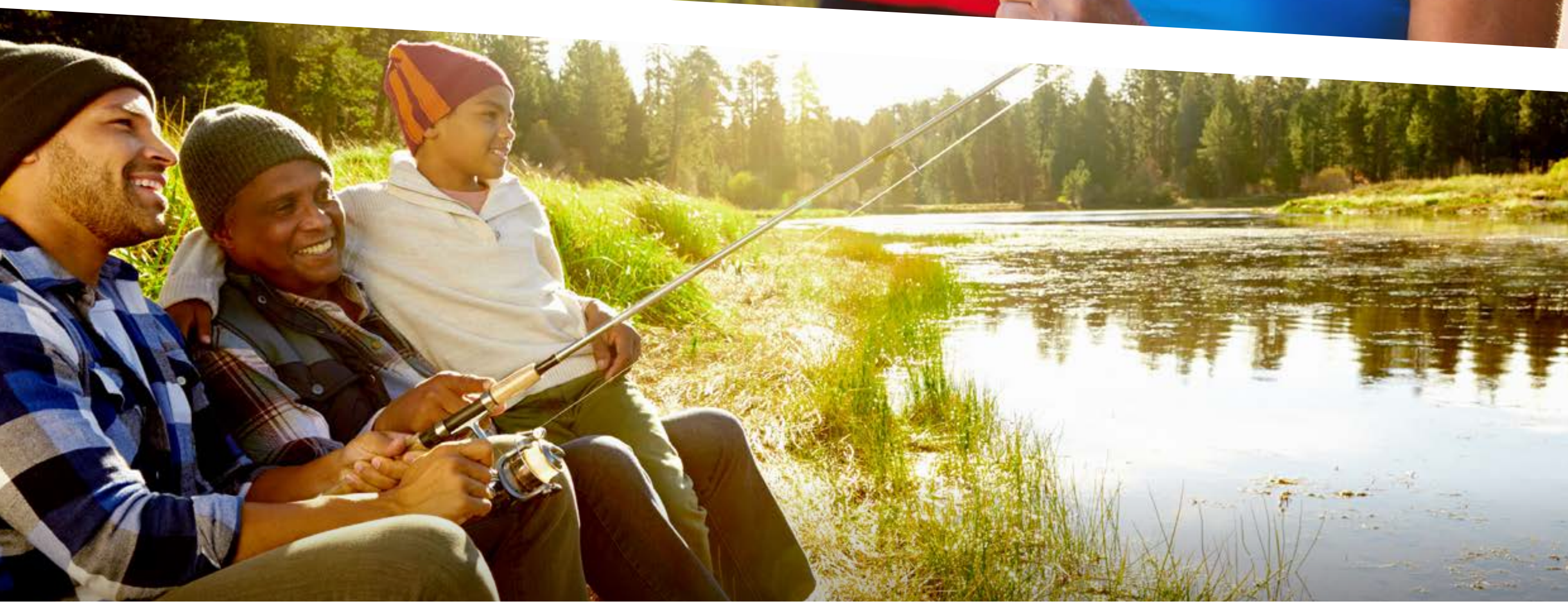
Super Retail Group

ANNUAL REPORT 2016

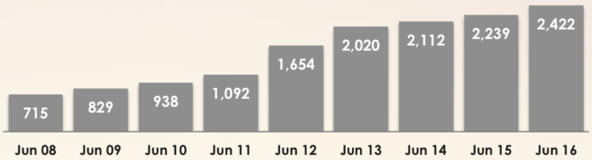


INSPIRING YOU TO LIVE YOUR PASSION

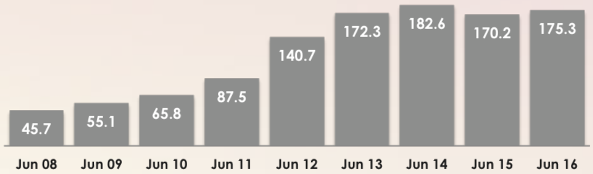
PERFORMANCE TRENDS

FINANCIAL

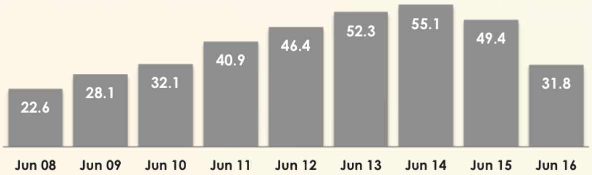
SALES ($M)



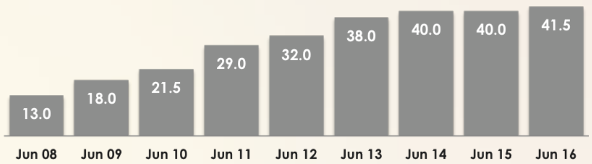
TOTAL SEGMENT EBIT ($M)



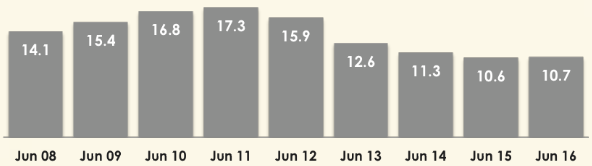
EPS (C)



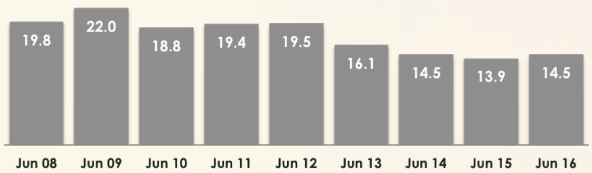
DIVIDEND (C)



POST TAX ROC (%)



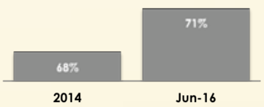
POST TAX ROE (%)*



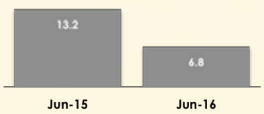
*Normalised NPAT

TEAM

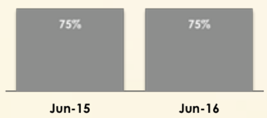
TEAM ENGAGEMENT



SAFETY – LTIFR

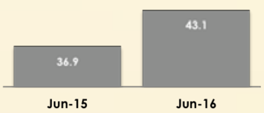


TEAM RETENTION

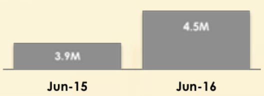


CUSTOMER

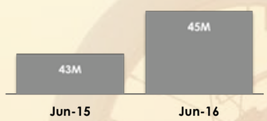
AVERAGE NPS



ACTIVE CLUB MEMBERS



CUSTOMER TRANSACTIONS



CONTENTS

Our Business	2
Chairman's Letter	6
CEO's Letter	8
Group Strategy	11
Board of Directors	14
Group Executive Team	16
Sustainability @SRG	21
Directors' Report	26
Consolidated Statement of Comprehensive Income	52
Consolidated Balance Sheet	53
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	56
Directors' Declaration	105
Independent Auditor's Report	106
Shareholder Information	108
Corporate Directory	111
Key Dates for Stakeholders	111

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

Super Retail Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal registered office and principal place of business is 751 Gympie Road, Lawnton, Queensland, 4501.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 26 to 50.

The financial report was authorised for issue by the Directors on 25 August 2016. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our Investors and Media page on our website: www.superretailgroup.com

OUR BUSINESS

OUR PURPOSE

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

OUR VISION

Inspiring you to live your passion.

PASSION

OPENNESS

INTEGRITY

CARE

DISCIPLINE

STRATEGIC PILLARS

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

1 | CUSTOMER UNDERSTANDING AND INSIGHT

2 | SOLUTIONS THAT ENGAGE AND INSPIRE OUR CUSTOMERS

3 | LEADING PRIVATE BRANDS

4 | AGILE AND EFFICIENT SUPPLY CHAIN

5 | ENGAGED AND CAPABLE TEAM

6 | STRONG, SUSTAINABLE AND EFFICIENT FOUNDATIONS

OUR CORE BRANDS

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

Amart Sports provides a broad range of leisure sports products geared to the casual market at compelling prices. With a wide range of products designed for family and team sports, the Amart Sports range includes equipment, apparel and associated accessories for sporting enthusiasts and spectators alike.

