ensure continued alignment with the Group's strategy. During the transition, the reward outcomes for 2017 took into account both the new arrangements and what would have been payable previously to ensure no disadvantage, and calculated the final outcome using the old scheme as a reference point.

(ii) Long Term Incentives

LTI is dependent on the satisfaction of performance conditions and service conditions as set out in Section 4(c).

Table 11:

Vesting Outcomes for LTI Performance Rights Granted for the 2013 to 2015 financial periods

Grant Date	Financial Results determining vesting	EPS 3 Year CAGR	Vested	Forfeited	ROC Averaged	Vested	Forfeited
August 2012	June 2015	5.2%	nil	100%	11.5%	nil	100%
August 2013	June 2016	1.7%	nil	100%	10.9%	nil	100%
August 2014	June 2017	7.7%	nil	100%	11.4%	nil	100%

Performance Rights have not vested for the last three years due to the EPS and ROC performance conditions not being achieved.

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 KMP, including their related parties is as per Table 12 below:

Table 12:

	Held at 2 July 2016	Granted[1]	Vested	Other Changes[2]	Held at 1 July 2017[3]	Value of Performance Rights granted in year	Financial year in which grant vests
2017	**Number**	**Number**	**Number**	**Number**	**Number**	**$**	**Year**
P A Birtles							
2012	15,825	-	(15,825)	-	-	n/a	2017
2014	110,000	-	-	(110,000)	-	n/a	2017, 2018, 2019
2015[4]	100,000	-	-	-	100,000	n/a	2018, 2019, 2020
2016	104,516	-	-	-	104,516	n/a	2019, 2020, 2021
2017	-	117,031	-	-	117,031	935,078	2020, 2021, 2022
D J Burns							
2014	21,615	-	-	(21,615)	-	n/a	2017, 2018, 2019
2015[4]	32,017	-	-	-	32,017	n/a	2018, 2019, 2020
2016	34,994	-	-	-	34,994	n/a	2019, 2020, 2021
2017	-	30,685	-	-	30,685	245,173	2020, 2021, 2022
E A Berchtold							
2014	26,137	-	-	(26,137)	-	n/a	2017, 2018, 2019
2015[4]	37,519	-	-	-	37,519	n/a	2018, 2019, 2020
2016	45,291	-	-	-	45,291	n/a	2019, 2020, 2021
2017	-	40,554	-	-	40,554	324,026	2020, 2021, 2022
C D Wilesmith							
2012	2,167	-	(2,167)	-	-	n/a	2017
2014	22,838	-	-	(22,838)	-	n/a	2017, 2018, 2019
2015[4]	35,859	-	-	-	35,859	n/a	2018, 2019, 2020
2016	43,897	-	-	-	43,897	n/a	2019, 2020, 2021
2017	-	39,666	-	-	39,666	316,931	2020, 2021, 2022
A M Heraghty							
2016	52,258	-	-	-	52,258	n/a	2019, 2020, 2021
2017	-	45,586	-	-	45,586	364,232	2020, 2021, 2022
G G Carroll							
2012	4,872	-	(4,872)	-	-	n/a	2017
2014	18,760	-	-	(18,760)	-	n/a	2017, 2018, 2019
2015[4]	26,681	-	-	(26,681)	-	n/a	2018, 2019, 2020
2016	29,115	-	-	(29,115)	-	n/a	2019, 2020, 2021

[1] Performance Rights provided as remuneration to each of the KMP of the Group during the financial year.

[2] Other changes represent Performance Rights that lapsed or were forfeited during the financial year.

[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 be forfeited in August 2017 due to performance conditions not being satisfied.

4. Remuneration Report – Audited (continued)

The Performance Rights granted in the current reporting period were valued using a fair value of $7.99. The Performance Rights are expensed over a five year period in line with the vesting conditions of the Performance Rights; refer to Section 4(c), for details of these vesting conditions. 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 2017 financial year.

Option over equity instruments of Super Retail Group Limited
No Options were granted or vested during the financial year.

Section 8: Remuneration Changes for 2018

(a) Approach for 2018

In the 2018 year, the Human Resources and Remuneration Committee will continue to refine all elements of total reward to ensure they are aligned to the creation of short and long term shareholder value and that they are market competitive.

(b) Total Reward Structure – Group Managing Director and Chief Executive Officer

The Board has reviewed the total reward structure for Group Managing Director and Chief Executive Officer to ensure that there is an appropriate amount 'at risk' based on performance. A 2% pay increase will apply for 2018. The maximum earning potential for STI has increased by 2% at the stretch level. In determining the target level for STI, the Board determined the target would be $1.0 million.

(c) Base Salary and Short Term Incentive Package

This year, the comparator benchmarks show that overall executive KMP base salary and short term incentive packages for the 2018 year will be in line with the market median with individual KMP base salary and short term incentive packages varying from 108% to 111% of the respective market median. Overall executive KMP base salary packages will increase by 2.1% in the 2018 year.

(d) Long Term Incentive (LTI) – Performance Hurdle

A review of the Long Term Incentive Plan will be undertaken by the Human Resources and Remuneration Committee during the next twelve months. This will ensure that key features of the plan, such as measures and targets, are balanced and appropriate, achieve continuing alignment of the Group's approach to remuneration with its business objectives, and remain challenging and in line with financial forecasts.

(e) Non-Executive Directors' Fees

Directors board fees (excluding committee fees) will increase by 2%.

Section 9: Service Agreements

Remuneration and other terms of employment for 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 in Section 10.

All contracts with executive KMP may be terminated early by either party with three months notice, subject to termination payments as detailed in Table 13 below:

Table 13:

Name	Term of Agreement	Agreement Commencement Date(1)	Review Term(2)	Termination payment	Commencement date with Super Retail Group
P A Birtles	Ongoing	1 December 2016	Annual	12 months(3)	30 April 2001
D J Burns	5 years, 10 months	3 December 2012	Annual	6 months(4)	3 December 2012
E A Berchtold	Ongoing	15 May 2017	Annual	6 months(4)	5 November 2011
C D Wilesmith	5 years, 3 months	1 July 2013	Annual	6 months(4)	18 September 2007
A M Heraghty	4 years, 8 months	27 April 2015	Annual	6 months(3)	27 April 2015

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

4. Remuneration Report – Audited (continued)

Section 10: Period of Restraint

The majority of the above executive KMP have the following post-employment restraints within their service contracts.

After cessation of employment for any reason, for the period set out in Table 14 below, 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.

Table 14:

Ref:	Post-employment Restraints	Period
A	Solicit or compete for the custom of or engage or be involved in any business with any person, firm or corporation who or which was a customer, supplier, or client of the Company at any time during the 12 months preceding the cessation of the employment with the Company and with whom the employee had contact with, or gained knowledge of, in the course of carrying out the employee's duties for the Company;	12 months
B	Engage or be involved in any capacity in any entity, firm or corporation which competes with the Company in connection with the said business;	9 months
C	Interfere with, disrupt, attempt to disrupt the relationship, contractual or otherwise, between any member of the Group and any of the Group's customers, suppliers, or potential customers or potential suppliers, with whom the employee had contact with, or gained knowledge of, at any time during the 12 month preceding the cessation of employment in the course of carrying out duties for the Company; or	6 months
D	Induce, encourage or solicit any person who is an employee, contractor or agent of any member of the Group, with whom the employee had contact with during the 12 months preceding the cessation of the employment in the course of carrying out duties for the Company, to terminate their employment or engagement with any member of the Group.	3 months

Section 11: Additional Information

(a) Minimum Securities Holding Policy

Commencing from the 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 Managing Director and Chief Executive Officer to be 150% of one year's pre-tax base salary, and for other executive KMP 100% of one year's pre-tax base salary. This is to be achieved by the later of October 2020 or within five years from the commencement of employment. This is to further align the interest of Non-Executive Directors and executive KMP with those of shareholders.

The minimum number of securities to be held shall be reduced relative to the Performance Rights tested under the LTI Plan, over the five year period. The adjusted minimum security holding requirement shall be three-quarters of the quantum of the Performance Rights attributable to the executive KMP. The reduction in the minimum number of securities to be held under the minimum securities holding policy shall have the effect of extending the timeframe for acquisition. The adjusted minimum security holding requirement shall be increased each year by three-quarters of the required quantum until the minimum holding is achieved.

(b) Equity instruments held by KMP

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

Table 15 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 1 July 2017 on the exercise of Options.

Table 15:

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]
P A Birtles	Performance Rights	15,825	162,523
D J Burns	Performance Rights	-	-
E A Berchtold	Performance Rights	-	-
C D Wilesmith	Performance Rights	2,167	22,255
A M Heraghty	n/a	n/a	n/a
G G Carroll	Performance Rights	4,872	50,035
Total		**22,864**	**234,813**

[1] A M Heraghty was not an employee of the Company at the time of the grant of performance rights detailed above and was therefore not eligible to participate in these incentive schemes.
[2] Refer to Section 4(c) - Long Term Incentives.
[3] The 2012 grant was exercised on 1 September 2016, with the 2013 and 2014 grants lapsing due to hurdles not being met.
[4] The value at exercise date for Performance Rights was determined using the Group share price of $10.27.

4. Remuneration Report – Audited (continued)

(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 KMP, including their related parties is as per Table 16 below:

Table 16:

2017	Held at 2 July 2016	Granted[1]	Purchases	In lieu of dividends[2]	Sales	Held at 1 July 2017
Non-Executive Directors:						
R J Wright	107,001	-	-	-	(38,000)	69,001
R A Rowe	59,876,285	-	-	547,132	(510,750)	59,912,667
S A Pitkin	26,453	-	-	-	-	26,453
D J Eilert	-	-	4,500	-	-	4,500
L K Inman	5,241	-	-	-	-	5,241
H L Mowlem	-	-	-	-	-	-
Executive Director:						
P A Birtles	1,392,596	15,825	-	-	-	1,408,421
Other KMP:						
D J Burns	-	-	1,000	-	-	1,000
E A Berchtold	-	-	-	-	-	-
C D Wilesmith	1,286	2,167	-	97	-	3,550
A M Heraghty	-	-	-	-	-	-
G G Carroll	60,000	4,872	-	-	(44,872)	20,000

[1] Granted on exercise of performance rights awarded under the Group's Performance Rights and Options plans.
[2] Shareholders are eligible to receive dividends in cash or choose to participate in the dividend reinvestment plan.

(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 Table 17 below:

Table 17:

Grant date	Vesting Date	Value per Performance Right at Grant Date	Number of Performance Rights
1 September 2012	[1]	$7.95	-
1 September 2013	[1]	$10.83	-
1 September 2014	[1]	$6.03	-
1 September 2015	[1]	$8.17	526,500
1 September 2016	[1]	$7.99	551,775
Total			**1,078,275**

[1] Performance Rights vest progressively three to five years after grant date and have no expiry date. Refer to Section 4(c), for details of these vesting conditions.

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.

(c) Loans to KMP and their Related Parties

There are no loans to KMP and their related parties as at 1 July 2017 and no loans were made during the financial year.

