



SUPER RETAIL GROUP LIMITED (SUL) INTERIM REPORT

FOR THE 26 WEEK PERIOD ENDED 30 DECEMBER 2017

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Interim Financial Report	B

SECTION A

APPENDIX 4D INTERIM REPORT

SUPER RETAIL GROUP LIMITED (SUL)

ABN 81 108 676 204

Statutory Results

Current Reporting Period:

From 2 July to 30 December 2017 (26 weeks)

Previous Reporting Period:

From 3 July to 31 December 2016 (26 weeks)

Results for Announcement to the Market

	Statutory Results \$m	Comparison to December 2016 \$m
Revenue from ordinary activities	1,323.7	Up 2.2% from 1,295.5
Profit from ordinary activities after tax attributable to members	72.2	Down 3.0% from 74.4
Net profit for the period attributable to members	72.2	Down 3.0% from 74.4

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

This report is based on the consolidated interim financial statements which have been reviewed by the auditor. The review report, which was unqualified, is included within the Company's Interim Financial Report for the 26 weeks ending 30 December 2017 which accompanies this Appendix 4D.

For a brief explanation of the figures above please refer to the Results Announcement for the period ended 30 December 2017 and the Directors' Report, which forms part of the Interim Financial Report.

Dividends – Ordinary Shares

	Amount per share	Franked amount per share
2017 Final dividend	25.0¢	25.0¢
2018 Interim dividend ⁽¹⁾	21.5¢	21.5¢
Record date for determining entitlements to the interim dividend	1 March 2018	

⁽¹⁾ Declared 20 February 2018, payable 3 April 2018.

Net Tangible Assets per Security

	December 2017 Cents	June 2017 Cents
Net tangible assets per security	\$0.43	\$0.34

Foreign Entities

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

Control gained or lost over entities during the period

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

There were no entities over which control was gained or lost during the period.

(b) Names of entities where control was lost in the period

No entities were disposed of due to loss of control during the period.

SECTION B

SUPER RETAIL GROUP LIMITED INTERIM FINANCIAL REPORT FOR THE 26 WEEK PERIOD ENDED 30 DECEMBER 2017

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DIRECTORS' REPORT

The Directors of Super Retail Group Limited present the Interim Financial Report for the 26 week period ended 30 December 2017.

Directors

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

Directors:

Sally Pitkin
(Independent Non-Executive Chair) (*appointed as Chair 23 October 2017*)
Peter Birtles
(Group Managing Director and Chief Executive Officer)
Reginald Rowe
(Non-Executive Director)
Diana Eilert
(Independent Non-Executive)
Launa Inman
(Independent Non-Executive)
Howard Mowlem
(Independent Non-Executive) (*appointed 13 June 2017*)
Peter Everingham
(Independent Non-Executive) (*appointed 19 December 2017*)

Former:

Robert Wright
(Independent Non-Executive Chair) (*retired 23 October 2017*)

Financial and Operational Review

An analysis of the Group's interim period's financial and operating performance from continuing operations is outlined below.

a) Group Results

Sales for the period were \$1,323.7 million (2016: \$1,295.5 million), an increase of 2.2 per cent.

The reported Net Profit After Tax for the period attributable to Owners of Super Retail Group Limited was \$72.2 million (2016: \$74.4 million), a decrease of 3.0 per cent.

Normalised Net Profit After Tax for the period was \$74.9 million (2016: \$74.4 million), an increase of 0.7 per cent.

An analysis of the interim period's financial performance is:

Financial Performance	30 December 2017 \$m	31 December 2016 \$m
Profit for the period	71.5	73.8
Loss for the period attributable to non-controlling interests	0.7	0.6
Profit for the period attributable to Owners of Super Retail Group Limited	72.2	74.4
Business restructuring costs	2.7	-
Normalised net profit after tax	74.9	74.4

Store Movements

	Stores 01/07/2017	Opened	Closed/Converted	Stores 30/12/2017
Supercheap Auto	316	5	-	321
BCF	135	1	-	136
Rays	15	1	(1)	15
Rebel	98	2	68	168
Amart Sports	68	-	(68)	-
Group	632	9	(1)	640

DIRECTORS' REPORT (continued)

Financial and Operational Review (continued)

b) Auto Retailing

Sales increased by 5.6 per cent to \$516.7 million with like for like sales growth of 3.5 per cent, driven by growth in both average transaction value and transaction numbers. Digital sales increased by 128 per cent on the previous corresponding period, with increasing customer engagement with the brand's digital offering including the market leading 90 minute 'click and collect' solution.