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

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

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

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

OUR BUSINESS

OUR FINANCIAL TARGETS

TO DELIVER COMPOUND ANNUAL GROWTH IN EPS OF **>15%**

TO GROW RETURN ON CAPITAL TO **>15%**

OUR GOALS

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

TO BE
ONE OF THE FIVE
LARGEST AUSTRALASIAN RETAIL COMPANIES

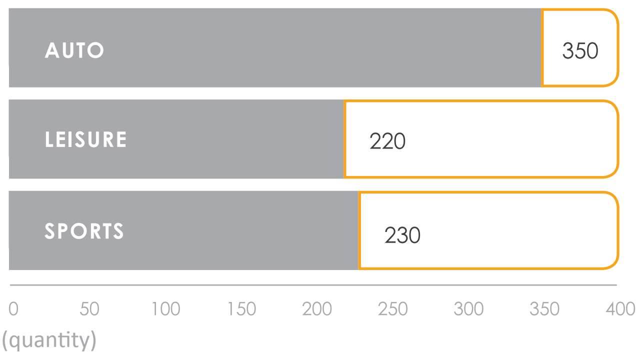
TO ACHIEVE HIGHER
CUSTOMER ENGAGEMENT
RATINGS THAN OUR COMPETITORS

TO ACHIEVE THE HIGHEST
TEAM MEMBER ENGAGEMENT
ACROSS THE RETAIL INDUSTRY

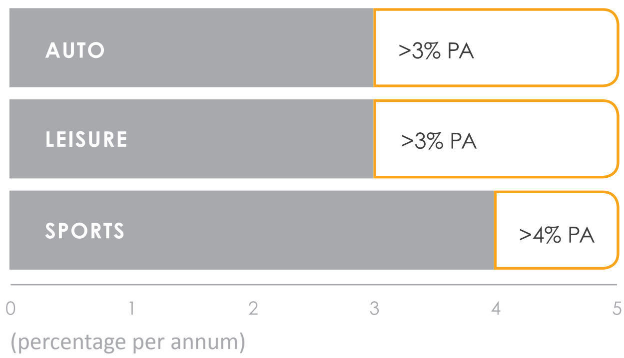
TO PROVIDE RETURNS TO OUR
SHAREHOLDERS
THAT EXCEED THE ASX 200 BY 5%

DELIVERING OUR FINANCIAL TARGETS 5 YEAR TARGETS

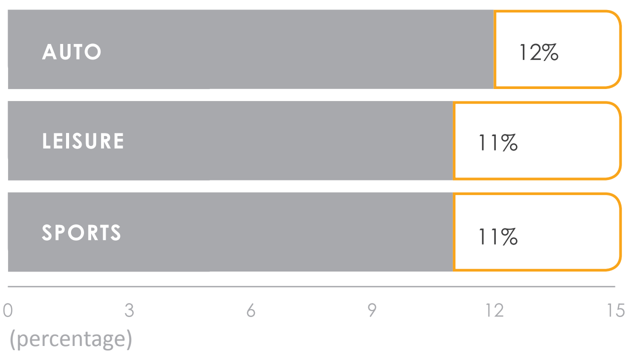
STORE NUMBERS



LFL GROWTH



EBIT MARGIN



PRE TAX ROC %*

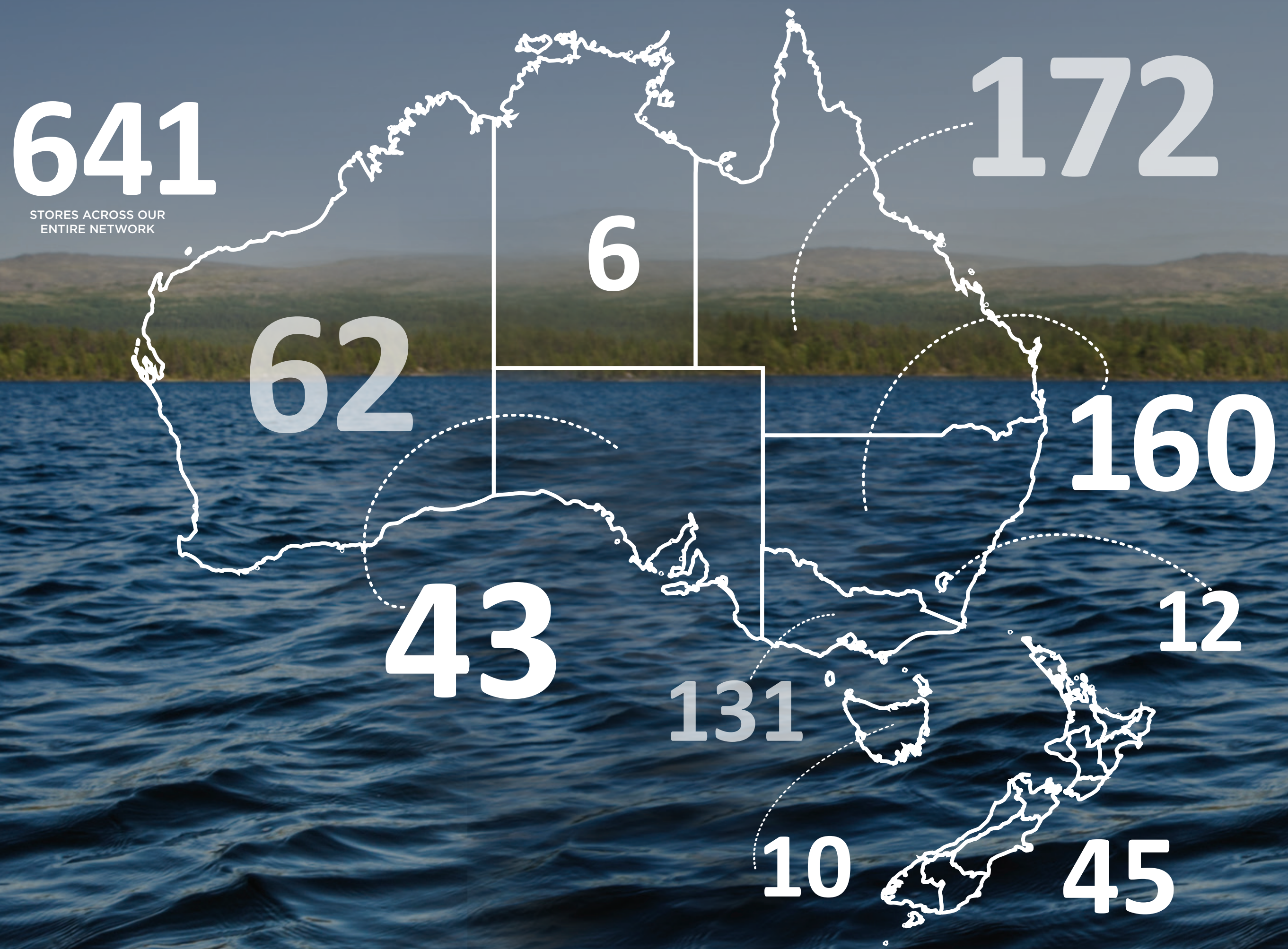
~12,000 TEAM MEMBERS

640+ STORES

3 SUPPORT OFFICES

3 DISTRIBUTION CENTRES

3 COUNTRIES OF OPERATION: AUSTRALIA, NZ & CHINA



BRAND	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	NZ	TOTAL
AMART SPORTS	-	12	1	28	5	-	14	-	-	**60**
BCF	3	34	1	38	7	-	21	16	-	**120**
RAYS	1	7	1	10	5	4	17	8	-	**53**
REBEL	4	40	-	14	7	1	25	10	-	**101**
SUPERCHEAP AUTO	4	67	3	82	19	5	54	28	45	**307**
TOTAL	**12**	**160**	**6**	**172**	**43**	**10**	**131**	**62**	**45**	**641**


CHINA
SINGAPORE
SUPER RETAIL GROUP DISTRIBUTION CENTRE
SHIPPING
ROAD FREIGHT
RAIL FREIGHT

CHAIRMAN'S LETTER

DEAR FELLOW SHAREHOLDER,

On behalf of your Board of Directors, I am pleased to present Super Retail Group's annual report for the financial year ending 2 July 2016.

In this year, we have maintained our focus on long-term value creation for shareholders, delivering a credible underlying financial result alongside continued progress against the Group's strategic priorities.

Super Retail Group holds a unique market position in the leisure retail sector. In recent years, we have made significant investment improving our core capabilities, expanding into new solutions and service offerings for our customers, and strengthening our multi-channel delivery infrastructure. This investment will ensure we remain competitive in a changing global marketplace and that the Group is equipped to keep pace with our customers' evolving needs.

2016 PERFORMANCE

Super Retail Group's full year accounting periods are normally 52 weeks but on average every five years the Group adds an extra week to maintain its end of year balance date within a few days of 30 June. The 2016 financial year was a 53 week period, which has the impact of increasing sales and net debt but has a negligible impact on net profit.

Net Profit After Tax attributable to owners (NPAT) was $62.8 million, representing a decline of 22.6 per cent compared to the prior comparative period. After adjusting for brand name impairment and business transformation provisions, Normalised Net Profit After Tax was $108.6 million, representing growth of 2.2 per cent over the prior comparative period.

The result reflected solid revenue growth of 8.2 per cent across the Group, with like for like growth in all Divisions. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) showed growth of 6.4 per cent against the previous corresponding period.

The Auto and Sports Divisions continue to perform well and are well-positioned for future growth. Both businesses in the Leisure Division, BCF and Ray's Outdoors delivered disappointing results for the full year although the performance in BCF improved through the year and we expect BCF to have a much stronger performance in the year ahead.

Cash flow generation remained strong, with operating cash flow of $159.2 million. Capital investment was 3.7 per cent of revenue. Super Retail Group maintained its disciplined approach to financial management and its robust balance sheet.

TRANSFORMATION INITIATIVES

In the light of the continued underperformance of the Ray's Outdoors business, it was decided to accelerate the review of the business that had been announced in February 2015.

The performance of the five stores trialling the new Rays concept has confirmed the potential for a profitable business targeting outdoor adventure enthusiasts. Following a review of the 50 legacy Ray's Outdoors stores, it was determined that 12 stores will convert to Rays stores, 17 stores will convert to one of the other Group brands and 21 stores will close prior to the end of this calendar year.

It is estimated that approximately $110 million of the $135 million sales currently generated by the Ray's Outdoors business will be retained by the Leisure Division following the completion of the transformation. The annual EBIT benefit to the Leisure Division once the transformation is complete is estimated to be circa $8 million.

In November 2015, the Group increased its ownership share of Infinite Retail, an online sports merchandise business, from 50.05 per cent to 95 per cent. Following this change in ownership, the management of Infinite Retail has been integrated into Rebel. Governance processes have been improved and operating costs have been reduced.

However, unprofitable contracts with sporting bodies and clubs and integration costs resulted in the business incurring an EBIT loss of circa $6 million (Net of Non-Controlling Interests) in the 2016 financial year. The business has also further recognised total restructuring costs of $5.0 million in the 2015/16 accounts representing $3.1 million provision for onerous contracts, $1.7 million for write off of systems and $0.2 million other costs.

The restructure will enable Infinite Retail to contribute approximately $25 million sales at break-even EBIT to the Sports Division results in 2016/17.

DIVIDEND

As a result of the Group's solid operating performance and cash flow, your Directors have recommended a final dividend of 21.5 cents a share bringing the total dividend payment to 41.5 cents a share, an increase of 3.8 per cent on last year. This represents a dividend payout ratio of 65 per cent of underlying NPAT, in line with the ratio guideline of between 55 and 65 per cent of underlying NPAT.

GOVERNANCE & RISK

Your Board is committed to transparency, accountability and high standards in corporate governance.

We have continued to refine many of our governance processes to keep pace with the changing business environment the Group operates in. Not only is the external environment changing, but the dramatically increased size, scale and complexity the Group has achieved over the past few years also places different demands on the role for corporate governance. As a consequence, our corporate governance, including in areas such as risk management, safety, sustainability and diversity, is increasingly mature and robust.

BOARD RENEWAL

The Board recognises the importance of undergoing a regular process of renewal to maintain a proactive and effective Board with the appropriate mix of skills, background and experience for the Group's strategic goals and governance requirements.

Accordingly, in October 2015, Super Retail Group continued its board renewal program, welcoming Ms Launa Inman and Ms Diana Eilert as independent non-executive directors, taking the total number of Directors to seven and female representation on the Board to over 40 per cent.

Launa brings to the Board extensive experience in retailing, marketing (including digital technology and social media), finance and logistics. Her diverse experience includes terms as Managing Director and CEO of Billabong International, Managing Director of Target Australia and Managing Director of Office Works. Launa is a director of the Commonwealth Bank of Australia, Bellamy's Australia Limited and a member of the boards of the Alannah and Madeline Foundation and the Virgin Australia Melbourne Fashion Festival.

Diana is an experienced non-executive director who brings three key skills to Super Retail Group: extensive operational experience as a Group Executive and CEO, Partner level skills in Strategy (with particular emphasis on technology customer experience and data), and, more recently, significant work in digital disruption and business models. Diana is a director of Navitas, AMP Life, Queensland Urban Utilities and NSW Electricity Networks. Her previous non-executive director (NED) experience includes realestate.com.au and other digital businesses, "onthehouse" and "OurDeal".

Launa and Diana will stand for election at Super Retail Group's Annual General Meeting on 24 October 2016.

OUTLOOK

In summary, Super Retail Group is well positioned to deliver on its vision of providing solutions and engaging experiences that enable our customers to make the most of their leisure time, at the same time as offering ongoing growth and development opportunities for our team members, and, consequently, growth and value for our shareholders.

The Board is fully committed to supporting the Company's long-term strategy and investment plan, that we believe will leave Super Retail Group well-placed to deliver profitable, sustainable growth over the long-term.

The Board looks forward to 2017 with confidence and enthusiasm.

On behalf of the board I thank our Group Managing Director and CEO, Peter Birtles, his leadership team and all our team members for their contribution. We also take this opportunity to thank you for your continued support.

Robert Wright
Chairman

CEO'S LETTER

DEAR FELLOW SHAREHOLDER,

The ever more rapidly changing dynamics of the retail industry mean that we need to balance our focus on optimising the current financial performance of the company with progressing the initiatives that will enable us to engage and inspire our customers and team members and build the organisational capabilities that we will need to build a business that will successfully meet and exceed the needs of our customers in the future.

In 2016 our financial performance was mixed and we did not achieve the overall financial results we believe we are capable of. However, many parts of the Group performed very well and we have made a number of changes to lift the Group's overall financial performance in the years ahead.

The financial performance of the Auto and Sports Divisions was strong and it was the underperformance of the BCF and Rays Outdoors businesses that held back overall Group results. The BCF business had a stronger second half and we are confident of improved performance in the 2017 financial year. We are transforming the new Rays business into one with a distinct market opportunity and the potential for long term profit growth.

We have been very pleased with our progress across all of our businesses in increasing customer engagement and endorsement and in improving our team member engagement and safety. We have also made good progress in building the brand development, supply chain and digital capabilities that will be required to drive the organisation in the future.

The impact of digital and the pace of change mean that we will need to be ever more agile in the way we operate. It also means that we will need to adopt more of a test and learn approach and that we need to recognise that some things we try will not work – the key will be to recognise this quickly and not over invest in the wrong initiatives.

We have a clear strategy with a roadmap of initiatives that will deliver continued growth in each of our retail businesses while also generating improved earnings and return on capital.

OUR FINANCIAL PERFORMANCE

The Auto and Sports Divisions both had successful years with strong growth in both revenue and profit. The Leisure Division generated a solid uplift in revenue but lower gross margin and higher operating costs resulted in a lower profit contribution. The Group has continued to invest in strategic initiatives, particularly in supply chain and digital, which led to an increase in Group Costs. Total Segment Net Profit before Tax was $155.9 million, an increase of $7.3 million over the prior comparative period.

Key highlights include:

- Full year sales for the Group increased by 8.2 per cent to $2,422.2 million.
- Group's Segment Earnings Before Interest and Tax (EBIT) was $175.3 million, an increase of 3.0 per cent.
- Auto and Sports Divisions performing strongly with Segment EBIT growth of 9.0 per cent and 18.6 per cent respectively.
- Leisure Division delivering 7.1 per cent sales growth

but investment in competitive pricing, inventory clearance and higher product costs resulting in Segment EBIT declining by 42.4 per cent.

- Online sales continue to grow strongly, with a number of digital initiatives launched during the year.
- $81.3 million invested in new and refurbished stores.
- Strong working capital management with operating cash flow of $159.2 million up by circa $15 million on a like for like basis.

OUR STRATEGY

The retail environment is going through massive change, we are seeing more and more global competitors coming into our markets, we are seeing the impact of digital disruption, and we are seeing more informed and demanding customers.

The balance of power between retailers and customers has changed. No longer can we invite the customers into our stores with the promise of an unmatched product range at unbeatable prices. Now we must earn the right to be invited by our customer to fulfil one of their needs how, when and where it best suits them and unless we can do this well, our customers have plenty of other choices.

Retailers need to decide how they will position themselves in this new world. The opportunity is there to win on product and price but only if you have the scale and cost structures to do so. Although product and price has been our heritage, at Super Retail Group we have recognised that we will not be successful in the long term if we continue to try and win on product and price alone.

We are in the fortunate position that our customers are passionate about the product categories we retail. Whether it's a customer who is proud of their classic Commodore or an avid follower of V8 Supercars, the guy who can't wait to get out and catch his next Barra, the family who love nothing better than getting out hiking through the bush or going to watch their favourite footy team or the young mum getting out to her weekly Pilates class.

Our opportunity is to connect with our customers around their passions and to inspire them with the experiences and solutions we provide. We must no longer see the interaction with our customers as a transaction but as part of a long term relationship. We need to understand our customers and predict their needs and wants.

We see that customer engagement, delivering inspiring customer solutions, developing a world class supply chain and building an engaged and capable team are critical to our future.

INVESTMENT IN PROFITABLE GROWTH

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

We expect capital expenditure for 2017 financial year to be in the order of $115 million, with five main programs that will be our investment priorities for the coming year:

- New store development
- Existing store refurbishment
- Rays Transformation
- Inventory Management Transformation
- Information Systems (IS) Transformation

The initiatives will position the Group for a step up in earnings delivery by focusing resources and capital on realising profitable growth from its retail brands and ensuring the Group has the systems, infrastructure and support in place to best realise the growth opportunity offered by the shift in consumer spending to services and solutions, at the same time as meeting customer expectations for a seamless and swift omni-channel experience.

OUR TEAM

On behalf of our Directors and senior executive team, I would like to express our thanks to all 12,000 team members for their contribution to the growth and development of the Group. Even in a digital world, retail will always be a people business and it is our team that will be key to the successful execution of our strategy.

We are pleased that we saw a further increase on our team engagement across the Group from 68 per cent to 71 per cent. The level of engagement is particularly strong in our retail stores and we have the opportunity to build engagement in our distribution centres and support offices to achieve our long term target of 75 per cent engagement.