(d) Other Transactions with KMP

KMP may hold positions in other companies that transacted with the Group in the reporting period. Refer to note 22 to the consolidated financial statements, Related Party Transactions, for further details.

(e) Insurance of Officers

During the financial year, the Group paid a premium of $118,597 (2016: $91,839) 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.

5. 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:

	2017 $	2016 $
Audit Services		
PricewaterhouseCoopers Australian firm:		
Remuneration for audit and review services	**492,100**	423,700
Audit of subsidiaries[1]	**-**	88,230
Other assurance[2]	**191,700**	53,500
Total remuneration for audit and review services	**683,800**	565,430
Taxation and Other Services		
PricewaterhouseCoopers Australian firm:		
Taxation Services[3]	**113,368**	215,834
Digital Innovation Support[4]	**-**	340,290
Business review of subsidiary	**50,000**	-
Network firms of PricewaterhouseCoopers Australia:		
Taxation Services	**66,803**	33,845
Total remuneration for non-audit services	**230,171**	589,969

[1] Audit and review of subsidiaries included in Group audit and review of financial statements in 2017.
[2] Increase due to Risk Appetite design services performed in 2017.
[3] Decrease due to indirect taxes review conducted in 2016.
[4] Engagement in relation to digital capability analysis and support awarded under a competitive tender.

6. 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 publically available on the Super Retail Group external website: http://www.superretailgroup.com

7. 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*.

8. 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 63.

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.

R J Wright
Chair

P A Birtles
Group Managing Director and
Chief Executive Officer

Brisbane
24 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Super Retail Group Limited for the year ended 1 July 2017, 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.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
24 August 2017

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 1 July 2017

	Notes	2017 $m	2016 $m
CONTINUING OPERATIONS			
Revenue from continuing operations		**2,465.8**	2,422.2
Other income from continuing operations		**1.4**	1.6
Total revenues and other income	5	**2,467.2**	2,423.8
Expenses			
Cost of sales of goods		**(1,364.8)**	(1,372.4)
Other expenses from ordinary activities			
- selling and distribution		**(322.7)**	(313.5)
- marketing		**(83.8)**	(86.8)
- occupancy		**(194.8)**	(215.9)
- administration		**(343.5)**	(328.0)
Net finance costs	6	**(16.9)**	(19.4)
Total expenses		**(2,326.5)**	(2,336.0)
Profit before income tax		**140.7**	87.8
Income tax expense	13	**(40.2)**	(29.8)
Profit for the period		**100.5**	58.0
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		**101.8**	62.8
Non-controlling interests		**(1.3)**	(4.8)
		100.5	58.0
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	18	**3.4**	(7.5)
Exchange differences on translation of foreign operations	18	**(0.5)**	0.4
Other comprehensive income/(loss) for the period, net of tax		**2.9**	(7.1)
Total comprehensive income for the period		**103.4**	50.9
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		**104.7**	55.7
Non-controlling interests		**(1.3)**	(4.8)
		103.4	50.9
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	**51.6**	31.8
Diluted earnings per share	16	**51.3**	31.6

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

CONSOLIDATED BALANCE SHEET

As at 1 July 2017

	Notes	2017 $m	2016 $m
ASSETS			
Current assets			
Cash and cash equivalents		**19.9**	15.6
Trade and other receivables	7	**42.6**	42.7
Inventories	8	**481.5**	501.9
Total current assets		**544.0**	560.2
Non-current assets			
Property, plant and equipment	9	**264.5**	236.9
Intangible assets	10	**750.1**	772.4
Total non-current assets		**1,014.6**	1,009.3
Total assets		**1,558.6**	1,569.5
LIABILITIES			
Current liabilities			
Trade and other payables	11	**253.7**	251.1
Interest-bearing liabilities	12	**2.6**	5.7
Current tax liabilities	13	**1.5**	6.3
Provisions	14	**62.3**	58.7
Derivative financial instruments	15	**3.1**	8.0
Total current liabilities		**323.2**	329.8
Non-current liabilities			
Trade and other payables	11	**44.2**	41.7
Interest-bearing liabilities	12	**398.0**	410.1
Deferred tax liabilities	13	**17.1**	24.7
Provisions	14	**21.5**	29.2
Total non-current liabilities		**480.8**	505.7
Total liabilities		**804.0**	835.5
NET ASSETS		**754.6**	734.0
EQUITY			
Contributed equity	17	**542.3**	542.3
Reserves	18	**3.5**	(0.9)
Retained earnings	18	**210.7**	193.7
Capital and reserves attributable to owners of Super Retail Group Limited		**756.5**	735.1
Non-controlling interests		**(1.9)**	(1.1)
TOTAL EQUITY		**754.6**	734.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 1 July 2017

	Notes	Contributed Equity $m	Reserves $m	Retained Earnings $m	Total $m	Non-Controlling Interests $m	Total Equity $m
Balance at 27 June 2015		542.3	13.2	212.8	768.3	(3.0)	765.3
Profit for the period		-	-	62.8	62.8	(4.8)	58.0
Other comprehensive loss for the period		-	(7.1)	-	(7.1)	-	(7.1)
Total comprehensive income for the period		-	(7.1)	62.8	55.7	(4.8)	50.9
Transactions with owners in their capacity as owners							
Dividends provided for or paid	21	-	-	(81.9)	(81.9)	-	(81.9)
Employee performance rights	18	-	0.7	-	0.7	-	0.7
Change in ownership interest in controlled entities	23	-	(7.7)	-	(7.7)	6.7	(1.0)
		-	(7.0)	(81.9)	(88.9)	6.7	(82.2)
Balance at 2 July 2016		**542.3**	**(0.9)**	**193.7**	**735.1**	**(1.1)**	**734.0**
Profit for the period		**-**	**-**	**101.8**	**101.8**	**(1.3)**	**100.5**
Other comprehensive loss for the period		**-**	**2.9**	**-**	**2.9**	**-**	**2.9**
Total comprehensive income for the period		**-**	**2.9**	**101.8**	**104.7**	**(1.3)**	**103.4**
Transactions with owners in their capacity as owners							
Dividends provided for or paid	21	**-**	**-**	**(84.8)**	**(84.8)**	**-**	**(84.8)**
Employee performance rights	18	**-**	**2.0**	**-**	**2.0**	**-**	**2.0**
Change in ownership interest in controlled entities	23	**-**	**(0.5)**	**-**	**(0.5)**	**0.5**	**-**
		-	**1.5**	**(84.8)**	**(83.3)**	**0.5**	**(82.8)**
Balance at 1 July 2017		**542.3**	**3.5**	**210.7**	**756.5**	**(1.9)**	**754.6**

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 1 July 2017

	Notes	2017 $m	2016 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**2,733.7**	2,678.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,203.1)**	(2,216.3)
Rental payments			
- external		**(231.0)**	(247.2)
- related parties		**(11.4)**	(11.9)
Income taxes paid		**(53.7)**	(43.8)
Net cash inflow from operating activities	19	**234.5**	159.2
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		**(102.1)**	(79.9)
Proceeds from sale of property, plant and equipment		**0.9**	-
Net cash (outflow) from investing activities		**(101.2)**	(79.9)
Cash flows from financing activities			
Proceeds from borrowings		**930.0**	917.0
Repayment of borrowings		**(955.0)**	(892.0)
Finance lease payments		**(0.9)**	(1.7)
Interest paid		**(18.4)**	(18.5)
Interest received		**0.1**	0.1
Dividends paid to Company's shareholders	21	**(84.8)**	(81.9)
Net cash (outflow) from financing activities		**(129.0)**	(77.0)
Net increase / (decrease) in cash and cash equivalents		**4.3**	2.3
Cash and cash equivalents at the beginning of the period		**15.6**	13.1
Effects of exchange rate changes on cash and cash equivalents		**-**	0.2
Cash and cash equivalents at end of the period		**19.9**	15.6

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 1 July 2017

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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 1 July 2017 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, bicycles, bicycle accessories 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 1 July 2017 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. The acquisition method of accounting is used to account for business combinations by the Group (refer note 23 - Business combinations).

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, 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.

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iii) Business combinations (continued)

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.

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) Joint arrangements

Under *AASB 11 Joint Arrangements,* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures 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:

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(iii) Group companies (continued)

- 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.

(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 1 July 2017, the Group is reporting on the 52 week period that began 3 July 2016 and ended 1 July 2017. For the period to 2 July 2016, the Group is reporting on the 53 week period that began 28 June 2015 and ended 2 July 2016.

(g) New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory to the current reporting period and have not been early adopted by the Group as follows:

New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
AASB 9 Financial Instruments	1 July 2018	Addresses the classification, measurement and de-recognition of financial assets and financial liabilities and new rules for hedge accounting.	There are no significant impacts on its consolidated financial statements resulting from the application of AASB 9.
IFRS 15 Revenue from Contracts with Customers	1 July 2018	Establishes the reporting principles relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.	There are no significant impacts on its consolidated financial statements resulting from the application of IFRS 15.
IFRS 16 Leases	1 July 2019	Introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months where they are not considered of low value. A right-of-use asset will be recognised representing the right to use the underlying leased asset and a lease liability representing the obligations to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.	This standard will materially impact the Group's consolidated financial statements at transition and in future years, as the Group's operating leases (primarily in relation to store, distribution centre and office leases) are recognised on balance sheet. Rental expense currently recognised in the statement of financial performance will be replaced with depreciation and interest. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue.

2. Summary of significant accounting policies (continued)

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

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

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

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

Auto: retailing of auto parts and accessories, tools and equipment;
Leisure: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
Sports: retailing of sporting equipment, bicycles, bicycle accessories and apparel.

(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, non-continuing operations and impairment of intangible assets.

For the period ended 1 July 2017	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	**955.9**	**553.5**	**949.2**	**2,458.6**	**7.9**	**2,466.5**
Inter segment sales	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Other income	**0.2**	**0.3**	**0.5**	**1.0**	**0.4**	**1.4**
Total segment revenue and other income	**956.1**	**553.8**	**949.7**	**2,459.6**	**7.6**	**2,467.2**
Segment EBITDA[2]	**139.4**	**43.1**	**115.1**	**297.6**	**(19.6)**	**278.0**
Segment depreciation and amortisation[3]	**(28.4)**	**(17.7)**	**(23.8)**	**(69.9)**	**(0.8)**	**(70.7)**
Segment EBIT result	**111.0**	**25.4**	**91.3**	**227.7**	**(20.4)**	**207.3**
Net finance costs[4]						**(16.8)**
Total segment NPBT						**190.5**
Segment income tax expense[5]						**(54.7)**
Normalised NPAT						**135.8**
Other items not included in the total segment NPAT[6]						**(34.0)**
Profit for the period attributable to:						
Owners of Super Retail Group Limited						**101.8**
Non-controlling interests						**(1.3)**
Profit for the period						**100.5**

[1] Includes non-controlling interest (NCI) revenue of $1.5 million.
[2] Adjusted for NCI operating result of $1.8 million, business restructuring costs of $3.5 million and $37.3 million impairment charge for the Amart Sports and Goldcross Cycles brand names, refer note 10 – Intangible assets.
[3] Adjusted for NCI depreciation of $0.1 million, $7.7 million provision for asset impairment relating to business restructuring and $37.3 million of brand name impairment.
[4] Adjusted for NCI interest of $0.1 million.
[5] Segment income tax expense of $54.7 million excludes $14.5 million relating to the tax effect of business restructuring costs with a value of $48.5 million.
[6] Includes $48.5 million of business restructuring costs and the related income tax effect of $14.5 million.

