



ANNUAL REPORT 2014





NAME OF ENTITY

Super Retail Group Limited

ABN

81 108 676 204

PRINCIPAL REGISTERED OFFICE

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AUDITORS

PricewaterhouseCoopers

SOLICITORS

King & Wood Mallesons

STOCK EXCHANGE LISTING

Super Retail Group Limited (SUL) shares are quoted on the Australian Securities Exchange

COMPANY SECRETARY

Mr Robert Dawkins

WEBSITE

www.superretailgroup.com

THE ANNUAL GENERAL MEETING

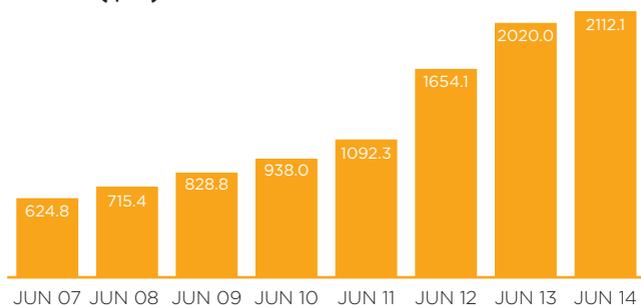
The Annual General Meeting of the Shareholders of Super Retail Group Limited will be held at Kedron Wavell Services Club, Long Tan Room, 375 Hamilton Road, Chermside South, Queensland on Wednesday, 22 October 2014 at 11.30 am.

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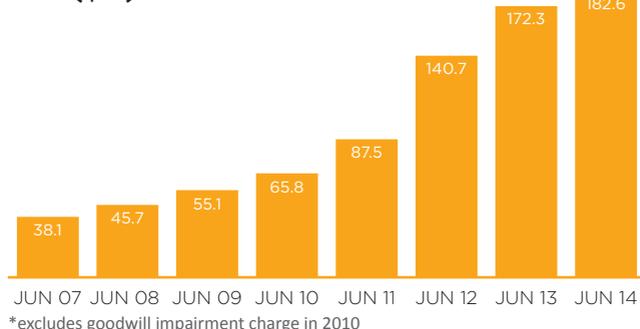
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PERFORMANCE TREND GRAPHS

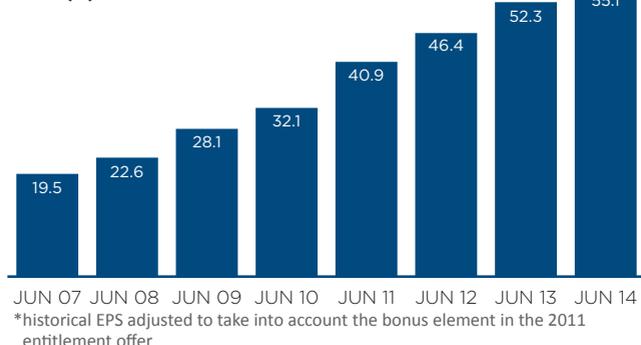
SALES (\$m)



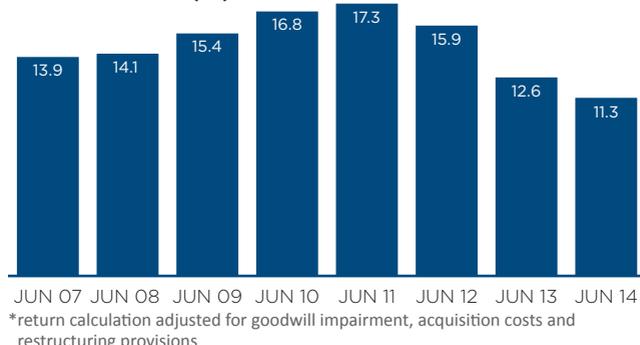
EBIT (\$m)*



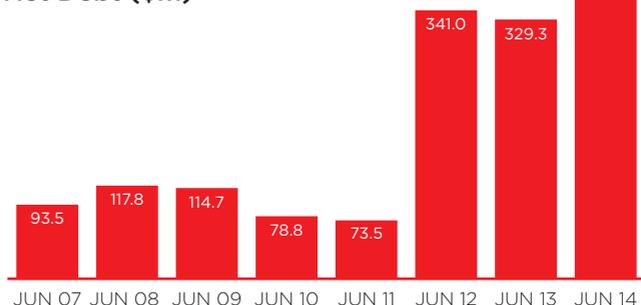
EPS (c)*



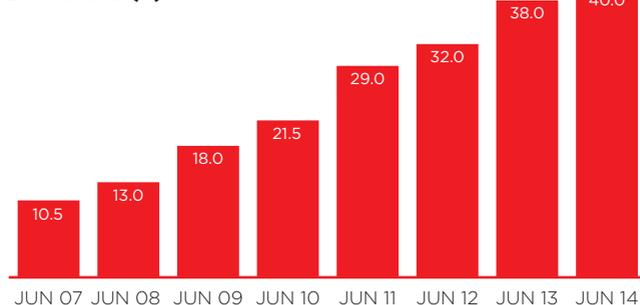
Post Tax ROC (%)*



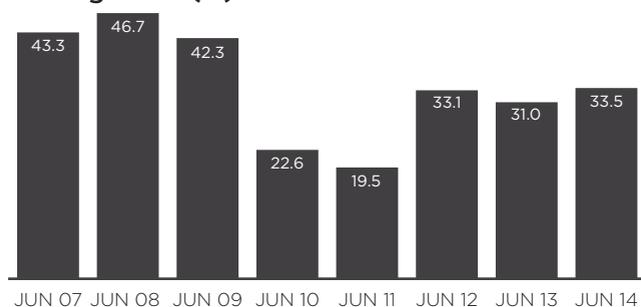
Net Debt (\$m)



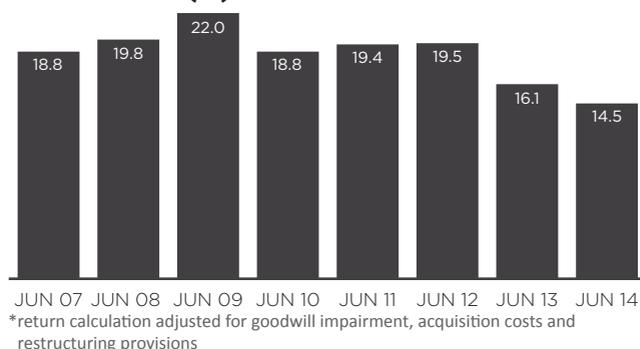
Dividend (c)



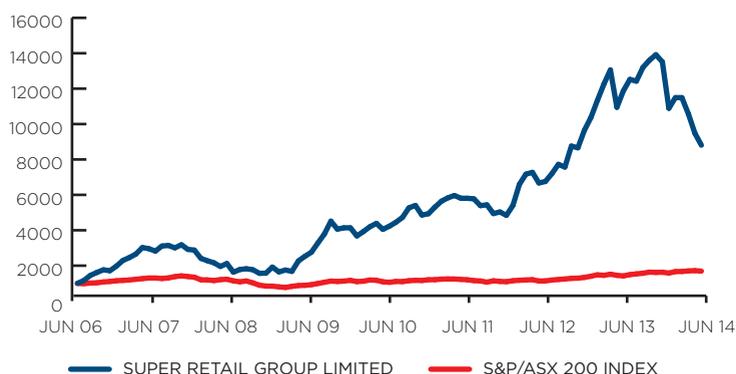
Gearing Ratio (%)



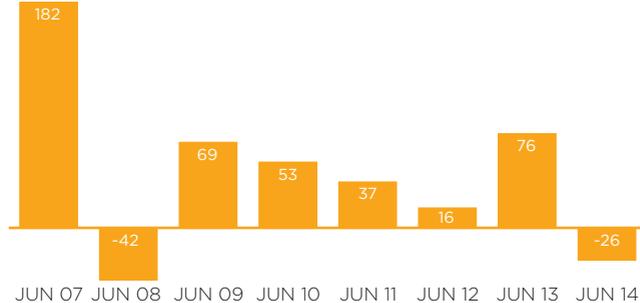
Post Tax ROE (%)*



Value of \$1,000 invested on 30 June 2006



Annual Total Shareholder Return (%)



CHAIRMAN AND GROUP MANAGING DIRECTOR'S REPORT

“Today we have eight retail businesses and three commercial businesses with over 640 stores. Over the 10 years, Group sales have grown from \$383 million to \$2.1 billion and Group EBITDA has grown from \$32 million to \$237 million.”

Fellow Shareholders,

Welcome to the 2014 Annual Report of Super Retail Group.

July 2014 marked the tenth anniversary of the listing of our Company in July 2004. The Company today is very different to the one that listed back in 2004. Back then we had one business, Supercheap Auto, with 183 stores across Australia and New Zealand.

Today we have eight retail businesses and three commercial businesses with over 640 stores. Over the 10 years, Group sales have grown from \$383 million to \$2.1 billion and Group EBITDA has grown from \$32 million to \$237 million.

We have seen the share price grow from \$1.97 at listing on 6 July 2004 to \$8.46 at 30 June 2014 and over the 10 years we have paid gross dividends of \$2.54. This represents a total shareholder return of 470% over the 10 years, which compares to a return of 142% from the ASX 200 Accumulation Index.

OPERATING AND FINANCIAL PERFORMANCE

The 2014 financial year has been a mixed one for the Company. We have delivered our eighth successive year of earnings growth, with both Group sales and earnings after tax growing by around 5%. However, our overall results have been below the expectations we set at the start of the year.

The Auto Retailing Division has maintained its 10 year track record of delivering annual EBITDA growth of around 10% which is an extremely pleasing performance and reflects the successful passing of the leadership of Auto Retailing from David Ajala to Chris Wilesmith. However, both the Leisure and Sports Retailing Divisions delivered an underlying EBITDA result below the prior year.

In the Leisure Retailing Division, the BCF business was impacted by a slowdown in sales in stores that had previously benefited

from investment in the mining industry, a higher level of sales cannibalisation from new stores and some internal execution issues.

The Sports Retailing Division had a solid start to the year but performance was impacted by inventory supply challenges resulting from the implementation of new merchandise and supply management systems in October 2013 and from a slowdown in customer demand following the federal budget and a warmer start to winter.

We have made a number of operational changes to address the areas that impacted on performance in the 2014 year and we expect that we will re-establish the earnings momentum of the BCF, Rebel and Amart Sports businesses in the 2015 year.

Following the restructuring initiatives undertaken in the 2013 year, good progress has been made in the 2014 year in lifting the performance of the Ray's Outdoors and FCO businesses but both businesses are still generating returns below the Group's targets. We will continue to concentrate on initiatives to both increase the customer base and the frequency of customer visitation for both businesses.

We have remained focused on developing the capabilities that we will need to operate a successful multi-channel retail organisation. During the year, the Group invested circa \$47.9 million in capital expenditure and \$9.8 million in operating expenses on these programs.

We continue to build our loyalty programs across the Group and now have over 1 million members in each of our Supercheap Auto, BCF, Ray's Outdoors and Rebel clubs. Growth through our online channels has significantly exceeded our physical store growth but we have work to do on improving our online fulfilment capabilities. We have also successfully tested store of the future concepts designed to create a more engaging customer experience in our Supercheap

“The Group has now been recognised by the Australian Packaging Covenant in both their 2013 and 2014 annual report ratings for being the highest achiever in the retail industry.”

Auto and BCF businesses and plan to commence a rollout program in the coming year.

We opened a new distribution centre in Western Sydney in April 2014 and are on track to open a similar facility in Northern Brisbane in the 2015 financial year.

We have grown our stable of private and exclusive brands across the Group and have rolled out the JDA inventory planning system across the Leisure Retailing Division and into the Auto Retailing Division. Although we have encountered some challenges post implementation, the establishment of the Group’s SAP platform into the Sports Retailing Division will facilitate consistent sourcing and supply chain processes across the Group.

A full review of the Group’s performance and plans is included in the Operating and Financial Review set out on pages 17 to 22 of this Annual Report.

The Directors have declared a fully franked final dividend of 21.5 cents per share which results in full year dividends of 40.0 cents per share, an increase of 5% over the prior year. The current policy of distributing 55% to 65% of underlying net profit after tax in the form of dividends will enable the Group to balance investment in growth opportunities and building group capability, gradually paying down debt and increasing dividends to shareholders.

SUSTAINABILITY

The Group has continued its support of a number of charitable organisations during

the year. At the Group level, the focus is on raising funds for children’s healthcare charities while at a business level, support is provided to organisations in areas related to the activities serviced by the business’ products, for example safe driving at Supercheap Auto and Coastguard at BCF. During the year, the Group contributed \$1.03 million including contributions from our team members and customers to various charities.

The Group has also maintained its focus on a number of environmental initiatives including reducing packaging and power consumption and increasing recycling. The Group has now been recognised by the Australian Packaging Covenant in both their 2013 and 2014 annual report ratings for being the highest achiever in the retail industry.

Some of the Group’s achievements are summarised in the table below.

Group Waste Recycling - The Group is a signatory to the Australian Packaging Covenant and has set increased annual waste recycling targets as per the agreed APC Action Plan.

Customer Automotive Battery Recycling - The Group continues to explore options to offer our customers the ability to return directly to our retail stores selected products which will be collected and distributed to recycling facilities. Supercheap Auto accepts used car batteries in all retail stores for recycling.

SCA Oil Recycling - This new initiative was trailed in SCA New Zealand and based on its

Sustainability Initiative	Target 2013	Actual 2013	Target 2014	Actual 2014	Year on Year Increase
Group Waste Recycling	51.5%	51.0%	53.5%	53.9%	2.9%
Battery Recycling (Units)	-	30,844	34,000	35,871	16.0%
Oil Recycling (Litres)	-	-	-	81,600	-

* New initiative no prior comparative data

success is now being rolled out throughout Australia. The Group provides specialised recycling bins at retail stores for customers to dispose of used car oil.

Since the establishment of its international sourcing operations in China in 2006, the Group has been committed to ethical sourcing. The Group undertakes audits of factories manufacturing products for the Group to ensure compliance with the Group's ethical sourcing policy, a copy of which is set out on the Group's website. The audits cover a number of factors including workplace health and safety and employment and payroll practices.

Further information on the Group's sustainability initiatives will be included in the Corporate Review which will be published on the Group's website.

TEAM MEMBERS

The driving force behind the Group continues to be its strong culture underpinned by the passion and commitment of its 12,000 team members. We would like to take this opportunity to recognise and thank each one of them for their contribution.

Team retention rates are now above the long term target of 75%, having improved by a further 3.4% over the year to 76.1%.

We were particularly encouraged that, in a mixed year of performance, team member engagement has also improved further to 68% when assessed in April 2014 compared to 66% at the last survey in October 2012.

This compares to the retail industry average of 55% and good employer status at 65%. We reported last year that we had introduced a number of initiatives to improve safety performance and we are pleased that the Group's Lost Time Injury Frequency Rate (LTIFR) reduced from 14.3 in the 2013 year to 12.0 in the 2014 year. We are aiming to reduce our LTIFR by 15% each year for the next three years and will continue to drive the initiatives required to achieve this key objective.

In August 2014, Steve Doyle and Graham Chad will retire from the Group after 12 and 9 years' service respectively. Steve has led the development of the Leisure Retailing Division from inception in 2005 to sales in the 2014 year of \$550 million while Graham has overseen the development and operation of our Group Logistics function. Both have made significant contributions to the growth of the Group and we wish them well for the future.

LOOKING FORWARD

The year ahead will be a year in which we will maintain an appropriate balance between firstly delivering growth in sales and profit and reducing working capital in our existing businesses and secondly building our multi-channel capabilities.

We are planning to open between 20 and 30 new stores and expect to refurbish between 70 and 80 stores across the Group.

We expect like for like sales growth in the first part of the year to be relatively low as we continue to see patchy retail conditions and the impact of cannibalisation and reduced promotional discounting in our Leisure Division, but we expect like for like growth across the Group to increase as we move through the year.

We expect to lift EBITDA margins across the Group although margin growth at the EBIT level will be more modest as we incur increased depreciation charges resulting from the supply chain and systems investment over the last two years.

We expect to reduce working capital levels across the Group as we capitalise on the investment in inventory planning systems and logistics infrastructure to improve stock turn to around three times per annum within three years. We will open the new distribution centre in Northern Brisbane and refurbish our Melbourne and Perth distribution centres.

We recognise the increasing challenge of both global retailers opening stores in Australia and New Zealand and the

growth of online competitors. We see that it will be critical for the Group to seek to maintain differentiated products through private brands and exclusive products and to source branded products at global cost prices. We will work with our trade partners with a view to both sourcing more exclusive product and sourcing more products at lower cost at the point of manufacture.

We will continue to develop our own online offer across all of our businesses and will test 'dark store' logistics operations to support our online businesses to more effectively meet customer demand and delivery expectations.

This is an exciting time for our Company as we position ourselves to continue to grow and operate as a multi-channel business. We have a full agenda of initiatives underway and we look forward to reporting to you on our progress in the year ahead.



P A Birtles

Managing Director and
Chief Executive Officer



R J Wright
Chairman

CORPORATE GOVERNANCE STATEMENT

OUR CORPORATE GOVERNANCE FRAMEWORK

The following statement sets out the corporate governance framework adopted by the Board of Super Retail Group Limited ("the Company"). The Corporate Governance Statement was authorised for issue by the Directors on 20 August 2014.

The Board has responsibility for the strategic direction of the Company so as to create value for shareholders and is committed to act in the best interests of the Company and its stakeholders. Corporate governance is at the core of the Board's approach. Maintenance of policies and practices that are of the highest standards in the critical areas of corporate governance, risk management and financial reporting provide a strong foundation for the fulfilment of this responsibility.

The Board has adopted governance arrangements that are consistent with the ASX Corporate Governance Council's Principles and Recommendations with 2010 Amendments (2nd Edition)

(ASX Principles). This statement has been formatted with reference to these Principles. This statement and copies of the Company's policies, charters and codes relevant to corporate governance are available on the Company's website at www.superretailgroup.com in the Investors & Media section. The website is updated as required to ensure that it reflects the most recent governance information.

Details of the components of the framework are set out in the following pages. These arrangements, unless otherwise stated, were in place throughout the reporting period and are current as of the signing of this report.

AN OVERVIEW OF THE GOVERNANCE FRAMEWORK:



PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Board of Directors

The Board’s role is to protect the rights and interests of shareholders and is accountable to them for the management of the business and affairs of the Company. The Board’s principal objective is to create value for shareholders while ensuring the Company’s activities are properly managed.

The Board has adopted a Board Charter which sets out the manner in which its role, powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, applicable laws and the interests of all of the Company’s stakeholders.

The Board’s responsibilities include:

- contributing to and approving the Company’s goals and strategic direction and monitoring implementation of those goals and strategies;

- monitoring financial performance, including adopting annual budgets and approving the Company’s financial statements;
- approving and monitoring the progress of capital expenditure, capital management, acquisitions and divestures;
- approving and monitoring systems of internal control and risk management to appropriately mitigate material business risk;
- appointing and removing the Group Managing Director and Chief Executive Officer and the Company Secretary;
- reviewing and approving the performance and remuneration of Senior Executives;
- accountability to shareholders through effective shareholder communication and encouraging participation at general meetings; and
- establishing codes of conduct.

The Board Charter is available on the Company’s website.

The role of Board Committees

Whilst retaining ultimate responsibility for strategy and control, the Board has

established three Board Committees to perform certain functions and provide it with recommendations and advice:

- Nomination Committee;
- Audit and Risk Committee; and
- Human Resources and Remuneration Committee.

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

Committee reports are provided by the Committee Chair at the subsequent Board meeting and minutes of committee meetings are tabled at the next following Board meeting. Additional requirements for specific reporting by the Committee to the Board is addressed in the Charter of each Committee.

AN OVERVIEW OF COMMITTEE RESPONSIBILITIES:



The Charter of each Committee is available on the Company’s website.

“The Board has adopted a policy that it shall be composed of a majority of independent, Non-Executive Directors who, with Executive Directors, comprise an appropriate mix of skills, expertise, experience and diversity to meet the Board’s responsibilities and objectives.”

The role of the Group Managing Director and Chief Executive Officer

Whilst retaining ultimate responsibility for strategy and control, the Board has delegated responsibility for day-to-day management of the Company to the Group Managing Director and Chief Executive Officer. The Group Managing Director and Chief Executive Officer is supported in this function by the Senior Executives, which comprise the direct reports to the Group Managing Director, including the retail divisional Managing Directors; Chief Financial Officer; Support Services General Managers and the Company Secretary.