Like for like sales growth was achieved in all categories. The Tools and Outdoors category achieved sound growth and the Auto Maintenance category delivered the strongest growth.

Segment EBIT grew by 3.9 per cent to \$55.7 million, with a robust segment EBIT margin of 10.8 per cent. The segment EBIT growth of \$2.1 million compared to the prior operating period has been delivered by sound growth in gross margins offset by increased investment in store costs to support the brands increased focus on service delivery.

Customer engagement with the SCA Club Plus has been strong with total active Club Plus members growing to 1.4 million in the period.

c) Leisure Retailing

Leisure achieved like for like sales growth of 1.6 per cent. The sales performance in the prior period had been positively impacted by the Ray's Outdoors clearance in the first ten weeks of that prior period. Total sales decreased by 3.8 per cent to \$299.1 million.

Adjusting for the closed stores, total sales have increased 5.6 per cent. Underlying sales growth was delivered in BCF through one new store opening and like for like sales growth of 1.4 per cent which was lower than plan due to a reduction in like for like sales units. On-line sales have been a strong contributor to the division's growth, with digital sales 122 per cent above the prior comparative period with customers maintaining strong engagement with 'click and collect' solutions.

The Leisure division delivered segment EBIT of \$16.4 million which was \$4.2 million below the prior comparative period attributable to a decline in BCF operating leverage on lower compound sales growth and lower realised gross margin due to higher promotional activation. Rays operated at a loss of \$3.5 million in the period, a deterioration on the prior year due to a lower operating leverage and gross margin expansion below target levels.

The future of the Rays new format is subject to strategic review.

d) Sports Retailing

The rebranding of Amart stores to Rebel has been implemented with 68 Amart stores converting to Rebel during the period. The successful launch of 'click and collect' in the second quarter supported a digital sales increase of 174 per cent over the prior comparative period.

Total divisional sales grew by 2.7 per cent to \$503.8 million. Like for like sales growth of 1.1 per cent was delivered in the period as traffic levels in stores were below trend and the converted Amart Sports stores under performed in the key December trading period.

The divisional increase in segment EBIT of 1.6 per cent was below expectation. Gross margins declined in the period as promotional activation increased to maintain sales momentum. This was offset by strong cost control, lower cost of doing business and reduced depreciation charges as a percentage of sales.

e) Group and Unallocated

Group costs at \$10.2 million were \$0.3 million higher than the prior comparative period. Group costs include corporate activities, un-utilised Distribution Centre (DC) space and investment in the Group's digital initiatives. Corporate costs increased due to the investment in the alignment of activities to customer value proposition. Excess storage costs have been reduced by \$0.4 million compared to the prior comparative period, and the cost of un-utilised DC space will continue to be progressively eliminated over time by business growth or exiting surplus distribution centre space.

Investment in the Group's digital initiatives of a further \$3.0 million (\$2.7 million in the prior comparative period) have been expensed rather than capitalised as these initiatives continue developing new revenue opportunities.

e) Cash Flow and Net Debt

Operating cash flow of \$293.7 million was \$41.7 million higher than the prior comparative period as a result of working capital initiatives.

The Group's strong operating cash flow performance has funded investment in new stores and operational capital expenditures, with new and refurbished store investment of \$27.9 million. The Group invested a further \$38.5 million in general capital expenditure projects, predominantly in information technology.

DIRECTORS' REPORT (continued)

Financial and Operational Review (continued)

e) Cash Flow and Net Debt (continued)

Inventory management has been positive with a 0.6 per cent increase in inventory balances compared to December 2016 with store numbers increasing by 2.0 per cent period on period.