We are also pleased that our retention level across all team members continues to hold above 75 per cent which is strongly ahead of the Retail Industry. Our team have told us that they would like to see more focus on their personal development opportunities so we are initiating a program in that area.

CEO'S LETTER (CONT.)

We see significant business value in having a leadership team that is representative of its customer base and one that embraces diversity as a way of generating greater creativity. At this time, our primary focus is on gender diversity and we are pleased with our progress towards our goal of 40 per cent of our senior leadership positions being held by females. At the end of June 34 per cent of our senior management positions were held by females up from 28 per cent in the prior year. We are now broadening our focus to other forms of diversity and will be developing initiatives to encourage broader diversity in the next 12 months.

In last year's report, I highlighted that we were disappointed with our safety performance which fell below industry averages and that we had established improved safety performance as a key priority for the Group in the 2016 financial year. In the 2015 financial year we had a Lost Time Injury Frequency Rate (LTIFR) of 13.2 and we set ourselves a target of a 30 per cent improvement in the 2016 financial year. We are extremely pleased that we achieved a LTIFR of 6.8 which benchmarks strongly against the industry. However, we must continue to focus on this area and aim to minimise the number of injuries with recognition that all injuries are preventable.

"SINCE OUR EARLY BEGINNINGS, OUR BUSINESS HAS BEEN ONE OF CONTINUOUS GROWTH AND EVOLUTION – IT HAS SEEN US GROW FROM A SMALL MAIL-ORDER BUSINESS INTO A NATIONAL STORE NETWORK AND BEYOND THAT TO AN EMERGING OMNI-CHANNEL PLATFORM; FROM A SINGLE BRAND TO A PORTFOLIO OF ICONIC RETAIL BRANDS SOME OF WHICH WE HAVE BUILT FROM SCRATCH INTO MARKET-LEADERS; FROM A LOCAL QUEENSLAND COMPANY TO A MAJOR AUSTRALASIAN RETAILER.

WE ARE PROUD OF OUR TRACK RECORD OF DISCIPLINED EXECUTION IN DELIVERING CUSTOMER-CENTRIC OUTCOMES. THE RESULTS WE ACHIEVE – OUR SALES, OUR PROFIT, OUR CASH FLOW, OUR SHARE PRICE – ONLY COME FROM ENGAGING OUR CUSTOMERS WITH SOLUTIONS AND EXPERIENCES THAT MEET OR EXCEED THEIR EXPECTATIONS. THAT WILL CONTINUE TO BE WHERE OUR FOCUS WILL BE AS WE CONTINUE TO GROW OUR BUSINESS OVER THE LONG-TERM.

FUTURE GROWTH

We are moving into a period of low growth with low inflation. However, the changing dynamics of the retail industry mean that there are opportunities for those businesses who embrace these changing dynamics to grow at rates faster than the markets in which they operate.

We have demonstrated over many years that our Supercheap Auto business has continued to grow strongly as customers have shifted from 'Do It Yourself' to 'Do It For Me' and we feel confident we have the capabilities to deliver strong growth across all of our businesses. We have a complementary portfolio of leading, differentiated retail brands, supported by a strong supply chain, technology platform and an engaged and passionate team. This leaves us well-placed to deliver the inspiring solutions and experiences our customers expect, and in so doing deliver continued value for shareholders.

Whatever our customers' passion may be – a passion is for life. That is why building a business that focuses on people's passions is a business with a strong future. Our challenge is to understand the things that matter to our customers, and create the solutions and experience that inspire them to get the most from their leisure time.

The macro trend towards solutions and services leaves our business well-placed to capture the revenue, customer and margin growth offered by the shift from products towards the solutions-centric offering that's already well underway across our portfolio of iconic Australian brands.

We enjoy a unique position within the leisure market, and the omni-channel environment that customers increasingly expect offers significant opportunities for us to leverage the scale, insights and synergies across the Group to realise the upside potential within each of our divisions, and so drive profitable growth.

Our robust balance sheet and financial resources means we are well-equipped to invest in establishing the right foundations and business architecture needed to enable the Group to realise the growth synergies and competitive advantages arising from our overarching perspective over the market as a whole.

We thank all team members for their commitment and hard work during the year, and we are grateful to our shareholders for your support.

Peter Birtles.

Peter Birtles
Group Managing Director
and Chief Executive Officer

GROUP STRATEGY

The strategy for the Group remains focused on the delivery of our strategic pillars and our financial targets. We have seen the successful execution of our strategy in an improved customer experience and our new Supply Chain network.

This year, we have refined our strategic pillars to ensure we continue to foster sustainable value creation in a changing retail market. This considers customer solutions, community and capability, coupled with a growing investment in digital and innovation.

Our strategic pillars are:

1 | CUSTOMER UNDERSTANDING AND INSIGHT

2 | SOLUTIONS THAT ENGAGE AND INSPIRE OUR CUSTOMERS

3 | LEADING PRIVATE BRANDS

4 | AGILE AND EFFICIENT SUPPLY CHAIN

5 | ENGAGED AND CAPABLE TEAM

6 | STRONG, SUSTAINABLE AND EFFICIENT FOUNDATIONS

Each pillar has a defined growth path, and we will be successful through the application of a customer centric, collaborative approach to delivery.

SUPERCHEAP AUTO SUCCESSFULLY LAUNCHES 90 MINUTE CLICK & COLLECT SERVICE

In February, Supercheap Auto successfully launched a '90 minute click-and-collect' service across all 300 stores throughout Australia and New Zealand. The 90 minute turnaround sets a new benchmark for online retailing in the Australasian market and has proved extremely popular with customers. Click & Collect offers customers certainty that an item is in stock and available, as well as offering savings on shipping fees and the potential cost of returns. Customers can now seamlessly shop online, choose their products and collect from their chosen Supercheap Auto store in 90 minutes, within store trading hours.

This initiative reflects the brand's ongoing investment in offering a truly omni-channel retail experience for customers, and reflects a core strategic focus for the Group – that being digital isn't merely about online, but is about lining up the entire organisation to deliver the best outcomes for customers. Offering a 90-minute Click & Collect service requires seamless integration between the e-Commerce customer interface, supply chain, demand management and in-store team resource management, and would not have been possible without the team's strong focus on customers' evolving expectations and the close collaboration across the business. Supercheap Auto is proud to be offering customers market-leading services and the solutions that really matter most to them, and look forward to delivering further innovations and improvements in our omni-channel experience.

BOARD OF DIRECTORS

ROBERT WRIGHT

Independent Non-Executive Chairman

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

PETER BIRTLES

Group Managing Director Chief Executive Officer

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

DIANA EILERT

Independent Non-Executive Director

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

LAUNA INMAN

Independent Non-Executive Director

Launa Inman was appointed a Director of the Company on 21 October 2015. Launa brings to the board extensive experience in retailing, marketing (including digital technology and social media), finance and logistics. Her diverse experience includes terms as Managing Director and CEO of Billabong International (May 2012 to August 2013), Managing Director of Target Australia Pty Ltd (2005 to 2011) and Managing Director of Office Works (2004 to 2005). Launa is a member of the Australian Institute of Company Directors and has completed the Wharton Business School executive program. Launa is a Non-Executive Director of the Commonwealth Bank of Australia, Bellamy's Australia Limited and Precinct Properties New Zealand, and a member of the boards of the Alannah and Madeline Foundation and Virgin Australia Melbourne Fashion Festival.

SALLY PITKIN

Independent Non-Executive Director

Dr Sally Pitkin was appointed a Director of the Company on 1 July 2010. Sally is the Chair of the Human Resources and Remuneration Committee. Sally has 20 years' experience as a Non-Executive Director in the listed, private, public and non-profit sectors, including experience in international markets, and 12 years' experience as a Non-Executive Director of ASX 200 companies. She is a lawyer and former partner of Clayton Utz with banking law, corporate law and corporate governance expertise. Sally is a Non-Executive Director and Fellow of the Australian Institute of Company Directors and is President of the Queensland Division, and a member of the External Advisory Board of the Australian Securities and Investments Commission. Sally is presently a Director of ASX listed companies Star Entertainment Group Limited, Link Administration Holdings Limited, and IPH Limited. Sally holds a Doctor of Philosophy (Governance), awarded in 2012.

REG ROWE

Non-Executive Director

Reg Rowe was appointed a Director of the Company on 8 April 2004. Reg and Hazel Rowe founded an automotive accessories mail order business in 1972 which they ran from their Queensland home. In 1974 they commenced retail operations of the business which evolved into Supercheap Auto. Reg served as Managing Director until 1996 and then Chairman from 1996 to 2004. Prior to this, Reg had 13 years' experience in various retail and merchandise roles at Myer department stores. Reg brings to the Board extensive retail industry and general management expertise and skills in retail and merchandise operations, property and strategy. Reg is a Director of a number of private family companies.

JOHN SKIPPEN

Independent Non-Executive Director

John Skippen was appointed a Director of the Company on 16 September 2008. John has been Chairman of the Audit and Risk Committee since 28 October 2009, and is also a member of the Human Resources and Remuneration Committee. John has over 36 years' experience both as an Executive and Non-Executive Director of listed and non-listed public companies and was Finance Director and Chief Financial Officer of Harvey Norman Holdings Ltd for 12 years and also operated as a Chartered Accountant for over 30 years. John has extensive retail, property acquisition and development, mergers and acquisition, and funding experience, both internationally and in Australia, as well as previous ownership of businesses in the advertising, marketing and construction industries. John is currently Non-Executive Chairman of Slater & Gordon Limited and Non-Executive Director of Flexigroup Ltd.

GROUP EXECUTIVE TEAM

DAVID BURNS

Chief Financial Officer

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

ERICA BERCHTOLD

Managing Director – Sports Retailing

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

ANTHONY HERAGHTY

Managing Director – Leisure Retailing

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

CHRIS WILESMITH

Managing Director – Auto Retailing

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

CLUB BCF SMASHES MILLION MEMBERS MILESTONE

" In this brave new digital world, only a deep understanding of our customers and their journey will ensure our sustained success as a business. Strong engagement, relationships and connections with our customers need to be what underpins any successful growth strategy and is what provides the confidence we need to invest in the right opportunities that will take our brands forward. The strong growth of Club BCF over the past 12 months is a critical part of developing those winning formulas.

Club BCF is the customer loyalty and rewards program for our BCF Boating Camping Fishing business. Membership smashed through the million members mark in 2016 to over 1.1 million active members, following sustained growth over the period. Over 70 per cent of total BCF sales are made by active club members, who also are typically highly engaged with the brand. Club BCF nights, held regularly throughout the store network to provide after-hours access to stores, specials and information, were attended by over 25,000 members this year alone.

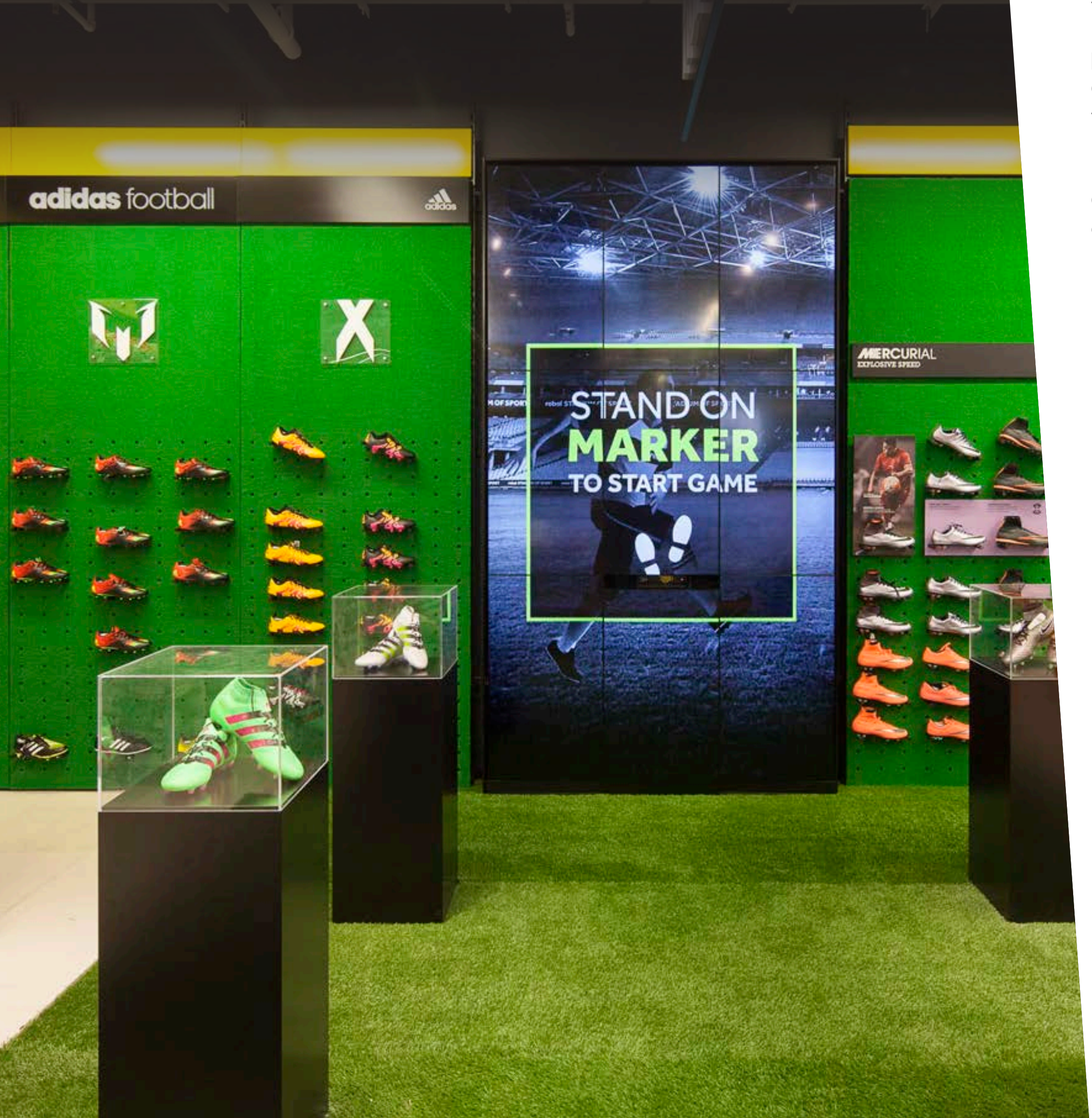
This remarkable milestone was achieved through the team's relentless focus on what our customers want, and how we can best add value and inspiration to how they go about getting the most from their leisure time. Our customers are as passionate about boating, camping and fishing as we are, and Club BCF is about how we can help them take those experiences to the next level.