The Group Managing Director and Chief Executive Officer manages the Company in accordance with the strategy, business plans and delegations approved by the Board and is accountable to the Board for the exercise of the delegated authority and, with the support of senior executives, must report to the Board through reports and presentations to the Board and its Committees.

The Group Managing Director and Chief Executive Officer’s responsibilities include:

- developing and making recommendations to the Board on business strategies, budgets and policies;
- implementing business plans in accordance with approved strategies, budgets and policies; and
- reporting to the Board on Company performance and key operational issues.

Evaluation of Senior Executives’ Performance

All Senior Executives receive a letter of appointment which sets out the Company’s expectations of the role, their duties, the terms and conditions of their appointment and their remuneration. All Senior Executives receive an induction appropriate to their experience, enabling them to participate fully and actively as soon as possible, including familiarisation

with the Company’s strategic, financial and operational position.

All Senior Executives complete a performance and development review every six months. The review process is conducted by the Managing Director and includes the following:

- assessment against a set of key performance criteria, including both financial and non-financial performance measures;
- feedback on their performance over the review period and a rating based on that performance; and
- monitoring and revision as appropriate of the executive’s development plan which is tailored to support the executive’s ongoing contribution to the Company.

The Group Managing Director provides a summary of the performance evaluation of senior executives to the Human Resources and Remuneration Committee.

The performance evaluation of the Group Managing Director is completed by the Chairman, in consultation with the Board.

The performance evaluation, in accordance with the aforementioned process, was completed during this reporting period. Additional information is available in the Remuneration Report from page 26.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

COMPOSITION OF THE BOARD

Director	Non Executive	Executive	Independent	Nomination Committee	Human Resources and Remuneration Committee	Audit and Risk Committee
Robert Wright	Chair		Director	Chair		
Peter Birtles		Director		Member		
Reg Rowe	Director			Member	Member	
John Skippen	Director		Director	Member	Member	Chair
Sally Pitkin	Director		Director	Member	Chair	Member
Rob Murray	Director		Director	Member	Member	Member

The Board has adopted a policy that it shall be composed of a majority of independent, Non-Executive Directors who, with Executive Directors, comprise an appropriate mix of skills, expertise, experience and diversity to meet the Board’s responsibilities and objectives.

The Board is of the view that its current composition is appropriate to enable the Board to discharge its responsibilities and deliver the Company’s corporate objectives.

Details of these Directors’ qualifications and attendance at Board meetings are set out in the Directors’ Report on pages 22 to 24.

The constitution of the Company provides that the number of Directors is to be not less than three nor more than eight. The Board is currently comprised of six directors.

The Chair is elected from the independent, Non-Executive Directors.

The Chair is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the Board’s relationship with the Company’s Senior Executives.

The Managing Director is responsible for implementing Group strategies and policies.

Additional information of the Directors’ experience, expertise, qualifications and independent status are profiled in the Directors’ Report on pages 22 to 24.

Directors’ Independence

A Director is considered to be independent if they are free of any interest or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to exercise independent judgement on issues before the Board and to act in the best interests of the Company and its shareholders generally.

Any Director who considers that they may have a conflict of interest or material interest, other than solely as a consequence of being a Director, in any matter concerning the Company is required to give the Board immediate notice of such interest. The Board regularly reviews the independence of each Non-Executive Director in light of the interests disclosed by them. Any change to a Director’s independence status will be reported to the market.

Throughout the reporting period, the Board has adopted the independence criteria detailed in the Board Charter. In addition, the Board reviewed the independence of Directors having regard for the ASX

Corporate Governance Council’s Principles and Recommendations (3rd Edition) in June 2014 and shall have regard for these Principles and Recommendations, in conjunction with the Board Charter, pending review and, if appropriate, amendment of the Board Charter.

With the exception of the Group Managing Director, Mr P A Birtles, all of the Directors are Non-Executive Directors.

Four of the five Non-Executive Directors are considered to be independent with Mr R A Rowe deemed not to be independent. Additional information regarding Mr R A Rowe’s interests are detailed in the Directors’ Report and in Note 31 on page 87 of this Annual Report.

Mr R J Wright has served as a Director for more than ten years. The Board considers that Mr Wright makes a significant contribution to the work of the Board and that his deep knowledge of the Company and broad business experience remains especially important. The Board believes that Mr Wright has retained independence of character and judgement and has not formed interests or associations that might compromise his ability to exercise independent judgement or to act in the best interests of the Company.

“The Board undertakes an annual performance evaluation of the Board, its Committees and individual Directors. The evaluation for the 2014 financial year commenced in June 2014 and will be completed in September 2014.”

“All new Directors receive an induction appropriate to their experience, enabling them to participate fully and actively as soon as possible, including familiarisation with the operation of the Board, the Board’s Committees and the Company’s financial, strategic, operational and risk management position.”

To the extent that a Director has a conflict of interest, they would not receive Board papers on the relevant matter and would absent themselves from any discussion at the Board meeting in relation to the relevant matter.

The Non-Executive Directors periodically meet without the Managing Director or other management being present.

Access to Information

The Directors, the Board and the Board Committees are entitled to seek independent professional advice at the Company’s expense as considered necessary, subject to the approval of the Chair or the Board as a whole.

All Directors have access to Company records and may communicate directly with management at any time considered necessary.

Nomination Committee

The Nomination Committee is comprised of all Directors and is chaired by independent, Non-Executive Director, Mr R J Wright. The Board is of the view that its current composition is appropriate to enable the Committee to discharge its mandate effectively.

The composition of the Board is reviewed annually by the Nomination Committee to ensure that it has available an appropriate mix of skills, expertise and experience to ensure the interests of shareholders are served. There were no new Director appointments during the reporting period.

Details of these Directors’ qualifications and attendance at Nomination Committee meetings are set out in the Directors’ Report on pages 22 to 24.

The Nomination Committee Charter details the Company’s policy and procedure for selection and appointment of new Directors.

The Committee Charter is available on the Company’s website.

Company Secretary

The Company Secretary is accountable to the Board, through the Chair, on all governance matters and all Directors have direct access to the Company Secretary.

The Company Secretary is responsible for co-ordination of all Board business including agendas, board papers, minutes, communication with the Australian Securities Exchange (ASX) and statutory filings.

The Board has appointed Mr R W Dawkins as Company Secretary. Details of the experience and qualifications of the Company Secretary are set out in the Directors’ Report on page 24.

Performance Assessment

The Board undertakes an annual performance evaluation of the Board, its Committees and individual Directors. The evaluation for the 2014 financial year commenced in June 2014 and will be completed in September 2014.

The performance review process during the reporting period was comprised of reviews of the Board as a whole, its Committees and its individual Directors. The reviews were based on individual questionnaires completed by each Director and Senior Executives and the one on one discussion between the Chair and each Director. The questionnaire responses and insights from discussions are collated and the Board meets to discuss and consider the results and to determine any actions arising from the review.

Matters covered by the review include the role, structure, procedures, behaviours, performance, Directors’ understanding of the strategy, objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chair.

Induction and Education

New Directors receive a letter of appointment which sets out the Company's expectations of the role, their duties, the terms and conditions of their appointment and their remuneration.

All new Directors receive an induction appropriate to their experience, enabling them to participate fully and actively as soon as possible, including familiarisation with the operation of the Board, the Board's Committees and the Company's financial, strategic, operational and risk management position. This induction includes meetings with the Chair, the Audit and Risk Committee Chair, the Group Managing Director, divisional Managing Directors and other key Senior Executives.

To assist Directors in maintaining an appropriate level of knowledge of the Company's operations, Directors undertake site visits each year to some of the Company's Support Office, Distribution Centre and/or store operations.

All Directors are expected to maintain the skills required to exercise their responsibilities and discharge their obligations to the Company. Directors are encouraged to undertake continuing education and training and are on an ongoing basis provided with papers and presentations on matters which may affect the business or operations of the Company.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

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

to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. Any suspected breach of the Code is investigated accordingly. The Code is supported by the Company's Whistleblowing Policy and system of reporting activity suspected of breaching the Code to the Company's Integrity Officer. The Company's Integrity Officer is also the Company Secretary.

The Code of Conduct is available on the Company's website.

Dealing in Shares

The Company has established a policy for Directors and team members with respect to trading in the Company's securities ("Securities Trading Policy"). Directors, Senior Executives and other designated team members are subject to prohibitions to the trading of Company securities.

Generally, this includes the restriction of the trading of Company securities to three "window" periods (between 24 hours and 30 working days following the release of the annual results, the release of the half-yearly results and the close of the Annual General Meeting) and such other times as the Board permits. In addition, Directors must notify the Chair before they buy or sell Company securities and confirm once the transaction is complete.

Consistent with the legal prohibitions on insider trading, in all instances, all persons are prohibited from dealing in Company securities at any time while in possession of price sensitive information not available to the market.

Participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The ASX is notified of all relevant transactions involving securities conducted by Directors.

The Securities Trading Policy is available on the Company's website.

Ethical Sourcing Policy

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

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

Diversity Policy

The Board recognises the many benefits that may be derived by companies that successfully foster a culture of diversity and is committed to creating a fair and inclusive environment.

Information on diversity, including gender diversity is set out in the Directors' Report under the heading Diversity on page 40.

The Diversity Policy is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Audit and Risk Committee is comprised of independent, Non-Executive Directors and is chaired by independent, Non-Executive Director, Mr R J Skippen. The Board is of the view that its current composition is appropriate to enable the Committee to discharge its mandate effectively.

Effective from 22 July 2013, Mr R A Murray replaced Mr R J Wright as a member of the Audit and Risk Committee.

All members of the Audit and Risk Committee are financially literate and have the requisite financial expertise. Details of these Directors' qualifications and attendance at Audit and Risk Committee meetings are set out in the Directors' Report on pages 22 to 24.

The Audit and Risk Committee operates in accordance with its Charter and in a manner compliant with ASX Listing Rule 12.7. In brief, the Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to:

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

The Group Managing Director and Chief Executive Officer, Chief Financial Officer and Company Secretary attend Audit and Risk Committee meetings. The External Auditors, Internal Auditors and other Senior Executives attend Audit and Risk Committee meetings at the invitation of the Committee. The Non-Executive Directors periodically meet the External Auditors without the Managing Director or other management being present.

The Company has policies and processes for addressing these and other compliance areas and the Committee receive management reports accordingly. The

Committee monitors and reports to the Board on the responsiveness to Internal Audit reports, findings and any recommendations.

This Committee provides ongoing assurance in the areas of:

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

The Committee Charter is available on the Company's website.

External Auditors

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

The Audit and Risk Committee:

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

The performance of the External Auditor is reviewed annually, including compliance with the policy covering the provision of non-audit services.

An analysis of fees paid to the External Auditors, including a break-down of fees for non-audit services is provided in Note 28 on page 85 to the financial statements. It is the policy of the External

Auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The External Auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

The Company is committed to maintaining the highest standards of disclosure, providing shareholders and the investment community with the same access to full and accurate information about its activities in an accessible and timely manner.

The Continuous Disclosure Policy has been designed to ensure compliance with ASX Listing Rule disclosure requirements and to embed accountability across all levels of the Company for that compliance. This includes:

- initial disclosure of all market sensitive information on the ASX Market Announcements Platform;
- all briefings and one on one meetings with shareholders and analysts are limited to an explanation of previously published material and general discussion of non-price sensitive information. A register and summary record is maintained for internal use of all issues discussed; and
- periodic and specific disclosure obligations.

The Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Communication

The Company is committed to dealing fairly, transparently and openly with shareholders and the investment community.

An overview of the Company's business, including our brands, history and leadership is available on the Company's website.

The Company's Shareholder Communications Policy outlines the Company's approach to communicating information to shareholders and other stakeholders through a range of forums and publications. This includes:

- presentations by the Chair and the Group Managing Director and Chief Executive Officer regarding the Company's activities and state of affairs at the Annual General Meeting with the transcript of these presentations disclosed via the ASX Market Announcements Platform and the Company's website;
- attendance of Directors and the External Auditor at the Annual General Meeting to answer questions of shareholders as required;
- advanced notification of all major shareholder and analyst briefings;
- all recent Company announcements, media briefings, press releases, analyst presentations and Annual Reports and information on corporate governance practices are placed on the Company website; and
- facilitating electronic, postal and facsimile communications.

The Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company recognises that aspects of our business operate in an environment of uncertainty. The Company is committed to managing the potential risks associated

with this uncertainty in a continuous, proactive and systematic way through competent risk management incorporating the integrated application of high quality risk management policies and processes to all facets of our business by all levels of management.

Integrated risk management within the Company constitutes:

- recognising risk management as a business process that is owned by all management;
- requiring its integration into key business processes, including risk based decisions in strategy, business planning and investment setting;
- applying it at all levels of the organisation and across all departments; and
- viewing it as an ongoing process.

The risk management framework has regard to relevant regulations, standards and guidelines including the ASX Principles and Recommendations and the Australian / New Zealand standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines. Additional information regarding material business risks is set out in the Directors' Report on pages 17 to 41.

The Risk Management Policy is available on the Company's website.

Audit and Risk Committee

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

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

The Company has policies and processes for addressing the risk management, compliance and internal control systems and the Committee receives management reports accordingly.

“The Company is committed to maintaining the highest standards of disclosure, providing shareholders and the investment community with the same access to full and accurate information about its activities in an accessible and timely manner.”

“The Company is committed to dealing fairly, transparently and openly with shareholders and the investment community.”

“The role of Internal Audit as part of the Group’s risk management framework is to understand the key risks of the Company and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal controls used by management.”

Management

The Managing Director and Senior Executives are instructed and empowered by the Board to implement risk management strategies, report to the Board and the Audit and Risk Committee on developments related to risk, and suggest to the Board new and revised strategies for mitigating risk.

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

Internal Audit

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

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

Financial Reporting

The Board is provided with monthly reports from management on the financial

performance of the Company. The monthly reports include details of all key financial measures reported against budgets approved by the Board.

Pursuant to section 295A of the Corporations Act, the Company’s financial report preparation and approval process for each financial year involves the Group Managing Director and Chief Executive Officer and the Chief Financial Officer making the following declarations to the Board that:

- the Company’s financial records for the reporting period have been properly kept in accordance with Section 286 of the Corporations Act 2001;
- the financial statements and associated notes comply in all material respects with the accounting standards as required by Section 296 of the Corporations Act 2001; and
- in accordance with Section 297 of the Corporations Act 2001, the Group’s financial reports and accompanying notes represent a true and fair view, in all material respects, of the Group’s financial condition and operational results and are in accordance with relevant accounting standards. This statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Group’s risk management and internal compliance and control system is operating effectively in all material respects.

The Board has received the declaration in respect of the reporting period.

Health and Safety

The Company aims to provide and maintain a safe and healthy work environment. The Company acts to meet this commitment by implementing work practices and procedures throughout the Group that comply with the relevant regulations governing the workplace. Team members are expected to take all practical measures to ensure a safe and healthy working

environment in keeping with their defined responsibilities and applicable law.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is comprised of independent, Non-Executive Directors and is chaired by independent, Non-Executive Director, Dr S A Pitkin. The Board is of the view that its current composition is appropriate to enable the Committee to discharge its mandate effectively.

Effective from 22 July 2013, Mr R A Murray replaced Mr R J Wright as a member of the Human Resources and Remuneration Committee.

Details of these Directors' qualifications and attendance at Human Resource and Remuneration Committee meetings are set out in the Directors' Report on pages 22 to 24.

The Board has charged the Human Resources and Remuneration Committee with corporate governance and oversight responsibilities in relation to the Company's human resources strategy including:

- team member attraction, retention and engagement;
- remuneration policy, including remuneration of the Group Managing Director and Chief Executive Officer and Non-Executive Directors;
- performance management and accountability frameworks;
- development and succession activities;
- diversity policy; and
- diversity and remuneration reporting.

The Company has policies and processes for addressing these and other compliance areas and the Committee receive management reports accordingly.

Information on Directors' and key management personnel's remuneration is set out in the Directors' Report under the heading 'Remuneration Report' on page 36 of this Annual Report.

The Committee operates in accordance with its Charter which is available on the Company's website, and as described in the Remuneration Report on page 27 of this Annual Report.

Employee Share Plans

The Company considers share plans to be an effective ownership, long-term performance and team retention vehicle. It encourages all team members to participate in its schemes, which offer the ability to acquire shares via:

- an externally administered tax exempt plan which makes on-market purchases; and
- an internally administered rights (including options) plan offered to select executives.

At the time of this report, approximately 900 team members participated in one or both plans.

Additional information regarding share-based payments under the rights/options plan is detailed in Note 39 on page 93 of this annual report.



ANNUAL REPORT

Super Retail Group Limited

FOR THE PERIOD ENDING
28 June 2014



Directors' Report

Your Directors present their report on the consolidated entity consisting of Super Retail Group Limited and the entities it controlled at the end of, or during, the period ended 28 June 2014.

Directors

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

R J Wright
P A Birtles
R A Rowe
R J Skippen
S A M Pitkin
R A Murray

Information on qualifications and experience of Directors is included on pages 22 to 24.

Principal activities

During the period, the principal continuing activities of the Group consisted of:

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

Dividends – Super Retail Group Limited

The Directors declared a fully franked dividend of 21.5 cents per share be paid on 2 October 2014 (total dividend, fully franked - \$42,297,299). This will take the total dividends paid and payable to 40.0 cents for the 2014 year which is a 5.3% increase on 2013.

The following fully franked dividends of the parent entity have also been paid, declared or recommended since the end of the preceding period:

Dividend	Payment Date	\$
2013 final fully franked dividend (21¢ per share)	2 October 2013	41,259,290
2014 interim fully franked dividend (18.5¢ per share)	3 April 2014	<u>36,395,361</u>
		77,654,651

2014 Operating and Financial Review

Group Results

Both Group sales and profit after tax grew by around 5% to \$2.11 billion and \$108.4 million respectively. This overall result reflected a strong increase in profit contribution from the Auto Retailing Division partly offset by a decline in underlying profit contribution from the Leisure and Sports Retailing Divisions.

Group underlying net profit after tax decreased by 7% after excluding current one off tax benefits and prior year restructuring provisions. The underlying net profit for 2014 was \$106.2 million (being the profit after tax of \$108.4 million, decreased by the \$2.2 million tax benefit). The underlying net profit for 2013 was \$114.0 million (being the profit after tax of \$102.7 million, increased by the tax effected Ray's Outdoors restructuring provisioning in the Leisure Retailing Division of \$4.2 million, and increased by the tax effected Goldcross restructuring provisioning in the Sports Retailing Division of \$7.1 million).

The Auto and Sports Retailing Divisions delivered overall sales growth ahead of their category market growth through a combination of modest like for like sales growth and contribution from new stores. In the Auto Retailing Division, this was supported by an increase in gross margin. The Leisure Retailing Division also delivered solid overall sales growth although this was driven by new store openings slightly offset by a small decline in like for like sales. Gross margins in the Sports and Leisure Retailing Division were below the prior comparative period.

The Group has continued to invest in the development of its businesses and supporting capability with \$47.9 million capital expenditure and \$9.8 million operating costs associated with the Group's multi-channel development projects and \$45.6 million capital expenditure associated with new and refurbished stores. The Group completed a review of its taxation arrangements during the year and as a result recognised a net profit after tax benefit of \$2.2 million. This consisted of net imported goods tax refund benefit of \$10.9 million offset by an under provision of income tax relating to depreciation claims

of \$4.3 million, the derecognition of tax losses of \$3.4 million and additional indirect tax expenses of \$1.0 million.

Group Net Debt at \$382.6 million was \$53.3 million above the prior year reflecting the investment in the Group's multi-channel development projects, higher inventory levels in the Sports Retailing Division and a receivable relating to prior year tax which was received within a week of the end of the period.

Auto Retailing

Divisional sales at \$818 million were 3.7% higher than the prior comparative period with like for like sales growth being 2.4%. Divisional EBIT at \$94.5 million was 8.5% higher than the comparative period.

The Supercheap Auto business has again performed strongly with EBIT margins increasing by 50 basis points to 11.5%. Like for like sales growth was a modest 2.4% driven by small increases in transaction numbers, units sold and average unit value. Gross margin improved by a further 70 basis points again driven by ranging and sourcing initiatives. Cash operating costs as a percentage of sales were slightly below the prior year but depreciation increased as a percentage of sales reflecting the investment in the development of the Group's multi-channel capabilities.

The business continued to build membership of its customer loyalty program Supercheap Auto Club Plus with membership growing to just short of one million by June 2014, reaching this target one year ahead of plan.

The business has continued to focus on store refurbishment, ranging initiatives, private brand development, partnering with the world's best automotive brands and team engagement as drivers of underlying consistent growth.