Business restructuring - Sports

The Group has been undertaking a review of the strategy for its Sports Division recognising that the dynamics of the sports retail market are set to evolve in the next few years. As such the Group has concluded that the optimal strategy to sustain its position as the market leader in sports retailing will be to focus on building one retail brand. Therefore the Group will commence a program of converting all Amart Sports stores to Rebel with a target of presenting one brand to market by November 2017. As a result there have been $48.5 million of before tax business restructuring costs associated with the rebranding, comprising $37.3 million of brand name impairment, $7.7 million of Property, plant and equipment impairment and $3.5 million of other restructuring costs.

4. Segment information (continued)

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

For the period ended 2 July 2016	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	922.8	581.9	910.2	2,414.9	7.9	2,422.8
Inter segment sales	-	-	-	-	(0.6)	(0.6)
Other income	-	-	0.9	0.9	0.7	1.6
Total segment revenue and other income	922.8	581.9	911.1	2,415.8	8.0	2,423.8
Segment EBITDA[2]	133.2	37.5	100.3	271.0	(25.3)	245.7
Segment depreciation and amortisation[3]	(28.6)	(18.9)	(22.5)	(70.0)	(0.4)	(70.4)
Segment EBIT result	104.6	18.6	77.8	201.0	(25.7)	175.3
Net finance costs						(19.4)
Total segment NPBT						155.9
Segment income tax expense[4]						(47.3)
Normalised NPAT						108.6
Other items not included in the total segment NPAT[5]						(45.8)
Profit for the period attributable to:						
Owners of Super Retail Group Limited						62.8
Non-controlling interests						(4.8)
Profit for the period						58.0

[1] Includes non-controlling interest (NCI) revenue of $7.4 million.
[2] Adjusted for business restructuring costs of $43.3 million and the $20.0 million impairment charge for the Ray's Outdoors brand, refer to note 10 – Intangible assets.
[3] Adjusted for NCI depreciation of $0.9 million and $14.9 million provision for depreciation relating to business restructuring.
[4] Excludes $17.5 million relating to the tax effect of business restructuring costs with a value of $63.3 million.
[5] Includes $63.3 million of business restructuring costs (including $20.0 million impairment) and the associated income tax benefit of $17.5 million.

Business restructuring - 2016
During the period ended 2 July 2016, the Group continued its strategic review of Ray's Outdoors and also reviewed the Infinite Retail business.

Leisure - Ray's Outdoors
In May 2016, a decision was made to reduce the Ray's network from 55 stores as at December 2015 to 17 stores. Twenty-one stores closed as a result of this decision and 17 stores have or will convert to other Super Retail Group Limited brands. As a result there have been $38.3 million of business restructuring costs associated with the closures, comprising $18.7 million of property costs, $13.3 million of Property, plant and equipment write-offs, and $6.3 million of other closures costs. In December 2015, the Directors resolved to impair the $20.0 million Ray's Outdoors brand name based on the underperformance of the older Rays stores during the period and after reviewing their suitability for the Rays new format.

Sports – Infinite Retail
A business review identified the need to renegotiate or exit structurally unprofitable contracts with major sporting bodies or clubs and to integrate the operations into Rebel. Super Retail Group Limited has recognised business restructuring costs of $5.0 million comprising $3.1 million provision for onerous contracts, $1.7 million of Property, plant and equipment and Computer software write-offs, and $0.2 million other costs.

(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)
Auto: retailing of auto parts and accessories, tools and equipment;
Leisure: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
Sports: retailing of sporting equipment, bicycles, bicycle accessories and apparel.

New Zealand
Auto: retailing of auto parts and accessories, tools and equipment.

4. Segment information (continued)

(c) Other information (continued)

(i) Total revenue and other income from continuing operations

	2017 $m	2016 $m
Australia	**2,354.8**	2,320.3
New Zealand	**112.4**	103.5
	2,467.2	2,423.8

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

	2017 $m	2016 $m
Revenue from the sale of goods	**2,465.8**	2,422.2
Other income		
Insurance claims	**0.6**	-
Commission	**0.1**	0.5
Sundry	**0.7**	1.1
Total revenues and other income	**2,467.2**	2,423.8

Significant Accounting Policies

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Sale of goods – retail
Revenue from the sale of goods is recognised when a Group entity sells a product to the customer pursuant to sales orders and when the associated risk and rewards have passed to the customer. Retail sales are usually by credit card or in cash.

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.

6. Expenses from continuing operations

	2017 $m	2016 $m
Profit before income tax includes the following specific gains and expenses:		
Expenses		
Net (gain) on disposal of property, plant and equipment	**(0.6)**	-
Depreciation		
Plant and equipment	**39.7**	56.2
Motor vehicles	**0.1**	0.3
Computer equipment	**12.4**	10.4
Total depreciation[1]	**52.2**	66.9

[1] Included in depreciation expense for 2016 is $14.9 million related to accelerated depreciation on fixed assets for Ray's Outdoors and Infinite Retail in respect of business restructuring activities. Refer Note 4 – Segment Information.

	2017 $m	2016 $m
Amortisation and Impairment		
Computer software	**18.4**	19.2
Brand name amortisation	**0.2**	0.1
Brand name impairment	**37.3**	20.0
Plant and equipment impairment	**7.7**	-
Total amortisation and impairment	**63.6**	39.3
Net finance costs		
Interest and finance charges	**17.0**	19.5
Interest revenue	**(0.1)**	(0.1)
Net finance costs	**16.9**	19.4
Employee benefits expense		
Superannuation	**35.0**	34.0
Salaries and wages	**449.2**	438.3
Total employee benefits expense	**484.2**	472.3
Rental expense relating to operating leases		
Lease expenses	**211.8**	233.1
Equipment hire	**5.1**	8.1
Total rental expense relating to operating leases	**216.9**	241.2
Foreign exchange gains and losses		
Net foreign exchange (gain)	**(1.2)**	(2.8)

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.

6. Expenses from continuing operations (continued)

Significant Accounting Policies (continued)

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.

7. Trade and other receivables

	2017	2016
Current	**$m**	**$m**
Trade receivables	**14.2**	11.6
Provision for impairment of receivables	**(0.8)**	(0.6)
Net trade receivables	**13.4**	11.0
Other receivables	**5.9**	6.8
Prepayments	**23.3**	24.9
Net current trade and other receivables	**42.6**	42.7

(a) Impaired trade receivables

As at 1 July 2017 current trade receivables of the Group with a nominal value of $0.8 million (2016: $0.6 million) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers with whom the Group no longer trade.

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

	2017	2016
	$m	**$m**
Opening balance	**(0.6)**	(0.3)
Provision for impairment recognised during the period	**(0.5)**	(0.5)
Provision for impairment reversed during the period	**0.1**	0.2
Receivables written off during the year as uncollectable	**0.2**	-
Closing balance	**(0.8)**	(0.6)

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

(b) Past due but not impaired

As at 1 July 2017, trade receivables of $3.8 million (2016: $5.6 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:

	2017	2016
	$m	**$m**
30 to 60 days	**1.1**	1.7
60 to 90 days	**1.0**	1.5
90 days and over	**1.7**	2.4
	3.8	5.6

7. Trade and other receivables (continued)

Significant Accounting Policies

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement 30 days from the end of the month after sale. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any impairment loss is included within Administration in the income statement.

Impairment of trade receivables
Refer to note 15 for details of impairment of financial assets including trade receivables.

8. Inventories

	2017 $m	2016 $m
Finished goods, at lower of cost or net realisable value	**481.5**	501.9

(a) Inventory expense

Inventories recognised as expense during the period ended 1 July 2017 amounted to $1,291.2 million (2016: $1,291.9 million).

Write-downs of inventories to net realisable value recognised as an expense during the period ended 1 July 2017 amounted to $2.7 million (2016: $4.3 million). 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

	2017 $m	2016 $m
Plant and equipment, at cost	**373.1**	383.2
Less accumulated depreciation	**(155.9)**	(179.9)
Net plant and equipment	**217.2**	203.3
Motor vehicles, at cost	**0.7**	0.7
Less accumulated depreciation	**(0.5)**	(0.4)
Net motor vehicles	**0.2**	0.3
Computer equipment, at cost	**97.9**	88.1
Less accumulated depreciation	**(50.8)**	(54.8)
Net computer equipment	**47.1**	33.3
Total net property, plant and equipment	**264.5**	236.9

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:

2017	Plant and equipment $m	Motor vehicles $m	Computer equipment $m	Total $m
Carrying amounts at 2 July 2016	**203.3**	**0.3**	**33.3**	**236.9**
Additions	**60.9**	**-**	**26.2**	**87.1**
Disposals	**(0.3)**	**-**	**-**	**(0.3)**
Depreciation	**(39.7)**	**(0.1)**	**(12.4)**	**(52.2)**
Impairment[1]	**(7.7)**	**-**	**-**	**(7.7)**
Foreign currency exchange differences	**0.7**	**-**	**-**	**0.7**
Carrying amounts at 1 July 2017	**217.2**	**0.2**	**47.1**	**264.5**
2016				
Carrying amounts at 27 June 2015	199.5	0.2	24.4	224.1
Additions	59.5	0.4	19.3	79.2
Disposals	-	-	(0.2)	(0.2)
Depreciation[2]	(56.2)	(0.3)	(10.4)	(66.9)
Foreign currency exchange differences	0.5	-	0.2	0.7
Carrying amounts at 2 July 2016	203.3	0.3	33.3	236.9

[1] During 2017 certain items of Plant and equipment relating to assets in leased locations associated with the Sports business transformation activities were considered to be impaired – refer note 4 – Segment information.

[2] During the 2016 financial year the useful lives of Plant and equipment and Computer equipment relating to assets in leased locations were re-assessed to have a shortened useful life associated with the lease term or refurbishment cycle. This includes those items of Plant and equipment and Computer equipment associated with the Ray's Outdoors and Infinite Retail business restructuring activities – refer note 4 – Segment information.

Finance Leases

The carrying value of computer equipment held under finance leases as at 1 July 2017 was $11.2 million (2016: $1.2 million). There were no additions during the year (2016: nil). 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.