Closing net debt of \$199.2 million was \$43.7 million lower than the prior comparative period, benefitting from the Group's strong operating cash flow management.

The Group Strategy and Material Business Risks remain consistent with those disclosed in the 2017 Annual Report.

Dividends

On 20 February 2018, the Directors declared a dividend of 21.5 cents fully franked. The dividend will be paid on 3 April 2018.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and consolidated interim financial statements. Amounts rounded are rounded off to the nearest hundred thousand dollars.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included at page 6 of this report.

Signed in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors:



S A Pitkin
Chair

Brisbane
20 February 2018



P A Birtles
Group Managing Director and Chief Executive Officer



Auditor's Independence Declaration

As lead auditor for the review of Super Retail Group Limited for the period ended 30 December 2017, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
20 February 2018

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks period ended 30 December 2017

	Notes	30 December 2017 \$m	31 December 2016 \$m
Revenue from continuing operations		1,323.7	1,295.5
Other income from continuing operations		0.4	1.1
Total revenues and other income		1,324.1	1,296.6
Expenses			
Cost of sales of goods		732.5	720.5
Other expenses from ordinary activities			
- selling and distribution		169.4	162.8
- marketing		53.1	52.0
- occupancy		104.0	96.2
- administration		156.0	150.5
Net finance costs	4	8.4	9.1
Total expenses		1,223.4	1,191.1
Profit before income tax		100.7	105.5
Income tax expense	5	(29.2)	(31.7)
Profit for the period		71.5	73.8
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		72.2	74.4
Non-controlling interests		(0.7)	(0.6)
		71.5	73.8
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		0.6	5.7
Exchange differences on translation of foreign operations		(0.6)	0.2
Other comprehensive income for the period, net of tax		-	5.9
Total comprehensive income for the period		71.5	79.7
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		72.2	80.3
Non-controlling interests		(0.7)	(0.6)
		71.5	79.7
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		36.6	37.7
Diluted earnings per share		36.3	37.4

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

CONSOLIDATED BALANCE SHEET

As at 30 December 2017

	Notes	30 December 2017 \$m	1 July 2017 \$m
ASSETS			
Current assets			
Cash and cash equivalents		30.3	19.9
Trade and other receivables	6	30.7	42.6
Inventories		546.6	481.5
Total current assets		607.6	544.0
Non-current assets			
Property, plant and equipment	7	267.7	264.5
Intangible assets	8	755.0	750.1
Other financial assets	15(b)	0.3	-
Total non-current assets		1,023.0	1,014.6
Total assets		1,630.6	1,558.6
LIABILITIES			
Current liabilities			
Trade and other payables	9	472.8	253.7
Interest-bearing liabilities	10	2.6	2.6
Current tax liabilities		3.2	1.5
Derivative financial instruments		2.3	3.1
Provisions	11	52.6	62.3
Total current liabilities		533.5	323.2
Non-current liabilities			
Trade and other payables	9	47.1	44.2
Interest-bearing liabilities	10	226.9	398.0
Deferred tax liabilities		24.3	17.1
Provisions	11	22.3	21.5
Total non-current liabilities		320.6	480.8
Total liabilities		854.1	804.0
NET ASSETS		776.5	754.6
EQUITY			
Contributed equity	12	542.3	542.3
Reserves		3.0	3.5
Retained earnings		233.6	210.7
Capital and reserves attributable to owners of Super Retail Group Limited		778.9	756.5
Non-controlling interests		(2.4)	(1.9)
TOTAL EQUITY		776.5	754.6