All the major product categories, with the exception of a subset of the tools categories, delivered positive growth during the year with particularly strong growth being achieved in the car care, paint and panel and spare parts categories. Like for like sales growth was inconsistent across the States and Territories of Australia and in New Zealand with strong growth in New Zealand and Western Australia partly offset by flat growth in Queensland and a small decline in Tasmania.

The business opened a further five stores and closed two stores during the year while five stores were refurbished and seven were converted to superstores. At the end of June there were 291 stores across Australia and New Zealand with the business targeting an additional 35 stores over the next four years.

The business has continued to test and refine its store of the future concept which is designed to create a more engaging interactive shopping experience for the customer. The concept had been successfully tested in seven stores by June 2014 and the business is planning to refurbish around 50 stores in the new format in the coming year.

The Division has also continued to trial its new trade supply business, Auto Trade Direct in the North Island of New Zealand. This business supplies auto parts and accessories to auto mechanics from a number of hub stores and directly from its distribution centre and from trade partners. Further refinement is required before the concept can be rolled out more widely.

Leisure Retailing

Divisional sales at \$552.5 million were 5.7% higher with like for like sales across the division 0.2% lower than the prior comparative period.

Divisional EBIT at \$33.0 million was in line with the prior comparative period at a reported level but 16% below the prior period on an underlying basis after excluding the impact of costs of \$6.0 million associated with restructuring the Ray's Outdoors business in the prior period. EBIT margin was 6.0% which was 1.5 percentage points lower than the prior comparative period. This decline reflected a decrease in gross margin resulting from additional discounting across the Division and higher depreciation costs associated with new store rollout and the Division's share of the investment in the Group's development programs.

The BCF Boating Camping Fishing business had a disappointing year with like for like sales decline of circa 1% and a decline in gross margin. The weakness in like for like sales was driven by a combination of falling demand experienced by stores in areas in which mining related investment has slowed, cannibalisation of existing store sales from new stores and the drop in consumer sentiment experienced towards the end of the year. Like for like customer transactions and units per transaction were below the prior year while average unit value increased.

The business opened nine new stores during the year taking total store numbers to 114. The business expects to reach 125 stores in the next four years. The business has continued to refine its store of the future concept and a rollout program is commencing in the 2015 Financial Year.

The business completed the rollout of the new inventory demand planning and replenishment system, which had been piloted in the prior period. Inventory investment has run at round 10% lower as a consequence.

The business expects to deliver positive like for like sales growth in the 2015 financial year with momentum increasing through the year as the effects of cannibalisation cycle out of the business by the half year.

Following the repositioning of the Ray's Outdoors business undertaken in the previous year, the business benefitted from sales activities to clear deleted merchandise in the first half of the year. Like for like sales growth across the camping, fishing

and footwear categories was strong through the year but apparel sales were impacted by the warmer weather in the important winter season and traded below the prior period.

Further work is required to deliver an engaging customer experience in the Ray's Outdoors stores and although the new format that has been tested at Frankston and Preston is a step in the right direction, improvements are required before the business commences a wider rollout. Customer traffic was below the prior year with a proportion of customers providing feedback that they believe that changes the business has made to its loyalty scheme are detrimental. The loyalty scheme will be reviewed in the coming year.

Gross margins were lower than the prior year as expected through the clearance activity undertaken in the year. It is expected that gross margins will increase in the 2015 financial year as the business now has a much cleaner stock position.

Two new stores were opened and one store was closed during the year resulting in 56 stores trading by the end of June. The business is undertaking a full review of its store portfolio considering location and size,

In New Zealand, the FCO Fishing Camping Outdoors business had another year of strong like for like sales growth at around 18%. Importantly this was driven primarily through growth in customer numbers. The repositioning of the business outlined in the previous year's report has been successful and sales growth in the camping, boating and apparel categories has been stronger than that achieved in the fishing category reflecting the lower profile given to fishing in the business' marketing program. Although sales growth has been strong, the business needs further growth to achieve an acceptable level of return on capital so there will be a continued focus on driving like for like sales growth in the coming year and on increasing gross margin performance. The business will continue at 13 stores until performance reaches targeted returns.

A business review was conducted in the second half of the year which highlighted improvement opportunities including adopting a more aggressive pricing and promotional strategy and changes to brand marketing. The review also identified opportunities for the business to extend its range into adjacent areas. Consequential changes to the business are underway and will continue into the new year targeted towards improving sales per store and lifting operating margins.

David Ajala has been appointed to the role of Managing Director Leisure Retailing on an interim basis and he will be bringing his considerable expertise and experience to lead the work required to lift the performance of the three Leisure Retailing businesses in the coming year.

Sports Retailing

Divisional sales at \$734 million were 4.3% higher than the prior period and EBIT at \$62.8 million was 1% below the prior period. On an underlying basis, EBIT was 15% below the prior period after excluding the costs incurred in the prior period associated with restructuring the Goldcross Cycles business.

Like for like sales growth across the division was 2.6%, which was below expectations as second half performance was impacted by challenges arising from systems changes implemented during the year and the challenging consumer environment experienced towards the end of the year. Overall like for like sales growth was driven by modest increases in customer transactions, units sold and unit value.

Growth was solid in the footwear and equipment categories (with the exception of fitness equipment) but relatively flat in the apparel categories within the Rebel and Amart Sports businesses. The fitness equipment category was flat when compared to the prior year which had delivered strong growth on the year before.

During the year, the business implemented the Group's merchandise and supply chain management IT systems. This was a major change program and the business encountered challenges with both the replenishment of inventory and the reporting of merchandise performance as the systems were implemented. This had the impact of weakening the merchandise offer in store with a consequential impact on sales. The business is working through a program of addressing all the issues encountered with the change in systems and replenishment processes are in a stronger position as we move into the new financial year.

The change in systems also impacted the Division's gross margin and inventory management performance. Gross margin was 45.7% which was 40 basis points lower than the prior year and below expectations set at the start of the year. Inventory closed the year at \$151 million reflecting additional inventory purchased to manage risk through the systems implementation and the lower sales experienced in the second half. The business expects to reduce inventory in the coming year without a detrimental impact on gross margin.

The Division has continued to build the Amart Sports network in Victoria and launched the brand in New South Wales with nine new stores opened during the year. It will take around three years for these stores to reach maturity and as a result these stores operate at a lower profit contribution during their early years. This has had the effect of reducing overall EBIT margins in the Amart Sports business given the proportion of new stores compared to the overall store base. 18 new Amart Sports stores have been opened in the past two years bringing total store numbers to 51.

One new Rebel store was opened and a further five stores were refurbished with the new store design launched last year. The business also opened a Rebel Fit store which is a pilot store designed to test the opportunity for the Rebel brand in small stores in high street locations. At the end of June there were 92 Rebel stores.

The remaining standalone Goldcross Cycles stores were closed during the year with trading losses of circa \$1.0 million incurred prior to closure. 32 Amart Sports stores now have a Goldcross Cycles store in store concept and the performance of the store in store concepts has been promising.

The Division acquired the 21 store network of Workout World during the year at a cost of \$4.4 million. Two former Workout World franchise stores have subsequently been acquired. The business has traded at a small loss to date with performance being impacted by stock supply issues dating back prior to the acquisition. A number of business improvement initiatives have been implemented and a new general manager for the business commenced at the start of the 2015 financial year.

Group Costs

Group costs for the period were \$7.7 million including \$5.8 million in public company costs and \$3.0 million in costs associated with the development of the Group's commercial businesses. Group Costs also included \$9.8 million of costs associated with the Group's multi-channel development programs and unutilised distribution centre and office space. Further information on these programs is included in the section on Group Strategy in this report. Income of \$10.9 million relating to the net imported goods tax refund and other revenue adjustments was recognised in the period as a reduction to Group Costs.

The contribution from the VBM Retail licenced sports merchandise on-line and event sales business which is 50% owned by the Group is shown as part of Group costs. The business experienced high growth in the year winning distribution and event business from Tennis Australia and the Australian Football League. Strong sales growth has been delivered although expansion costs and some underperforming event contracts have resulted in a small trading loss.

Review of Financial Position

Cash flow from operations was \$167.2 million, a decrease of \$57.9 million over the prior period, reflecting increases in inventory levels in the Sports division to manage risk of systems integration and timing benefits in the prior period relating to trade payables. Progress has been made on increasing stock turns in the Auto and Leisure Retailing Divisions but there remains scope for further significant improvement in the next five years. Total inventory investment across the Group at the end of June was \$490.1 million, an increase of \$37.5 million compared to the prior comparative period.

Group capital expenditure was \$105.8 million which included \$45.6 million in new and refurbished store fit out, \$8.6 million in information technology projects, \$26.2 million in supply chain development projects, \$21.7 million in the Sports Retailing SAP project and \$3.7 million in general capital expenditure.

At the end of June, Group Net Debt was \$382.6 million, which was comfortably within the Group's facility limits and associated banking covenants.

Group Strategy

The Group's strategy is to develop and grow its portfolio of retail businesses providing solutions and engaging experiences which enable its customers to make the most of their leisure time. Core components of the strategy are to:

- provide an engaging and integrated experience for all customers across all channels;
- understand and communicate with customers at an individual or segment level;
- develop excellence in sourcing, brand development and supply chain management;
- operate at least as efficiently as competitors;
- leverage common business systems across the Group; and
- attract, engage and retain a passionate, capable and engaged team.

The Group is aiming to achieve long term sustainable advantage by excelling in six areas:

- understanding our customers;
- engaging our customers across all channels;
- innovative and relevant ranging;
- leading private and exclusive brands;
- optimising our supply chain; and
- engaging and developing our team.

The Group's supporting strategic plan is built around six core programs which contain a number of projects:

- 1) The growth and development of the Group's existing businesses
 - new store development;
 - development of an engaging and interactive integrated store and on-line experience;
 - development of customer loyalty programs;
 - development of informative and targeted marketing;
 - range development;
 - private brand development.

- 2) The development of the Group customer analysis and insight capabilities
 - development of CRM analytics;
 - development of direct marketing driven by customer analytics;
 - development of automated customer response marketing.
- 3) The development of the Group's supply chain and inventory management capabilities
 - development of the distribution centre network including new facilities in Northern Brisbane;
 - development of off shore consolidation centres and faster response supply methods;
 - implementation of demand planning, replenishment and assortment systems;
 - development of inventory management systems.
- 4) Increasing the efficiency and productivity of the Group's operations
 - right sizing of the store portfolio;
 - group procurement synergies;
 - productivity focus;
 - management systems.
- 5) Engaging our team and developing their capabilities
 - team engagement focus ;
 - learning and development programs;
 - performance management and succession planning;
 - developing the team member value proposition;
 - safety focus;
 - diversity focus.
- 6) Opportunities for growth in leisure retail categories through organic development or acquisition
 - development of the Auto Trade Direct Model;
 - development of the Super Retail Commercial business;
 - trial of on-line micro sites;
 - assessment of acquisition opportunities.

The Group anticipates a capital expenditure program amounting to circa \$90 million and related operational expenses of circa \$11 million in the next financial year associated with the development programs across the Group.

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 material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group and how the Group manages these risks include:

- **Global Competition** - The Retail market is becoming increasingly a global market place through the impact of on-line shopping and overseas retailers' inward investment into Australasia which expose the Group to a new higher level of competition. Therefore the Group has to increasingly benchmark its customer offer and business model against global on-line and physical retail businesses. The Group's strategic change programs have been developed to build the capabilities we require to be successful in the global market place. With competitors constantly seeking to enter our market with improved designs, we see this risk increasing in the future.
- **Proliferation of sales and marketing channels** - 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. A continued focus on target customers and their expectations is crucial which includes on-going review of price competitiveness against internet and competitor models maximising efficiencies in supply chain (supply to customer) and the development of multi-channel marketing initiatives. With competitors constantly seeking to enter our market with improved designs, we see this risk increasing in the future.
- **The breakdown of traditional business models** - The breakdown of traditional business models with retailers becoming manufacturers and brand owners, while brand owners and manufacturers are becoming retailers, 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 is also discussing opportunities to reduce the cost of supply chain with its major trade partners and to develop mutual business opportunities. We do not expect any significant change in this risk over the next couple of years.

- **Changing customer expectations** - Customer expectations have changed significantly over the last few years with an increasing expectation of engaging experiences, solutions rather than products and “do it for me” rather than “do it yourself”. The Group’s businesses are all considering opportunities to add the provision of information and services to its customers as well as product. In addition the Group has added a focus on customer engagement to its strategic programs. This will cover interaction with the customer across all channels – store, on-line, social media and traditional media. We believe 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.
- **Changing workforce demographics** - Attraction, retention, engagement, safety and succession of Team Members are key risks to be managed to maximise financial growth in the retail sector. We consider this is unlikely to have any significant impact on our financial results in the next year, but could potentially be significant in future years if not managed on an on-going basis. The Group's retention ratio has significantly increased and is currently tracking at 77 % up from below 59% in 2006. To manage this aspect of the business “Attracting and Engaging our Team” has been included as one of the six strategic programmes within the Group.
- **Increase in regulatory controls** - 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. The Group has developed strong compliance processes and a clear focus on Corporate Social Responsibility. On-going review of changes to regulation is required to assess the impact on the Group and develop appropriate response strategies. We believe that this will remain a consistent risk in the retail market.
- **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 Note 2 of the Notes to the Consolidated Financial Statements.
- **Change management risk** - The Group is undertaking a significant period of change through the execution of the Group’s strategic initiatives. The program of initiatives to build capability has involved and will continue to involve broad organisational, process and systems changes transforming current work practices for many team members. This brings substantial change management execution risk that needs to be carefully managed to deliver underlying benefits from the strategic programs. Management and development of the organisation’s change management capability is a key focus of the Senior Executives of the Group.

Significant changes in the state of affairs

There were no significant changes in affairs during the period.

Matters subsequent to the end of the financial year

Since 28 June 2014 Super Retail Group Limited does not have any matters subsequent to the end of the financial year to be disclosed.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group is included in this report under the section 2014 Operating and Financial Review (page 17). 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.

Environmental regulation

The Group’s environmental obligations are regulated under State, Territory and Federal Law. The Group has a policy of complying with its environmental performance obligations. All environmental performance obligations are monitored by the Board. No environmental breaches have been notified to the Group during the period ended 28 June 2014.

Directors and Directors’ interests

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

R J Wright, BCom, FCPA, MAICD. *Independent Chair Non-Executive.* Age 65

Experience and expertise

Appointed Chair on 28 October 2009 and has been an Independent Non-Executive Director for 10 years 3 months. Robert has over 30 years financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited and Director of a number of major retail companies over the last 20 years.

Other current directorships

Chair and Non-Executive Director of APA Ethane Limited (director since 2008) which is the responsible entity of the registered investment schemes that comprise Ethane Pipeline Income Fund, the securities in which are quoted on the ASX. Non-Executive Director of Australian Pipeline Limited (since 2000) the responsible entity of the registered managed investment schemes that comprise the APA Group.

DIRECTORS' REPORT (continued)
Super Retail Group Limited
for the period ended 28 June 2014

Former directorships in the last 3 years

Chair and Non-Executive Director of SAI Global Limited (October 2003 – October 2013), Dexion Limited (March 2005 – August 2010) and RCL Group (formerly Babcock & Brown Residential Land Partners Group) (May 2006 – February 2012).

Special responsibilities

Chair of the Board
Chair of the Nomination Committee

Interest in shares and options

76,344 ordinary shares in Super Retail Group Limited

P A Birtles, BSc, ACA, MAICD. *Group Managing Director and Chief Executive Officer.* Age 50

Experience and expertise

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

Other current directorships

Non-Executive Director of GWA Group Limited.

Former directorships in the last 3 years

None

Special responsibilities

Group Managing Director and Chief Executive Officer
Member of the Nomination Committee

Interests in shares and options

1,392,596 ordinary shares in Super Retail Group Limited
395,000 performance rights over ordinary shares in Super Retail Group Limited

R A Rowe. *Non-Executive Director.* Age 70

Experience and expertise

Founder of the business in 1972. Non-Executive Director for 10 years 4 months. Previously 8 years as Chair of the Board and 24 years as Managing Director.

Other current directorships

Director of a number of private family companies.

Former directorships in the last 3 years

None.

Special responsibilities

Member of the Nomination Committee
Member of the Human Resources and Remuneration Committee

Interests in shares and options

57,047,015 ordinary shares in Super Retail Group Limited

R J Skippen, ACA *Independent Non-Executive Director.* Age 66

Experience and expertise

Independent Non-Executive Director for 5 years 9 months. John is a former Finance Director of Harvey Norman Holdings Ltd, a position held for 12 years and has over 30 years' experience as a chartered accountant specialising in mergers, acquisitions, management services and taxation.

Other current directorships

Chairman and Non-Executive Director of Slater & Gordon Limited.
Non-Executive Director of Flexigroup Limited.
Non-Executive Director of Emerging Leaders Investment Limited.

Former directorships in the last 3 years

Non-Executive Director of Briscoe Group Limited (NZ) (March 2004 – September 2011).

Special responsibilities

Chairman of the Audit and Risk Committee
Member of the Nomination Committee
Member of the Human Resources and Remuneration Committee

Interest in shares and options

Nil.

S A Pitkin, LLB, LLM, PhD, FAICD. *Independent Non-Executive Director. Age 54*

Experience and expertise

Independent Non-Executive Director for 4 years. Sally has eighteen years' experience as a non-executive Director across diverse industries and sectors. She is a lawyer and former partner of Clayton Utz with corporate law and corporate governance expertise.

Other current public company directorships

Non-Executive Director of Billabong International Limited.

Non-Executive Director of the Committee for Economic Development of Australia.

Former directorships in the last 3 years

Aristocrat Limited (June 2005 – May 2011)

Special responsibilities

Chair of the Human Resources and Remuneration Committee

Member of the Audit and Risk Committee

Member of the Nomination Committee

Interest in shares and options

26,453 ordinary shares in Super Retail Group Limited

R A Murray. BA Hons Economics, MA Hons (Cantab), *Independent Non-Executive Director. Age 51*

Experience and expertise

Independent Non-Executive Director for 1 year and 4 months. Rob was the Chief Executive Officer and Executive Director of Lion (formerly Lion Nathan & Lion Nathan National Foods) (April 2004 - September 2012).

Other current directorships

Non-Executive Director of Linfox Logistics Pty Ltd.

Non-Executive Director of Dick Smith Holdings Limited.

Non-Executive Director of Southern Cross Media Group Limited.

Member of Kirin's International Advisory Board.

Former directorships in the last 3 years

Chief Executive Officer (April 2004-September 2012) and Executive Director (April 2004 – March 2013) of Lion (formerly Lion Nathan & Lion Nathan National Foods). Non-Executive Director of Lion (April 2013- April 2014).

Special responsibilities

Member of the Nomination Committee

Member of the Audit and Risk Committee

Member of the Human Resources and Remuneration Committee

Interest in shares and options

Nil

Company Secretary

The Company Secretary 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.

Meetings of directors

The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 28 June 2014 is set out below:

	Meetings of Committees							
	Full meetings directors		Audit & Risk		Nomination		Human Resources and Remuneration	
	A	B	A	B	A	B	A	B
R J Wright	10	10	n/a	n/a	1	1	n/a	n/a
P A Birtles	10	10	n/a	n/a	1	1	n/a	n/a
R A Rowe	10	10	n/a	n/a	1	1	2	2
R J Skippen	10	10	4	4	1	1	2	2
S A Pitkin	9	10	3	4	1	1	2	2
R A Murray	10	10	4	4	1	1	2	2

A = Number of meetings attended

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

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*.

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 (PwC) of the parent entity and its network firms for audit and non-audit services provided during the year is set out below:

	Consolidated 2014	Entity 2013
	\$	\$
Audit Services		
PricewaterhouseCoopers Australian firm:		
Remuneration for audit and review services	468,435	430,000
Audit of subsidiaries	46,100	20,000
Other assurance	10,000	17,500
Total remuneration for audit and review services	524,535	467,500
Taxation and Other Services		
PricewaterhouseCoopers Australian firm:		
Taxation Services	297,347	214,987
Advisory Services	3,060	-
Network firms of PricewaterhouseCoopers Australia:		
Taxation Services	65,106	59,509
Total remuneration for non-audit services	365,513	274,496

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 42.

Loans to key management personnel

There are no loans to key management personnel as at 28 June 2014 and no loans were made during the period.

Insurance of officers

During the financial year, Super Retail Group Limited paid a premium of \$94,722 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 Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Remuneration report - Audited

Contents

Section 1	Remuneration Strategy and Policy (page 26)
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Section 1: Remuneration Strategy and Policy

One of Super Retail 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.