The size, scale and strong levels of activity achieved among Club members yields rich, deep insights into our customers, their needs and changing expectations. This rich data enables us to better design a more effective customer experience, harnessing the power of digital and data across an integrated channel strategy, so we can provide the solutions and services our customers expect. This in turn drives growth and competitive advantage, and will continue to be a source of strategic strength for BCF as it continues to evolve its customer-centric focus.

REBEL CHATSWOOD ACCELERATES

"From rooftop parking area to 1,445m2 of sporting retail heaven, Rebel Chatswood adopted the 'Accelerate' concept in February and has been reaping the benefits since. Accelerate stores embrace physical design, technology and innovation to ensure customers experience the closest thing to being in an arena, the locker room, or playing alongside sporting legends. With large format screens and sound showers to immerse customers in the moment, more emotion and passion is injected into the shopping experience.
Rebel Chatswood also boasts a 37m shop front sign backlit with 3,600 individually gridded acrylic cylinders. The first of its kind, this installation stamps 'stadium of sport' over the Westfield atrium.

In its first three days of opening, Rebel Chatswood hit number one in football boot sales, and the store continues to be highly ranked. Net promoter scores for stores adopting the Accelerate concept are also significantly greater. With customer centricity a key focus area for Super Retail Group, Rebel Chatswood offers a number of in-store personal services including footwear fitters, bra fitters, and personal trainers—testament to our understanding and insight, and the engaging solutions we provide to inspire our customers. Feedback has found customers are more engaged and team members are also happier working in the new Accelerate environment.



DAVID AJALA

Managing Director – Super Retail Commercial

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

ROBERT DAWKINS

Company Secretary, Chief Legal & Property Officer

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

PAUL HAYES

Chief Information Officer

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

JANE KELLY

Chief Human Resources Officer

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

STEVE TEWKESBURY

Managing Director – International Operations

Steve joined the Super Retail Group in 2004 as Supply Chain Manager and in 2006 was appointed as General Manager – Overseas Sourcing. Prior to Super Retail Group, Steve worked in Global Supply Chain and E-Commerce Strategy for Reckitt & Colman, then as a Supply Chain Consultant within the Australian FMCG sector. He holds a degree qualification in e-Commerce from Monash University. Steve has been based in China since August 2006, managing our overseas sourcing, shipping and logistics operations in Hangzhou and Shanghai.

SUSTAINABILITY @SRG

Super Retail Group takes pride in our commitment to corporate social responsibility, and to managing and reducing our impact on the environment.

Achieving profitable and sustainable growth in a manner consistent with our Group values is central to how we do business as a Group, and making a meaningful contribution to social and environmental initiatives for the benefit of our team, customers and trade partners, and the communities in which we operate is something that's important to us all.

We recognise we live in a world where financial and non-financial challenges are becoming still more interdependent. The triple bottom line of financial, environmental and social sustainability is not a theory – it is the reality for any business operating today, and a framework that is aligned to our values and how we strive to operate our business.

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

SUSTAINABILITY GOALS

The Group has set a target to improve its sustainability performance, based on external rating assessment, to equal or better than global retail benchmark, with the following objectives:

1 | Establish a governance framework aligned with business strategy that supports stakeholder engagement, performance measurement and reporting.

2 | Sustainability integrated into business practices, addressing material risks and opportunities, and aligned with Group values.

3 | Community engagement programs, including product stewardship, aligned with business strategy.

4 | An ethical Supply Chain compliant with international standards.

5 | Reduction in carbon footprint (relative to business scale) aligned with science based targets.

OUR TEAM

The passion and dedication we see within our people every day is what makes our team our most powerful differentiator. From a workforce of 6,000 in 2011, our team has nearly doubled in size over the last five years, totaling 11,937 at the close of 2016.

We have experienced considerable growth over the last few years and we attribute a significant share of this success to our people. We are proud to know our team is engaged, enjoys coming to work, and goes over and above to provide exceptional service. This attitude is present in every corner of our business, whether it's working in a customer-facing role in store or a support role at our offices or Distribution Centres, we all share a sense of pride knowing we're inspiring our customers to live their passions.

DIVERSITY & INCLUSION

We are conscious that the only constant in retail is constant change: continually evolving our business to match the needs of our customers is the key to our ongoing success – as a business, but also as retail professionals – by ensuring we continue to develop the skills demanded by the new world of omni-channel retailing.

Diverse teams are proven to be more innovative and adaptable to change and the Group endeavours to form a team that is reflective of our increasingly broad and diverse customer base.

Accordingly, the Group 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. The Board and the Super Retail Group Leadership Team are firmly committed to developing policies and ways of working that support diversity.

Central to achieving this goal is a diverse and inclusive work environment and culture that allows team members to contribute their full potential through recognising and supporting their unique strengths and needs.

GENDER DIVERSITY

We are proud that our culture and inclusive policies have created a workforce in which women represent 45.9 per cent of the workforce at the end of June, particularly given many of the Group's businesses operate in retail sectors that have traditionally been male-dominated.

The Group has set a target of 40 per cent female representation in Board and senior management positions by 2019, and diversity is championed in the business at both Board and executive level.

As at the end of June, 43 per cent of the membership of our Board of Directors, 34 per cent of senior management positions (Bands 1-3), and 32 per cent of middle and senior management positions (Bands 1-4) are held by women.

This compares to the previous reporting period whereby 20 per cent of our Board, 28 per cent of senior management positions, and 32 per cent of middle and senior management positions as at the end of June 2015.

In addition, we achieved an increase in number of female General Managers appointed (to 9 from 4 in the prior year), including in non-traditional roles, such as Merchandise.

As of the date of this report, women represented 20 per cent of senior executives, which comprise the direct reports to the CEO, including the Managing Directors of the Group's retail divisions and international operations, Chief Financial Officer (CFO) and Chief Officers of the Group's Support Services.

To continue to progress towards achieving our Diversity goals, the Group maintains three areas of focus:

1. Recruitment Practices

The Group's recruitment practices are aimed at fostering and encouraging diversity and inclusion. Specific initiatives that have been continued or maintained for 2016 financial year include:

- requiring a minimum of one female to be shortlisted and interviewed for all management positions
- actively seeking female talent through targeted LinkedIn searches and talent pooling
- all Band 1 to 3 appointments reviewed by the CEO and Chief Human Resources Officer to ensure adherence to Diversity Policy

2. High Potential Development Programs

The Group's learning and development programs are designed to foster the development of female future leaders.

Our dedicated 'Women in Leadership Development' (WILD) program, which aims to equip female team members to progress their careers within the business, has continued in 2016 and will be rolled out again in the coming year.

3. Flexible Working Practices

The Group continues to actively seek opportunities to increase the flexibility of its work practices to encourage its team members (both male and female) to take opportunities to advance their careers while balancing personal commitments.

In the previous year, the Group's CEO led a Flexibility Listening Tour across key sites in Brisbane, Sydney and Melbourne to improve awareness and identify any barriers team members currently experience around adopting flexible working arrangements. The insights gathered will be used to inform the Group's ongoing efforts to lift team members' uptake of flexible working arrangements, such as further advancing how we track and promote flexibility across the Group.

At the end of June, five members of the executive team (Bands 1-2), being one male and four females are successfully working under flexible work arrangements.

OTHER DIVERSITY INITIATIVES

The Group has also implemented a number of other initiatives to foster workplace diversity. These include:

- Carried out a Diversity Audit
- Extended access to domestic and family violence leave, incorporating this into 2015 SRG Enterprise Agreement
- Ongoing CEO participation in the Queensland Male Champions of Change

We also note no incidents of discrimination have been reported during the reporting period.

TEAM ENGAGEMENT

At Super Retail Group, we know our people are the foundation of our business success. Our team members are critical to delivering our strategy through operating in a manner that is consistent with our sustainability goals and providing world-class experiences for our customers. Like our customers, it is important to understand what matters to our team members if we are to continue to ensure an engaged workforce and be successful as a business.

We regularly undertake a Group-wide team engagement survey every 18 months. The survey is conducted by an independent third party and provides a valuable benchmark of our levels of team engagement both over time and compared with our peer group. Beyond measuring overall team engagement, the survey provides important insights into where we need to improve our team engagement efforts.

The most recent survey was conducted in October 2015. The survey showed an overall team member engagement score of 71 per cent, 3 per cent higher than our previous survey and placing Super Retail Group within the top 25 per cent of companies across Australia and New Zealand for engagement.

Our high levels of engagement are further demonstrated by our strong levels of team retention. Over the past year, a total of 2,789 new team members joined the Group during the reporting period and our total retention held steady at over 75 per cent.

WORKPLACE SAFETY

At Super Retail Group, we are committed to providing a healthy and safe work environment for all our team members, contractors and customers. Our Group safety and wellbeing strategic plan and safety management system reflects a proactive risk and behaviour-based approach. Our Work, Health and Safety Policy also supports this commitment.

In the 2016 financial year, the Group Lost Time Injury Frequency Rate (LTIFR) was 6.87 per million hours worked, compared to 13.29 for the previous year. We have continued to drive a whole-of-business focus on safety leadership; actively working towards meeting standardised safety positive performance indicators and targets, and increasing team member awareness and education through frequent and relevant safety communications. As a result of these programs, we have seen a 44 per cent decrease in the number of lost time injuries and an overall 48 per cent decrease in LTIFR.

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

OUR CUSTOMERS

Ethical Sourcing

As a major Australian retailer with international operations, we are committed to upholding the principles of the United Nations Global Compact wherever we operate. Given our international presence, we have a responsibility to everyone who contributes to our success. This means integrating social and environmental concerns such as, ethical labour practices and anti-corruption principles into all our business operations.

Our compliance framework underpins the Group's competitive sourcing arrangements and the strategic development of leading private and exclusive brands. The framework includes our Ethical Sourcing Policy and General Business Agreement. We continue to engage with our trade partners to raise awareness of our standards, to establish supporting business agreements, and to execute a system of audits and reviews of selected factories to monitor compliance.

While we do not own factories, we work with our major trade partners in China and elsewhere to promote workers' rights and to positively influence them to improve working conditions across their operations.

This year we completed a comprehensive review of our compliance framework. Whilst recognising the many positive activities currently effected, we see the opportunity to improve the visibility of our supply chain to a broader range of factories, including those supplying our private brands with whom we do not have a direct relationship.

We have committed to and have commenced activity to extend the coverage of the audit program to validate trade partner compliance with our standards.

Looking ahead, a five year plan is being developed to improve our ethical sourcing practices as a key component of our Strong, Sustainable and Efficient Foundations strategic pillar. This includes further extension of the coverage of the audit program and reporting capabilities.

Product Responsibility

We are committed to providing safe products that enable our customers to make the most of their leisure time. We have a dedicated compliance team in place and a clear commitment as a Group to ensure our products comply with relevant mandatory standards before they are offered for sale. Our testing regime meets that required by mandatory Australian and New Zealand standards, and includes rigorous testing by both in-house and NATA-accredited third party assessors.

During the financial year, there were no incidents of non-compliance with health and safety, labelling, information or any other regulations related to our private brand products and services resulting in fines, penalties or formal warnings. We have supported all regulatory requirements that applied to products sourced from local trade partners in a timely manner, and have processes and policies in place to address any such events that may occur in our wholesale relationships.

This year, we have initiated two voluntary recalls of products that we considered posed potential safety risks to our customers. These recalls were initiated after detailed discussions with the relevant regulators.

Cyber Security

Technology has dramatically changed the way people are spending their leisure time. From Australia and New Zealand to emerging markets like China, digital technology offers a vast information resource, a means of social networking and a way of sharing experiences with others that greatly enriches people's leisure experiences and love affair with the great outdoors.

Despite the opportunities of a connected and digital world, the rise of digital security, privacy and data protection issues also brings a level of risk. Protection of our customer and team member data is a priority of the Group and we will continue to adapt and evolve our business and processes to keep on top of these issues.

The Group has appointed a Chief Information Officer (CIO) during the reporting period to support our information systems strategy, which includes the development and implementation of innovative and cost-effective technologies and enhancement of our data security. The CIO reports to the Group's Managing Director, who is a member of the Group's Board of Directors.

Customer Data and Privacy

We are committed to conducting our business in full compliance with laws and regulations, and have implemented a number of measures to protect the personal information of our customers, club members and team members, including safeguards to prevent security breaches in our networks and database systems, limited access to information in our systems and verification processes to prevent unauthorised access to information.