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

10. Intangible assets

	2017 $m	2016 $m
Goodwill, at cost	**449.7**	449.7
Less accumulated impairment charge	**(2.1)**	(2.1)
Net goodwill	**447.6**	447.6
Computer software, at cost	**174.3**	146.5
Less accumulated amortisation	**(80.8)**	(68.2)
Net computer software	**93.5**	78.3
Brand names, at cost	**267.5**	267.5
Less accumulated amortisation and impairment charge	**(58.5)**	(21.0)
Net brand names	**209.0**	246.5
Total net intangible assets	**750.1**	772.4

(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
2017				
Carrying amounts at 2 July 2016	**447.6**	**78.3**	**246.5**	**772.4**
Additions	**-**	**33.6**	**-**	**33.6**
Impairment	**-**	**-**	**(37.3)**	**(37.3)**
Amortisation charge	**-**	**(18.4)**	**(0.2)**	**(18.6)**
Carrying amounts at 1 July 2017	**447.6**	**93.5**	**209.0**	**750.1**

10. Intangible assets (continued)

(a) Reconciliations (continued)

	Goodwill $m	Computer Software $m	Brand Name $m	Totals $m
2016				
Carrying amounts at 27 June 2015	447.6	87.1	266.6	801.3
Additions	-	10.4	-	10.4
Impairment	-	-	(20.0)	(20.0)
Amortisation charge	-	(19.2)	(0.1)	(19.3)
Carrying amounts at 2 July 2016	447.6	78.3	246.5	772.4

(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	2017 $m	2016 $m
Auto	**45.3**	45.3
Leisure	**25.1**	25.1
Sports	**376.5**	376.5
Group	**0.7**	0.7
Total	**447.6**	447.6

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 14.0% (2016: 14.0%) and terminal growth rate of 3.0% (2016: 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.

(c) Impairment tests for the useful life for brands

No amortisation is provided against the carrying value of the purchased Rebel Sport brand name on the basis that it is considered to have an indefinite useful life.

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	2017 $m	2016 $m
Rebel Sport	**209.0**	209.0
Amart Sports	**-**	36.0
Ray's Outdoors	**-**	-
Goldcross Cycles	**-**	1.5
Total	**209.0**	246.5

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 14.0% (2016: 14.0%) and terminal growth rate of 3.0% (2016: 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 Rebel brand name currently exceeds its carrying value.

10. Intangible assets (continued)

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

2017 impairment
The Group has recognised an impairment charge of $37.3 million against the Amart Sports and Goldcross Cycles brand names following the decision to commence a program of converting all Amart Sports stores to Rebel with a target of presenting one brand to market by November 2017. Based on this decision, the recoverable amount was determined to be nil based on a fair value less costs to sell calculation for the remaining four months that the brands will be operating. This impairment charge has been included in administration expenses in the consolidated income statement.

2016 impairment
As a result of the ongoing restructure of the Rays business, the Group continued to reassess the recoverable amount of the associated brand name as at 26 December 2015. Following an analysis, the recoverable amount was determined to be nil, based on a value in use calculation using a pre-tax discount rate of 14.0% (2015: 14.0%) and terminal growth rate of 3.0% (2015: 3.0%). Forecasted 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 Group recognised an impairment charge of $20.0 million against the Ray's Outdoors brand name. This impairment charge has been included in administration expenses in the consolidated income statement.

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 to 5%

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. Amortisation is calculated based on the brand names estimated useful lives, which is 20 years or indefinite.

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.

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 mutli-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

	2017	2016
Current	**$m**	**$m**
Trade payables	**179.5**	167.4
Other payables	**70.1**	79.6
Straight line lease adjustment	**4.1**	4.1
Total current trade and other payables	**253.7**	251.1
Non-current		
Straight line lease adjustment	**44.2**	41.7
Total non-current trade and other payables	**44.2**	41.7

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

	2017	2016
Current	**$m**	**$m**
Finance leases - secured by leased asset	**2.6**	0.8
Bank debt funding facility - secured	**-**	0.1
Bank debt funding facility - unsecured	**-**	4.8
Total current interest-bearing liabilities	**2.6**	5.7
Non-current		
Finance leases - secured by leased asset	**8.6**	-
Bank debt funding facility - secured	**0.1**	0.1
Bank debt funding facility - unsecured[1]	**389.3**	410.0
Total non-current interest-bearing liabilities	**398.0**	410.1

[1]Net of borrowing costs capitalised of $1.7 million (2016: $1.2 million).

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

(a) Income tax expense

	2017 $m	2016 $m
Current tax expense	**49.5**	53.7
Deferred tax (benefit)	**(9.0)**	(24.0)
Adjustments to tax expense of prior periods	**(0.3)**	0.1
	40.2	29.8
Deferred income tax (revenue) / expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 13(e))	**3.3**	(17.1)
(Decrease) in deferred tax liabilities (note 13(e))	**(12.3)**	(6.9)
	(9.0)	(24.0)

(b) Numerical reconciliation between tax expense and pre-tax profit

	2017 $m	2016 $m
Profit before income tax from continuing operations	**140.7**	87.8
Tax at the Australian tax rate of 30% (2016: 30%)	**42.2**	26.3
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Tax consolidation adjustments regarding NZ branches	**(2.3)**	(2.7)
Research and development credits and sundry items	**(0.1)**	-
	39.8	23.6
Difference in overseas tax rates	**(0.1)**	0.3
Derecognition of tax losses and deferred tax assets	**0.8**	5.8
Adjustments to tax expense of prior periods	**(0.3)**	0.1
Income tax expense	**40.2**	29.8
Effective tax rate:		
Australia	**28.2%**	33.3%
Consolidated group	**28.6%**	33.9%

13. Income taxes (continued)

	2017 $m	2016 $m
(c) Numerical reconciliation of income tax expense to income tax payable		
Income tax (expense)	**(40.2)**	(29.8)
Tax effect of timing differences:		
Depreciation	**(8.7)**	(9.0)
Provisions	**1.4**	(8.6)
Accruals and prepayments	**(0.6)**	(4.7)
Sundry temporary differences	**(0.2)**	2.0
Current tax payable	**(48.3)**	(50.1)
Income tax instalments paid during the year	**46.8**	43.8
Income tax (payable)	**(1.5)**	(6.3)

(d) Amounts recognised directly in equity

	2017 $m	2016 $m
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax debited / (credited) directly to equity (note 13(e))	**1.4**	(2.8)
	1.4	(2.8)
Tax expense / (income) relating to items of other comprehensive income		
Cash flow hedges	**1.4**	(3.2)
	1.4	(3.2)

(e) Deferred tax assets and liabilities

	2017 $m	2016 $m
Assets		
Amounts recognised in profit or loss		
Provisions	**35.8**	37.3
Accruals and prepayments	**7.0**	6.4
Depreciation	**12.7**	16.0
Sundry temporary differences	**1.3**	0.4
	56.8	60.1
Amounts recognised directly in equity		
Cash flow hedges	**1.0**	2.4
	57.8	62.5
Set off with deferred tax liabilities	**(57.8)**	(62.5)
Net deferred tax assets	**-**	-
Liabilities		
Amounts recognised in profit or loss		
Brand values	**62.9**	74.0
Depreciation	**12.0**	13.2
	74.9	87.2
Amounts recognised directly in equity		
Cash flow hedges	**-**	-
	74.9	87.2
Set-off of deferred tax assets	**(57.8)**	(62.5)
Net deferred tax liabilities	**17.1**	24.7
Net deferred tax assets (liabilities)	**(17.1)**	(24.7)

13. Income taxes (continued)

(e) Deferred tax assets and liabilities (continued)

	2017 $m	2016 $m
Movements in deferred tax assets:		
Opening balance	**62.5**	43.4
(Charged) / credited to the income statement	**(3.3)**	17.1
(Charged) / credited to equity	**(1.4)**	2.0
Closing balance	**57.8**	62.5
Deferred tax assets to be recovered after more than 12 months	**31.7**	45.6
Deferred tax assets to be recovered within 12 months	**26.1**	16.9
	57.8	62.5
Movements in deferred tax liabilities:		
Opening balance	**87.2**	94.9
(Credited) / charged to the income statement	**(12.3)**	(6.9)
(Credited) to equity	**-**	(0.8)
Closing balance	**74.9**	87.2
Deferred tax liabilities to be settled after more than 12 months	**74.9**	87.2
Deferred tax liabilities to be settled within 12 months	**-**	-
	74.9	87.2

(f) 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

Part B discloses the Australian income tax paid by the Group in the 2017 and 2016 financial years and provides qualitative information about our approach to tax risk and international related party dealings.

13. Income taxes (continued)

(f) Tax transparency report (continued)

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 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 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 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 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 AMART Sports, BCF, Rays, Rebel, SCA
New Zealand	Active trading operations (SCA) 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% Australian corporate tax rate.
For the 2017 year, the gross value of international related party transactions in and out of Australia represented less than 0.5 per cent of revenue.

Australian income taxes paid
Super Retail Group is a large taxpayer and paid Corporate Income Tax of $44.4 million in 2017 and $41.2 million in 2016.

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.

14. Provisions

	2017	2016
Current	**$m**	**$m**
Employee benefits[a]	**54.1**	45.1
Onerous contracts[b]	**4.9**	10.1
Make good provision[c]	**2.3**	2.6
Other provisions[d]	**1.0**	0.9
Total current provisions	**62.3**	58.7
Non-current		
Employee benefits[a]	**8.2**	8.7
Onerous contracts[b]	**5.5**	13.0
Make good provision[c]	**7.8**	7.5
Total non-current provisions	**21.5**	29.2

(a) Employee benefits

Provisions for employee benefits includes accrued annual leave, long service leave and accrued bonuses.

(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 1 July 2017 $8.3 million associated with the transformation relates to surplus lease space (2016: $17.7 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 1 July 2017 $1.7 million is provided for loss making contracts related to Infinite Retail (2016: $3.1 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 employee benefits and other, are set out below:

2017	**Onerous contracts $m**	**Make good $m**	**Total $m**
Opening balance as at 2 July 2016	**23.1**	**10.1**	**33.2**
Provisions made	**0.7**	**1.3**	**2.0**
Indexing of provisions	**-**	**1.4**	**1.4**
Provisions used	**(13.4)**	**(2.7)**	**(16.1)**
Closing balance as at 1 July 2017	**10.4**	**10.1**	**20.5**

2016	**Onerous contracts $m**	**Make good $m**	**Total $m**
Opening balance as at 27June 2015	9.4	8.0	17.4
Provisions made	20.8	2.8	23.6
Indexing of provisions	-	0.9	0.9
Provisions used	(7.1)	(1.6)	(8.7)
Closing balance as at 2 July 2016	23.1	10.1	33.2

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.

15. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

2017	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		**-**	**19.9**	**19.9**
Trade and other receivables	7	**-**	**42.6**	**42.6**
Derivative financial instruments	20	**-**	**-**	**-**
Total		**-**	**62.5**	**62.5**
Financial liabilities				
Trade and other payables	11	**-**	**297.9**	**297.9**
Interest-bearing liabilities	12	**-**	**400.6**	**400.6**
Derivative financial instruments	20	**3.1**	**-**	**3.1**
Total		**3.1**	**698.5**	**701.6**

2016	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		-	15.6	15.6
Trade and other receivables	7	-	42.7	42.7
Derivative financial instruments	20	-	-	-
Total		-	58.3	58.3
Financial liabilities				
Trade and other payables	11	-	292.8	292.8
Interest-bearing liabilities	12	-	415.8	415.8
Derivative financial instruments	20	8.0	-	8.0
Total		8.0	708.6	716.6

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.