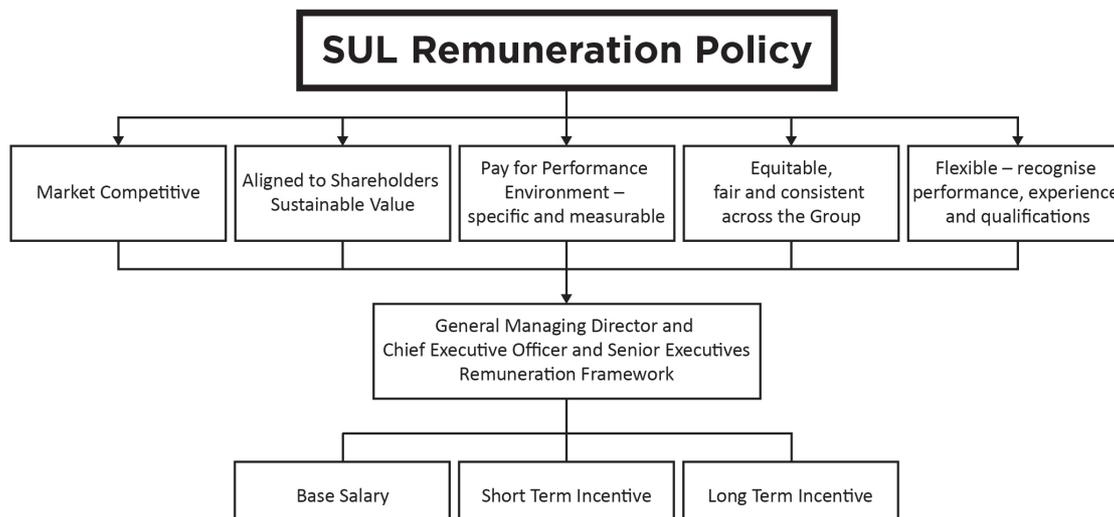
Remuneration and benefits practices are set in the context of an overall policy to provide market competitive remuneration arrangements which support the attraction, development, engagement and retention of passionate team members and that are aligned with the interests of shareholders.

The Super Retail Group is committed to creating a high performance culture. Our 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 enables 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 our base salaries at or around the median and our performance incentives in the 2nd quartile of relevant market remuneration levels, subject to individual performance;
- 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.

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 Reward Structure.



Section 2: Role of the Human Resources and Remuneration Committee

The primary objective of 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 undertakes 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.

The Committee reviews and recommends 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.

The Committee undertakes 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.

The Committee establishes the policy for the remuneration arrangements for Non Executive Directors, reviewing remuneration arrangements annually and obtaining independent external remuneration advice where appropriate.

The Committee reviews and recommends 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 every year in July.

Section 3: 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 key management personnel, are remunerated under a Total Reward structure consisting of 3 elements:

- Base Salary Package (inclusive of superannuation contributions, car allowance and other benefits);
- Short Term Incentive (STI);
- Long Term Incentive (LTI).

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 and for developing and implementing business strategy and external remuneration practices.

Key Management Personnel

The Key Management Personnel (KMP) of the Group includes the Directors and the following Executive officers, (being those who are responsible for developing and implementing the Group's strategy):

- P A Birtles, Group Managing Director and Chief Executive Officer
- D J Burns, Chief Financial Officer
- D F Ajala, Managing Director – Auto and Commercial Retailing
- S J Doyle, Managing Director – Leisure Retailing
- E A Berchtold, Managing Director – Sports Retailing
- G G Carroll, General Manager Group Development
- G L Chad, General Manager Group Logistics

C D Wilesmith was appointed to the position of Supercheap Auto Managing Director on 1 July 2013. Mr Wilesmith continued to report to the Managing Director Auto and Commercial Retailing Division until 30 June 2014. He reports directly to the Group Managing Director and Chief Executive Officer from this date.

The KMP are a sub group of the Senior Executives of the Company.

The mix of fixed and at risk components for each of the Group Managing Director and Chief Executive Officer and KMPs disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2014 financial year, is as follows:

Figure 1

Total Reward Structure - Key Management Personnel

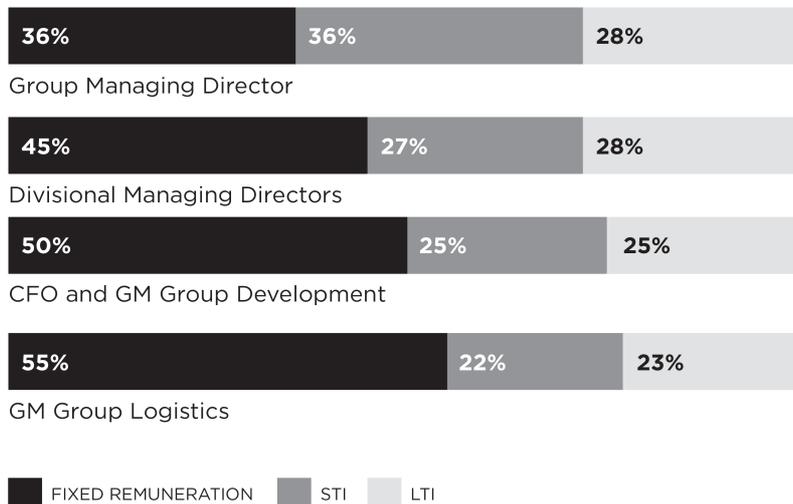


Figure 1 assumes that a full STI is received and that the LTI fully vests – the actual reward is dependent on the achievement of performance targets.

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.

Base Salary Package

The Remuneration Policy provides 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 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.

Base salary packages are reviewed annually and are effective from the commencement of the new financial year. There is no guaranteed base salary increases in any KMP's service contract.

Market information is sourced from Remuneration Consultants and Salary Surveys and the Company extracts relevant information from listed Annual Reports. In 2013 and 2014, information has been sourced from Ernst & Young (EY) Remuneration Consultants for KMP. EY Remuneration Consultants used two sets of comparator groups to benchmark salaries, being:

- 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;
- 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.

This year, as in the previous year, the comparator benchmarks disclosed that the base salary packages for the Group Managing Director and Chief Executive Officer and other KMP were below market median. The Board has continued with the strategy commenced in the 2013 financial year to increase over a three year period the salaries of the Group Managing Director and Chief Executive Officer and other KMP, so that at the end of the three years base salaries will be in accordance with the Remuneration Policy of paying at market median. By continuing with this policy, base salary increases for Group Managing Director and Chief Executive Officer and KMP from 1 July 2013 have been in the range of 3.6% to 15%. Details of base salary packages for 1 July 2014 for KMP are shown in Section 7.

All KMP base salary proposals are reviewed by the Human Resources and Remuneration Committee and recommendations are made to the Board.

Short Term Incentive (STI)

The Group Managing Director and Chief Executive Officer and other KMP are invited to participate in a short term incentive scheme that provides cash rewards for the achievement of performance targets that are consistent with the Group's approved business plan and that are aligned to delivering sustainable value to shareholders.

As advised to the ASX on 26 March 2014, the Group Managing Director and Chief Executive Officer's target STI opportunity for 2014 was up to 100% of total fixed remuneration per annum. Senior Executives have the opportunity to achieve STI bonus up to the maximum value of between 40% and 60% of their base salary as shown in Figure 1 (page 28).

Total STI is based on a combination of Group Profit, Divisional profit (in the case of Divisional Managing Directors) and individual achievement of Key Performance Indicators (KPIs).

The total STI is calculated as the total of the Group profit before tax bonus plus the individual achievement bonus. The maximum STI potential percentage of base salary is 100% for the Group Managing Director and Chief Executive Officer.

For the Group Managing Director and Chief Executive Officer, Group profit before tax bonus is determined by reference to Table A.

The individual achievement bonus is calculated by multiplying the individual achievement potential (Refer Table A) by the individual achievement factor (Refer table B below)

Table A - Group Managing Director and Chief Executive Officer

Group Profit before tax (\$)	Profit before tax bonus (a)	Individual achievement potential (b)
> Target + 10%	50.00%	50.00%
> Target + 9%	44.00%	44.00%
> Target + 8%	38.50%	38.50%
> Target + 7%	33.00%	33.00%
> Target + 6%	27.50%	27.50%
> Target + 5%	21.50%	21.50%
> Target + 4%	16.00%	16.00%
> Target + 3%	10.50%	10.50%
< Target + 3%	Nil	10.00%

Table B – Group Managing Director and Chief Executive Officer and KMP

Number of Performance Contract KPIs Achieved (out of 12)	Individual Achievement Factor
10 or more	100%
8 or more	75%
6 or more	50%
4 or more	25%
Less than 4	Nil

For example for the Group Managing Director and Chief Executive Officer to receive 100% of his STI opportunity, the Group profit before tax would need to be 10% above the Group profit before tax target and he would need to achieve 10 or more of the 12 individual performance metrics.

DIRECTORS' REPORT
 Super Retail Group Limited
 for the period ended 28 June 2014

The maximum STI potential percentage of base salary is 30% for the Divisional Managing Directors, 50% for the Chief Financial Officer and General Manager Group Development and 40% for the General Manager Group Logistics. In addition for the Divisional Managing Directors there is a Divisional EBIT bonus of 30% of base salary as illustrated in the table below.

Divisional Managing Directors	
Divisional EBIT(\$)	Divisional EBIT bonus
> Target + 10%	30.0%
> Target + 9%	26.5%
> Target + 8%	23.0%
> Target + 7%	19.5%
> Target + 6%	16.0%
> Target + 5%	12.0%
> Target + 4%	8.0%
> Target + 3%	4.0%
< Target + 3%	NIL

The Human Resources and Remuneration Committee recommends to the Board an annual profit before tax target. In setting this target, the Committee considers the profit projections set out in the Group's approved business plan and investor expectations.

For the year to 28 June 2014, the profit before tax target was set at \$176.4 million, 20% higher than the profit before tax achieved in the period to 29 June 2013 of \$146.8 million and 8.5% above underlying profit before tax of \$161.1 million.

Should profit before tax exceed the profit target, an STI bonus pool is created to a value of 20% of the amount that company profit exceeds the target. KMPs and other executives are paid out of the bonus pool based on the bonus category into which they are allocated. To achieve the maximum bonus potential the profit before tax needs to exceed target by 10%.

If the profit target is not met, KMPs can still earn STI up to a value of 10% of their base salary for individual performance, against a set of 12 KPIs that are established at the beginning of the year.

The level of participation is dependent on the achievement of 12 KPIs relevant to their area of responsibility. The 12 KPIs cover the achievement of financial and operational results and the successful implementation of strategic and people development initiatives. The KPIs are consistent with the overall performance targets and objectives set out in the Group's business plan.

The KPIs included in the Group Managing Director and Chief Executive Officer's Performance Contract are divided into three categories:

- financial KPIs - Group sales, Group profit before tax and Group operating cash flow targets relative to budget;
- strategy development and implementation milestones including the progress of strategic initiatives in the Auto, Leisure and Sports Retailing Divisions, the multi-channel customer programme and multi-channel supply chain and inventory programme and the update of the Group Strategic Plan; and
- team KPIs including the achievement of improvement in the areas of team safety, engagement and succession planning.

The KPIs for Divisional Managing Directors are also divided into three categories:

- financial KPIs – Divisional sales, Divisional EBIT and Divisional Inventory;
- strategy implementation milestones monitoring the progress of strategic initiatives in the Divisional business plan; and
- team KPIs including the achievement of improvement in the areas of team safety, engagement and development.

The KPIs for the Chief Financial Officer, General Manager of Group Development and General Manager of Group Logistics were divided into four categories:

- financial KPIs – three metrics including cost control in their areas of responsibilities;
- operational KPIs – three metrics based on operational efficiencies;
- strategy implementation milestones monitoring the progress of strategic initiatives of the Group; and
- team KPIs including the achievement of improvement in the areas of team safety, engagement and development.

The Human Resources and Remuneration Committee is responsible for assessing whether the KPIs are achieved and for approving STI payments. The Committee receives reports from management to assist in the assessment.

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

- given the nature of the business where revenue is not dependent on long term contracts;
- overall remuneration arrangements are below market medians;
- STI payment arrangements are not excessive and the Company can demonstrate a clear link between STI payments and the Company performance over a number of years; and
- deferral of short term incentive and part payment in equity may cause confusion between STI and LTI arrangements.

During the year the Committee has established a policy on the treatment of one off adjustments to the STI target and determined that one off adjustments will only be considered by the Committee in exceptional circumstances and if they occur as a result of matters that are outside the control of management. The Committee expects such events to be very rare. For example, in the 2013 financial year, the Directors determined that the STI bonus pool be calculated by comparing underlying profit before tax rather than reported profit before tax against the profit target. Costs associated with the restructuring of the Goldcross Cycles and Rays Outdoors businesses were excluded from underlying profit before tax as the Directors determined that this measure was more representative of the underlying operating performance of the Group. Underlying profit before tax was determined to be \$161.1million compared to reported profit before tax of \$146.8million.

No adjustments have been made to reported profit in determining the STI bonus pool in the 2014 financial year.

Long Term Incentive (LTI)

The Group's remuneration structure aims to align long term incentives for KMPs and other executives with the delivery of sustainable value to shareholders. The alignment of interests is important in ensuring that KMPs and executives are focused on delivering sustainable returns to shareholders, whilst allowing the Group to attract and retain Senior 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 links the long term remuneration of Senior Executives with the economic benefit derived by shareholders over a three to five year period.

Participation in the Plan is by invitation only as determined by the Board.

The Plan allows for the annual grant of Performance Rights to 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.

The performance conditions will be satisfied if the Group achieves certain earnings per share growth and return on capital hurdles over a three year period (Performance Period) as determined by the Board.

The performance conditions determined by the Board in 2009 were:

- a 10% cumulative earnings per share (EPS) growth; and
- an averaged return on capital (ROC) of more than 15%

For the Performance Rights to vest, both hurdles must be satisfied. The structure creates a cliff vesting, such that executives are either granted all the Performance Rights they have been allocated or none.

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:

<u>Time after grant of Performance Right</u>	<u>% of Performance Rights that vest</u>
3 years	50%
4 years	25%
5 years	25%

Participating Executives are prohibited from entering into any hedging arrangements in relation to Performance Rights.

The notional value of Performance Rights granted to each Executive is based on the share price of the Group at the time of grant. The number of Performance Rights granted to each KMP is determined in accordance with the Executive Remuneration Structure outlined above and have a value of between 42% and 78% of their base salary. The value of Performance Rights for grant purposes may differ from the accounting valuation which considers probability of vesting and other factors.

The Board reviewed the vesting conditions in the context of market practice and the significant change in the Company's capital structure following the capital raising and acquisition of the Rebel business in the 2012 financial year and resolved to:

- maintain cumulative EPS growth and ROC as the performance metrics. The Board considers that the combination of EPS growth and maintenance of ROC growth ensures that executives maintain a focus on value creating growth that will deliver sustainable returns for shareholders;
- remove the cliff impact;
- separate the two hurdles and apply equal weighting to each;
- recognise the significant change to the capital structure to the company and change the percentages of the metrics as detailed below; and
- ensure that the achievement of the performance conditions continues to be aligned with shareholders interests.

Details of the new performance hurdles are:

The EPS Performance Hurdle – 15% cumulative EPS growth

At the end of the Performance Period the compound EPS growth of ordinary shares is calculated. If the compound EPS growth is equal to 10%, then 50% of the Performance Rights will be available to vest. If the compound EPS growth is 15% or better, all the Performance Rights will be available to vest. Between 10% and 15%, Performance Rights will be available to vest on a pro rata basis.

The ROC Performance Hurdle – 15% averaged ROC

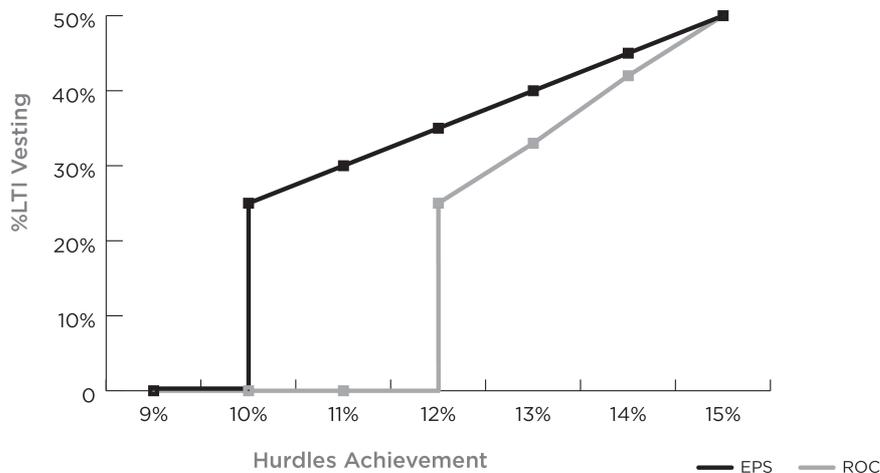
At the end of the Performance Period the averaged ROC is calculated. If the averaged ROC is 12%, then 50% of the Performance Rights will be available to vest. If the averaged ROC is 15% or better, all the Performance Rights will be available to vest. Between 12% and 15%, Performance Rights will be available to vest on a pro rata basis.

Under the new performance hurdles for KMP, to achieve 100% vesting the cumulative EPS growth must be at least 15%, and averaged 15% ROC, compared with the previous performance hurdles of 10% cumulative EPS growth and 15% ROC.

The new EPS performance hurdle is more challenging than the previous hurdle to better reflect the potential of the business following the Rebel Sport acquisition which has had a positive impact on EPS growth. The new ROC hurdle allows for partial achievement for Executives for an averaged ROC between 12% and 15%. Recognising that the Group's Cost of Capital is circa 10%, a ROC of 12% plus produces an economic profit and creates value for shareholders. This range takes into account the changed capital structure following the Rebel Sport acquisition, capital raising and the investments made over the past two years and this year to implement strategic initiatives such as the multi-channel customer programme and the multi-channel supply chain programme.

Although these investments have been approved on the basis of achieving ROC of greater than 15% over the long term, they have, and will have, a negative impact on ROC in the short term as it will take some years for the resulting benefits to fully crystallise. The Board is of the view that these investments are essential for the long term success of the business.

LTI Vested Based on Hurdle Achievement



DIRECTORS' REPORT (continued)
Super Retail Group Limited
for the period ended 28 June 2014

The Board will seek Shareholder approval at the 2014 Annual General Meeting to amend the performance metrics for the tranches of performance rights issued in financial years 2012, 2013 and 2014 to the Group Managing Director and Chief Executive Officer and other executives.

A total of 1,447,091 existing Performance Rights will be subject to the change in performance hurdles. Of this total 443,152 are subject to testing against the performance hurdles at 28 June 2014. Applying the new performance hurdles to these rights results in the following outcome:

Cumulative EPS growth for the three years ended 28 June 2014	10.5%
Averaged ROC over the three years ended 28 June 2014	13.3%

This will result in 269,423 Performance Rights satisfying the performance conditions and 156,205 Performance Rights lapsing. A further 17,524 Performance Rights issued in 2011 have lapsed on Executives leaving the Company before the end of the Performance Period.

The Board has also reviewed the Plan rules in light of feedback from shareholders and evolving market practice. The Plan rules have been substantially revised, including the introduction of clawback provisions in exceptional circumstances, such as a subsequent material restatement of EPS or ROC. In the event of a change in control, the treatment of Performance Rights will be at the discretion of the Board. The Board can exercise discretion such that Performance Rights will vest pro rata to reflect the period since the start of the Performance Period and the extent that the performance hurdles have been met.

Executives must be employed at the time of vesting to receive the Performance Rights grant. The Board has discretion to amend the employment requirement based on the circumstances associated with the 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 prorated 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. The revised Plan rules will apply for awards of Performance Rights for the 2015 financial year and beyond.

Section 4: 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. The level of fees are reviewed annually by the Human Resources and Remuneration Committee and are based on the median of fees paid for comparative Non-Executive Director roles in similarly sized publicly listed companies operating in the retail and consumer goods industry.

In 2013 and 2014, the Human Resources and Remuneration Committee engaged the services of Ernst & Young as an independent remuneration consultant to prepare comparative information for review to ensure that fees are market based and fairly represent the responsibilities and time spent by the Directors on Company matters.

The Market comparative information provided by Ernst & Young in 2013 and again in 2014 disclosed that the level of fees being paid are substantially below that paid to Non-Executive Directors in the comparator group. This year we have continued with the strategy commenced last year to increase Directors' fees progressively over a three year period so that at the end of that period, fees will be paid in accordance with the Remuneration Policy of paying fees at the median of fees paid to comparative companies.