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 30 December 2017

	Notes	Contributed Equity \$m	Reserves \$m	Retained Earnings \$m	Total \$m	Non- Controlling Interests \$m	Total Equity \$m
Balance at 2 July 2016		542.3	(0.9)	193.7	735.1	(1.1)	734.0
Profit for the period		-	-	74.4	74.4	(0.6)	73.8
Other comprehensive income for the period		-	5.9	-	5.9	-	5.9
Total comprehensive income for the period		-	5.9	74.4	80.3	(0.6)	79.7
Transactions with owners in their capacity as owners							
Dividends provided for or paid		-	-	(42.5)	(42.5)	-	(42.5)
Employee performance rights		-	1.3	-	1.3	-	1.3
Change in ownership interest in controlled entities	15(a)	-	(0.5)	-	(0.5)	0.5	-
		-	0.8	(42.5)	(41.7)	0.5	(41.2)
Balance at 31 December 2016		542.3	5.8	225.6	773.7	(1.2)	772.5
Balance at 1 July 2017		542.3	3.5	210.7	756.5	(1.9)	754.6
Profit for the period		-	-	72.2	72.2	(0.7)	71.5
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	72.2	72.2	(0.7)	71.5
Transactions with owners in their capacity as owners							
Dividends provided for or paid		-	-	(49.3)	(49.3)	-	(49.3)
Employee performance rights		-	(0.3)	-	(0.3)	-	(0.3)
Change in ownership interest in controlled entities	15(a)	-	(0.2)	-	(0.2)	0.2	-
		-	(0.5)	(49.3)	(49.8)	0.2	(49.6)
Balance at 30 December 2017		542.3	3.0	233.6	778.9	(2.4)	776.5

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 30 December 2017

	30 December 2017 \$m	31 December 2016 \$m
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,441.8	1,414.3
Payments to suppliers and employees (inclusive of goods and services tax)	(1,023.1)	(1,031.8)
Rental payments:		
- external	(99.1)	(98.0)
- related parties	(4.9)	(4.7)
Income taxes paid	(21.0)	(27.8)
Net cash inflow from operating activities	293.7	252.0
Cash flows from investing activities		
Payments for property, plant and equipment and software	(56.3)	(42.9)
Proceeds from sale of property, plant and equipment	-	0.6
Payments for acquisitions of investments in associates/joint ventures	(0.3)	-
Net cash (outflow) from investing activities	(56.6)	(42.3)
Cash flows from financing activities		
Proceeds from borrowings	318.0	334.0
Repayment of borrowings	(487.9)	(478.0)
Finance lease payments	(1.4)	(0.4)
Interest paid	(5.9)	(9.6)
Dividend paid to Company's shareholders	(49.3)	(42.5)
Net cash (outflow) from financing activities	(226.5)	(196.5)
Net increase in cash and cash equivalents	10.6	13.2
Cash and cash equivalents at the beginning of the period	19.9	15.6
Effects of exchange rate changes on cash and cash equivalents	(0.2)	0.1
Cash and cash equivalents at the end of the interim period	30.3	28.9

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 30 December 2017

1. Reporting entity

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

The condensed consolidated interim financial report of the Company as at and for the period ended 30 December 2017 comprises: the Company and its subsidiaries (together referred to as the Group, and individually as Group entities).

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

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

2. Basis of preparation of interim financial report

This condensed consolidated interim financial report for the 26 week period ended 30 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the period ended 1 July 2017 and any public announcements made by Super Retail Group Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated below. 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.

New and amended standards adopted by the Group

The following key new accounting standards and amendments to accounting standards are either applicable in the current reporting period or in the future periods and have been assessed for material impacts to the Group.

New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
AASB 9 <i>Financial Instruments</i>	1 July 2018	Addresses the classification, measurement and de-recognition of financial assets and financial liabilities and new rules for hedge accounting.	The Group is currently in the process of completing its assessment of AASB 9, in particular around the 'expected loss' impairment model for trade receivables. Based on the preliminary assessment performed to date the effects are not expected to be material.
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 July 2018	Establishes the reporting principles relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.	The Group has completed its assessment of IFRS 15. Based on this assessment we do not anticipate that there will be a significant impact on the Group's financial results.
IFRS 16 <i>Leases</i>	1 July 2019	Introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months where they are not considered of low value. A right-of-use asset will be recognised representing the right to use the underlying leased asset and a lease liability representing the obligations to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.	This standard will materially impact the Group's consolidated financial statements at transition and in future years, as the Group's operating leases (primarily in relation to store, distribution centre and office leases) are recognised on balance sheet. Rental expense currently recognised in the statement of financial performance will be replaced with depreciation and interest. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. A detailed review of contracts is currently being performed and will continue through transition of the new standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

3. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group Managing Director and Chief Executive Officer that are used to make strategic decisions. No operating segments have been aggregated to form the below reportable operating segments. This results in the following business segments:

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

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

Detailed below is the information provided to the Group Managing Director and Chief Executive Officer for reportable segments. Items not included in Normalised Net Profit After Tax (Normalised NPAT) are one-off charges relating to business restructuring, non-continuing operations and impairment of intangible assets.