Securing and protecting personal information is managed at all levels of the business. The Group adopts strong industry standards as the basis for protecting this information.

During the reporting period, there were no incidences leading to a loss of customer data and no complaints were received from customers, external organisations or regulatory bodies regarding breaches of customer privacy or losses of customer data.

OUR ENVIRONMENT

Care towards the environment requires a joint effort and our focus is to work with our trade partners, customers and team members to reduce the impacts of our products and operational activities.

As a retailer, our main environmental impacts relate to transportation, packaging, energy and raw material consumption, and waste production.

Packaging Optimisation

We work closely with our trade partners to ensure packaging meets our environmental specifications to achieve resource efficiency and reduced environmental impact without compromising product quality and safety, and align with our demonstrated commitment to product stewardship across our supply chain.

As a result of these efforts, during the reporting period:

- Our packaging optimisation program, which involved a review of packaging used by over 500 suppliers, achieved a pallet utilisation improvement of 23.5 per cent and container utilisation improvement of 10.65 per cent by improving the packaging of over 85 per cent of products reviewed.
- Our plastics reduction program, which aims to reduce the amount of plastics in packaging, achieved improvements that will see total savings of 4,309 kg of plastic material per year.

Product Recycling

We continue to explore opportunities to improve resource recovery. Some of the current initiatives include:

- Supercheap Auto's oil and battery recycling initiatives – used batteries are collected in all stores and sent to recycling facilities to reduce waste. Old engine oil is also collected in selected stores for recycling.
- Clothes hangers reuse – all hangers used in Leisure and Sports stores are returned to our trade partners for reuse.
- Cartridge recycling – all used cartridges are recycled, and we use recycled cartridges in photocopiers.
- Pallet reuse – Stores return pallets to our Distribution Centres for reuse, while damaged pallets are recycled.
- E-waste – used and obsolete IS equipment is disposed of in accordance with international standards.

Energy and Greenhouse Gas Emissions

In our 2015 submission provided under the National Greenhouse and Energy Reporting Act (NGER), we were pleased to report the Group achieved a decrease in our energy use intensity of 3 per cent and decrease in emissions intensity by 4 per cent through energy efficiency initiatives, such as purchasing more energy efficient cars. Overall, we reported a total energy consumption increase of 3 per cent and a total greenhouse gas emissions increase of 2 per cent compared to the previous reporting period. This increase was due to business growth, with total site numbers increasing from 604 to 613 sites over the period, and store refurbishment activity, with floor space increasing at some stores.

Our 2016 report will be submitted to the Clean Energy Regulator in October 2016.

Supply Chain Efficiency

Our products are sent to distribution centres, stores and customers by trade partners using road, air and sea. We continue to work closely with transport trade partners to increase the use of modern, fuel efficient vehicles, and to explore the use of more sustainable fuels. During the reporting period we also made good progress with our efforts to increase packaging efficiency, consolidate store loads and optimise our distribution network.

This year the Group further benefited from the re-configuration of our distribution centre network implemented that was completed in 2014. This reporting period represented the first full year of benefits from the re-design and has resulted in significant reductions in both truck trips and total kilometres travelled. With our distribution centres now located closer to our store network, we have been able to consolidate loads across multiple brands. Over the last 12 months, the Group has achieved a reduction of more than 2.7 million kilometres in truck travel, as well as reducing the number of truck trips by over 2,000.

OUR COMMUNITY

Super Retail Group is committed to supporting the communities in which we operate. This includes supporting community groups through corporate philanthropy, providing assistance and support in times of natural disasters, and actively participating in improving community wellbeing. Our decisions about how we can allocate resources to best support communities are based on alignment to our core purpose and values.

We also support communities through the employment, product stewardship and education programs we provide through our normal business operations. Many of our stores are in small, regional communities and we are often a key source of employment opportunities for the local area, particularly for young people.

Community Services Leave and Workplace Giving Donation

We support and encourage Team Members who wish to make an impact on the community by taking part in civic activities. We provide various forms of leave under Community Services Leave, including Blood Donor Leave, Emergency Services Leave and Natural Disaster Leave. The opportunity to participate in workplace giving is also available to all team members in Australia and New Zealand using pre-tax dollars debited from their pay.

Super Retail Group is also part of Red25, a nationwide initiative to drive blood donations for the one in three Australians that will need blood or blood products in their lifetime.

Community and Sponsorship Partnerships

In the 2016 financial year, we launched a national community partnership with Red Cross Australia. This partnership provides a focus for our corporate philanthropy work across the Group and aligns with our core corporate values of supporting the local communities where we operate. Red Cross is the official recipient for all fundraising efforts undertaken by team members throughout the year, and in the coming year we will be expanding this partnership with a fundraising and awareness drive that will activate our national retail network in support of Red Cross' annual Disaster Preparedness and Recovery campaign.

In addition, each of our brands engage in their own programs of community giving and corporate philanthropy that are aligned with their individual brand purpose and the issues that matter to their customers. These include support for Marine Rescue, Cancer Council and Coastguard NZ.

In total, our cash contributions through community partnerships, sponsorships and team member contributions in the 2016 financial year was $129,911. In addition, discounts and store credits were provided to community groups and customers at store level during the reporting period.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Super Retail Group Limited (SUL) (the Company) and its subsidiaries for the period ended 2 July 2016.

1. Directors

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

R J Wright
(Independent Non-Executive Chair)
P A Birtles
(Group Managing Director and Chief Executive Officer)
R A Rowe
(Non-Executive Director)
R J Skippen
(Independent Non-Executive)
S A Pitkin
(Independent Non-Executive)
D J Eilert
(Independent Non-Executive) *(appointed 21 October 2015)*
L K Inman
(Independent Non-Executive) *(appointed 21 October 2015)*

Details of the qualifications, experience and responsibilities of the Directors are on pages 14 to 15 of this annual report.

Special Responsibilities of Directors

Director	Audit & Risk Committee	Nomination Committee	Human Resources & Remuneration
R J Wright	n/a(1)	✓(2)	n/a
P A Birtles	n/a	✓	n/a
R A Rowe	n/a	✓	n/a(3)
R J Skippen	✓(2)	✓	✓
S A Pitkin	✓	✓	✓(2)
D J Eilert(4)	✓(5)	✓	✓(5)
L K Inman(4)	✓(5)	✓	✓(5)

(1) R J Wright resigned from the Audit & Risk Committee, effective 3 December 2015.
(2) Denotes Chair of Committee.
(3) R A Rowe resigned from the Human Resources & Remuneration Committee, effective 3 December 2015.
(4) D J Eilert and L K Inman were appointed Directors on 21 October 2015.
(5) D J Eilert and L K Inman were appointed to the Audit & Risk Committee and the Human Resources & Remuneration Committee, effective 3 December 2015.

1.1 Directorships of listed companies held by members of the Board

Director	Listed Company	Directorship	Key Dates
R J Wright	Super Retail Group Limited	Independent Chair Independent Non-Executive Director	Current, appointed 28 October 2009 Appointed 19 May 2004
	APA Ethane Limited	Chair and Non-Executive Director	Current, appointed 10 July 2008
	Australian Pipeline Limited	Independent Non-Executive Director	Former, appointed 10 Feb 2000 and ceased October 2015
	SAI Global Limited	Chair and Non-Executive Director	Former, appointed 17 December 2003 and ceased 29 October 2013
P A Birtles	Super Retail Group Limited	Group Managing Director and Chief Executive Officer	Current, appointed 05 January 2006
	GWA Group Limited	Independent Non-Executive Director	Current, appointed 24 November 2010
R A Rowe	Super Retail Group Limited	Non-Executive Director	Current, appointed 08 April 2004

1. Directors (continued)

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

R J Skippen	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 16 September 2008
	Slater & Gordon Limited	Independent Chairman and Non-Executive Director	Current, appointed 26 May 2010
	Flexigroup Limited	Independent Non-Executive Director	Current, appointed 20 November 2006
	Emerging Leaders Investment Limited (delisted 19/06/2014)	Non-Executive Director	Former, appointed 12 October 2010 and ceased 15 September 2014
S A Pitkin	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 01 July 2010
	Star Entertainment Group Limited	Independent Non-Executive Director	Current, appointed 31 July 2014
	IPH Limited	Independent Non-Executive Director	Current, appointed 23 September 2014
	Link Administration Holdings Limited	Independent Non-Executive Director	Current, appointed 23 September 2015
	Billabong International Limited	Independent Non-Executive Director	Former, appointed 28 February 2012 and ceased 15 August 2016
D J Eilert	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Navitas Limited	Non-Executive Director	Current appointed 28 July 2014
	Onthehouse Holdings Limited	Non-Executive Director	Former, appointed 1 Jul 2012 and ceased 26 November 2013
	REA Group	Non-Executive Director	Former, appointed 30 June 2010 and ceased 17 February 2012
	Veda Group Limited	Non-Executive Director	Former, appointed 4 October 2013 and delisted 26 February 2016
L K Inman	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 21 October 2015
	Commonwealth Bank of Australia	Non-Executive Director	Current, appointed 16 March 2011
	Bellamy's Australia Limited	Non-Executive Director	Current, appointed 15 February 2015
	Billabong International Limited	Managing Director & CEO	Former, appointed May 2012 and ceased 2 August 2013
	Precinct Properties New Zealand Limited	Independent Non-Executive Director	Current, appointed 28 October 2015

1.2 Directors' Meetings

The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 2 July 2016 is set out below:

			Meetings of Committees					
	Board Meetings		Audit and Risk		Nomination		Human Resources and Remuneration	
	Attended	Held[(1)]	Attended	Held[(1)]	Attended	Held[(1)]	Attended	Held[(1)]
R J Wright	11	11	4	4	1	1	3	3
P A Birtles	11	11	4	4	1	1	3	3
R A Rowe	11	11	4	4	1	1	3	3
R J Skippen	10	11	4	4	1	1	3	3
S A Pitkin	11	11	4	4	1	1	3	3
D J Eilert	6	7	3	3	0	0	1	1
L K Inman	7	7	3	3	0	0	1	1

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

1. Directors (continued)

1.3 Directors' Interests

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

Director	Number of Ordinary Shares	Options over Ordinary Shares
R J Wright	107,001	-
P A Birtles	1,392,596	-
R A Rowe	59,876,285	-
R J Skippen	7,500	-
S A Pitkin	26,453	-
D J Eilert	-	-
L K Inman	5,241	-

2. Company Secretary

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

3. Operating and Financial Review

3.1 Overview of the Group

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

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

3.2 Review of Financial Condition

(a) Group Results	2016 $m	2015 $m
Revenue from continuing operations	2,422.2	2,238.7
Segment EBITDA	245.7	231.0
Segment EBIT	175.3	170.2
Normalised NPAT	108.6	106.3
Profit for the period attributable to owners	62.8	81.1
Profit for the period	58.0	76.9
Operating cash flow	159.2	182.0
EPS – basic (cents)	31.8	41.2
Dividends per share (cents)	41.5	40.0

The Group has delivered a robust result for the financial year despite recognising significant restructuring costs related to the commitment to transform underperforming parts of the business. Total sales from continuing operations increased 8.2% to $2,422.2 million on the prior year.

During the year the Group announced its plans to restructure the Ray's Outdoors and Infinite Retail businesses. The restructuring of these businesses is expected to have a positive impact on the financial performance of the Group in future years. The total restructuring impact this financial year is $43.3 million (before tax), with $38.3 million related to Ray's Outdoors and $5.0 million related to Infinite Retail.

The Group also resolved to impair the Ray's Outdoors brand name during the year based on the underperformance of the older format stores and in light of the identified restructuring plans which will see the current 53 store network reduce to 17. The impairment charge recognised was $20.0 million ($14.0 million after tax).

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(a) Group Results (continued)

Net profit after tax (NPAT) attributable to owners was $62.8 million compared to $81.1 million in the prior period. After excluding restructuring activities and the impairment of the Ray's Outdoors brand name, the normalised NPAT was $108.6 million compared to $106.3 million in the prior period, an increase of 2.2%. The table below provides the reconciliation to the statutory profit.

	2016 $m	2015 $m
Profit for the period	**58.0**	**76.9**
Loss for the period attributable to non-controlling interests	4.8	4.2
Profit for the period attributable to owners of Super Retail Group Limited	62.8	81.1
Loss from discontinued operations	-	16.2
Profit for the period attributable to owners of Super Retail Group Limited from continuing operations	62.8	97.3
Impairment of Ray's Outdoors brand name[1]	14.0	-
Business restructuring costs[1]	31.8	9.0
Normalised net profit after tax	**108.6**	**106.3**
Business restructuring costs comprise:		
- Ray's Outdoors	38.3	10.3
- Infinite Retail	5.0	-
- Workout World	-	2.5
- Tax benefit	(11.5)	(3.8)
Total business restructuring costs	31.8	9.0

[1] Net of tax

As a result of the restructuring costs and impairment charge during the 2015/16 financial period, basic earnings per share (EPS) was 31.8 cents compared to 41.2 cents in the prior comparable period, a decrease of 22.8%. EPS on normalised NPAT was however 55.1 cents compared to 54.0 cents last year, an increase of 2.0%.

Both overall sales growth and like for like sales growth was achieved in each division. In the Auto Retailing Division, new stores, like for like sales growth and gross margin expansion contributed to EBITDA growth. The Leisure Retailing Division also delivered solid overall sales growth driven by new stores and improvement in like for like sales. EBITDA margins in the Leisure Retailing Division were below the prior period due to gross margin compression and reduced cost leverage. The Sports Retailing Division reported sales increases due to strong underlying like for like sales growth and new stores. EBITDA margins improved in the period due to gross margin expansion. Included in the Sports Retailing result is the results of Infinite Retail. During the year the Group increased its interest in Infinite Retail from 50.05% to 95%.