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.

2017	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivatives used for hedging	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Derivatives used for hedging	-	**3.1**	-	**3.1**
Total	-	**3.1**	-	**3.1**

2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivatives used for hedging	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Derivatives used for hedging	-	8.0	-	8.0
Total	-	8.0	-	8.0

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.

15. Financial assets and financial liabilities (continued)

Significant Accounting Policies

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

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

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the receivable or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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.

15. Financial assets and financial liabilities (continued)

Significant Accounting Policies (continued)

Derivative financial instruments and hedging activities (continued)

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.

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

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

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

16. Earnings per share

	2017 Cents	2016 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	**51.6**	31.8
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	**51.3**	31.6
(c) Normalised earnings per share[1]		
From continuing operations attributable to the ordinary equity holders of the company	**68.9**	55.1

[1] Normalised profit attributable to ordinary equity holders is $135.8 million (2016: $108.6 million) – note 4(b).

16. Earnings per share (continued)

(d) Weighted average number of shares used as the denominator	2017 Number	2016 Number
Weighted average number of shares used as the denominator in calculating basic EPS	**197,229,369**	197,152,793
Adjustments for calculation of diluted earnings per share – performance rights	**1,078,275**	1,513,230
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	**198,307,644**	198,666,023

(e) Reconciliations of earnings used in calculating earnings per share	2017 $m	2016 $m
Basic earnings and diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in EPS	**101.8**	62.8

(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

	2017 $m	2016 $m
Ordinary shares fully paid (197,240,020 ordinary shares as at 1 July 2017)	**542.3**	542.3

	Number of Shares	Issue Price	$m
(i) Movement in ordinary share capital			
Opening Balance 27 June 2015	197,030,571		542.3
Shares issued under performance rights	146,747	-	-
Balance 2 July 2016	197,177,318		542.3
Shares issued under performance rights	62,702	-	-
Closing balance 1 July 2017	**197,240,020**		**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.

17. Contributed equity (continued)

(a) Share capital (continued)

Performance rights over 571,775 (2016: 621,365) ordinary shares were issued during the period with 62,702 (2016: 146,747) performance rights vesting during the period. Under the share option plan, nil (2016: 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

	2017 $m	2016 $m
(a) Reserves		
Foreign currency translation reserve	**3.4**	3.9
Share based payments reserve	**10.5**	8.5
Hedging reserve	**(2.2)**	(5.6)
NCI equity reserve	**(8.2)**	(7.7)
Total	**3.5**	(0.9)
(i) Movements		
Foreign currency translation reserve		
Balance at the beginning of the financial period	**3.9**	3.5
Net exchange difference on translation of foreign controlled entities	**(0.5)**	0.4
Balance at the end of the financial period	**3.4**	3.9
Share-based payments reserve		
Balance at the beginning of the financial period	**8.5**	7.8
Options and performance rights expense	**2.0**	0.7
Balance at the end of the financial period	**10.5**	8.5
Hedging reserve		
Balance at the beginning of the financial period	**(5.6)**	1.9
Revaluation – gross	**4.8**	(10.7)
Deferred tax	**(1.4)**	3.2
Balance at the end of the financial period	**(2.2)**	(5.6)
NCI equity reserve		
Balance at the beginning of the financial period	**(7.7)**	-
Change in ownership interest in controlled entities	**(0.5)**	(7.7)
Balance at the end of the financial period	**(8.2)**	(7.7)

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

	2017 $m	2016 $m
Balance at the beginning of the financial period	**193.7**	212.8
Net profit for the period attributable to owners of Super Retail Group Limited	**101.8**	62.8
Dividends paid	**(84.8)**	(81.9)
Retained profits at the end of the financial period	**210.7**	193.7

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

	2017 $m	2016 $m
Profit from ordinary activities after related income tax	**101.8**	62.8
Depreciation and amortisation	**78.5**	86.2
Impairment charge	**37.3**	20.0
Net gain on sale of non-current assets	**(0.6)**	-
Non-cash employee benefits expense/share based payments	**2.0**	0.7
Profit for the period attributable to non-controlling interests	**(1.3)**	(4.8)
Net finance costs	**16.9**	19.4
Change in operating assets and liabilities, net of effects from the purchase of controlled entities		
- decrease /(increase) in receivables	**0.1**	(13.7)
- (increase) / decrease in net current tax liability	**(4.7)**	9.2
- decrease in inventories	**20.4**	3.7
- (decrease) in payables	**(2.7)**	(23.7)
- (decrease) / increase in provisions	**(4.1)**	23.0
- (decrease) in deferred tax liability	**(9.1)**	(23.6)
Net cash inflow from operating activities	**234.5**	159.2

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.

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:

	2017 $m	2016 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	**-**	-
Total current derivative financial instrument assets	**-**	-
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**1.4**	4.2
Interest rate swap contracts – cash flow hedges	**1.7**	3.8
Total current derivative financial instrument liabilities	**3.1**	8.0

(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.

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:

	2017 USD $m	2016 USD $m
Trade receivables	**1.1**	2.3
Trade payables	**12.0**	16.9
Forward exchange contract - foreign currency (cash flow hedges)		
Buy United States dollars and sell Australian dollars with maturity		
- 0 to 4 months	**56.0**	47.0
- 5 to 12 months	**56.0**	74.0
	112.0	121.0

	2017 CNY $m	2016 CNY $m
Trade receivables	**0.1**	0.4
Trade payables	**5.4**	2.0

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 1 July 2017, no hedges were designated as ineffective (2016: 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:

	2017 $m	2016 $m
- unrealised (losses) on USD foreign exchange contracts	**(1.4)**	(4.2)
- unrealised (losses) on interest rate swaps	**(1.7)**	(3.8)
Total unrealised (losses)	**(3.1)**	(8.0)

20. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Group sensitivity

Based on the financial instruments held at 1 July 2017, 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 $9.4 million lower/$11.5 million higher (2016: $10.7 million lower/$13.1 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 3.08% (2016: 3.28%). 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 $125.0 million (2016: $155.0 million). The Group also has $245.0 million (2016: $200.0 million) interest rate swaps in place for future periods up until June 2020 at an average rate of 2.38%.

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 32.0% (2016: 37.0%) of the loan principal outstanding. The average fixed interest rate is 2.75% (2016: 3.35%).

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:

			Fixed interest maturing in				
	Notes	Floating interest rate $m	1 year or less $m	Over 1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
2017							
Financial assets							
Cash and cash equivalents		**18.1**	**-**	**-**	**-**	**1.8**	**19.9**
Trade and other receivables	7	**-**	**-**	**-**	**-**	**42.6**	**42.6**
Total financial assets		**18.1**	**-**	**-**	**-**	**44.4**	**62.5**
Weighted average rate of interest		***1.50%***					
Financial liabilities							
Trade and other payables	11	**-**	**-**	**-**	**-**	**297.9**	**297.9**
Interest-bearing liabilities	12	**389.4**	**2.6**	**8.6**	**-**	**-**	**400.6**
Provisions (employee benefits)	14	**-**	**-**	**-**	**-**	**62.3**	**62.3**
Total financial liabilities		**389.4**	**2.6**	**8.6**	**-**	**360.2**	**760.8**
Weighted average rate of interest		***3.08%***					
Net financial (liabilities) / assets		**(371.3)**	**(2.6)**	**(8.6)**	**-**	**(315.8)**	**(698.3)**

20. Financial risk management (continued)

(b) Market risk (continued)

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

	Notes	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	Over 1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
2016							
Financial assets							
Cash and cash equivalents		13.8	-	-	-	1.8	15.6
Trade and other receivables	7	-	-	-	-	42.7	42.7
Total financial assets		13.8	-	-	-	44.5	58.3
Weighted average rate of interest		*1.75%*					
Financial liabilities							
Trade and other payables	11	-	-	-	-	292.8	292.8
Interest-bearing liabilities	12	415.0	0.8	-	-	-	415.8
Provisions (employee benefits)	14	-	-	-	-	53.8	53.8
Total financial liabilities		415.0	0.8	-	-	346.6	762.4
Weighted average rate of interest		*3.28%*					
Net financial (liabilities) / assets		(401.2)	(0.8)	-	-	(302.1)	(704.1)

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 2017 and 2016 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:

	2017 $m	2016 $m
Bank overdrafts and bank loans	**391.0**	416.2
Interest rate swaps	**125.0**	155.0

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 1 July 2017, 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 $1.9 million lower/higher (2016: $1.8 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.

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

Unrestricted access was available at balance date to the following lines of credit:	2017 $m	2016 $m
Total facilities		
- bank debt funding facility	**540.0**	615.0
- multi-option facility (including indemnity/guarantee)	**20.0**	20.0
Total	**560.0**	635.0
Facilities used at balance date		
- bank debt funding facility*	**391.0**	416.0
- multi-option facility (including indemnity/guarantee)	**3.4**	3.7
Total	**394.4**	419.7
Unused balance of facilities at balance date		
- bank debt funding facility	**149.0**	199.0
- multi-option facility (including indemnity/guarantee)	**16.6**	16.3
Total	**165.6**	215.3

*As at 1 July 2017, $20.2 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 2.97% - 3.19% (2016: 2.88% - 3.33%).

(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.

20. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

2017	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
Non-derivatives							
Trade and other payables	**249.6**	**-**	**-**	**-**	**-**	**249.6**	**249.6**
Interest-bearing liabilities[(1)]	**6.0**	**6.0**	**12.0**	**403.6**	**-**	**427.6**	**391.0**
Finance lease liabilities	**1.5**	**1.5**	**2.9**	**6.0**	**-**	**11.9**	**11.2**
Total non-derivatives	**257.1**	**7.5**	**14.9**	**409.6**	**-**	**689.1**	**651.8**
Derivatives							
Net settled (Interest Rate Swaps)	**1.0**	**1.0**	**1.0**	**-**	**-**	**3.0**	**1.7**
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	**(98.8)**	**(46.8)**	**-**	**-**	**-**	**(145.6)**	**-**
- outflow	**100.0**	**47.4**	**-**	**-**	**-**	**147.4**	**1.4**
Total derivatives	**2.2**	**1.6**	**1.0**	**-**	**-**	**4.8**	**3.1**

[(1)]Excludes finance leases.

2016	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
Non-derivatives							
Trade and other payables	247.0	-	-	-	-	247.0	247.0
Interest-bearing liabilities[(1)]	6.8	11.5	221.7	210.2	-	450.2	416.2
Finance lease liabilities	0.4	0.4	-	-	-	0.8	0.8
Total non-derivatives	254.2	11.9	221.7	210.2	-	698.0	664.0
Derivatives							
Net settled (Interest Rate Swaps)	1.2	1.0	1.3	0.3	-	3.8	3.8
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(103.4)	(59.1)	-	-	-	(162.5)	-
- outflow	107.0	60.9	-	-	-	167.9	4.2
Total derivatives	4.8	2.8	1.3	0.3	-	9.2	8.0

[(1)]Excludes finance leases.