For the period ended 30 December 2017	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income						
External segment revenue ⁽¹⁾	516.7	299.1	503.8	1,319.6	4.8	1,324.4
Inter segment sales	-	-	-	-	(0.7)	(0.7)
Other income	0.1	-	0.3	0.4	-	0.4
Total segment revenue and other income	516.8	299.1	504.1	1,320.0	4.1	1,324.1
Segment EBITDA⁽²⁾	71.0	25.3	63.0	159.3	(10.0)	149.3
Segment depreciation and amortisation ⁽³⁾	(15.3)	(8.9)	(11.3)	(35.5)	(0.2)	(35.7)
Segment EBIT result	55.7	16.4	51.7	123.8	(10.2)	113.6
Net finance costs ⁽⁴⁾						(8.4)
Total segment NPBT						105.2
Segment income tax expense						(30.3)
Normalised NPAT						74.9
Other items not included in the total segment NPAT ⁽⁵⁾						(2.7)
Profit for the period						72.2
Profit for the period attributable to:						
Owners of Super Retail Group Limited						72.2
Non-controlling interests						(0.7)
Profit for the period						71.5

⁽¹⁾Includes non-controlling interest (NCI) revenue of \$0.7 million.

⁽²⁾Adjusted for NCI operating expenses of \$1.0 million.

⁽³⁾Adjusted for NCI depreciation of \$0.1 million.

⁽⁴⁾Adjusted for NCI interest of nil.

⁽⁵⁾Includes \$3.8 million of business restructuring costs and the related income tax effect of \$1.1 million.

Business restructuring - Sports

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

3. Segment information (continued)

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

For the period ended 31 December 2016	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income						
External segment revenue ⁽¹⁾	489.2	311.0	490.5	1,290.7	5.2	1,295.9
Inter segment sales	-	-	-	-	(0.4)	(0.4)
Other income	0.1	0.1	0.4	0.6	0.5	1.1
Total segment revenue and other income	489.3	311.1	490.9	1,291.3	5.3	1,296.6
Segment EBITDA⁽²⁾	67.9	29.1	63.0	160.0	(9.2)	150.8
Segment depreciation and amortisation ⁽³⁾	(14.3)	(8.5)	(12.1)	(34.9)	(0.7)	(35.6)
Segment EBIT result	53.6	20.6	50.9	125.1	(9.9)	115.2
Net finance costs ⁽⁴⁾						(9.1)
Profit before income tax						106.1
Income tax expense						(31.7)
Profit for the period						74.4
Profit for the period attributable to:						
Owners of Super Retail Group Limited						74.4
Non-controlling interests						(0.6)
Profit for the period						73.8

⁽¹⁾Includes non-controlling interest (NCI) revenue of \$0.7 million.

⁽²⁾Adjusted for NCI operating expenses of \$0.6 million.

⁽³⁾Adjusted for NCI depreciation of nil.

⁽⁴⁾Adjusted for NCI interest of nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

	30 December 2017 \$m	31 December 2016 \$m
4. Expenses from continuing operations		
Profit before income tax includes the following specific gains and expenses:		
<i>Expenses</i>		
Net (gain) on disposal of property, plant and equipment	-	(0.6)
<i>Depreciation</i>		
Plant and equipment	18.2	20.6
Computer equipment	6.9	5.9
Total depreciation	25.1	26.5
<i>Amortisation and impairment charge</i>		
Computer software	10.7	9.0
Brand name amortisation	-	0.1
Total amortisation and impairment charge	10.7	9.1
<i>Net finance costs</i>		
Interest and finance charges	8.4	9.1
Net finance costs	8.4	9.1
<i>Employee benefits expense</i>		
Superannuation	18.1	17.6
Salaries and wages	237.1	229.6
Total employee benefits expense	255.2	247.2
<i>Rental expense relating to operating leases</i>		
Lease expenses	112.1	104.5
Equipment hire	1.9	3.0
Total rental expense relating to operating leases	114.0	107.5
<i>Foreign exchange gains and losses</i>		
Net foreign exchange loss	-	0.3