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

(b) Division Results

	Sales		EBITDA		EBIT	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Auto	922.8	854.3	133.2	119.4	104.6	96.0
Leisure	581.9	543.2	37.5	48.8	18.6	32.3
Sports	910.2	835.0	100.3	85.8	77.8	65.6
Unallocated	7.3	6.2	(25.3)	(23.0)	(25.7)	(23.7)
	2,422.2	2,238.7	245.7	231.0	175.3	170.2

Auto Retailing

Divisional sales at $922.8 million were 8.0% higher than the prior comparative period with like for like sales growth of 4.4%. Segment EBIT at $104.6 million was 9.0% higher than the comparative period.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Auto Retailing (continued)

Like for like sales growth of 4.4% was driven by improvements across all key metrics of average item value, average items per transaction and total transactions. Gross margin improvements were again driven by ranging and sourcing initiatives. Operating costs leverage was achieved after accommodating increased investment in store services standards.

The Supercheap Auto Club Plus membership increased to 1.6 million by 2 July 2016, with active members (members that have purchased in the last 12 months) totalling over 1.1 million. Sales attributable to club members are increasing and club members continue to have higher average transaction values than non-club members.

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

All the major product categories delivered positive growth during the financial year with particularly strong growth being achieved in the audio, car care, lubricants and spare parts categories. The strongest like for like sales growth was achieved in New Zealand. All Australian states achieved like for like growth.

The business opened eight new stores and closed one store during the year. The store refurbishment program increased this year to 46 stores including twelve converted to superstores. At 2 July 2016, there were 307 stores across Australia and New Zealand with the business targeting an additional 33 stores over the next 3 years.

Customer response to the store of the future concept continues to be strong as the stores provides a more engaging interactive shopping experience for the customer. The business is planning to refurbish around 50 stores and open 15 stores in the new format in the coming year.

During the year the business extended the retail trade offer to provide a stronger trade offering to existing and new trade customers growing trade sales by 100%.

The business continues to invest in the development of digital engagement for customer through web site development, increasing product videos and partnering integrations. Supercheap Auto has extended the omni-channel offering through the introduction of 90 minute click and collect promise, track and trace for home deliveries increasing e-commerce sales by 84% above the prior comparable period.

Leisure Retailing

Divisional sales at $581.9 million were 7.1% higher with like for like sales growth being 4.4%. The Leisure Segment EBIT result at $18.6 million was $13.7 million below the prior comparative period. Segment EBIT margin was 3.2%, which was 2.7% lower than the prior comparative. This decline was driven by a shift in pricing and promotion strategy, higher purchase costs and inventory clearance.

During the year the BCF business saw gross margin compression due to poor execution of an everyday low price strategy across a portion of the range. This strategy was adjusted after the key Christmas trading period and has resulted in gross margin recovery over the balance of the second half of the financial year.

The BCF business has improved like for like sales through the year regaining strong transaction and average item per transaction growth. This sales growth has been achieved despite weak demand within its core Queensland retail market. All categories achieved like for like growth. Fishing, Camping and Apparel have performed the strongest. All states achieved like for like sales growth.

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

The business opened four new stores and closed one store during the year taking total store numbers to 120. BCF expects to reach 150 stores in the next four years. The business has continued to refine its store of the future concept extending the pilot to 15 stores during the 2016 financial year. Further testing and rollout is planned for the 2017 financial year.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Leisure Retailing (continued)

BCF continues to be focused on driving inventory improvements in the store network, supply chain and through collaborating with trade partners. Good progress has been made this year in extending more trade partners into the Group's distribution centres and developing the businesses inventory planning capabilities.

As outlined earlier, during the year the Group accelerated the strategic review of the Ray's Outdoors business. This will involve reducing the business to a small network of 17 stores primarily based in Victoria. The performance of the first group of Rays pilot stores has confirmed the potential to establish a meaningful business in the outdoor adventure market. Transformation of 12 stores to the new Rays format will be undertaken in the 2016/17 financial year. The transformation of the Rays business is expected to contribute a benefit of $8 million on an annualised basis when complete.

The Group has taken up restructuring costs of $38.3 million this financial year to close 21 and convert to other Group brands 17 of the remaining 38 Ray's Outdoors stores, which is expected to be completed by the end of September 2016. At 2 July 2016, two of the Ray's Outdoors stores had already closed.

Sports Retailing

Divisional sales at $910.2 million were 9.0% higher than the prior period and Segment EBIT at $77.8 million was 18.6% higher than the prior period. Like for like sales growth for Rebel and Amart Sports was 6.3%.

Like for like sale growth in Rebel and Amart Sports was driven by growth in transactions and average transaction value. The key categories of Clothing and Footwear delivered strong like for like growth and gross margin improvements. Sub-category highlights were the strong growth in Football and the strong and consistent growth across men's, women's and kids apparel. Pleasingly, the Hard Goods category achieved good sales growth and gross margin expansion.

The Sports division remains focused on building customer engagement with the key brands. Rebel Active and Team Amart loyalty programs have grown strongly again with active members now totalling 1.5 million and 0.3 million respectively. Members of the loyalty programs have higher average transaction values and higher visitation levels.

The division has continued to build the Amart Sports business in Victoria and New South Wales with five new stores opened and one store closed during the year. Three Rebel stores were opened and three Rebel stores were closed during the year.

The transformation of the Workout World business was advanced in the financial year. The business is now being run from within the Rebel business and two stores are being trialled with the RebelFIT brand. A total of the old 10 Workout World stores remain and are now included in the Rebel store count. At 2 July 2016 there were 101 Rebel stores and 60 Amart Sports stores.

Sports Retailing inventory management performance has improved this year with aged inventory closing at a record low of just 3.1%. Average inventory per store in Rebel improved and increased slightly in Amart Sports. This result was delivered despite an increased cost base due to the Australian Dollar decline and an increase in private brands.

In November 2015 the Group took its controlling interest in Infinite Retail from 50.05% to 95%. Infinite Retail operates the Fangear.com website, a number of other merchandising websites and event activity for major sporting codes. Integration of the business was completed during the year, improving operating costs and governance of the business. The business contributed a loss of $5.6 million to the Sports Division EBIT result for the financial year. During the year it was identified that a number of business contracts were unprofitable and the Group has taken restructuring costs of $5.0m to address key loss making contracts and to bring the business to profitability from financial year 2017.

The strong underlying sales growth, gross margin expansion and benefits from the restructuring of the Workout World business have contributed to the 18.6% increase in the Sports Segment EBIT of $77.8 million.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results (continued)

Group Costs

Group costs for the period were $25.7 million, including $6.9 million in corporate costs, $8.0 million related to un-utilised distribution centre space, $8.2 million related digital including investment in digital businesses and $2.6 million in costs associated with commercial and other projects.

(c) Financial Position and Cash Flow

	2016 $m	2015 $m
BALANCE SHEET		
Trade and other receivables	42.7	29.3
Inventories	501.9	505.6
Trade and other payables	(292.8)	(305.3)
Current tax (liabilities) / assets	(6.3)	2.9
Total working capital	245.5	232.5
Cash and cash equivalents	15.6	13.1
Borrowings	(415.8)	(392.0)
Net debt	(400.2)	(378.9)
Property, plant and equipment	236.9	224.1
Intangible assets	772.4	801.3
Derivatives	(8.0)	2.7
Provisions	(87.9)	(64.9)
Deferred taxes	(24.7)	(51.5)
NET ASSETS	**734.0**	**765.3**
CASH FLOW		
Net cash inflow from operations	159.2	182.0
Net cash (outflow) from investing	(79.9)	(71.9)
Net cash (outflow) from financing	(77.0)	(121.1)
Net increase / (decrease) in cash	**2.3**	**(11.0)**
Cash at the beginning of the period	13.1	24.2
Effects of exchange rates on cash	0.2	(0.1)
Cash at the end of the period	**15.6**	**13.1**

Net assets for the Group decreased $31.3 million on the prior year largely due to the $20.0 million impairment write down of the Ray's Outdoors brand name intangible asset.

Group Net Debt was $400.2 million, which was $21.3 million higher than the prior year. This is a direct result of the 53 week year ending on 2 July 2016 impacting timing of cash outflows. Net cash outflows relating to the 53rd week equate to $37.9 million. Net debt remains comfortably within the Group's facility limits and the Group remains within its banking covenants.

Cash flow from operations of $159.2 million was $15.1 million higher than the prior year on a like for like basis after removing the impact of the 53rd week. This is due to improvements in working capital management year on year and is a strong cash flow result despite showing an actual $22.8 million decrease on the prior comparative period.

Group capital expenditure cash flow was $79.9 million which included $56.1 million in new and refurbished store fit out, and $23.8 million in information technology projects, inventory management projects and general capital expenditure.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(d) Dividends

Super Retail Group has declared a 21.5 cents per share fully franked final dividend for 2016. This will result in a full year dividend of 41.5 cents per share fully franked, an increase of 3.8% over the prior year. This represents a dividend payout ratio of 65 per cent of underlying NPAT.

(e) Material Business Risks

The Group recognises that all of its businesses operate in an environment of change and uncertainty and is committed to managing the potential risks associated with this uncertainty in a continuous, proactive and systematic way. The Group regularly reviews the possible impact of these risks and seeks to minimise this impact through a commitment to its corporate governance principles and its 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 offering and business model against global on-line and physical retail businesses. The Group's strategic change programs have been developed to build the capabilities required to be successful in the global market place. With competitors constantly seeking to enter the market with improved designs, the Group sees this risk increasing in the future.
- **Digital -** The proliferation and growth of new sales and marketing channels will make it increasingly challenging to 'stand out from the crowd' and to develop customer loyalty. With digitally enabled competitors constantly seeking to enter the market with improved designs, the Group sees this risk increasing in the future. Increased digital disruption requires new and agile forms of development and consequentially impact on the Group's business models and ways of working. The Group's strategies are focused on developing a strong and well supported digital capability to ensure the Group manages the pace of change in technology and its impact on customer expectations and business models. The Group continues to develop mitigating omni-channel strategies leveraging its existing market presence.
- **The breakdown of traditional business models** - 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. The Group does not expect any significant change in this risk over the next couple of years.
- **Customer power** - Customer expectations have changed significantly over the last few years and will continue to do so in the future. The Group recognises changes to consumer behaviour and engagement methods will require the Group to 'earn the right' to meet a customer need. There is an increasing expectation of engaging experiences, solutions rather than products and 'do it for me' rather than 'do it yourself'. The Group's businesses are all considering opportunities to add the provision of information and services to its customer offering as well as product. In addition the Group has 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. The Group believes that this will remain a consistent risk in the retail market for years to come and if not adequately managed will result in loss of sales to alternative suppliers.
- **Supply Chain and Inventory Management** - In order to meet increasing customer expectations, the Group requires an agile, low cost responsive supply chain to remain competitive. The Group has made substantial investments in an updated supply chain network and supporting information systems. The Group continues to pursue opportunities to reduce the cost of the supply chain through improved delivery models with its major trade partners including the development of mutual business opportunities. Risks associated with the supply chain remains constant. Ineffective or inefficient management of inventory is a significant risk to all retailers. For the Group to be successful it must improve inventory efficiencies, whilst improving customer service. The Group continues to develop its sourcing, product and brand development capabilities. Targets remain in place for private brand sales for each business. The Group also performs an annual review of brand strategies, regular customer research and external research of brand perception.
- **Organisation structure, culture and capabilities** - Attraction, retention, engagement, safety and succession of team members are key risks to be managed to maximise financial growth in the retail sector. The Group has undertaken strategies that have successfully mitigated these risks. However, the significant changes required to accommodate digital strategies will make these strategies critical to the Group's long term success. The Group's strategic programs are focused on developing the capabilities the Group requires to successfully operate a multi-channel retail business.

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(e) Material Business Risks (continued)

- **Stakeholder management and expectations -** Confidence in our brands is critical for the Group's success, key external stakeholders can have a material impact on the Group's reputation and the Group recognises the importance of minimising the risk of breach of corporate policy, fraud or compliance in legislation/ regulations. The increase in regulatory controls and compliance obligations and impact of increased Corporate Social Responsibility expectations (direct and indirect) has a direct cost implication for the Group. The Group has developed strong compliance processes and a clear focus on Corporate Social Responsibility and sustainable business practices. On-going review of changes to regulation and stakeholder sustainability expectations is required to assess the impact on the Group and develop appropriate response strategies.
- **Financial risk -** The Group's activities expose it to a number of financial risks. The Group adopts a financial risk management program which seeks to minimise the potential adverse impacts on financial performance of the Group. Financial risks and specific risk management approaches are reported in more detail in note 2 - Summary of Significant Accounting Policies, included in the Notes to the Consolidated Financial Statements.
- **Cyber risk** - The ever-changing nature of technology offers significant opportunities and challenges for all Australian companies in relation to maintaining a strong cyber resilience program. Cyber security is an evolving and significant risk and the Group will need to maintain ongoing vigilance and adopt appropriate responses (technological / physical / other) to protect its information assets. During this reporting period the Group, through formal risk assessments, considered its exposure and there is continuous focus on mitigating emerging risks in relation to cyber risks. It is also recognised that the Group requires a stable, secure and efficient information systems environment that can deliver competitive advantage. The Group has made and will continue to make a significant investment in Information Management Systems to meet the challenges of the digital economy and evolving technology landscape. The Group believes that this will remain a consistent and increasing risk requiring ongoing management.