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 2017 the Group's strategy, which was unchanged from 2016, 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 1 July 2017 and 2 July 2016 were as follows:

	2017 $m	2016 $m
Total borrowings	**400.6**	415.8
Less: Cash & cash equivalents	**(19.9)**	(15.6)
Net Debt	**380.7**	400.2
Total Equity	**754.6**	734.0
Total Capital	**1,135.3**	1,134.2
Gearing Ratio	**33.5%**	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 2017 the Group's strategy, which was unchanged from 2016, 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 1 July 2017 and 2 July 2016 were as follows:

	2017 $m	2016 $m
Profit attributable to Owners of Super Retail Group Limited	**101.8**	62.8
Add: Taxation expense	**40.2**	29.8
Net finance costs	**16.9**	19.4
Depreciation and amortisation (excludes impairment)	**70.8**	86.2
EBITDA	**229.7**	198.2
Rental expense	**216.9**	241.2
EBITDAR	**446.6**	439.4
Net finance costs	**16.9**	19.4
Rental expense	**216.9**	241.2
Fixed charges	**233.8**	260.6
Fixed charge cover ratio	**1.91**	1.69
Net debt to EBITDA ratio	**1.66**	2.02
Fixed charge cover ratio from normalised net profit after tax[1]	**2.12**	1.93
Net debt to EBITDA ratio from normalised net profit after tax[1]	**1.37**	1.63

[1] Normalised EBITDAR is $495.1m (2016: $470.0m) and normalised EBITDA is $278.2m (2016: $245.7m)

(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 2017 and 2016 financial years. There are no assets pledged as security in relation to the unsecured debt in the 2017 financial year (2016: nil).

21. Capital management (continued)

(b) Dividends

	2017 $m	2016 $m
Ordinary shares		
Dividends paid by Super Retail Group Limited during the financial year were as follows:		
Final dividend for the period ended 2 July 2016 of 21.5 cents per share (2015: 21.5 cents per share) paid on 7 October 2016. Fully franked based on tax paid @ 30%	**42.4**	42.4
Interim dividend for the period ended 31 December 2016 of 21.5 cents (2016: 20.0 cents per share) paid on 7 April 2017. Fully franked based on tax paid @ 30%	**42.4**	39.5
Total dividends provided and paid	**84.8**	81.9
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
- paid in cash	**76.0**	72.3
- satisfied by issue of shares purchased on market	**8.8**	9.6
	84.8	81.9
Dividends not recognised at year end		
Subsequent to year end, the Directors have declared the payment of a final dividend of 25.0 cents per ordinary share (2016: 21.5 cents per ordinary share), fully franked based on tax paid at 30%.		
The aggregate amount of the dividend expected to be paid on 6 October 2017, out of retained profits as at 1 July 2017, but not recognised as a liability at year end, is	**49.3**	42.4
Franking credits		
The franked portions of dividends paid after 1 July 2017 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 1 July 2017.		
Franking credits remaining at balance date available for dividends declared after the current balance date based on a tax rate of 30%	**132.3**	121.9

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 $21,132,859 (2016: $18,168,481). 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
Interests in subsidiaries are set out in note 26 – Investments in controlled entities.

(c) Key Management Personnel
Disclosures relating to key management personnel are set out in note 27 – Key management personnel disclosures.

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 R J Wright, R A Rowe, R J Skippen, S A Pitkin, D J Eilert, L K Inman, H L Mowlem 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

	2017 $	2016 $
Loans to / (from) Related Parties		
Loan to related parties[1]	**321,094**	259,088

[1] Loans to James Woodford Pty Ltd, an entity with a non-controlling interest in Youcamp Pty Ltd, a controlled entity of the Group and Australian Creatives Online Pty Ltd, an entity with a non-controlling interest in Autoguru Australia Pty Ltd (previously Fixed Price Car Service Pty Ltd), a controlled entity of the Group. These loans were extended as part of the Group's acquisition arrangements with Youcamp Pty Ltd and Autoguru Australia Pty Ltd, refer to note 23(c) - Business combinations. These loans are deemed to be on an arms-length basis, attracting interest at a rate of 7.0% (2016: 7.0%).

(g) Transactions with other related parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:	2017 $	2016 $
Purchase of goods and services		
Store lease payment[1]	**11,372,354**	12,064,672

[1] Rent on properties, with rates which are deemed to be on an arms-length basis. Rent payable at year-end was nil (2016: nil).

23. Business combinations

2017

The Group's subsidiaries at 1 July 2017 are as detailed in note 26 - Investments in controlled entities. With the exception of changes to the Group's ownership interest in Autoguru Australia Pty Ltd (previously Fixed Price Car Service Australia Pty Ltd) detailed below, there were no other changes to the Group's ownership interest in these entities.

(a) Autoguru Australia Pty Ltd (previously Fixed Price Car Service Australia Pty Ltd)

On 5 August 2016, the shareholders of Autoguru Australia Pty Ltd (previously Fixed Price Car Service Australia Pty Ltd), entered into an agreement to issue shares resulting in an increase in the Group's ownership interest to 63.1% from 61.85%. 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, 5 August 2016, to reflect the change in NCI from 38.15% to 36.9%. The differential was transferred to a separate NCI Equity Reserve.

2016

During the 2016 financial year the Group changed its ownership interest in Infinite Retail Pty Ltd and Autoguru Australia Pty Ltd as detailed below.

(b) Infinite Retail Pty Ltd

On 4 November 2015, the shareholders of Infinite Retail Pty Ltd, entered into an agreement resulting in an increase in the Group's ownership interest to 95% from 50.05%. 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, 4 November 2015, to reflect the change in NCI from 49.95% to 5%. The differential was transferred to a separate NCI Equity Reserve.

(c) Autoguru Australia Pty Ltd (previously Fixed Price Car Service Australia Pty Ltd)

On 12 May 2016, the shareholders of Auto Guru Pty Ltd, entered into an agreement to issue shares resulting in an increase in the Group's ownership interest to 61.5% from 51% for a total consideration of $1.0 million. 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, 12 May 2016, to reflect the change in NCI from 49% to 38.15%. The differential was transferred to a separate NCI Equity Reserve.

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 1 July 2017 of the Closed Group.

	2017	2016
Consolidated Comprehensive Income Statement	**$m**	**$m**
Revenue from continuing operations	**2,323.9**	2,284.4
Other income from continuing operations	**1.3**	1.5
Total revenues and other income	**2,325.2**	2,285.9
Cost of sales of goods	**(1,281.5)**	(1,278.2)
Other expenses from ordinary activities		
- selling and distribution	**(306.6)**	(299.1)
- marketing	**(79.0)**	(82.0)
- occupancy	**(186.4)**	(207.4)
- administration	**(317.2)**	(299.0)
Net finance costs	**(16.3)**	(19.1)
Total expenses	**(2,187.0)**	(2,184.8)
Profit before income tax	**138.2**	101.1
Income tax expense	**(39.0)**	(28.8)
Profit for the period	**99.2**	72.3
Statement of comprehensive income		
Profit for the period	**99.2**	72.3
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**3.4**	(7.5)
Other comprehensive income for the period, net of tax	**3.4**	(7.5)
Total comprehensive income for the period	**102.6**	64.8
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial period	**194.2**	203.8
Profit for the period	**99.2**	72.3
Dividends paid	**(84.8)**	(81.9)
Retained profits at the end of the financial period	**208.6**	194.2

24. Deed of cross guarantee (continued)

(b) Consolidated Balance Sheet

Set out below is a consolidated balance sheet as at 1 July 2017 of the Closed Group.

	2017	2016
ASSETS		
Current assets	**$m**	**$m**
Cash and cash equivalents	**13.9**	10.7
Trade and other receivables	**44.3**	44.7
Inventories	**454.1**	469.9
Total current assets	**512.3**	525.3
Non-current assets		
Other financial assets	**37.7**	37.5
Property, plant and equipment	**250.9**	223.3
Intangible assets	**742.1**	764.3
Total non-current assets	**1,030.7**	1,025.1
Total assets	**1,543.0**	1,550.4
LIABILITIES		
Current liabilities		
Trade and other payables	**237.6**	232.8
Interest-bearing liabilities	**2.6**	5.6
Current tax liabilities	**2.2**	6.6
Derivative financial instruments	**3.1**	8.0
Provisions	**58.8**	55.1
Total current liabilities	**304.3**	308.1
Non-current liabilities		
Trade and other payables	**43.3**	40.7
Interest-bearing liabilities	**397.9**	410.0
Deferred tax liabilities	**18.2**	25.6
Provisions	**20.1**	26.6
Total non-current liabilities	**479.5**	502.9
Total liabilities	**783.8**	811.0
NET ASSETS	**759.2**	739.4
EQUITY		
Contributed equity	**542.3**	542.3
Reserves	**8.3**	2.9
Retained profits	**208.6**	194.2
TOTAL EQUITY	**759.2**	739.4

25. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $m	2016 $m
Balance Sheet		
Current assets	**201.0**	224.2
Total assets	**1,005.7**	1,026.3
Current liabilities	**27.0**	42.2
Total liabilities	**416.4**	452.2
NET ASSETS	**589.3**	574.1
Contributed equity	**542.3**	542.3
Reserves		
- share-based payments	**10.5**	8.5
- cash flow hedges	**(1.2)**	(2.7)
Retained earnings	**37.7**	26.0
Total Equity	**589.3**	574.1
Profit after tax for the period	**96.5**	56.8
Total comprehensive income	**98.0**	57.0

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.

26. Investments in controlled entities

The Group's subsidiaries at 1 July 2017 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 2017 %	Equity Holding 2016 %
A-Mart All Sports Pty Ltd[1]	Australia	Sports retail	100	100
Autoguru Australia Pty Ltd[2][3]	Australia	Auto services	63.1	61.85
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	Leisure retail	100	100
Workout World Pty Limited[1][4]	Australia	Sports retail	100	100
Coyote Retail Pty Limited[1]	Australia	Sports retail	100	100
FCO New Zealand Limited	New Zealand	Leisure 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[5]	Hong Kong	Sports retail	95	95
Infinite Retail UK Limited[5]	United Kingdom	Sports retail	95	95
VBM Retail NZ Limited[5]	New Zealand	Sports retail	95	95
Oceania Bicycles Pty Ltd[1]	Australia	Sports retail	100	100
Oceania Bicycles Limited [6]	New Zealand	Sports retail	100	100
Ray's Outdoors New Zealand Limited	New Zealand	Leisure retail	100	100
Ray's Outdoors Pty Ltd[1]	Australia	Leisure retail	100	100
Rebel Pty Ltd[1][7]	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	Leisure 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	Australia	Leisure services	51	51

[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 Fixed Price Car Service Australia Pty Ltd.
[3] On 5 August 2016, the shareholders of Autoguru Australia Pty Ltd (previously Fixed Price Car Service Australia Pty Ltd), entered into an agreement resulting in an increase in the Group's ownership interest to 63.1% from 61.85%. Refer to note 23 - Business combinations.
[4] Previously known as Coyote Retail Investments Pty Limited.
[5] Investment is held directly by Infinite Retail Pty Ltd.
[6] Investment is held directly by Oceania Bicycles Pty Ltd.
[7] Previously known as Quinns Rock Pty Ltd.