5. Income tax

Income tax expense		
Current tax expense	22.8	27.4
Deferred tax expense	6.9	3.7
Adjustments to tax expense of prior periods	(0.5)	0.6
Total income tax expense	29.2	31.7
 Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease in deferred tax assets	5.9	4.5
Increase/(decrease) in deferred tax liabilities	1.0	(0.8)
	6.9	3.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

	30 December 2017 \$m	1 July 2017 \$m
6. Trade and other receivables		
Current		
Trade receivables	10.3	14.2
Provision for impairment of receivables	(0.7)	(0.8)
Net trade receivables	9.6	13.4
Other receivables	15.5	5.9
Prepayments ⁽¹⁾	5.6	23.3
Net current trade and other receivables	30.7	42.6
⁽¹⁾ The prepayments balance on 1 July 2017 was increased due to rent payments being made on the first day of the month.		
7. Property, plant and equipment		
Plant and equipment, at cost	385.4	373.1
Less accumulated depreciation	(161.9)	(155.9)
Net plant and equipment	223.5	217.2
Motor vehicles, at cost	0.5	0.7
Less accumulated depreciation	(0.4)	(0.5)
Net motor vehicles	0.1	0.2
Computer equipment, at cost	100.5	97.9
Less accumulated depreciation	(56.4)	(50.8)
Net computer equipment	44.1	47.1
Total net property, plant and equipment	267.7	264.5
8. Intangible assets		
Goodwill, at cost	449.7	449.7
Less accumulated impairment charge	(2.1)	(2.1)
Net goodwill	447.6	447.6
Computer software, at cost	189.0	174.3
Less accumulated amortisation	(90.6)	(80.8)
Net computer software	98.4	93.5
Brand names, at cost	267.5	267.5
Less accumulated amortisation and impairment charge	(58.5)	(58.5)
Net brand names	209.0	209.0
Total net intangible assets	755.0	750.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

8. Intangible assets (continued)

(a) Impairment tests for the useful life for brands

The carrying value of brand names represents purchased brand name for Rebel Sport.

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

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

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

	30 December 2017 \$m	1 July 2017 \$m
9. Trade and other payables		
Current		
Trade payables	348.0	179.5
Other payables	120.0	70.1
Straight line lease adjustment	4.8	4.1
Total current trade and other payables ⁽¹⁾	472.8	253.7
Non-current		
Straight line lease adjustment	47.1	44.2
Total non-current trade and other payables	47.1	44.2

⁽¹⁾ Current trade and other payables at 31 December 2016 was \$416.6 million. The trade payables balance is impacted by the increase in inventory purchases required for the peak December sales. In addition, working capital initiatives such as timing the inventory build closer to December has resulted in a higher payables balance.

10. Interest-bearing liabilities

Current

Finance leases – secured by leased asset	2.6	2.6
Total current interest-bearing liabilities	2.6	2.6

Non-current

Finance leases - secured by leased asset	7.2	8.6
Bank debt funding facility – secured	0.1	0.1
Bank debt funding facility - unsecured ⁽¹⁾	219.6	389.3
Total non-current interest-bearing liabilities	226.9	398.0

⁽¹⁾ Net of borrowing costs capitalised of \$1.4 million (June 2017: \$1.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

10. Interest-bearing liabilities (continued)

(a) Reconciliation of liabilities arising from financing activities

	1 July 2017 \$m	Cash flows \$m	Non-cash changes - Amortisation \$m	30 December 2017 \$m
Finance leases	11.2	(1.4)	-	9.8
Bank debt funding facility	389.4	(169.9)	0.2	219.7
Total	400.6	(171.3)	0.2	229.5