3.3 Dividends

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

	Cents per share	Total amount $m	Payment date
Declared and paid during the year:			
2015 final fully franked dividend	21.5	42.4	2 October 2015
2016 interim fully franked dividend	20.0	39.5	8 April 2016
Declared after end of year:			
2016 final fully franked dividend	21.5	42.4	7 October 2016

3.4 Significant Changes in the State of Affairs

There were no significant changes in the Group's state of affairs during the period.

3.5 Matters Subsequent to the End of the Financial Year

Since 2 July 2016 Super Retail Group Limited does not have any matters subsequent to the end of the financial year to be disclosed.

3.6 Likely Developments and Future Prospects

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

3.7 Environmental Regulation

The Group's environmental obligations are regulated under State, Territory and Federal Law. The Group has an Environmental Management System in place and a policy of complying with its environmental performance obligations. All material environmental performance obligations are monitored by the Board. No environmental breaches have been notified to the Group during the period ended 2 July 2016.

4. Remuneration Report - Audited

Contents

Section 1	Remuneration Strategy and Policy
Section 2	Role of the Human Resources and Remuneration Committee
Section 3	Key Management Personnel
Section 4	Senior Executive Remuneration Structure
Section 5	Non-Executive Directors Remuneration Structure
Section 6	Relationship of Remuneration to Group Performance
Section 7	Remuneration Outcomes for 2016
Section 8	Remuneration Changes for 2017
Section 9	Service Agreements
Section 10	Period of Restraint
Section 11	Additional Information

Section 1: Remuneration Strategy and Policy

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

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

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

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

The key elements of the Remuneration Policy are:

- to provide competitive total remuneration arrangements that enable the Group to attract and retain high performing team members, and to reward them for their contribution to the success of the Group;
- to align remuneration arrangements with the delivery of sustainable value to the Group's shareholders;
- to maintain a pay for performance environment through linking incentive pay opportunities to the achievement of specific, measurable business goals;
- to position base salaries at or around the median and performance incentives in the 2nd quartile of relevant market remuneration levels, subject to individual performance;
- to provide gender pay equity across the Group through regular analysis and review;
- to provide arrangements with the flexibility to recognise individuals based on performance, experience and qualifications; and
- to provide equitable, fair and consistent pay arrangements across the Group through a systematic methodology involving job value and market positioning.

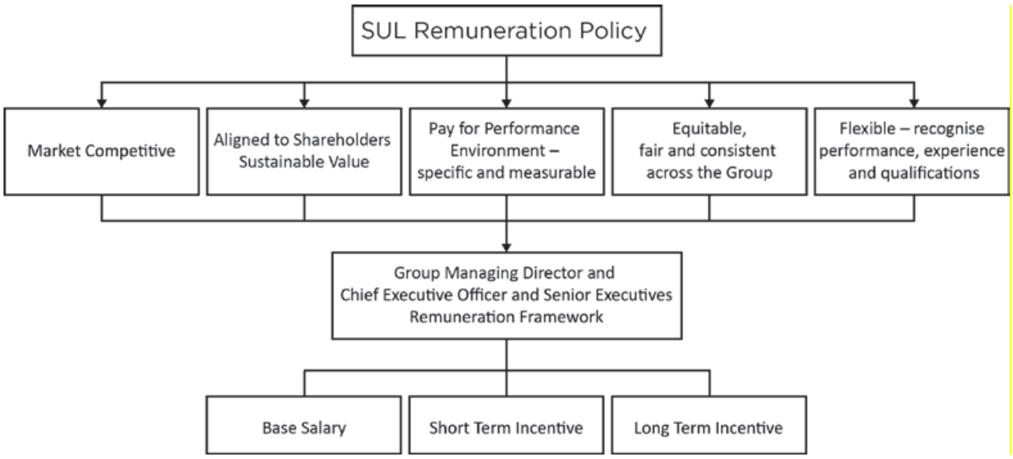
Remuneration can include a number of different elements such as base pay, superannuation, short term incentives, long term incentives, tools of trade, study and relocation assistance, share plans and novated lease arrangements. The elements of the total remuneration package may vary according to the 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.

For the 2016 Financial Year remuneration benchmarking for all key management personnel (KMP) was sourced from Ernst & Young (EY) Remuneration Consultants. The Board referenced three sets of comparator groups to benchmark remuneration, 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; and
- Market Capitalisation comparator group: S&P/ASX 200 companies within 50% to 200% of Super Retail Group's 12 month average market capitalisation.

4. Remuneration Report – Audited (continued)

Section 1: Remuneration Strategy and Policy (continued)



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 at least once in each financial year.

Section 3: Key Management Personnel

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

Non-Executive Directors

Current:

R J Wright	Chair and Independent Non-Executive Director
R A Rowe	Non-Executive Director
R J Skippen	Independent Non-Executive Director
S A Pitkin	Independent Non-Executive Director
D J Eilert	Independent Non-Executive Director
L K Inman	Independent Non-Executive Director

4. Remuneration Report – Audited (continued)

Section 3: Key Management Personnel (continued)

Executive Director

P A Birtles Group Managing Director and Chief Executive Officer

Other KMP

Current:

D J Burns	Chief Financial Officer
E A Berchtold	Managing Director – Sports Division
C D Wilesmith	Managing Director – Auto Division
A M Heraghty	Managing Director – Leisure Division
G G Carroll	Chief Supply Chain Officer (resigned effective 22 July 2016)

Section 4: Senior Executive Remuneration Structure

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

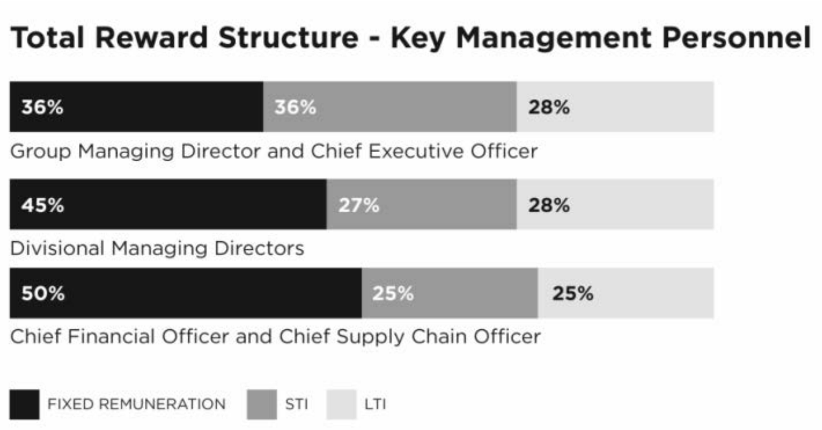
The Group Managing Director and Chief Executive Officer, together with the other executive key management personnel, are remunerated under a Total Reward structure consisting of three elements:

- Base Salary Package (inclusive of superannuation contributions, car allowance and other non-monetary 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.

(i) Reward Structure Split

The mix of fixed and at risk components for each of the Group Managing Director and Chief Executive Officer and executive KMPs disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2016 financial year, is as follows:



The chart above 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.

4. Remuneration Report – Audited (continued)

Section 4: Senior Executive Remuneration Structure (continued)

(a) Base Salary Package

The Remuneration Policy provides executive KMP a base salary package that reflects the median market base salary package for a comparable role in a similarly sized publicly listed company operating in the retail and consumer goods industry. The 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 for executive KMPs are reviewed annually by the Human Resources and Remuneration Committee and recommendations are made to the Board. There is no guaranteed base salary increases in any executive KMP's service contract. Approved amendments to base salary packages are effective from the commencement of the new financial year.

(b) Short Term Incentive (STI)

The Group Managing Director and Chief Executive Officer and other executive 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.

The scheme is directly linked to the Group's overall performance and takes into consideration both company and divisional performance measures and individual performance targets.

(i) Company and Divisional Performance Measures
Achievement of company performance measures determines the STI bonus pool from which the Group Managing Director and Chief Executive Officer and executive KMP are paid.

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.

Should actual profit before tax exceed the profit before tax target, a STI bonus pool is created to a value of 20% of the amount that Group profit before tax exceeds the target. To achieve the maximum bonus potential the actual profit before tax needs to exceed target by 10%.

For the year to 2 July 2016, the profit before tax target was set at $159.5 million, 21.2% higher than the profit before tax achieved in the period to 27 June 2015 of $131.6 million. This target was not achieved.

The Divisional Managing Directors are eligible to achieve an additional individual performance related bonus in the form of a Divisional Profit bonus. The maximum opportunity is capped at 30% of base salary. Divisional profit is measured by segment EBIT performance against budget. Maximum divisional STI is received when the division exceeds its budget by 10%.

In the year to 2 July 2016, the Auto and Sports Divisions exceeded their budgets by 2.6% and 5.0% respectively while the Leisure Division did not achieve its budget EBIT.

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 10 key performance indicators (KPI) targets that are established at the beginning of the year.

The Board has considered the adverse impact that the underperformance and the restructuring of the Leisure Division has had on the outcome of company performance measures. The Board has resolved to exercise its discretion and to award an additional incentive payment of 10% of total fixed remuneration to three of the executive KMP; namely C E Wilesmith - Managing Director – Auto Division, E A Berchtold – Managing Director – Sports Division and D J Burns - Chief Financial Officer. This decision was made having reference to the strong performance of the Auto and Sports Divisions and the strong cash flow management across the Group.

(ii) Individual Performance Measures
Individual performance targets include both Individual KPI targets and Divisional Profit targets. The Group Managing Director and Chief Executive Officer and all executive KMP are eligible for reward for individual achievement of KPI targets, with Divisional Managing Directors also eligible for reward on divisional performance. Achievement of individual performance targets determines the value of the STI payment rewarded.

4. Remuneration Report – Audited (continued)

Section 4: Senior Executive Remuneration Structure (continued)

(b) Short Term Incentive (STI) (continued)

(ii) Individual Performance Measures (continued)

The Human Resources and Remuneration Committee is responsible for setting KPI targets for the Group Managing Director and Chief Executive Officer, with the Group Managing Director and Chief Executive Officer cascading these KPI targets to his senior executives as appropriate. These KPI targets cover achievement of financial and operational performance metrics and strategic plan implementation milestones across four focus areas: Safety, Team, Customer and Business Improvement/Financial. The KPI targets are consistent with the overall performance targets and objectives set out in the Group's business plan. The level of participation is dependent on the achievement of these KPI targets relevant to their area of responsibility.

The achievement of individual KPI targets (independent of profit performance) shall determine the proportion of the potential bonus entitlement that will be granted.

The individual KPI targets comprises:

Category	# of Performance Goals	Weighting
Safety	2	20%
Team	2	20%
Customer	2	20%
Business Improvement / Financial	4	40%

As the KPI targets are stretch targets – a performance rating of 80% or higher will result in 100% of the potential bonus entitlement being rewarded. This is on the basis that the Safety KPI targets have been fully met. Any shortfall on the Safety KPI targets will be deducted from the 100% potential.

The Human Resources and Remuneration Committee is also responsible for assessing whether the KPI targets are achieved and for approving STI payments. The Committee receives reports from management to assist in the assessment. The Human Resources and Remuneration Committee have the authority to adjust the payment to reflect any special circumstances that may have prevented the achievement of the KPI targets.

The individual KPIs and 2016 achievement as determined by the Human Resources and Remuneration for the Group Managing Director and Chief Executive Officer was:-

Category	Performance Goals	Measure and Target	Achievement
Safety	Safety Performance	30% Improvement in LTIFR to below 10	Full
	Safety Action	2015/16 safety action plans implemented and delivered across the Group	Full
Team	Team Engagement	Group engagement increases by 2% to 70%	Full
	Collaboration / Agility Paradigm Shifts	Collaboration and Agility initiatives implemented in line with plan and initial cultural change evidenced	Partial
Customer	Customer Centricity Paradigm Shift	Plan to build Group wide focus on customer centricity developed and initial initiatives implemented	Full
	Customer Measurement Systems	Consistent methodology for measurement of customer engagement introduced across the Group and appropriate management focus applied	Full
Business Improvement / Financial	Group Strategy Development	Group strategic plan to deliver goals and Financial targets agreed with Group Board	Full
	Supply Chain Development Program	Key initiatives implemented and expected benefits delivered – DC Productivity and Transport savings	Partial
	IS Transformation Program	Key initiatives progressed in line with plan – Data Centre and Telecoms Service Partners, Team restructure, Security and Architecture	Full
	Ray's Outdoors Future Option Evaluation	Trial new store formats and commence planning for future development or closure of Ray's Outdoors business	Full

4. Remuneration Report – Audited (continued)

Section 4: Senior Executive Remuneration Structure (continued)

(b) Short Term Incentive (STI) (continued)

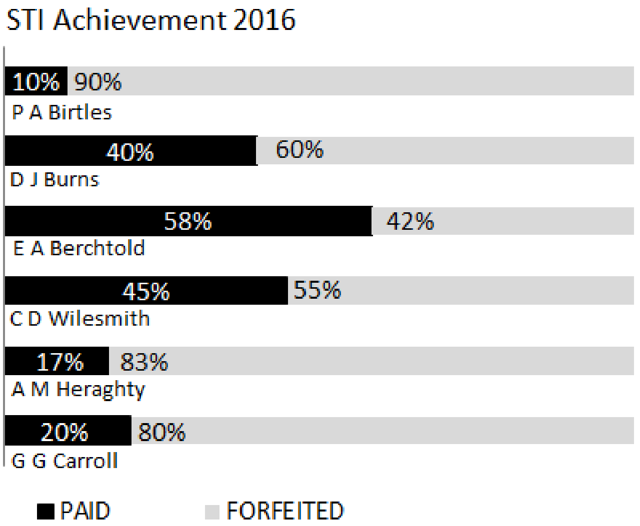
(iii) Individual Performance Measures (continued)

The following table summarises the components of total STI, the maximum STI opportunity and the percentage achieved.