Additional fees are paid to the Chairs and members of 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.

Non-Executive Director 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 provides the capacity to appoint additional directors to facilitate board succession and regeneration and to apply the Group's remuneration policy. No increase in the pool is proposed.

Non-Executive Directors' fees are inclusive of statutory superannuation contributions. The focus of the Board is on the strategic direction of the Group and the creation of sustainable shareholder value. Non-Executive Directors do not receive shares, Performance Rights or share options as part of their 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.

Directors' Fees

The following fees apply:

	2014 \$	2015 \$
Chairman	280,000	300,000
Other Non Executive Directors	125,000	135,000
Chair of the Audit and Risk Committee	25,000	25,000
Chair of the Human Resources and Remuneration Committee	20,000	20,000
Committee Member *	10,000	10,000

* Committee fees are not paid to members of the Nomination Committee

Section 5: Relationship of Remuneration to Group Performance

The performance of the Group and remuneration paid to KMP over the last 6 years is summarised in the following table:

	2009	2010	2011	2012	2013	2014	CAGR Last 6 years*
Financial performance							
Sales (\$m)	829.8	938.0	1,092.3	1,654.1	2,020.0	2,112.1	20%
Profit before tax (\$m)	41.9	53.9	77.7	120.1	146.8	158.6	28%
Post Tax ROC (%)	15.4	16.8	17.3	15.9	12.6	11.3	
Shareholder value created							
Earnings Per Share (¢)	28.1	32.1	40.9	46.4	52.3	55.1	16%
Dividends Per Share (¢)	18.0	21.5	29.0	32.0	38.0	40.0	20%
30 June Share Price (\$)	3.61	5.27	7.00	7.19	11.97	8.46	24%

*Percentage movement shown is the Compound Annual Growth Rate over the last 6 years

Remuneration Expense of Key Management Personnel

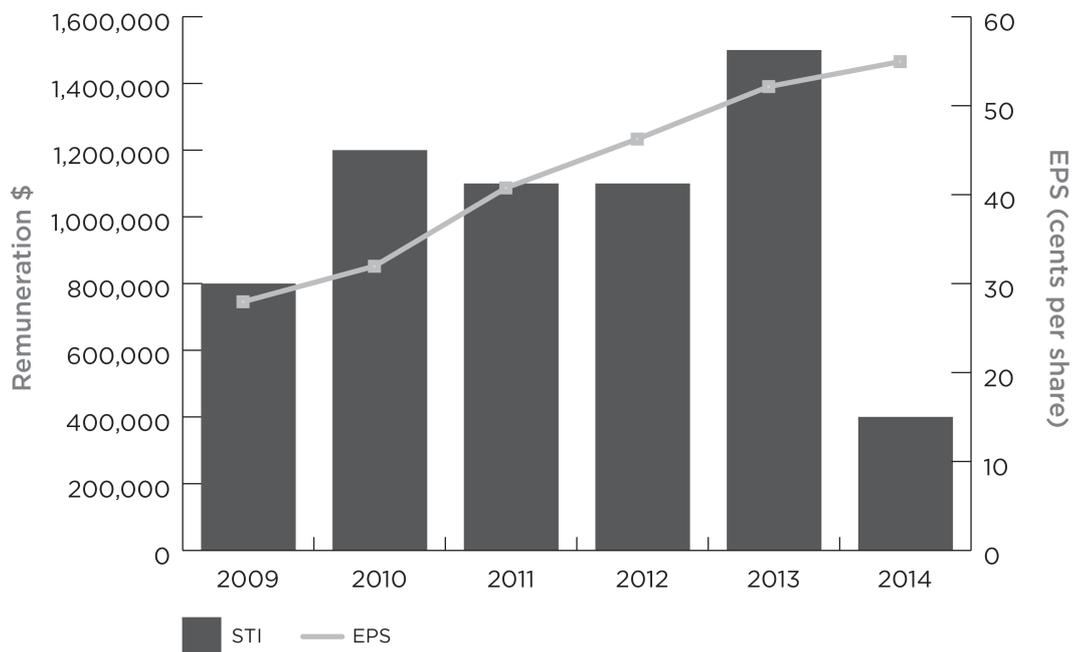
	2009	2010	2011	2012	2013	2014
Base Salary Package (\$m)	2.5	2.5	2.7	3.1	3.9	4.8
Short Term Incentive (\$m)	0.8	1.2	1.1	1.1	1.5	0.4
Long Term Incentive (\$m)	0.2	0.4	0.7	1.1	1.5	0.4
Total (\$m)	3.5	4.1	4.5	5.3	6.9	5.6

Since 2009 earnings per share have increased by 96%, dividends per share have increased by 122% and the share price has increased by 134% demonstrating a balance between strategic growth and shareholder value.

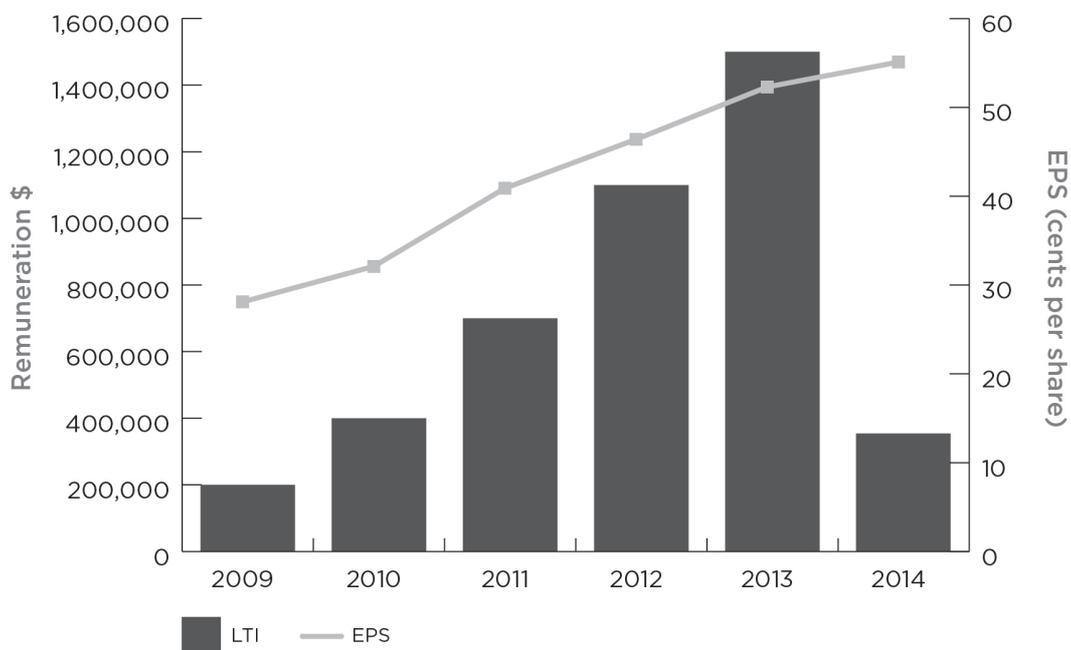
During the same period, total remuneration paid to KMP has increased by 60% whilst base salary has increased by 92%. The amount of total remuneration is significantly impacted by the value of incentive payments which have varied over the years in line with Group performance. The main factor increasing the amount of base pay has been an increase in the number of KMP from five to seven as the Group has increased in scale.

Total remuneration paid to KMP as a proportion of profit before tax was 8.4% in 2009 and had reduced to 3.5% in 2014.

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



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



Section 6: Remuneration Outcomes of 2014

Details of the remuneration of the Directors and KMP of the Group are set out in the following tables:

2014 Name	Short-term benefits			Post-employment benefits	Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Performance Rights \$	
<i>Non-Executive Directors</i>						
R J Wright <i>Chairman</i>	262,225	-	-	17,775	-	280,000
R A Rowe	97,028	-	-	37,972	-	135,000
R J Skippen	145,200	-	-	14,800	-	160,000
S A Pitkin	140,663	-	-	14,337	-	155,000
R A Murray	131,588	-	-	13,412	-	145,000
Sub-total Non-Executive Directors	776,704	-	-	98,296	-	875,000
<i>Executive Directors</i>						
P A Birtles	1,119,810	57,000	2,415	17,775	254,854	1,451,854
<i>Other KMP</i>						
D J Burns ^(a)	512,225	53,000	-	17,775	51,977	634,977
D F Ajala ^(b)	383,147	86,900	-	25,110	46,733	541,890
S J Doyle ^(c)	467,225	36,375	-	17,775	(50,039)	471,336
E A Berchtold	467,225	51,500	30,000	17,775	34,653	601,153
G G Carroll	442,225	34,500	-	17,775	41,896	536,396
G L Chad ^(d)	377,191	42,000	-	23,110	(25,542)	416,759
Total Executives' remuneration	3,769,048	361,275	32,415	137,095	354,532	4,654,365
Totals	4,545,752	361,275	32,415	235,391	354,532	5,529,365

(a) Comprises salary for full year as opposed to prior year where D J Burns was employed for a seven month period.

(b) D F Ajala performed his role on a part-time basis from 1 September resulting in a decrease in his base salary.

(c) Resignation effective date of 1 August 2014. As a result of confirming that prior issues of Performance Rights will not vest into shares, the Performance Rights value for the period is negative reflecting the reversal of amounts reported in prior periods.

(d) Resignation effective date of 22 August 2014. As a result of confirming that prior issues of Performance Rights will not vest into shares, the Performance Rights value for the period is negative reflecting the reversal of amounts reported in prior periods.

2013 Name	Short-term benefits			Post-employment benefits	Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Performance Rights \$	
<i>Non-Executive Directors</i>						
R J Wright <i>Chairman</i>	183,530	-	-	16,470	-	200,000
R A Rowe	82,875	-	-	22,125	-	105,000
R J Skippen	105,505	-	-	9,495	-	115,000
S A Pitkin	105,505	-	-	9,495	-	115,000
R A Murray ^(a)	18,430	-	-	1,659	-	20,089
Sub-total Non-Executive Directors	495,845	-	-	59,244	-	555,089
<i>Executive Directors</i>						
P A Birtles	976,115	487,550	2,415	16,470	635,324	2,117,874
<i>Other KMP</i>						
D J Burns ^(b)	198,224	58,200	-	9,068	-	265,492
D F Ajala	450,730	232,750	-	24,270	242,529	950,279
S J Doyle	407,023	169,650	11,507	16,470	222,645	827,295
E A Berchtold	409,530	223,440	30,000	16,470	79,208	758,648
G G Carroll	403,530	151,200	-	16,470	163,280	734,480
G L Chad	377,251	116,000	-	22,749	151,034	667,034
Total Executives' remuneration	3,222,403	1,438,790	43,922	121,967	1,494,020	6,321,102
Totals	3,718,248	1,438,790	43,922	181,211	1,494,020	6,876,191

(a) appointed 22 April 2013

(b) appointed 3 December 2012

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

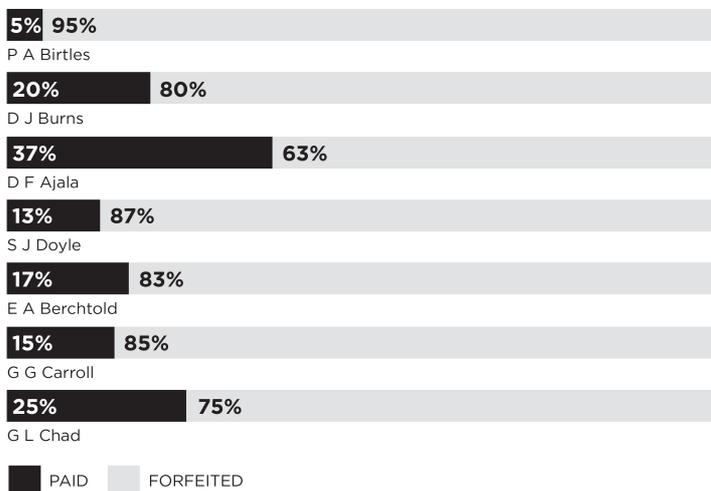
DIRECTORS' REPORT (continued)
 Super Retail Group Limited
 for the period ended 28 June 2014

Name	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2014	2013	2014	2013	2014	2013
P A Birtles	78.52%	47.02%	3.93%	23.00%	17.55%	29.98%
D J Burns	83.46%	78.08%	8.35%	21.92%	8.19%	0.00%
D F Ajala	75.34%	50.02%	16.04%	24.47%	8.62%	25.51%
S J Doyle	92.28%	52.62%	7.72%	20.49%	0.00%	26.89%
E A Berchtold	85.67%	60.15%	8.57%	29.42%	5.76%	10.43%
G G Carroll	85.76%	57.23%	6.43%	20.57%	7.81%	22.20%
G L Chad	89.92%	60.01%	10.08%	17.37%	0.00%	22.62%

Details of remuneration: Short Term Incentives

STI is dependent on the satisfaction of performance conditions as set out in the section headed “Short Term Incentives” above. For each cash bonus included in the above tables, the percentage of the available bonus that was paid and the percentage that was forfeited because the person did not meet the performance criteria are set out below. No part of the bonuses are payable in future years.

STI Achievement 2014



Details of remuneration: Long Term Incentives

Performance Rights

The table below lists the Performance Rights provided as remuneration to each Director of Super Retail Group Limited and each of the key management personnel of the Group.

Name	Number of Performance Rights granted during the period	Value of Performance Rights at Grant Date \$	Number of Performance Rights vested during the period
	2014	2014	2014
<i>Directors</i>			
R J Wright	-	-	-
R A Rowe	-	-	-
R J Skippen	-	-	-
S A Pitkin	-	-	-
R A Murray	-	-	-
P A Birtles	110,000	1,191,457	75,000
<i>Other KMP</i>			
D J Burns	21,615	234,121	-
D F Ajala	20,047	217,138	27,872
S J Doyle	24,615	266,616	25,526
E A Berchtold	26,137	283,101	-
G G Carroll	18,760	203,198	17,838
G L Chad	14,190	153,398	20,240

The above Performance Rights are valued using the share price at time of granting. The Performance Rights granted in the current reporting period were valued using a share price of \$10.83. The Performance Rights are expensed over a five year period in-line with the vesting conditions of the rights. Plan participants may not enter into any transaction designed to remove the “at risk” aspect of the Performance Rights before they vest.

Shares under option

No options were granted or vested during the period.

Shares provided on exercise of remuneration options and performance rights

The table below lists the ordinary shares in the Company issued during the year as a result of the exercise of remuneration options and Performance Rights.

Name	Incentive Scheme	Date of Exercise of Share plan	Number of Ordinary Shares Issued on Exercise of Share Plans During the Year	Market Value at Exercise Date*
P A Birtles	Performance Rights	1 Sept 2013	75,000	919,500
D F Ajala	Performance Rights	1 Sept 2013	27,872	341,711
S J Doyle	Performance Rights	1 Sept 2013	25,526	312,949
G G Carroll	Performance Rights	1 Sept 2013	17,838	218,694
G L Chad	Performance Rights	1 Sept 2013	20,240	248,142

*The value at exercise date of options and Performance Rights exercised during the period was determined using the five-day average Group share price.

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 as follows:

Grant date	Vesting Date	Value per Performance Right at Grant Date	Number of Performance Rights
1 September 2009	**	\$5.15	83,421
1 September 2010	**	\$5.85	171,058
1 September 2011	**	\$6.09	443,152
1 September 2012	**	\$7.95	534,019
1 September 2013	**	\$10.83	469,920
			1,701,570

**Performance rights vest progressively three to five years after grant date and have no expiry date.

Plan participants may not enter into any transaction designed to remove the "at risk" aspect of Performance Rights or share options.

As at the date of this report there are no remaining unissued ordinary shares of Super Retail Group Limited under option.

Shares issued on the exercise of options

There were no shares issued during the year ended 28 June 2014 on the exercise of options.

Section 7: Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits and when eligible, participation in the Executive Performance Rights Plans and Option Plans. Restraint provisions are detailed in Section 8.

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

P A Birtles, Group Managing Director and Chief Executive Officer

Term of Agreement – 3 years commencing 1 January 2014

Base salary, inclusive of superannuation for the period ended 28 June 2014 was \$1,140,000 per annum to be reviewed annually with effect from 1 July by the Human Resource and Remuneration Committee. Base salary, inclusive of superannuation will be \$1,175,000 from 1 July 2014.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to 12 months base salary.

DIRECTORS' REPORT (continued)
Super Retail Group Limited
for the period ended 28 June 2014

D J Burns, Chief Financial Officer

Term of Agreement – 5 years and 10 months commencing 3 December 2012

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$530,000 to be reviewed annually by the Human Resource and Remuneration Committee. Base salary, inclusive of superannuation will be \$600,000 from 1 July 2014.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to six months base salary 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.

D F Ajala, Managing Director – Auto & Commercial Retailing / Managing Director – Leisure & Commercial Retailing from 1 August 2014

Term of Agreement – 2 years and 2 months commencing 1 August 2013

(30 hours per week from 1 September 2013)

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$395,000 (on a part time basis) to be reviewed annually by the Human Resource and Remuneration Committee. Base salary, inclusive of superannuation will be \$580,000 from 1 July 2014 (on a full time basis).

Payment of a termination benefit on early termination by the Company, other than for cause, equal to six months base salary 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.

*S J Doyle, Managing Director – Leisure Retailing
Resignation effective date 1 August 2014*

Term of Agreement – 4 years and 8 months commencing 27 January 2011

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$485,000 to be reviewed annually by the Human Resource and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to six months base salary 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.

E A Berchtold, Managing Director – Sports Retailing

Term of Agreement – 4 years and 11 months commencing 5 November 2011

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$515,000 to be reviewed annually by the Human Resource and Remuneration Committee. Base salary, inclusive of superannuation will be \$565,000 from 1 July 2014.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to six months base salary 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.

G G Carroll, General Manager Group Development / General Manager Group Logistics from 30 June 2014

Term of Agreement – 5 years and 5 months commencing 17 April 2011

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$460,000 to be reviewed annually by the Human Resource and Remuneration Committee. Base salary, inclusive of superannuation will be \$500,000 from 1 July 2014.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to six months base salary 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.

G L Chad, General Manager Group Logistics - Resignation effective date 22 August 2014

Base salary, inclusive of superannuation, for the period ended 28 June 2014 of \$416,000 to be reviewed annually by the Human Resource and Remuneration Committee.

Payment of a termination benefit on early termination by the Company, other than for cause, equal to three months base salary.

Section 8: Period of Restraint

The above key management personnel have the following post-employment restraints within their employment contracts.

After cessation of employment for any reason, for the period set out 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.

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

Diversity

The Company recognises its talented and diverse workforce as a key competitive advantage. Our business performance is a reflection of the quality and skill of our people and behaviours that are aligned to our Group Values. We are firmly committed to developing policies, practices and ways of working that support diversity. We strive to ensure strong business growth and performance whilst providing an environment that makes the Super Retail Group a great place to work.

Central to achieving this goal is an inclusive work environment and culture that allows Team Members to contribute their full potential, through recognising and supporting their diverse strengths and needs. We want to be known as a diversity conscious employer recognising, appreciating, valuing and utilising the unique talents and contributions of all individuals.

The Company has developed a diversity policy that links directly to the Company's corporate vision and strategies. The objectives of the policy are:

- for our workforce to be representative of our customer base;
- to recognise, value and engage the diverse skills, cultural values and backgrounds of our Team Members;
- to enhance the opportunities for Team Members to participate and contribute to the work of the Super Retail Group;
- to maintain a focus on workplace health and safety by providing appropriate employment arrangements;
- to proactively prevent and eliminate harassment and unlawful discrimination in the workplace;
- to ensure that workplace structures, conditions, systems and procedures, foster diversity and allow Team Members to manage work and personal life;
- to promote awareness of the value of diversity in the workplace;
- to enhance attraction, development and retention of Team Members;
- to be recognised as a great place to work and a preferred employer in the specialty retail sector; and
- to provide suitable employment opportunities for disabled and disadvantaged Team Members.

The Company Diversity Policy is based on the following principles:

- the behaviours and actions of all Team Members will be in line with the Group Values;
- Company and Team Member decisions will not have discriminatory consequences;
- workplace structures and conditions will enable all Team Members to contribute to their full potential at work while taking into account personal commitments;
- decisions affecting Team Members will take into account their individual needs and differences subject to business requirements;
- all communication will recognise our diverse workforce and use inclusive language; and
- decisions affecting Team Members will be based on facts.