	3 July 2016 \$m	Cash flows \$m	Non-cash changes - Amortisation \$m	31 December 2016 \$m
Finance leases	0.8	(0.4)	-	0.4
Bank debt funding facility	415.0	(144.0)	0.4	271.4
Total	415.8	(144.4)	0.4	271.8

11. Provisions

Current

	30 December 2017 \$m	1 July 2017 \$m
Employee benefits	44.9	54.1
Onerous contracts	3.8	4.9
Make good provision	2.4	2.3
Other provisions	1.5	1.0
Total current provisions	52.6	62.3

Non-current

	30 December 2017 \$m	1 July 2017 \$m
Employee benefits	8.8	8.2
Onerous contracts	5.0	5.5
Make good provision	8.5	7.8
Total non-current provisions	22.3	21.5

12. Contributed equity

(a) Share Capital

Ordinary shares fully paid (197,240,020 ordinary shares as at 30 December 2017)	542.3	542.3
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(b) Movement in ordinary share capital

	Number of Shares	Issue Price	\$m
Balance 2 July 2016	197,177,318		542.3
Shares issued under performance rights	62,702	-	-
Balance 1 July 2017	197,240,020		542.3
Shares issued under performance rights	-	-	-
Closing balance 30 December 2017	197,240,020		542.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

	30 December 2017 \$m	31 December 2016 \$m
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13. Dividends

Ordinary Shares

Dividends paid by Super Retail Group Limited during the interim period

49.3	42.5
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Dividends not recognised at the end of the interim period

Subsequent to the end of the interim period, the Directors have declared the payment of an interim dividend of 21.5 cents (2016: 21.5 cents) per ordinary share fully franked based on tax paid at 30%.

The aggregate amount of the interim dividend expected to be paid on 3 April 2018 (2016: 7 April 2017), out of retained profits at 30 December 2017, but not recognised as a liability at the end of the interim period is

42.4	42.4
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14. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

	Notes	Derivatives used for hedging \$m	Financial assets and liabilities at amortised cost \$m	Total \$m
30 December 2017				
Financial assets				
Cash and cash equivalents		-	30.3	30.3
Trade and other receivables	6	-	30.7	30.7
Derivative financial instruments		-	-	-
Total		-	61.0	61.0
Financial liabilities				
Trade and other payables	9	-	519.9	519.9
Interest-bearing liabilities	10	-	229.5	229.5
Derivative financial instruments		2.3	-	2.3
Total		2.3	749.4	751.7
1 July 2017				
Financial assets				
Cash and cash equivalents		-	19.9	19.9
Trade and other receivables	6	-	42.6	42.6
Derivative financial instruments		-	-	-
Total		-	62.5	62.5
Financial liabilities				
Trade and other payables	9	-	297.9	297.9
Interest-bearing liabilities	10	-	400.6	400.6
Derivative financial instruments		3.1	-	3.1
Total		3.1	698.5	701.6

The Group's exposure to various risks associated with the financial instruments is discussed in note 15 of the Group's 2017 Annual Report. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

14. Financial assets and financial liabilities (continued)

(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 is outlined below.

The Group recognises and measures derivatives used for hedging at their fair values classified as a level 2 financial instrument. At 30 December 2017 the Group had derivative financial liabilities totalling \$2.3 million (1 July 2017: \$3.1 million). There were no derivative financial assets at 30 December 2017 (1 July 2017: nil).

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.

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

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

(ii) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

15. Investments in subsidiaries and other entities

(a) Subsidiaries

The Group's subsidiaries at 30 December 2017 are as detailed in note 26 of the Group's 2017 Annual Report. With the exception of changes to the Group's ownership interest in Youcamp Pty Ltd (2016: Autoguru Australia Pty Ltd), detailed below, there were no other changes to the Group's ownership interest in these entities.

Youcamp Pty Ltd – October 2017

On 13 October 2017, the shareholders of Youcamp Pty Ltd, entered into an agreement to issue shares resulting in an increase in the Group's ownership interest from 51.0% to 58.68%. In recognising the change in ownership, the Group reassessed the value of the Group's non-controlling interest (NCI) held in Equity Reserves at the grant date, 13 October 2017, to reflect the change in NCI from 49.0% to 41.32%. The differential was transferred to a separate NCI Equity Reserve.