27. Key management personnel disclosures

(a) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits	**7,003,923**	6,358,770
Long-term employee benefits	**49,283**	51,826
Post-employment benefits	**190,475**	221,046
Share-based payments	**1,085,428**	453,190
	8,329,109	7,084,832

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	2017 $	2016 $
Dividends	**26,392,262**	25,261,350

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.

Number of Rights Issued Grant Date	Balance at start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Balance at the end of the year (Number)	Unvested at the end of the year (Number)
2017						
1 September 2011	**62,702**	**-**	**(62,702)**	**-**	**-**	**-**
1 September 2012	**-**	**-**	**-**	**-**	**-**	**-**
1 September 2013	**368,508**	**-**	**-**	**(368,508)**	**-**	**-**
1 September 2014	**506,405**	**-**	**-**	**(26,681)**	**479,724**	**479,724**
1 September 2015	**575,615**	**-**	**-**	**(29,115)**	**546,500**	**546,500**
1 September 2016	**-**	**571,775**	**-**	**-**	**571,775**	**571,775**
	1,513,230	**571,775**	**(62,702)**	**(424,304)**	**1,597,999**	**1,597,999**
2016						
1 September 2010	80,980	-	(80,980)	-	-	-
1 September 2011	131,535	-	(65,767)	(3,066)	62,702	62,702
1 September 2012	448,156	-	-	(448,156)	-	-
1 September 2013	403,999	-	-	(35,491)	368,508	368,508
1 September 2014	561,081	-	-	(54,676)	506,405	506,405
1 September 2015	-	621,365	-	(45,750)	575,615	575,615
	1,625,751	621,365	(146,747)	(587,139)	1,513,230	1,513,230

28. Share-based payments (continued)

(b) Executive Option Plan

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

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

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

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

There were no options granted under the Option Plan during the 2017 financial year (2016: nil).

Fair value of options granted
The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

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

Expenses arising from share based payments transactions:	**2017 $m**	**2016 $m**
Executive Performance Rights	**2.0**	0.7

Significant Accounting Policies

Share-based payments
Share-based compensation benefits are provided to certain employees via the Super Retail Group Executive Option Plan and Super Retail Group Performance Rights Plan.

The fair value of options and performance rights granted under these plans 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 options.

For share options and 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 option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options and 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 options and performance rights, the balance of the share-based payments reserve relating to those options remains in the share based 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.

	2017 $	2016 $
(a) PricewaterhouseCoopers Australia		
(i) Assurance services		
Audit and review of financial statements	**492,100**	423,700
Audit and review of subsidiaries[1]	**-**	88,230
Other assurance[2]	**191,700**	53,500
Total remuneration for audit and other assurance services	**683,800**	565,430
(ii) Taxation services		
Tax compliance services, including review of Company income tax returns[3]	**113,368**	211,244
Customs Advice	**-**	4,590
Total remuneration for taxation services	**113,368**	215,834
(iii) Other services		
Digital innovation support[4]	**-**	340,290
Business review of subsidiary	**50,000**	-
Total remuneration for advisory services	**50,000**	340,290
Total remuneration of PricewaterhouseCoopers Australia	**847,168**	1,121,554
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Taxation services		
Tax compliance services, including review of Company income tax returns	**66,803**	33,845
Total remuneration for taxation services	**66,803**	33,845
Total remuneration of network firms of PricewaterhouseCoopers Australia	**66,803**	33,845
Total auditors' remuneration	**913,971**	1,155,399

[1] Audit and review of subsidiaries included in Group audit and review of financial statements in 2017.
[2] Increase due to Risk Appetite design services in 2017.
[3] Decrease due to indirect taxes review conducted in 2016.
[4] Engagement in relation to digital capability analysis and support awarded under a competitive tender.

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

30. Contingencies

	2017 $m	2016 $m
Guarantees		
Guarantees issued by the bankers of the Group in support of various rental arrangements.		
The maximum future rental payments guaranteed amount to:	**3.4**	3.7

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

	2017 $m	2016 $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	**3.5**	4.0
Total capital commitments	**3.5**	4.0
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	**205.4**	202.0
Later than one year but not later than five years	**625.7**	596.7
Later than five years	**162.0**	157.1
Less lease straight lining adjustment (note 11)	**(48.3)**	(45.8)
Total lease commitments	**944.8**	910.0
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**3.9**	2.5

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.

Finance leases

The Group leases various plant and equipment with a carrying amount of $11.2 million (2016: $1.2 million) under finance leases expiring within five years.

	2017 $m	2016 $m
Commitments in relation to finance leases are payable as follows:		
Within one year	**2.9**	0.8
Later than one year but not later than five years	**9.0**	-
Minimum lease payments	**11.9**	0.8
Future finance charges	**(0.7)**	-
Total lease liabilities	**11.2**	0.8
Representing lease liabilities:		
Current (note 12)	**2.6**	0.8
Non-current (note 12)	**8.6**	-
	11.2	0.8

32. Net tangible asset backing

	2017 Cents	2016 Cents
Net tangible asset per ordinary share	**$0.34**	$0.18

Net tangible asset per ordinary share is calculated based on Net Assets of $754.6 million (2016: $734.0 million) less intangible assets of $750.1 million (2016: $772.4 million) adjusted for the associated deferred tax liability of $62.9 million (2016: $74.1 million). The number of shares used in the calculation was 197,240,020 (2016: 197,177,318).

33. Events occurring after balance date

The Group has undertaken a review of the strategy for its Sports Division recognising that the dynamics of the sports retail market are set to evolve in the next few years. As such the Group has concluded that the optimal strategy to sustain its position as the market leader in sports retailing will be to focus on strengthening one retail brand. Therefore the Group will commence a program of converting all Amart Sports stores to Rebel with a target of presenting one brand to market by November 2017 as announced to the market on 25 July 2017. This is considered to be an adjusting event for the purposes of the 2017 financial statements and as such the Group has recognised after tax costs of $34.0 million in the 2017 financial year associated with the Sports business transformation.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 64 to 114 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 1 July 2017 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.

R J Wright
Director

P A Birtles
Director

Brisbane
24 August 2017

Independent auditor's report

To the shareholders 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:

- giving a true and fair view of the Group's financial position as at 1 July 2017 and of its financial performance for the period 3 July 2016 to 1 July 2017
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 1 July 2017
- the consolidated statement of comprehensive income for the period 3 July 2016 to 1 July 2017
- the consolidated statement of changes in equity for the period 3 July 2016 to 1 July 2017
- the consolidated statement of cash flows for the period 3 July 2016 to 1 July 2017
- 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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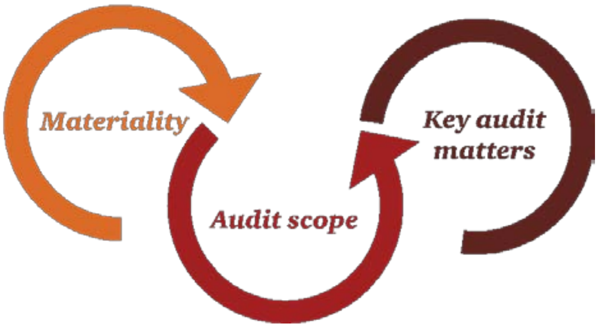
Our audit approach

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 overall Group materiality of $9.2 million, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of unusual occurring items (as described below).

- 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 from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the pre-tax business restructuring costs as this is an unusual occurring item impacting profit and loss.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit-related 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 segmented into three divisions – Auto, Leisure and Sports, and operates in three countries – Australia, New Zealand and China. The financial report is a consolidation of wholly owned and controlled subsidiaries. The accounting processes happen at the Group finance function at its head office in Brisbane.

Our audit procedures were mostly performed at this head office and the support office in Sydney 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 actuarial and valuation.

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
Inventory valuation and provisions *Refer to Note 8 (Inventories), $481.5 million* 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. *Stock loss provision* 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 1 July 2017 contained a degree of estimation as to the quantity and value of projected stock variances for items not counted at the period end date. *Stock valuation provision* 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. *Attributable overheads* There is judgement involved in how much of the directly attributable overheads associated with bringing inventory to its final destination for sale are recognised	*Stock loss provision* • We attended a sample of store stock counts throughout the year at the Group's retail stores and considered the results of stock counts not observed. • For a sample of retail stores, we agreed the last count date and inventory write down (at that date) used in the calculation of the period end provision, to the records of the last cycle count. • We checked the mathematical accuracy of the calculation of the projected stock variance. *Stock valuation provision* • For a sample of individual products, we agreed 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 agreed 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

Key audit matter	How our audit addressed the key audit matter
as part of the cost of inventory.	the items in stores. *Attributable overheads* • On a sample basis, we considered the nature of overhead costs capitalised by reading their description on supporting documentation, having regard to the types of costs allowable by the accounting standards. • We checked the mathematical accuracy of the calculation of the overhead costs attributed to inventory and agreed the amount to the accounting records.
Valuation of goodwill, brand names and computer software *Note 10 (Intangible assets) $447.6 million goodwill, $209.0 million brand names and $93.5 million computer software* *Goodwill and the Rebel Sport brand name $656.6m* When the annual review for impairment was conducted, the recoverable amount for each cash generating unit (CGU) was determined based on a discounted cash flow valuation model which relied on the directors' assumptions and estimates of future trading performance. The directors consider that each segment and brand name constitutes its own CGU. The key assumptions applied by the directors in the valuation models were: • CGU-specific discount rates • future revenue growth • gross margin *Amart Sports brand name $Nil* The directors performed a strategic review of Amart Sports during 2017 and as a result, the Group will convert all Amart Sports stores to the Rebel brand with	*Goodwill and the Rebel Sport brand name* We assessed the valuation models by: • 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 • comparing the forecasted growth rates to relevant historical Group and industry data and industry 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

Key audit matter	How our audit addressed the key audit matter
a target of presenting one brand to market by 31 October 2017. The recoverable amount for the Amart Sports brand name was determined based on a valuation model adopting a 'relief from royalty' method commonly applied to the valuation of brand names. The Group engaged an external expert to assist with the valuation of this brand. This 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 $93.5m* 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 valuation of computer software was a key audit matter because of the judgments involved in assessing whether the recognition criteria of Australian Accounting Standards had been met and in estimating the useful life of software.	sensitivities was within an acceptable range, which was determined taking into account market data and historical data. *Amart Sports brand name* We performed the following word in respect of the Group's recoverable value of the brand: • we checked the mathematical accuracy of the model • we assessed the discount rates applied in the valuation model, by comparing the rates to our internal benchmark data • we compared the forecasted revenue growth rate used in the model to relevant industry data • we assessed the potential future return rate used in the model by comparing it to industry benchmark data • we assessed the competence, capabilities, objectivity and independence of external expert engaged by the Group • we considered the valuation approach and methodology adopted by the external expert and found them to be consistent with commonly accepted valuation approaches used in the industry. *Computer software* For a sample of software capitalised during the period, we performed he following procedures, amongst others: • assessed the nature of the costs capitalised in light of the requirements of Australian Accounting Standards • evaluated the reasonableness of the estimated