These diversity principles aim to facilitate improved business outcomes and achievement of our goals through **embracing** Team Member's differences. At Super Retail Group, we **value** these differences and **utilise** them to build better business practices. We desire our Retail Stores, Support Office and Distribution Centres to be reflective of the communities in which we operate.

Gender Diversity

We are proud that our culture and inclusive policies have created a workforce in which females represent 45% of the workforce at 28 June 2014. Many of the Group's business operate in retail sectors in which the majority of customers are males and its competitors employ a significant majority of males. At Super Retail Group, 28% of middle and senior management positions and 24% of senior management positions are held by females as at 28 June 2014. The Company set targets for 40% of females in Board and Senior Management positions by 2019.

Under gender diversity, the Human Resources and Remuneration Committee have identified three key focus areas for the 2014/15 year:

- recruitment practices;
- high potential development programs; and
- flexible working practices.

To promote diversity, the Company has implemented the following initiatives:

- paid maternity leave, above statutory minimum;
- parental leave information packs, gifts and keeping in touch program;
- graduated return to work from maternity leave;
- implementation of working from home and flexible working policy;
- part time work opportunities;
- monitoring of remuneration for gender differences;
- appointment of females into senior non-traditional roles – e.g. General Manager Retail Operations, Retail Operations Manager, Distribution Centre Manager;
- leadership development program specifically for females;
- mentoring for females;
- My Mentor program run – Challenging women to make it happen;
- CEO participation in the Queensland Male Champions of Change;
- purchased leave scheme;
- gathered diversity and succession related information from key managers;
- understanding usage of flexible work practices; and
- diversity questions included in engagement survey.

Broadening Diversity

In the coming year the Group will be implementing additional initiatives to maintain our ongoing focus for diversity, but also broadening the scope to include ethnicity, age and disability.

Rounding of amounts

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

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



R J Wright
Chairman

Brisbane
20 August 2014



P A Birtles
Group Managing Director and Chief Executive Officer



Auditor's Independence Declaration

As lead auditor for the audit of Super Retail Group Limited for the period ended 28 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'MK Graham'.

MK Graham
Partner
PricewaterhouseCoopers

Brisbane
20 August 2014

Super Retail Group Limited ABN 81 108 676 204

Annual financial report – 28 June 2014

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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 the Australian currency.

Super Retail Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its principle 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 17 to 41, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 20 August 2014. 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 at our Shareholders' Centre on our website: www.superretailgroup.com.au.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
 Super Retail Group Limited
 For the period ended 28 June 2014

	Notes	Consolidated	
		2014 \$m	2013 \$m
Revenue from continuing operations	4	2,112.1	2,020.0
Other income	5	13.0	3.0
Total revenues and other income		2,125.1	2,023.0
Cost of sales of goods		(1,171.4)	(1,121.9)
Other expenses from ordinary activities			
- selling and distribution		(274.6)	(261.7)
- marketing		(87.2)	(88.0)
- occupancy		(175.3)	(165.5)
- administration		(233.2)	(213.6)
Net finance costs	6	(24.0)	(25.5)
Share of net loss of associates accounted for using the equity method		(0.8)	-
Total expenses		(1,966.5)	(1,876.2)
Profit before income tax		158.6	146.8
Income tax expense	7	(50.2)	(44.1)
Profit attributable to Owners of Super Retail Group Limited		108.4	102.7
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	23	(6.3)	4.4
Exchange differences on translation of foreign operations	23	4.3	3.1
Other comprehensive income for the period, net of tax		(2.0)	7.5
Total comprehensive income for the period		106.4	110.2
Total comprehensive income for the year is attributable to: Owners of Super Retail Group Limited		106.4	110.2
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	38	55.1	52.3
Diluted earnings per share	38	54.6	51.9

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

CONSOLIDATED BALANCE SHEET
 Super Retail Group Limited
 As at 28 June 2014

		Consolidated	
	Notes	2014 \$m	2013 \$m
ASSETS			
Current assets			
Cash and cash equivalents	8	24.2	22.3
Trade and other receivables	9	41.1	21.9
Inventories	10	490.1	452.6
Derivative financial instruments	25	-	6.0
Total current assets		555.4	502.8
Non-current assets			
Trade and other receivables	9	3.7	-
Investments accounted for using the equity method	33	4.7	-
Property, plant and equipment	11	197.6	192.6
Intangible assets	13	813.4	769.7
Total non-current assets		1,019.4	962.3
Total assets		1,574.8	1,465.1
LIABILITIES			
Current liabilities			
Trade and other payables	14	278.8	260.2
Borrowings	15	2.7	3.3
Current tax liabilities	16	1.1	7.8
Derivative financial instruments	25	6.3	3.1
Provisions	17	28.8	27.9
Total current liabilities		317.7	302.3
Non-current liabilities			
Trade and other payables	18	27.0	19.4
Borrowings	19	404.1	348.3
Deferred tax liabilities	20	52.6	53.5
Provisions	21	13.0	10.1
Total non-current liabilities		496.7	431.3
Total liabilities		814.4	733.6
Net assets		760.4	731.5
EQUITY			
Contributed equity	22	542.3	542.3
Reserves	23	7.7	9.5
Retained profits	23	210.4	179.7
Total equity attributable to owners of Super Retail Group Limited		760.4	731.5

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 Super Retail Group Limited
 For the period ended 28 June 2014

	Notes	Contributed Equity \$m	Reserves \$m	Retained Earnings \$m	Total \$m
Balance at 1 July 2012		541.8	(0.8)	147.7	688.7
Profit for the period		-	-	102.7	102.7
Other comprehensive income		-	7.5	-	7.5
Total comprehensive income for the period		-	7.5	102.7	110.2
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	22	0.5	-	-	0.5
Dividends provided for or paid	26	-	-	(70.7)	(70.7)
Employee share options and performance rights	23	-	2.8	-	2.8
		0.5	2.8	(70.7)	(67.4)
Balance at 29 June 2013		542.3	9.5	179.7	731.5
Profit for the period		-	-	108.4	108.4
Other comprehensive income		-	(2.0)	-	(2.0)
Total comprehensive income for the period		-	(2.0)	108.4	106.4
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	22	-	-	-	-
Dividends provided for or paid	26	-	-	(77.7)	(77.7)
Employee share options and performance rights	23	-	0.2	-	0.2
		-	0.2	(77.7)	(77.5)
Balance at 28 June 2014		542.3	7.7	210.4	760.4

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Super Retail Group Limited

For the period ended 28 June 2014

	Notes	Consolidated	
		2014 \$m	2013 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,335.5	2,217.6
Payments to suppliers and employees (inclusive of goods and services tax)		(1,913.2)	(1,755.0)
Rental payments			
- external		(188.8)	(178.8)
- related parties		(11.3)	(10.7)
Income taxes paid		(55.0)	(48.0)
Net cash inflow from operating activities	37	167.2	225.1
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		(111.6)	(103.4)
Proceeds from sale of property, plant and equipment		1.0	-
Payments for business acquired/payments for purchase of associate, net of cash acquired		(4.4)	(6.0)
Loans to related parties		(3.7)	-
Net cash (outflow) from investing activities		(118.7)	(109.4)
Cash flows from financing activities			
Proceeds from borrowings		894.5	578.9
Repayment of borrowings		(832.6)	(621.7)
Finance lease payments		(3.2)	(2.9)
Net Interest paid		(27.9)	(24.7)
Dividends paid to Company's shareholders	26	(77.7)	(70.7)
Proceeds from issue of shares		-	0.6
Net cash (outflow) from financing activities		(46.9)	(140.5)
Net increase / (decrease) in cash and cash equivalents		1.6	(24.8)
Cash and cash equivalents at the beginning of the financial year		22.3	47.0
Effects of exchange rate charges on cash and cash equivalents		0.3	0.1
Cash and cash equivalents at end of year	8	24.2	22.3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUPER RETAIL GROUP LIMITED

FOR THE PERIOD ENDED
28 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Super Retail Group Limited

For the period ended 28 June 2014

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Super Retail Group Limited and its subsidiaries.

(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*. Super Retail Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements and 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 28 June 2014 and the results of its controlled entities for the period then ended. Super Retail Group Limited and its controlled entities comprise the "consolidated entity" or the Group. 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 24).

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, statement of changes in equity and balance sheet 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.

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.

Acquisition-related costs are expensed as incurred.

1 Summary of significant accounting policies (continued)

(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. Super Retail Group Limited only has joint ventures.

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 changes 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) 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).

(d) Income tax

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

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

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

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

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

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.

1 Summary of significant accounting policies (continued)

Tax Consolidation Legislation

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. 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:

(i) 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.

(ii) 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.

1 Summary of significant accounting policies (continued)

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement 30 days from the end of the month after sale. 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.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs comprise direct purchase costs and an appropriate proportion of supply chain variable and fixed overhead expenditure in bringing them to their existing location and condition. Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

(i) 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.

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.

(j) 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.

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, 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.

1 Summary of significant accounting policies (continued)

(k) 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.

(i) *Assets carried at amortised cost*

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.

(l) 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.

(i) *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.

(ii) *Net investment hedges*

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(m) 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.

(n) Property, plant & equipment

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	10% – 37.5%
Capitalised leased plant and equipment	10% – 37.5%
Motor vehicles	25%
Computer equipment	25% – 37.5%

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

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

(o) Impairment of non-financial assets

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

(p) 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.

1 Summary of significant accounting policies (continued)

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.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill and intangibles acquired in business combinations are not amortised. Instead, they are 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.

(ii) 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 have an indefinite useful life and are carried at cost less impairment losses.

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. Specific brand names have an indefinite useful life.

(iii) Other intangible assets

The amortisation rates used for each class of intangible assets are as follows:-

Computer software	10% – 33.3%
Brand names	Nil to 5%
Supplier agreement	5%

(a) 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.

(b) 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.

(c) Supplier agreements

Supplier agreements are acquired as part of a business combination and are recognised separately from goodwill. These assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Supplier agreements have been valued using the multi-period excess earnings method.

1 Summary of significant accounting policies (continued)

(iv) *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.

(v) *Other items of expenditure*

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

(r) **Trade and other payables**

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

(s) **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.

(t) **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.

(u) **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.

(v) **Employee benefits**

(i) *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.

(ii) *Other long-term employee benefit 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.

(iii) *Retirement benefit obligations*

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

1 Summary of significant accounting policies (continued)

(iv) *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.

(v) *Profit-sharing and bonus plans*

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

(w) **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.

(x) **Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes cash on hand, cash at bank and at call deposits with banks or financial institutions, 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.

(y) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of goods and services tax incurred is not recoverable. 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.

(z) **Earnings per share**

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, 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 (note 38).

1 Summary of significant accounting policies (continued)

(ii) Diluted earnings per share

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

(aa) Rounding of amounts

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

(ab) 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 28 June 2014, the Group is reporting on the 52 week period that began 30 June 2013 and ended 28 June 2014. For the period to 29 June 2013, the Group is reporting on the 52 week period that began 1 July 2012 and ended 29 June 2013.

(ac) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 30 June 2013.

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13;
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011);
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle; and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

The group also elected to adopt the following standard early being AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, which had a small impact on the impairment disclosures.

The adoption of AASB 11, AASB 13 and AASB 119 resulted in an immaterial impact and therefore no adjustments to the amounts recognised in the financial statements. These are explained and summarised below. The other standards only affected the disclosures in the notes to the financial statements.

Change in accounting policy: consolidated financial statements and joint arrangements

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

VBM Retail Pty Limited was previously accounted for as a jointly controlled entity using the proportionate consolidation method. Under AASB11 VBM Retail Pty Limited is now accounted for using the equity method. The impact of this change is immaterial and comparative figures have not been restated.

Certain new accounting standards and interpretations have been published that are not mandatory for the 28 June 2014 reporting period and have not been early adopted by the Group. This includes AASB 9 Financial Instruments which addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013 it also sets out new rules for hedge accounting. The new standard must be applied for financial years commencing on or after 1 January 2017.

1 Summary of significant accounting policies (continued)

The Group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the Group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

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.

(ad) Parent entity financial information

The financial information for the parent entity, Super Retail Group Limited, disclosed in note 41 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Super Retail Group Limited.

(ii) 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 their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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.

(iii) 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.

2 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 13 for details of these assumptions.

2 Critical accounting estimates and assumptions (continued)

(ii) Capitalised software costs and useful lives

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

(iii) 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.

3 Segment information

(a) Description of segments

The Board 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.

This results in the following business segments:

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

Leisure: Retail and distribution of boating, camping, fishing, outdoor equipment and apparel.

Sports: Retail and distribution of sporting equipment, bicycle accessories and apparel.

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

The segment information provided to the Group Managing Director and Chief Executive Officer for the reportable segments for the year ended 28 June 2014 is as follows:

2014	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue						
Sales to external customers	818.2	552.5	734.0	2,104.7	8.5	2,113.2
Inter segment sales	-	-	-	-	(1.1)	(1.1)
Other revenue/income	1.5	-	0.6	2.1	10.9	13.0
Total revenue	819.7	552.5	734.6	2,106.8	18.3	2,125.1
Segment result (pre-finance costs)	94.5	33.0	62.8	190.3	(7.7)	182.6
Finance costs						(24.0)
Profit before income tax						158.6
Income tax expense						(50.2)
Profit for the period						108.4
Acquisitions of property, plant and equipment and other non-current segment assets	16.5	12.4	22.1	51.0	54.8	105.8
Depreciation and amortisation expense	21.2	14.9	17.8	53.9	1.0	54.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

3 Segment information (continued)

The segment information provided to the Group Managing Director and Chief Executive Officer for the reportable segments for the year ended 29 June 2013 is as follows:

2013	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue						
Sales to external customers	789.0	522.5	703.5	2,015.0	7.2	2,022.2
Inter segment sales	-	-	-	-	(2.2)	(2.2)
Other revenue/income	1.8	-	1.2	3.0	-	3.0
Total sales revenue	790.8	522.5	704.7	2,018.0	5.0	2,023.0
Segment result (pre-finance costs)	87.1	33.2	63.4	183.7	(11.4)	172.3
Finance costs						(25.5)
Profit before income tax						146.8
Income tax expense						(44.1)
Profit for the period						102.7
Acquisitions of property, plant and equipment and other non-current segment assets	17.0	12.8	22.8	52.6	54.1	106.7
Depreciation and amortisation expense	17.5	10.4	16.7	44.6	1.7	46.3

(c) Other information

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

Australia

The home country of the parent entity. The three areas of operation are:

- motor vehicles, spare parts, tools and equipment;
- boating, camping, outdoor equipment and fishing;
- sporting equipment, bicycles, bicycle accessories and apparel.

New Zealand

Motor vehicles, spare parts, tools and equipment and boating, camping, outdoor equipment and fishing operate in New Zealand.

(i) Revenue

	Consolidated	
	2014 \$m	2013 \$m
Australia	2,002.7	1,933.8
New Zealand	122.4	89.2
	2,125.1	2,023.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

4 Revenue

	Consolidated	
	2014 \$m	2013 \$m
From continuing operations		
Sale of goods	2,112.1	2,020.0
	2,112.1	2,020.0

5 Other income

	Consolidated	
	2014 \$m	2013 \$m
Income for store closure	-	1.0
Insurance claims	1.2	0.7
Sundry income	0.9	1.3
Net imported goods tax refund and revenue adjustments	10.9	-
	13.0	3.0

6 Expenses

	Consolidated	
	2014 \$m	2013 \$m
Profit before income tax includes the following specific gains and expenses:		
<i>Expenses</i>		
Net loss on disposal of property, plant and equipment	0.8	4.5
<i>Depreciation</i>		
Plant and equipment	33.5	30.1
Motor vehicles	0.2	0.4
Computer systems	8.8	8.5
Total depreciation	42.5	39.0
<i>Amortisation and impairment</i>		
Computer software	12.3	7.2
Brand name	0.1	0.1
Total amortisation and impairment	12.4	7.3
<i>Finance costs</i>		
Interest and finance charges	24.5	26.4
Accretion of put option	-	0.1
Interest revenue	(0.5)	(1.0)
Finance costs expensed	24.0	25.5
<i>Employee benefits expense</i>		
Superannuation	27.0	23.8
Salaries and wages	360.9	339.8
Total employee benefits expense	387.9	363.6
<i>Rental expense relating to operating leases</i>		
Lease expenses	185.2	171.3
Equipment hire	11.0	11.3
Total rental expense relating to operating leases	196.2	182.6
<i>Foreign exchange gains and losses</i>		
Net foreign exchange gains	1.0	1.2

7 Income tax expense

	Consolidated	
	2014	2013
	\$m	\$m
(a) Income tax expense		
Current tax	44.3	46.4
Deferred tax	1.6	(3.2)
Adjustments to tax expense of prior periods	4.3	0.9
	<u>50.2</u>	<u>44.1</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:		
Increase in deferred tax assets (note 12)	(1.3)	(6.5)
Increase in deferred tax liabilities (note 20)	2.9	3.3
	<u>1.6</u>	<u>(3.2)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	158.6	146.8
Tax at the Australian tax rate of 30% (2013: 30%)	47.6	44.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax consolidation adjustments regarding NZ branches	(3.5)	1.0
R & D credits and sundry items	(1.1)	(1.0)
	<u>43.0</u>	<u>44.0</u>
Difference in overseas tax rates	(0.5)	(0.8)
Derecognition of tax losses	3.4	-
Adjustments to tax expense of prior periods	4.3	0.9
Income tax expense	<u>50.2</u>	<u>44.1</u>
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax (credited) / debited directly to equity (notes 12 and 20)	(2.3)	1.9
	<u>(2.3)</u>	<u>1.9</u>
Tax (income) / expense relating to items of other comprehensive income		
Cash flow hedges	(1.0)	1.9
	<u>(1.0)</u>	<u>1.9</u>
(d) Tax consolidation legislation		

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

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

8 Current assets – Cash and cash equivalents

	Consolidated	
	2014 \$m	2013 \$m
Cash at bank and in hand	24.2	22.3

9 Trade and other receivables

	Consolidated	
	2014 \$m	2013 \$m
Current		
Trade receivables	28.2	12.0
Provision for impairment of receivables ^(a)	(0.5)	(0.2)
	<u>27.7</u>	<u>11.8</u>
Other receivables	6.8	3.9
Prepayments	6.6	6.2
	<u>41.1</u>	<u>21.9</u>
Non- Current		
Trade receivables due from related parties - associate	3.7	-

The 2013 Trade receivables number has been adjusted to reflect amounts which are net settled against Trade payable accounts.

(a) Impaired trade receivables

As at 28 June 2014 current trade receivables of the Group with a nominal value of \$0.5 million (2013: \$0.2 million) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers who the Group no longer trade with.

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

	Consolidated	
	2014 \$m	2013 \$m
As at 30 June 2013	(0.2)	(0.2)
Provision for impairment recognised during the year	(0.3)	(0.1)
Receivables written off during the year as uncollectable	-	0.1
As at 28 June 2014	<u>(0.5)</u>	<u>(0.2)</u>

The creation and release of the provision for the impaired receivables has been included in "Administration" in the 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 of 28 June 2014, trade receivables of \$7.5 million (2013: \$5.0 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:

	Consolidated	
	2014 \$m	2013 \$m
30 to 60 days	4.2	1.6
60 to 90 days	1.3	0.6
90 days and over	2.0	2.8
	<u>7.5</u>	<u>5.0</u>

10 Current assets – Inventories

	Consolidated	
	2014 \$m	2013 \$m
Finished goods		
- at lower of cost or net realisable value	490.1	452.6

(a) Inventory expense

Inventories recognised as expense during the year ended 28 June 2014 amounted to \$1,118.5 million (2013: \$1,079.2 million).

The reversal of write-downs of inventories to net realisable value recognised as reduction of cost of goods sold expense during the year ended 28 June 2014 amounted to \$0.4 million (2013: write-downs recognised as expense of \$9.1million). The revenue has been offset against 'cost of sales of goods' in the income statement.