Autoguru Australia Pty Ltd – August 2016

On 5 August 2016, the shareholders of Autoguru Australia Pty Ltd, entered into an agreement to issue shares resulting in an increase in the Group's ownership interest from 61.85% to 63.1%. In recognising the change in ownership, the Group reassessed the value of the Group's non-controlling interest (NCI) held in Equity Reserves at the grant date, 5 August 2016, to reflect the change in NCI from 38.15% to 36.9%. The differential was transferred to a separate NCI Equity Reserve.

(b) Associates and joint ventures

During the period the Group acquired a 50% ownership interest in Autocrew Australia Pty Ltd in joint venture with Robert Bosch (Australia) Pty Ltd for \$325,000. The joint venture has been established to open full service auto workshops initially in the Greater Sydney area. The first 'AutoCrew – Powered by Supercheap Auto' pilot workshop is planned to open in 2018 and will offer drivers a full automotive service powered by Bosch's superior diagnostic and workshops technology. There were no investments in associates or joint ventures held by the Group as at 1 July 2017.

16. Contingencies

Guarantees

Guarantees issued by the bankers of the Group in support of various rental arrangements.

The maximum future rental payments guaranteed amount to:

30 December 2017 \$m	1 July 2017 \$m
3.4	3.4

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.

17. Commitments

Commitments payable for the acquisition of plant and equipment and computer software, contracted for at the reporting date but not recognised as liabilities payable, total \$16.3 million as at 30 December 2017 (1 July 2017: \$3.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 26 weeks ended 30 December 2017

18. Finance Leases

The Group leases various plant and equipment with a carrying amount of \$10.0 million (1 July 2017: \$11.2 million) under finance leases expiring within five years.

	30 December 2017 \$m	1 July 2017 \$m
Commitments in relation to finance leases are payable as follows:		
Within one year	2.9	2.9
Later than one year but not later than five years	7.5	9.0
Minimum lease payments	10.4	11.9
Future finance charges	(0.6)	(0.7)
Total lease liabilities	9.8	11.2
Representing lease liabilities:		
Current (note 10)	2.6	2.6
Non-current (note 10)	7.2	8.6
	9.8	11.2

19. Related party transactions

The nature of related party transactions is consistent with those in the previous financial year. The Group's transactions with related parties are disclosed in note 22 of the Group's 2017 Annual Report. Transactions with related parties are at arm's length unless otherwise stated. Store lease payments made to related parties for the period ended 30 December 2017 are \$4,855,067 (31 December 2016: \$5,658,738).

20. Events occurring after reporting date

On 20 February 2018, the Group entered into a binding agreement to acquire 100% of Macpac Holdings Pty Ltd, for NZ\$144.0 million and associated acquisition costs of circa \$4.0 million. The purchase will complete on an effective date of 31 March 2018. Macpac is a vertically integrated outdoor apparel and equipment retailer with 54 stores throughout New Zealand and Australia. In addition to its retail stores, Macpac sells to commercial customers and export distributors in Europe, Japan and in the USA. The Group intends to consolidate the Macpac and Rays operations under the Macpac brand and will incur costs of circa \$13.0 million, of which \$6.0 million is non-cash, to effect this integration.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Super Retail Group Limited, in the Directors' opinion:

- (a) the consolidated interim financial statements and notes set out on pages 2 to 21, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Group's financial position as at 30 December 2017 and of its performance, for the period ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that Super Retail Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors:



S A Pitkin
Chair



P A Birtles
Group Managing Director and Chief Executive Officer

Brisbane
20 February 2018



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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Super Retail Group Limited (the company), which comprises the consolidated balance sheet as at 30 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Super Retail Group Limited. The consolidated entity comprises the company and the entities it controlled during that period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 December 2017 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Super Retail Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Super Retail Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 December 2017 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Kim Challenor
Partner

Brisbane
20 February 2018