Key audit matter	***How our audit addressed the key audit matter***
	useful life estimated for software by comparing it to industry benchmark data.
Valuation of property, plant and equipment *Note 9 (Property, plant and equipment) $264.5 million* In light of the continued competitive environment in which the Group operated, there was a risk that the carrying value of store fixed assets and corporate assets may have been higher than the recoverable amount and therefore the Group performed impairment tests of its CGUs. 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 (sports, leisure and auto). 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.	We performed the following procedures, amongst others: • obtained management's assessment of the profitability of all individual stores and their contribution 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.
Onerous contracts *Note 14 (Provisions) $10.4 million* The directors performed a strategic review of the Group's brands at 2 July 2016 and recognised a provision for onerous contracts relating to the Ray's Outdoors brand for leases on closed retail stores. The key assumptions applied by the directors in the onerous contract provision were: • the estimate of unavoidable costs relating to the store leases • the lease expiry period	We performed the following procedures, among other things, over the Group's calculations and assumptions: • for a sample of store leases, checked that the costs included within the provision were unavoidable future costs based on the nature/description and our knowledge of the contracts • agreed a sample of estimates of unavoidable costs to relevant invoices and lease agreements • checked the lease expiry period to the lease agreements for a sample of leases • compared the discount rate applied in the

Key audit matter	How our audit addressed the key audit matter
• the discount rate used.	calculation to the government bond rate, which we consider was an appropriate benchmark rate.

Other information

The directors are responsible for the other information. The other information comprises Performance Trends, Contents, Our Business, Our Network, Chair's Message, CEO's Message, Strategy & Performance, Our Customer Journey, Board of Directors, Group Executive Team, Our Team, Sustainability, Directors' Report, Shareholder Information and Corporate Directory included in the Group's annual report for the period from 3 July 2016 to 1 July 2017 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 identified above 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, 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 45 to 60 of the Directors' Report for the period 3 July 2016 to 1 July 2017.

In our opinion, the remuneration report of Super Retail Group Limited for the period 3 July 2016 to 1 July 2017 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
24 August 2017

SHAREHOLDER INFORMATION

For the period ended 1 July 2017

The shareholder information set out below was applicable as at 21 August 2017.

Number of Shareholders
There were 9,509 shareholders, holding 197,240,020 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	4,606	-
1,001-5,000	3,949	4
5,001-10,000	601	38
10,001-100,000	308	10
100,001 and over	45	1
Total	9,509	53

There were 593 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	57,075,423	**28.94%**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,214,668	**16.84%**
J P MORGAN NOMINEES AUSTRALIA LIMITED	26,694,854	**13.53%**
CITICORP NOMINEES PTY LIMITED	13,626,068	**6.91%**
NATIONAL NOMINEES LIMITED	10,956,655	**5.55%**
BNP PARIBAS NOMS PTY LTD	7,862,255	**3.99%**
BNP PARIBAS NOMINEES PTY LTD	6,918,436	**3.51%**
BOND STREET CUSTODIANS LIMITED(MACQ HIGH CONV FUND) & BOND STREET CUSTODIANS LIMITED	2,378,729	**1.21%**
CITICORP NOMINEES PTY LIMITED	1,945,086	**0.99%**
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,194,300	**0.61%**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,149,829	**0.58%**
BNP PARIBAS NOMS (NZ) LTD	851,295	**0.43%**
MR PETER ALAN BIRTLES	675,000	**0.34%**
MR PETER ALAN BIRTLES	665,000	**0.34%**
SBN NOMINEES PTY LIMITED	626,900	**0.32%**
UBS NOMINEES PTY LTD	604,368	**0.31%**
EQUITAS NOMINEES PTY LIMITED	591,159	**0.30%**
SCCASP HOLDINGS PTY LTD	578,703	**0.29%**
EQUITAS NOMINEES PTY LIMITED	567,302	**0.29%**
EQUITAS NOMINEES PTY LIMITED	547,135	**0.28%**
	168,723,165	**85.54%**

C. Substantial shareholdings

As at 21 August 2017, there are two 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
UBS GROUP AG & ITS RELATED BODIES CORPORATE	10,146,973	5.14%	03/04/2017

D. Unquoted equity securities

As at 21 August 2017, there were 1,078,275 unlisted performance rights, granted to 53 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.

PERFORMANCE TRENDS

FINANCIAL

	JUN 08	JUN 09	JUN 10	JUN 11	JUN 12	JUN 13	JUN 14	JUN 15	JUN 16	JUN 17
REPORTED SALES ($M)	715	829	938	1,092	1,654	2,020	2,112	2,239	2,422	2,466
REPORTED TOTAL SEGMENT EBIT ($M)	45.7	55.1	65.8	87.5	140.7	172.3	182.6	170.2	175.3	207.3
REPORTED EPS (C)	22.6	28.1	32.1	40.9	46.4	52.3	55.1	49.4	31.8	51.6
DIVIDEND (C)	13.0	18.0	21.5	29.0	32.0	38.0	40.0	40.0	41.5	46.5
REPORTED POST TAX ROC (%)	14.1	15.4	16.8	17.3	15.9	12.6	11.3	10.6	10.7	13.0
NORMALISED ROE (%)	19.8	22.0	18.8	19.4	19.5	16.1	14.5	13.9	14.5	18.2

CUSTOMER

	JUN 15	JUN 16	JUN 17
AVERAGE NPS	36.9%	43.1%	53.5%
ACTIVE CLUB MEMBERS	3.9M	4.5M	5.2M
CUSTOMER TRANSACTIONS	42.8M	44.0M	44.5M

TEAM

	JUN 15	JUN 16	JUN 17
TEAM ENGAGEMENT	68%	71%	71%
SAFETY - LTIFR	13.2	8.8	6.3
TEAM RETENTION	75%	75%	74%

CORPORATE DIRECTORY

Name of Entity
SUPER RETAIL GROUP LIMITED

ABN
81 108 676 204

Company Secretary
Mr Robert Dawkins

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

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

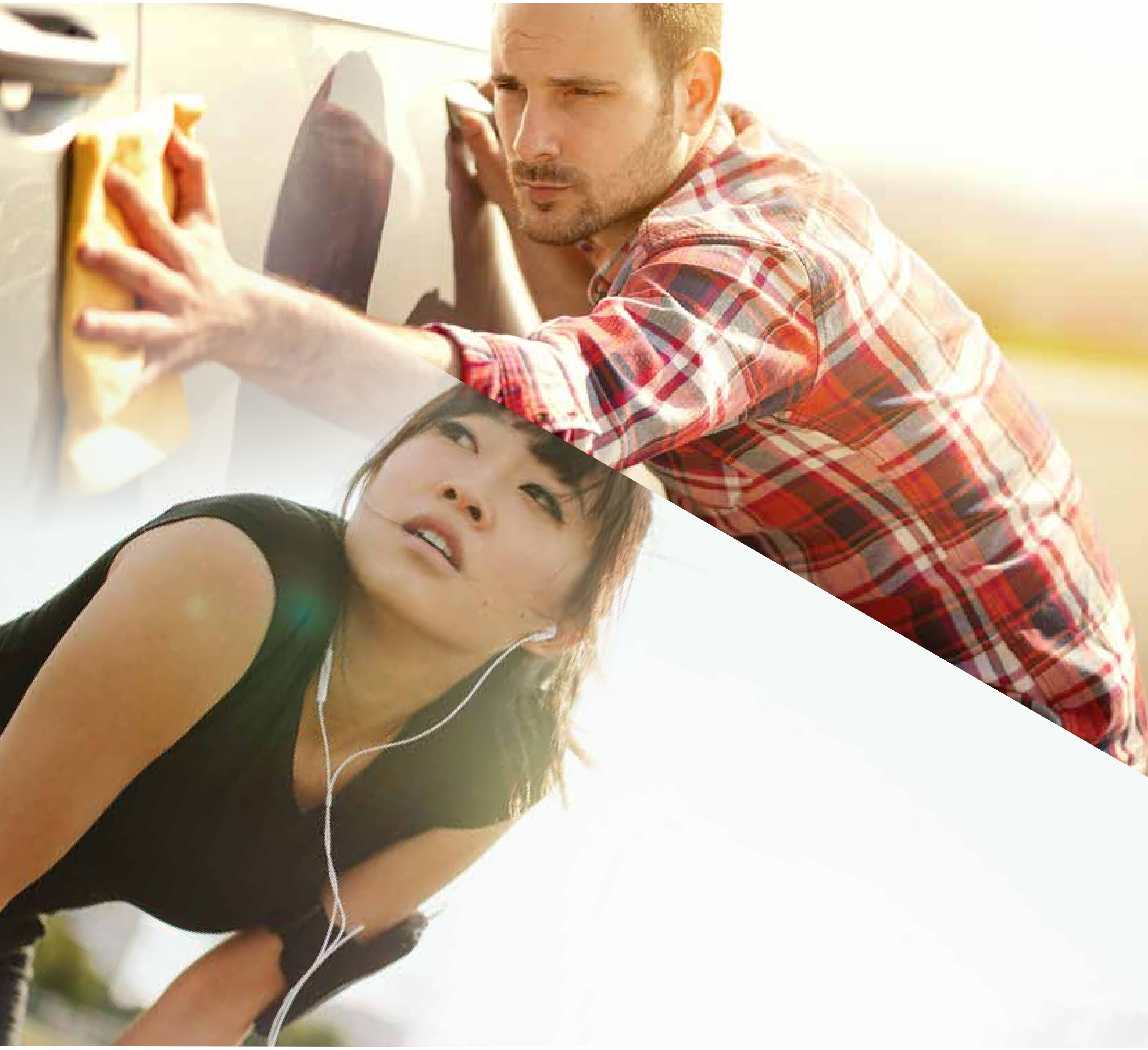
Auditors
PricewaterhouseCoopers

KEY DATES FOR SHAREHOLDERS

Event	Date[1]
Annual General Meeting [2]	23 October 2017
Final Dividend Ex-Date	4 September 2017
Final Dividend Record Date	5 September 2017
DRP Election Date	6 September 2017
Final Dividend Payment Date	6 October 2017
Interim Results Announcement	16 February 2018
Interim Dividend Ex-Date	26 February 2018
Interim Dividend Record Date	27 February 2018
DRP Election Date	28 February 2018
Interim Dividend Payment Date	30 March 2018

[1] If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.

[2] The 2017 Annual General Meeting of the Shareholders of Super Retail Group Limited will be held at the Kedron Wavell Services Club, 375 Hamilton Road, Chermside South, Queensland.



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