11 Non-current assets – Property, plant and equipment

	Consolidated	
	2014 \$m	2013 \$m
Plant and equipment, at cost	306.8	277.1
Less accumulated depreciation	(133.9)	(106.4)
Net plant and equipment	172.9	170.7
Motor vehicles, at cost	0.5	1.0
Less accumulated depreciation	(0.4)	(0.5)
Net motor vehicles	0.1	0.5
Computer equipment, at cost	76.8	66.8
Less accumulated depreciation	(52.2)	(45.4)
Net computer equipment	24.6	21.4
Total net property, plant and equipment	197.6	192.6

Assets pledged as security are detailed in Note 26

	Plant and equipment \$m	Motor vehicles \$m	Computer equipment \$m	Total \$m
Reconciliations - consolidated entity				
Carrying amounts at 30 June 2013	170.7	0.5	21.4	192.6
Additions	35.3	-	11.9	47.2
Disposals	(1.1)	(0.2)	(0.1)	(1.4)
Depreciation	(33.5)	(0.2)	(8.8)	(42.5)
Foreign currency exchange differences	1.5	-	0.2	1.7
Carrying amounts at 28 June 2014	172.9	0.1	24.6	197.6
Reconciliations - consolidated entity				
Carrying amounts at 1 July 2012	154.3	1.2	17.1	172.6
Additions	50.8	-	7.2	58.0
Reclassification of finance lease	-	-	5.8	5.8
Disposals	(5.3)	(0.3)	(0.2)	(5.8)
Depreciation	(30.1)	(0.4)	(8.5)	(39.0)
Foreign currency exchange differences	1.0	-	-	1.0
Carrying amounts at 29 June 2013	170.7	0.5	21.4	192.6

12 Non-current assets – Deferred tax assets

	Consolidated	
	2014 \$m	2013 \$m
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Provisions	21.4	22.4
Accruals and prepayments	1.5	1.1
Depreciation	8.3	5.5
Tax losses	-	2.5
Sundry temporary differences	2.6	1.0
	33.8	32.5
<i>Amounts recognised directly in equity</i>		
Cash flow hedges	1.9	0.9
Share placement costs	0.8	1.3
	36.5	34.7
Set off with deferred tax liabilities (note 20)	(36.5)	(34.7)
Net deferred tax assets	-	-
Movements:		
Opening balance	34.7	28.4
Credited to the income statement	1.3	6.5
Credited / (charged) to equity	0.5	(0.2)
Closing balance	36.5	34.7
Deferred tax assets to be recovered after more than 12 months	20.2	29.4
Deferred tax assets to be recovered within 12 months	16.3	5.3
	36.5	34.7

13 Non-current assets – Intangible assets

	Consolidated	
	2014 \$m	2013 \$m
Goodwill, at cost	443.5	445.6
Less accumulated impairment charge	(2.1)	(2.1)
Net goodwill	441.4	443.5
Computer software	149.4	91.2
Less accumulated amortisation	(44.5)	(32.2)
Net computer software	104.9	59.0
Brand names, at cost	267.5	267.5
Less amortisation	(0.7)	(0.6)
Net brand names	266.8	266.9
Supplier agreement	0.4	0.4
Less amortisation	(0.1)	(0.1)
Net Supplier agreements	0.3	0.3
Total net intangibles	813.4	769.7

	Goodwill \$m	Computer Software \$m	Brand Name \$m	Supplier Agreement \$m	Totals \$m
Reconciliations – consolidated entity – 2014					
Carrying amounts at 30 June 2013	443.5	59.0	266.9	0.3	769.7
Additions	-	58.6	-	-	58.6
Acquisition of business	2.4	-	-	-	2.4
Deconsolidation as required under AASB11 (Refer Note 1 (ac))	(4.5)	-	-	-	(4.5)
Disposals	-	(0.4)	-	-	(0.4)
Amortisation charge	-	(12.3)	(0.1)	-	(12.4)
Carrying amounts at 28 June 2014	441.4	104.9	266.8	0.3	813.4

	Goodwill \$m	Computer Software \$m	Brand Name \$m	Supplier Agreement \$m	Totals \$m
Reconciliations – consolidated entity – 2013					
Carrying amounts at 1 July 2012	438.2	15.0	267.0	0.3	720.5
Additions	-	48.7	-	-	48.7
Acquisition of business	5.3	-	-	-	5.3
Reclassification of finance lease	-	2.5	-	-	2.5
Amortisation charge	-	(7.2)	(0.1)	-	(7.3)
Carrying amounts at 29 June 2013	443.5	59.0	266.9	0.3	769.7

Amortisation of \$12.4 million (2013: \$7.3 million) is included in “Administration” in the consolidated income statement.

(a) Impairment tests for goodwill

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

13 Non-current assets – Intangible assets (continued)

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

CGU	Consolidated	
	2014	2013
	\$m	\$m
Auto	45.3	45.3
Leisure	24.8	24.8
Sports	371.3	373.4
Total	441.4	443.5

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.

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

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

	Terminal Growth rate		Discount rate	
	2014	2013	2014	2013
	%	%	%	%
Auto	3	4	14	12
Leisure	3	5	14	12
Sports	3	5	14	12

(c) Useful life for brands

No amortisation is provided against the carrying value of the purchased Ray's Outdoors, Rebel Sport and Amart Sports brands on the basis that they are considered to have an indefinite useful life.

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

- the strong recognition of the Ray's Outdoors, Rebel Sport and Amart Sports brands; and
- there are currently no legal, technical or commercial factors indicating that the life should be considered limited.

The Goldcross Cycles brand has been determined to have a 20 year life and is amortised over this period.

The carrying values of the purchased brand names are:

Brand	Consolidated	
	2014	2013
	\$m	\$m
Rebel Sport	209.0	209.0
Amart Sports	36.0	36.0
Ray's Outdoors	20.0	20.0
Goldcross Cycles	1.8	1.9
Total	266.8	266.9

The recoverable amount of the Group's brand names currently exceeds its carrying value. The Ray's Outdoors brand name recoverable amount exceeds its carrying value by \$10.8 million. The re-positioning of Ray's Outdoors product lines commenced in the 2013 financial year with the recording of restructuring provisions. The re-positioning activity is indicating success. However the recoverable amount is sensitive to future sales growth. The current business plan assumes an average sales growth over the next two years of 6.8%. If there was no average sales growth rate for this period the recoverable value would equal its carrying value.

14 Current liabilities – Trade and other payables

	Consolidated	
	2014	2013
	\$m	\$m
Trade payables	204.8	182.2
Other payables	70.7	74.6
Straight line lease adjustment	3.3	3.4
	278.8	260.2

15 Current liabilities – Borrowings

	Consolidated	
	2014 \$m	2013 \$m
Secured		
Finance leases	2.7	3.3
Total current liabilities – secured interest bearing liabilities	<u>2.7</u>	<u>3.3</u>

Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 26.

16 Current liabilities – Current tax liabilities

	Consolidated	
	2014 \$m	2013 \$m
Income tax payable	1.1	7.8

17 Current liabilities – Provisions

	Consolidated	
	2014 \$m	2013 \$m
Employee benefits ^(a)	25.9	23.9
Surplus leases ^(b)	1.3	2.4
Make good provision ^(c)	1.1	1.1
Put option provision ^(d)	0.5	0.5
	<u>28.8</u>	<u>27.9</u>

(a) Employee benefits

The current provision for employee benefits includes accrued annual leave and long service leave.

(b) Surplus leases

The provision for surplus lease space (onerous contracts) 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.

(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) Put option provision

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

(e) Movements in provisions

Refer to Note 21 for a consolidated movement in provisions analysis.

18 Non-current liabilities – Trade and other payables

	Consolidated	
	2014	2013
	\$m	\$m
Straight line lease adjustment	27.0	19.4

19 Non-current liabilities – Borrowings

	Consolidated	
	2014	2013
	\$m	\$m
Secured		
Finance lease	2.4	5.0
Bank debt funding facility	-	344.5
Less borrowing costs capitalised, net	-	(1.2)
	2.4	348.3
Unsecured		
Bank debt funding facility	403.5	-
Less borrowing costs capitalised, net	(1.8)	-
	401.7	-
Total	404.1	348.3

20 Non-current liabilities – Deferred tax liabilities

	Consolidated	
	2014	2013
	\$m	\$m
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Brand values	80.3	80.2
Depreciation	8.8	6.2
	89.1	86.4
<i>Amounts recognised directly in equity</i>		
Foreign exchange revaluation reserve	-	1.8
	89.1	88.2
Set-off of deferred tax assets (note 12)	(36.5)	(34.7)
Net deferred tax liabilities	52.6	53.5
Movements:		
Opening balance	88.2	83.2
Charged to the income statement	2.9	3.3
(Credited) / charged to equity	(1.8)	1.7
Closing balance	89.3	88.2
Deferred tax liabilities to be settled after more than 12 months	89.3	86.4
Deferred tax liabilities to be settled within 12 months	-	1.8
	89.3	88.2

21 Non-current liabilities – Provisions

	Consolidated	
	2014 \$m	2013 \$m
Make good provision	6.0	4.2
Employee benefits	7.0	5.9
	<u>13.0</u>	<u>10.1</u>

(a) Movements in provisions (consolidated entity) (notes 17 & 21)

	Surplus leases \$m	Make good \$m	Put option \$m	Total \$m
Opening balance as at 30 June 2013	2.4	5.3	0.5	8.2
Additional provisions recognised	-	2.5	-	2.5
Indexing of provisions	-	0.9	-	0.9
Amounts used during the period	(1.1)	(1.6)	-	(2.7)
Closing balance as at 28 June 2014	<u>1.3</u>	<u>7.1</u>	<u>0.5</u>	<u>8.9</u>

22 Contributed equity

(a) Share capital

	Parent Entity	
	2014 \$m	2013 \$m
Ordinary shares fully paid	<u>542.3</u>	<u>542.3</u>

	Number of Shares	Issue Price	\$m
(b) Movement in ordinary share capital			
Opening Balance 1 July 2012	196,152,971		541.8
Shares issued under share option	150,000	3.23	0.5
Shares issued under performance rights	169,841	-	-
Balance 29 June 2013	<u>196,472,812</u>		<u>542.3</u>
Shares issued under performance rights	258,808	-	-
Closing balance 28 June 2014	<u>196,731,620</u>		<u>542.3</u>

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.

Performance rights over 469,920 (2013: 544,019) ordinary shares were issued during the period with 258,808 (2013: 169,841) performance rights vesting during the period. Under the share option plan Nil (2013: 150,000) ordinary shares were issued during the period. Information relating to options outstanding at the end of the financial period are set out in Note 39.

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.

23 Reserves and retained profits

	Consolidated	
	2014 \$m	2013 \$m
Reserves		
Foreign currency translation reserve	4.1	(0.2)
Share based payments reserve	8.0	7.8
Hedging reserve	(4.4)	1.9
Total	7.7	9.5
Movements		
Foreign currency translation reserve		
Balance at the beginning of the financial period	(0.2)	(3.3)
Net exchange difference on translation of foreign controlled entities	4.3	3.1
Balance at the end of the financial period	4.1	(0.2)
Share based payments reserve		
Balance at the beginning of the financial period	7.8	5.0
Options and performance rights expense	0.2	2.8
Balance at the end of the financial period	8.0	7.8
Hedging reserve		
Balance at the beginning of the financial period	1.9	(2.5)
Revaluation – gross	(9.3)	6.3
Deferred tax	3.0	(1.9)
Balance at the end of the financial period	(4.4)	1.9
Retained earnings		
Balance at the beginning of the financial period	179.7	147.7
Net profit for the period	108.4	102.7
Dividends	(77.7)	(70.7)
Retained profits at the end of the financial period	210.4	179.7

Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

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

(ii) Share-based payments reserve

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

(iii) Foreign currency translation reserve

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

24 Financial assets and financial liabilities**(a) Financial instruments**

The Group holds the following financial instruments:

<i>Financial assets</i>		Derivatives used for hedging \$m	Financial assets at amortised cost \$m	Total \$m
	Notes			
2014				
Financial assets				
Cash and cash equivalents	8	-	24.2	24.2
Trade and other receivables	9	-	41.1	41.1
<i>Total</i>		-	65.3	65.3

2013				
Financial assets				
Cash and cash equivalents	8	-	22.3	22.3
Trade and other receivables	9	-	21.9	21.9
Derivative financial instruments	25	6.0	-	6.0
<i>Total</i>		6.0	44.2	50.2

<i>Financial liabilities</i>		Derivatives used for hedging \$m	Financial liabilities at amortised cost \$m	Total \$m
	Notes			
2014				
Financial liabilities				
Trade and other payables	14,16,18	-	306.9	306.9
Borrowings	15,19	-	406.8	406.8
Derivative financial instruments	25	6.3	-	6.3
<i>Total</i>		6.3	713.7	720.0

2013				
Financial liabilities				
Trade and other payables	14,16,18	-	287.4	287.4
Borrowings	15,19	-	351.6	351.6
Derivative financial instruments	25	3.1	-	3.1
<i>Total</i>		3.1	639.0	642.1

The Group's exposure to various risks associated with the financial instruments is discussed in note 25. 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 statement of financial position date.

24 Financial assets and financial liabilities (continued)

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.

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

Group – at 28 June 2014	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets				
Derivatives used for hedging	-	-	-	-
<i>Total</i>	-	-	-	-
Financial liabilities				
Derivatives used for hedging	-	6.3	-	6.3
<i>Total</i>	-	6.3	-	6.3
Group – at 29 June 2013				
Financial assets				
Derivatives used for hedging	-	6.0	-	6.0
<i>Total</i>	-	6.0	-	6.0
Financial liabilities				
Derivatives used for hedging	-	3.1	-	3.1
<i>Total</i>	-	3.1	-	3.1

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 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

25 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.

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

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

	Consolidated	
	2014 \$m	2013 \$m
Current assets		
Forward foreign exchange contracts – cash flow hedges	-	6.0
Total current derivative financial instrument assets	-	6.0
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	4.0	-
Interest rate swap contracts – cash flow hedges	2.3	3.1
Total current derivative financial instrument liabilities	6.3	3.1

(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 1(l). 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) Change in accounting policy

The Group has applied the new standard on fair value measurement from 30 June 2013 on the fair value of derivatives. This has had an immaterial impact.

25 Financial risk management (continued)

(iii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 1(m).

(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.

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

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 40% and 75% of anticipated foreign currency purchases for the subsequent 4 months and up to 40% 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. In order to protect against exchange rate movements, the economic entity has entered into forward exchange rate contracts to purchase United States Dollars. The contracts are timed to mature in line with forecasted payments for imports and cover forecast purchases for the coming twelve months on a rolling basis.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows

	28 June 2014 USD \$m	29 June 2013 USD \$m
Trade receivables	1.4	1.3
Trade payables	10.4	11.9
Forward exchange contracts		
- buy foreign currency (cash flow hedges)		
Buy United States dollars and sell Australian dollars with maturity		
- 0 to 4 months	66.5	40.7
- 5 to 12 months	30.0	15.0
	96.5	55.7
Buy Euro and sell Australian dollars with maturity 0 to 4 months	-	0.9

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the statement of financial position by the related amount deferred in equity. In the year ended 28 June 2014, no hedges were designated as ineffective (2013: 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:

	\$m	\$m
- unrealised (losses) / gains on foreign exchange contracts	(4.0)	6.0
- unrealised (losses) on interest rate swaps	(2.3)	(3.1)
Total (losses) / gains	(6.3)	2.9

25 Financial risk management (continued)**Group sensitivity**

Based on the financial instruments held at 28 June 2014, had the Australian dollar weakened/strengthened by 10% against other currencies with all other variables held constant, the impact on the Group's post-tax profit would have been nil, on the basis that the financial instruments would have been designated as cash flow hedges and the impact upon the foreign exchange movements of other financial assets and liabilities is negligible.

Equity would have been \$8.0 million lower/\$9.8 million higher (2013: \$5.9 million lower/\$7.2 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 4.25% (2013: 4.88%). 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 debtors or other creditors.

During the year the Group was a party to multiple interest rate swaps for a total nominal value of \$120 million (2013: \$140 million). The Group also has \$80 million interest rate swaps in place for future periods up until November 2016 at an average rate of 3.56%.

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 30% (2013: 36%) of the loan principal outstanding. The average fixed interest rate is 4.39% (2013: 4.43%).

Interest rate risk exposures

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

	Notes	Floating interest rate \$m	Fixed interest maturing in			Non- interest bearing \$m	Total \$m
			1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m		
2014							
Financial assets							
Cash and deposits	8	22.6	-	-	-	1.6	24.2
Receivables	9	-	-	3.7	-	41.1	44.8
Total financial assets		22.6	-	3.7	-	42.7	69.0
<i>Weighted average rate of interest</i>		2.50%					
Financial liabilities							
Trade and other payables	14,16,18	-	-	-	-	306.9	306.9
Finance lease/bank debt	15,19	401.7	2.7	2.4	-	-	406.8
Employee entitlements	17,21	-	-	-	-	32.9	32.9
Total financial liabilities		401.7	2.7	2.4	-	339.8	746.6
<i>Weighted average rate of interest</i>		4.25%					
Net financial (liabilities) / assets		(379.1)	(2.7)	1.3	-	(297.1)	(677.6)

25 Financial risk management (continued)

Notes	Floating interest rate \$m	Fixed interest maturing in			Non-interest bearing \$m	Total \$m
		1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m		
2013						
Financial assets						
Cash and deposits	8	20.6	-	-	1.7	22.3
Receivables	9	-	-	-	21.9	21.9
Total financial assets		20.6	-	-	23.6	44.2
<i>Weighted average rate of interest</i>		2.48%				
Financial liabilities						
Trade and other payables	14,16,18	-	-	-	287.4	287.4
Finance lease/bank debt	15,19	343.3	3.3	5.0	-	351.6
Employee entitlements	17,21	-	-	-	29.8	29.8
Total financial liabilities		343.3	3.3	5.0	317.2	668.8
<i>Weighted average rate of interest</i>		4.88%				
Net financial (liabilities)		(322.7)	(3.3)	(5.0)	(293.6)	(624.6)

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 2014 and 2013, 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:

	28 June 2014 Balance \$m	29 June 2013 Balance \$m
Bank overdrafts and bank loans	403.5	344.5
Interest rate swaps	120.0	140.0

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.

At 28 June 2014, 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 (2013: \$1.4 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.

25 Financial risk management (continued)

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.

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 (note 8) 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

	Consolidated	
	2014	2013
	\$m	\$m
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
- Bank debt funding facility	580.0	500.0
- Multi-option facility (including indemnity/guarantee)	20.0	17.0
Total	600.0	517.0
Facilities used at balance date		
- Bank debt funding facility	403.5	344.5
- Multi-option facility (including indemnity/guarantee)	6.6	7.6
Total	410.1	352.1
Unused balance of facilities at balance date		
- Bank debt funding facility	176.5	155.5
- Multi-option facility (including indemnity/guarantee)	13.4	9.4
Total	189.9	164.9

Current interest rates on bank loans of the economic entity are 3.83% - 4.52% (2013: 4.52% - 5.01%).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

25 Financial risk management (continued)

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.

Group – at 28 June 2014	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 & other payables	278.8	-	-	-	-	278.8	278.8
Borrowings (excluding finance leases)	8.6	8.6	89.3	349.5	-	456.0	403.3
Finance lease liabilities	1.5	1.2	1.6	0.8	-	5.1	5.1
Total non-derivatives	288.9	9.8	90.9	350.3	-	735.3	687.2
Derivatives							
Net settled (IRS)	(0.9)	(0.5)	(1.0)	(0.3)	-	(2.7)	(2.3)
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(70.5)	(31.8)	-	-	-	(102.3)	(4.0)
- outflow	74.0	33.6	-	-	-	107.6	-
Total derivatives	2.6	1.3	(1.0)	(0.3)	-	2.6	(6.3)

Group – at 29 June 2013	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 & other payables	260.2	-	-	-	-	260.2	260.2
Borrowings (excluding finance leases)	8.4	8.4	249.1	87.3	-	353.2	344.5
Finance lease liabilities	1.6	1.7	2.7	2.3	-	8.3	8.3
Total non-derivatives	270.2	10.1	251.8	89.6	-	621.7	613.0
Derivatives							
Net settled (IRS)	(1.1)	(1.0)	(0.8)	-	-	(2.9)	(3.1)
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(47.9)	(13.0)	-	-	-	(60.9)	-
- outflow	43.6	11.8	-	-	-	55.4	6.0
Total derivatives	(5.4)	(2.2)	(0.8)	-	-	(8.4)	2.9

26 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 statement of financial position (including minority interest) plus net debt.

During 2014 the Group's strategy, which was unchanged from 2013, 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 28 June 2014 and 29 June 2013 were as follows:

	Consolidated	
	2014	2013
	\$m	\$m
Total borrowings	406.8	351.6
Less: Cash & cash equivalents	(24.2)	(22.3)
Net Debt	382.6	329.3
Total Equity	760.4	731.5
Total Capital	1,143.0	1,060.8
Gearing Ratio	33.5%	31.0%

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

During 2014 the Group's strategy, which was unchanged from 2013, was to maintain a fixed charge cover ratio of around 2.0 times. The fixed charge cover ratios at 28 June 2014 and 29 June 2013 were as follows:

	Consolidated	
	2014	2013
	\$m	\$m
Earnings	108.4	102.7
Add: Taxation expense	50.2	44.1
Net finance costs	24.0	25.5
Depreciation and amortisation	54.9	46.3
Rental expense	196.2	182.6
EBITDAR	433.7	401.2
Net finance costs	24.0	25.5
Rental expense	196.2	182.6
Fixed charges	220.2	208.1
Fixed charge cover ratio	1.97	1.93

(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 2014 and 2013 reporting period. There are no assets pledged as security in relation to the unsecured debt in 2014 (2013 – the carrying amount of assets pledged as security were equal to those shown in the consolidated statement of financial position).

26 Capital management (continued)

(b) Dividends

	Parent Entity	
	2014 \$m	2013 \$m
Ordinary shares		
Dividends paid by Super Retail Group Limited during the reporting period were as follows:		
Interim dividend for the period ended 28 December 2013 of 18.5 cents (2012: 17 cents per share) paid on 3 April 2014. Fully franked based on tax paid @ 30%	36.4	33.4
Final dividend for the period ended 29 June 2013 of 21 cents per share (2012: 19 cents per share) paid on 2 October 2013. Fully franked based on tax paid @ 30%	41.3	37.3
Total dividends provided and paid	77.7	70.7
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	71.9	68.6
Satisfied by issue of shares purchased on market	5.8	2.1
	77.7	70.7
Dividends not recognised at year end		
Subsequent to year end, the Directors have declared the payment of a final dividend of 21.5 cents per ordinary share (2013: 21.0 cents per ordinary share), fully franked based on tax paid at 30%.		
The aggregate amount of the dividend expected to be paid on 2 October 2014, out of retained profits at 28 June 2014, but not recognised as a liability at year end, is	42.3	41.2
Franking credits		
The franked portions of dividends paid after 28 June 2014 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 28 June 2014.		
Franking credits remaining at balance date available for dividends declared after the current balance date based on a tax rate of 30%	98.3	79.5

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

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

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

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$18,127,414 (2013: \$17,682,553).

27 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	4,939,442	5,200,960
Post-employment benefits	235,391	181,211
Share-based payments	354,532	1,494,020
	5,529,365	6,876,191

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:

	2014	2013
	\$m	\$m
Amounts paid to key management personnel as shareholders		
Dividends	23.2	21.1
	23.2	21.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

28 Remuneration of auditors

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

	Consolidated	
	2014 \$	2013 \$
(a) PricewaterhouseCoopers Australia		
<i>(i) Assurance services</i>		
Audit and review of financial statements	468,435	430,000
Audit and review of subsidiaries	46,100	20,000
Other assurance	10,000	17,500
Total remuneration for audit and other assurance services	524,535	467,500
<i>(ii) Taxation services</i>		
Tax compliance services, including review of Company income tax returns	295,207	179,120
Customs Advice	2,140	35,867
Total remuneration for taxation services	297,347	214,987
<i>(iii) Other services</i>		
Business Consulting	3,060	-
Total remuneration for advisory services	3,060	-
Total remuneration of PricewaterhouseCoopers Australia	824,942	682,487
(b) Network firms of PricewaterhouseCoopers Australia		
<i>(i) Taxation services</i>		
Tax compliance services, including review of Company income tax returns	65,106	59,509
Total remuneration for taxation services	65,106	59,509
Total remuneration of network firms of PricewaterhouseCoopers Australia	65,106	59,509
Total auditors' remuneration	890,048	741,996

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.

29 Contingencies

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Guarantees				
Guarantees issued by the bankers of the Group in support of various rental arrangements for certain retail outlets and support of banking arrangements for associates.				
The maximum future rental payments guaranteed amount to:	7.1	5.4	3.5	2.3

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.

30 Commitments

	Consolidated	
	2014	2013
	\$m	\$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	5.9	7.5
Total capital commitments	5.9	7.5

Lease commitments

Commitments in relation to operating lease payments under non-cancellable operating leases are payable as follows:

Within one year	181.6	162.2
Later than one year but not later than five years	531.7	462.5
Later than five years	159.3	94.2
Less lease straight lining adjustment (note 14 and 18)	(30.3)	(22.8)
Total lease commitments	842.3	696.1
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	0.9	1.2

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.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Within one year	3.1	3.0
Later than one year and not later than five years	3.8	6.9
Later than five years	-	0.4
	6.9	10.3

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the Remuneration Report on pages 26 to 40 that are not recognised as liabilities and are not included in the key management personnel compensation.

Finance leases

The Group leases various plant and equipment with a carrying amount of \$5.1m (2013: \$8.3m) under finance leases expiring within three to five years.

	Consolidated	
	2014	2013
	\$m	\$m
Commitments in relation to finance leases are payable as follows:		
Within one year	3.0	3.9
Later than one year but not later than five years	2.6	5.5
Minimum lease payments	5.6	9.4
Future finance charges	(0.5)	(1.1)
Total lease liabilities	5.1	8.3
Representing lease liabilities:		
Current (note 15)	2.7	3.3
Non-current (note 19)	2.4	5.0
	5.1	8.3

31 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 32.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 27.

(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 M Pitkin, R A Murray 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 31(g).

(f) 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:

	Consolidated	
	2014	2013
	\$	\$
<i>Other Transactions</i>		
- store lease payments – R A Rowe (Director) related property entities	9,389,763	9,752,519
- remuneration paid to directors of the ultimate Australian parent entity	2,326,854	2,674,704

Rent payable on R A Rowe related properties at year-end was \$nil (2013: \$19,617).

(g) Loans to/(from) Related Parties

Loans to/(from) Directors

There are no loans to or from related parties at 28 June 2014 (2013 :\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

32 Investments in controlled entities

The Group's subsidiaries at 28 June 2014 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	
			2014 %	2013 %
A-Mart All Sports Pty Ltd ^(a)	Australia	Sports retail	100	100
Auto Trade Direct (NZ) Limited	New Zealand	Auto retail	100	100
Auto Trade Direct Pty Ltd (formerly Super Cheap Pty Ltd) ^(a)	Australia	Auto retail	100	100
BCF New Zealand Limited	New Zealand	Leisure retail	100	100
Coyote Retail Investments Pty Limited ^(a)	Australia	Sports retail	100	100
Coyote Retail Pty Limited ^(a)	Australia	Sports retail	100	100
FCO New Zealand Limited	New Zealand	Leisure retail	100	100
Foghorn Holdings Pty Ltd ^(a)	Australia	Sports retail	100	100
Goldcross Cycles Pty Ltd ^(a)	Australia	Sports retail	100	100
Oceania Bicycles Limited ^{(b)(c)}	New Zealand	Sports retail	50	50
Oceania Bicycles Pty Ltd ^(c)	Australia	Sports retail	50	50
Quinns Rock Pty Ltd ^(a)	Australia	Sports retail	100	100
Ray's Outdoors New Zealand Limited	New Zealand	Leisure retail	100	100
Ray's Outdoors Pty Ltd ^(a)	Australia	Leisure retail	100	100
Rebel Group Limited ^(a)	Australia	Sports retail	100	100
Rebel Management Services Pty Limited ^(a)	Australia	Sports retail	100	100
Rebel Sport Limited ^(a)	Australia	Sports retail	100	100
Rebel Wholesale Pty Limited ^(a)	Australia	Sports retail	100	100
Rebelsport.com Pty Limited ^(a)	Australia	Sports retail	100	100
SCA Equity Plan Pty Ltd	Australia	Investments	100	100
SRG Leisure Retail Pty Ltd (formerly BCF Australia Pty Ltd) ^(a)	Australia	Leisure retail	100	100
SRGS (New Zealand) Limited	New Zealand	Product acquisition and distribution	100	100
SRGS Pty Ltd ^(a)	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 ^(a)	Australia	Auto retail	100	100
Super Retail Commercial Pty Ltd ^(a)	Australia	Auto retail	100	100
Super Retail Group Services (New Zealand) Limited	New Zealand	Support services	100	100
Super Retail Group Services Pty Ltd ^(a)	Australia	Support services	100	100
Super Retail Group Trading (Shanghai) Ltd	China	Product sourcing	100	100

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

(b) Investment is held directly by Oceania Bicycles Pty Ltd.

(c) The Company consolidates this entity despite only holding half of its voting power as the Company has the ability to govern this entity's financial and operating policies through contractual arrangements so as to benefit from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

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33 Interests in associates

The entity below has share capital consisting solely of ordinary shares, which is held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The entity is a private entity with no quoted price available.

Name of Entity	Place of business/ country of incorporation	Nature of relationship	Measurement method	% of ownership interest	
				2014 %	2013 %
VBM Retail Pty Limited	Australia	Associate	Equity method	50	50

34 Business combinations

(a) Workout World

On 22 November 2013 the business net assets of fitness retailer, Workout World were acquired. A subsequent store location was acquired in May 2014. The acquisition note is shown below.

	\$m
Net assets acquired and provisional goodwill are as follows:	
Total Purchase consideration - Cash Paid	4.4
Fair value of net identifiable assets acquired (refer below)	<u>(2.0)</u>
Provisional Goodwill	2.4

The goodwill is attributable mainly to the skills of Workout World's work force and the synergies expected to be achieved from integrating the businesses into the Group's existing Sporting Business. It will not be deductible for tax purposes.

	\$m
Inventory (net of provisions)	2.6
Trade and other payables	(0.7)
Provisions for employee benefits and make good	(1.0)
Deferred tax asset	<u>1.1</u>
	2.0

The acquired business contributed revenues of \$10.7 million for the period 22 November 2013 to 28 June 2014 and a loss after tax of \$1.4 million to the Group's results. If the acquisition had occurred on 30 June 2013, the contribution to the Group revenue would have been \$17.8 million, while the contribution to Group net profit after tax would have been a loss \$2.3 million in the current year. In determining these amounts, management have assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 30 June 2013.

35 Net tangible asset backing

	Consolidated Entity	
	2014 Cents	2013 Cents
Net tangible asset per ordinary share	\$0.14	\$0.21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Super Retail Group Limited

For the period ended 28 June 2014

36 Deed of cross guarantee

Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Coyote Retail Investments Pty Limited, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, Quinns Rock Pty Ltd, Ray's Outdoors Pty Ltd, Rebel Group Limited, Rebel Management Services Pty Limited, Rebel Sport Limited, Rebel Wholesale Pty Limited, Rebelsport.com Pty Limited, 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated Income Statement, Statement of Comprehensive Income and a 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 income statement and a summary of movements in consolidated retained profits for the period ended 28 June 2014 of the Closed Group consisting of Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Coyote Retail Investments Pty Limited, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, Quinns Rock Pty Ltd, Ray's Outdoors Pty Ltd, Rebel Group Limited, Rebel Management Services Pty Limited, Rebel Sport Limited, Rebel Wholesale Pty Limited, Rebelsport.com Pty Limited, 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.

	Consolidated	
	2014	2013
	\$m	\$m
Income Statement		
Revenue from continuing operations	1,997.2	1,918.1
Other income	0.9	2.6
Total revenues and other income	1,998.1	1,920.7
Cost of sales of goods	(1,100.7)	(1,049.0)
Other expenses from ordinary activities		
- selling and distribution	(259.3)	(244.7)
- marketing	(81.4)	(84.0)
- occupancy	(164.2)	(154.0)
- administration	(224.1)	(221.2)
Borrowing costs expense	(22.3)	(23.1)
Total expenses	(1,852.0)	(1,776.0)
Profit before income tax	146.1	144.7
Income tax (expense)	(45.7)	(43.7)
Profit for the period	100.4	101.0
Statement of comprehensive income		
Profit for the year	100.4	101.0
Other comprehensive income		
Cash flow hedges	(9.3)	4.4
Income tax relating to components of other comprehensive income	3.0	3.1
Other comprehensive income for the year, net of tax	(6.3)	7.5
Total comprehensive income for the year	94.1	108.5
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial year	178.2	147.9
Profit for the period	100.4	101.0
Dividends provided for or paid	(77.7)	(70.7)
Retained profits at the end of the financial year	200.9	178.2

36 Deed of cross guarantee (continued)**(b) Balance Sheet**

Set out below is a balance sheet as at 28 June 2014 of the Closed Group consisting of Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Coyote Retail Investments Pty Limited, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, Quinns Rock Pty Ltd, Ray's Outdoors Pty Ltd, Rebel Group Limited, Rebel Management Services Pty Limited, Rebel Sport Limited, Rebel Wholesale Pty Limited, Rebelsport.com Pty Limited, 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.

	Consolidated	
	2014	2013
	\$m	\$m
ASSETS		
Current assets		
Cash and cash equivalents	16.7	19.4
Trade and other receivables	40.5	39.4
Inventories	451.7	410.4
Total current assets	508.9	469.2
Non-current assets		
Other financial assets	14.7	2.8
Property, plant and equipment	194.2	173.8
Deferred tax assets	-	-
Intangible assets	798.6	767.9
Total non-current assets	1,007.5	944.5
Total assets	1,516.4	1,413.7
LIABILITIES		
Current liabilities		
Trade and other payables	244.0	218.3
Borrowings	1.2	2.8
Current tax liabilities	(0.9)	7.8
Provisions	29.0	26.3
Total current liabilities	273.3	255.2
Non-current liabilities		
Trade and other payables	23.3	17.1
Borrowings	404.9	348.3
Deferred tax liabilities	52.9	55.7
Provisions	11.5	10.0
Total non-current liabilities	492.6	431.1
Total liabilities	765.9	686.3
Net assets	750.5	727.4
EQUITY		
Contributed equity	542.3	541.7
Reserves	7.3	7.5
Retained profits	200.9	178.2
Total equity	750.5	727.4

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

	Consolidated	
	2014 \$m	2013 \$m
Profit from ordinary activities after related income tax	108.4	102.7
Depreciation and amortisation	54.9	46.3
Net loss on sale of non-current assets	0.8	4.5
Non-cash employee benefits expense/share based payments	0.2	2.7
Finance costs	24.0	25.5
Change in operating assets and liabilities, net of effects from the purchase of controlled entities and the sale of the service entity		
- (increase) / decrease in receivables	(19.0)	7.6
- (increase) in inventories	(34.6)	(34.3)
- increase in payables	28.0	64.4
- increase in provisions	2.8	8.7
- increase/(decrease) in deferred tax	1.7	(3.0)
Net cash inflow from operating activities	167.2	225.1

38 Earnings per share

	Consolidated Entity	
	2014 Cents	2013 Cents
Basic earnings per share	55.1	52.3
Diluted earnings per share	54.6	51.9

	Consolidated Entity	
	2014 Number	2013 Number
Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	196,685,531	196,372,758
Adjustments for calculation of diluted earnings per share options	1,701,570	1,509,770
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	198,387,101	197,882,528

	Consolidated Entity	
	2014 \$m	2013 \$m
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
- earnings used in calculating basic earnings per share – net profit after tax	108.4	102.7
Diluted earnings per share		
- earnings used in calculating diluted earnings per share – net profit after tax	108.4	102.7

(a) Information concerning the classification of securities

(i) 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.

39 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)
Consolidated – 2014						
1 September 2009	169,842	-	84,920	(1,501)	83,421	83,421
1 September 2010	347,758	-	173,888	(2,812)	171,058	171,058
1 September 2011	448,151	-	-	(4,999)	443,152	443,152
1 September 2012	544,019	-	-	(10,000)	534,019	534,019
1 September 2013	-	469,920	-	-	469,920	469,920
	1,509,770	469,920	258,808	(19,312)	1,701,570	1,701,570
Consolidated – 2013						
1 September 2009	339,683	-	169,841	-	169,842	169,842
1 September 2010	347,758	-	-	-	347,758	347,758
1 September 2011	453,151	-	-	(5,000)	448,151	448,151
1 September 2012	-	544,019	-	-	544,019	544,019
	1,140,592	544,019	169,841	(5,000)	1,509,770	1,509,770

(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 Cheap Auto ("Participants"). It is intended that the Option Plan will enable the Company to retain and attract skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

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

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

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

39 Share-based payments (continued)

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

Grant Date	Original Exercise date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Unvested at end of the year Number
Consolidated – 2014								
nil								
Consolidated – 2013								
27 Jan 2006	5 Jan 2011	\$2.44	50,000	-	50,000	-	-	-
23 Aug 2007	24 Jul 2010	\$4.37	60,000	-	60,000	-	-	-
1 August 2008	1 August 2011	\$2.49	40,000	-	40,000	-	-	-
Total			150,000	-	150,000	-	-	-
Weighted average exercise price			\$3.23	Nil	\$3.23	Nil	Nil	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.

No options have been granted in the past two financial years.

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:

	2014 \$m	2013 \$m
Executive Performance Rights	0.2	2.8

40 Events occurring after balance date

No matter or circumstance has arisen since 28 June 2014 that has significantly affected, or may significantly affect:

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

41 Parent entity financial information

Summary financial information

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

	2014 \$m	2013 \$m
Statement of Financial Position		
Current assets	378.1	290.9
Total assets	<u>1,159.5</u>	<u>1,068.4</u>
Current liabilities	191.8	128.9
Total liabilities	<u>589.0</u>	<u>470.6</u>
<i>Shareholders' equity</i>		
Issued capital	542.3	542.3
Reserves		
Share-based payments	8.0	7.8
Cash flow hedges	(4.4)	(2.2)
Retained earnings	<u>24.6</u>	<u>49.8</u>
	<u>570.5</u>	<u>597.7</u>
Profit or loss for the year	44.3	84.2
Total comprehensive income	<u>44.3</u>	<u>84.2</u>

Parent entity contingencies are disclosed in Note 29.

DIRECTORS' DECLARATION
Super Retail Group Limited
For the period ended 28 June 2014

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 43 to 95 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 28 June 2014 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 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(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
20 August 2014



Independent auditor's report to the members of Super Retail Group Limited

Report on the financial report

We have audited the accompanying financial report of Super Retail Group Limited (the company), which comprises the consolidated statement of financial position as at 28 June 2014, the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Super Retail Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at period's end or from time to time during the period.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of Super Retail Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 40 of the directors' report for the period ended 28 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Super Retail Group Limited for the period 28 June 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'MK Graham'.

MK Graham
Partner

Brisbane
20 August 2014

SHAREHOLDER INFORMATION

Super Retail Group Limited

For the period ended 28 June 2014

The shareholder information set out below was applicable as at 18 August 2014.

Number of Shareholders

There were 7,854 shareholders, holding 196,731,620 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	3,837	-
1,001-5,000	3,216	9
5,001-10,000	464	11
10,001-100,000	292	33
100,001 and over	45	2
Total	7,854	55

There were 480 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	57,047,015	29.00%
J P MORGAN NOMINEES AUSTRALIA LIMITED	30,674,762	15.59%
NATIONAL NOMINEES LIMITED	22,202,836	11.29%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,215,698	9.26%
RBC INVESTOR SERVICES	10,537,454	5.36%
CITICORP NOMINEES PTY LIMITED	9,417,518	4.79%
BNP PARIBAS NOMS PTY LTD	5,588,044	2.84%
WARBONT NOMINEES PTY LTD	3,384,961	1.72%
UBS NOMINEES PTY LTD	2,706,052	1.38%
RBC INVESTOR SERVICES	2,193,260	1.11%
RBC INVESTOR SERVICES	1,582,462	0.80%
HSBC CUSTODY NOMINEES	1,397,611	0.71%
AMP LIFE LIMITED	1,392,678	0.71%
CITICORP NOMINEES PTY LIMITED	1,330,608	0.68%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	741,768	0.38%
MR PETER ALAN BIRTLES	675,000	0.34%
MR PETER ALAN BIRTLES	665,000	0.34%
EQUITAS NOMINEES PTY LIMITED	568,089	0.29%
MR ROBERT EDWARD THORN	566,281	0.29%
EQUITAS NOMINEES PTY LIMITED	557,008	0.28%
	171,444,105	87.16%

C. Substantial Shareholdings

As at 18 August 2014, there are five substantial shareholders that the Company is aware of:

Name	Ordinary shares Number held	Percentage of issued shares	Date of most Recent notice
SCA FT PTY LTD	56,954,670	28.99%	02/08/2013
PERPETUAL LIMITED	27,984,855	14.22%	08/05/2014
GOLDMAN SACHS GROUP	17,824,136	9.06%	15/08/2014
BENNELONG FUNDS MANAGEMENT	13,038,257	6.63%	23/04/2014
AUSTRALIAN SUPER	9,937,180	5.05%	02/06/2014

D. Unquoted Equity Securities

As at 18 August 2014, there were 1,582,051 unlisted performance rights, granted to 55 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.

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