KMP	Maximum STI Opportunity[1]	Components of Total STI						Discretionary Payment
		Company Measures		Individual Performance		Divisional Performance		
		Group Profit Opportunity	Achieved	Individual KPIs Opportunity	Achieved	Divisional Profit Opportunity	Achieved	
Group Managing Director and Chief Executive Officer	100%	90%	nil	10%	10%	n/a	n/a	nil
Chief Financial Officer and Chief Supply Chain Officer	50%	40%	nil	10%	10%	n/a	n/a	nil-10%
Divisional Managing Directors	60%	20%	nil	10%	10%	30%	nil-15%	nil-10%

[1] As a percentage of base salary package.

The above table is shown graphically below:



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

- the nature of the business is one where revenue is not dependent on long term contracts;
- the Group has a strong risk management framework;
- STI payment arrangements are 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 STI and part payment in equity may cause confusion between STI and LTI arrangements.

(c) Long Term Incentive (LTI)

The Group's remuneration structure aims to align long term incentives for executive KMPs and other executives with the delivery of sustainable value to shareholders. The alignment of interests is important in ensuring that KMPs and executives are focused on delivering sustainable returns to shareholders, whilst allowing the Group to attract and retain executives of a high calibre.

In October 2009, the Group's shareholders approved the establishment of the Super Retail Group Limited Performance Rights Plan (Plan). The Plan links the long term remuneration of KMP and Executive Officers 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.

4. Remuneration Report – Audited (continued)

Section 4: Senior Executive Remuneration Structure (continued)

(c) Long Term Incentive (LTI) (continued)

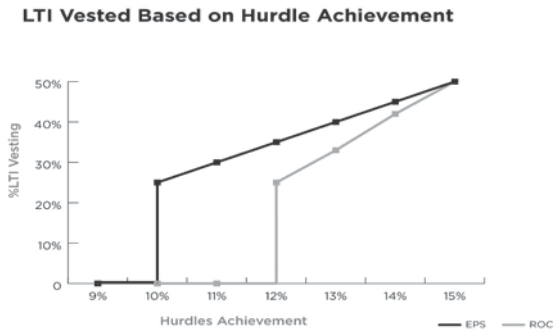
The Plan allows for the annual grant of Performance Rights to executive KMP and other executives. The grant of Performance Rights entitles the executive to be granted an equivalent number of shares upon vesting of those Performance Rights. The vesting of Performance Rights is subject to the satisfaction of performance conditions and service conditions as detailed in the Super Retail Employee Performance Rights Plan Rules available on the Group's external website.

The performance conditions were amended as approved at the 2014 Annual General Meeting and will be satisfied if the Group achieves certain earnings per share (EPS) and return on capital (ROC) performance hurdles over a three year period (Performance Period) as determined by the Board.

The EPS Performance Hurdle – EPS Compound Annual Growth Rate (50% of Grant)
At the end of the Performance Period the normalised EPS compound annual growth rate of shares is calculated. If the normalised EPS compound annual growth rate is equal to 10%, then 50% of the Performance Rights will be available to vest. If the normalised EPS compound annual growth rate is 15% or better, all the Performance Rights will be available to vest. Between 10% and 15%, Performance Rights will vest on a pro rata basis.

The ROC Performance Hurdle – Averaged ROC (50% of Grant)
At the end of the Performance Period the averaged ROC over the Performance Period 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 vest on a pro rata basis.

Under these performance hurdles, for the plan to achieve 100% vesting the cumulative EPS growth must be at least 15%, and ROC must average at least 15%.



If the performance conditions are satisfied within the Performance Period, the Performance Rights will vest over the subsequent years in accordance with the following schedule:

Time after grant of Performance Rights	% of Performance Rights that vest
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 executive KMP and other executives is determined on a face value basis using the VWAP for SRG shares traded on the ASX on the five trading days from and including the release of the Group's results for the preceding reporting period. The 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 50% 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.

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 executive KMP and other executives leaving. The Board plans to exercise its discretion where an employee leaves due to retirement, retrenchment or redundancy, or termination by mutual consent. The employee may retain entitlement to a portion of the Performance Rights 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.

4. Remuneration Report – Audited (continued)

Section 5: Non-Executive Directors Remuneration Structure

The Group's remuneration strategy is designed to attract and retain experienced, qualified Non-Executive Directors and to remunerate appropriately to reflect the demands which are made on them and the responsibilities of the position. The level of fees are reviewed annually by the Human Resources and Remuneration Committee.

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 Directors' Fees are determined within an aggregate Directors' fee pool approved by shareholders. The current fee pool of $1,200,000 per annum was approved at the Annual General Meeting on 23 October 2013. This pool 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 for the 2017 financial year.

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.

(a) Directors' Fees

The fees paid to Non-Executive Directors are set out in the table below and are annual fees, inclusive of superannuation, unless otherwise stated. Director's fees were last adjusted in July 2014.

	2016
Chairman[1]	300,000
Other Non-Executive Directors	135,000
Chair of the Audit and Risk Committee	25,000
Chair of the Human Resources and Remuneration Committee	20,000
Committee Member[2]	10,000

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

Section 6: 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:

Financial performance	2011	2012	2013	2014	2015[1]	2016[2]	CAGR[3]
Sales ($m)	1,092.3	1,654.1	2,020.0	2,112.1	2,238.7	**2,422.2**	17%
Normalised Profit before tax ($m)	77.7	134.3	163.0	158.6	148.6	**155.9**	15%
Normalised Post Tax ROC (%)	17.3	15.9	12.6	11.3	10.6	**10.7**	
Shareholder value created							
Normalised Earnings Per Share(¢)	40.9	53.7	58.1	55.1	54.0	**55.1**	6%
Dividends Per Share (¢)	29.0	32.0	38.0	40.0	40.0	**41.5**	7%
June Share Price ($)	7.00	7.19	11.97	8.46	9.40	**8.77**	5%

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

Remuneration Expense of Key Management Personnel

	2011	2012	2013	2014	2015	2016[1]
	$m	$m	$m	$m	$m	$m
Base Salary Package	2.7	3.1	3.9	4.8	4.9	**5.4**
Short Term Incentive	1.1	1.1	1.5	0.4	0.4	**0.8**
Long Term Incentive	0.7	1.1	1.5	0.4	0.1	**0.5**
Total	4.5	5.3	6.9	5.6	5.4	**6.7**

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

Since 2011 normalised earnings per share has increased by 34.7%, dividends per share have increased by 43.1% and the share price has increased by 25.3% demonstrating a balance between strategic growth and shareholder value.

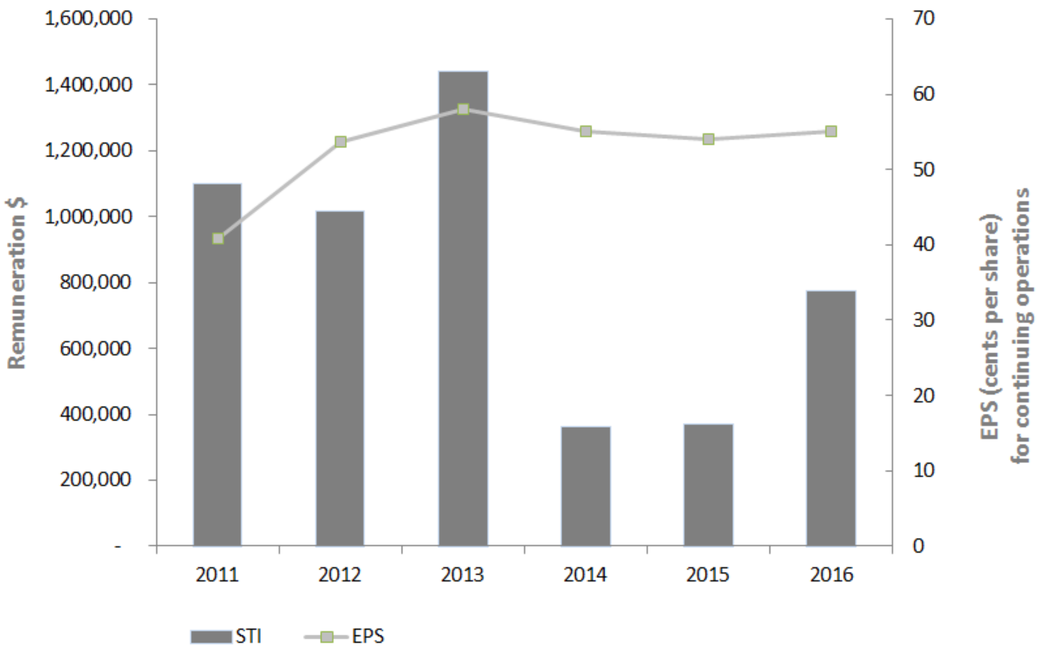
4. Remuneration Report – Audited (continued)

Section 6: Relationship of Remuneration to Group Performance (continued)

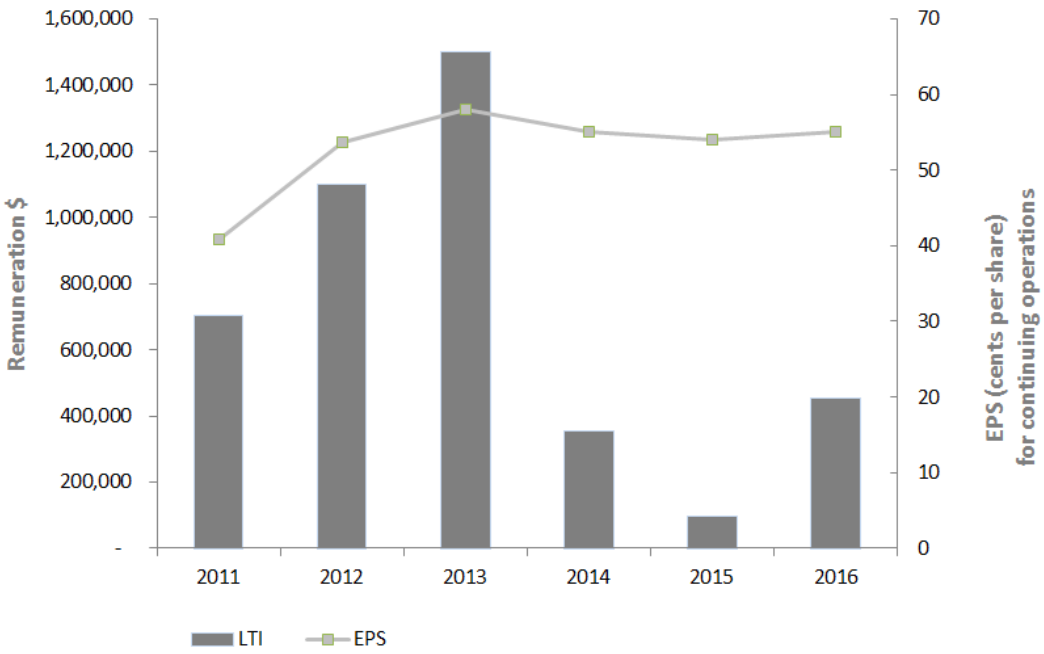
During the same period, total remuneration paid to KMP has increased by 48.9% whilst total base salary has increased by 100.0%. During this period the number of executive KMP increased from 5 to 6. The amount of total remuneration is significantly impacted by the value of incentive payments which have varied over the years in line with Group performance.

Total remuneration paid to KMP as a proportion of normalised profit before tax was 5.8% in 2011 and has decreased to 4.3% in 2016.

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



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



4. Remuneration Report – Audited (continued)

Section 7: Remuneration Outcomes for 2016

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

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

2015	Short-term Benefits			Post-employment	Share-based		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Performance Rights[1] $	Other[2] $	Total $
Non-Executive Directors							
R J Wright	281,217	-	-	18,783	-	-	300,000
R A Rowe	116,280	-	-	28,720	-	-	145,000
R J Skippen	155,251	-	-	14,749	-	-	170,000
S A Pitkin	150,685	-	-	14,315	-	-	165,000
R A Murray[7]	117,961	-	-	11,206	-	-	129,167
Subtotal	821,394	-	-	87,773	-	-	909,167
Executive Director							
P A Birtles	1,153,145	117,500	3,072	18,783	145,162	52,184	1,489,846
Other KMP							
D J Burns	581,117	60,000	100	18,783	2,452	10,207	672,659
D F Ajala[10]	401,817	58,000	-	33,183	(7,172)	22,398	508,226
E A Berchtold[8]	490,122	42,375	27,346	18,783	(50,079)	(23,091)	505,456
C D Wilesmith	476,217	54,000	45,000	18,783	(1,587)	12,050	604,463
A M Heraghty[5]	120,499	-	46,858	4,696	-	63,353	235,406
G G Carroll[6]	481,181	37,500	36	18,783	(18,656)	6,155	524,999
S J Doyle[9]	35,940	-	-	4,696	26,413	232,004	299,053
Subtotal	3,740,038	369,375	122,412	136,490	96,533	375,260	4,840,108
Total	4,561,432	369,375	122,412	224,263	96,533	375,260	5,749,275

(1) As a result of confirming that prior issues of Performance Rights will not vest into shares, the Performance Rights value includes the reversal of amounts reported in prior periods. This results in certain positions displaying as negative values. Due to length of service A M Heraghty has no reversal of prior amounts reported.

(2) Includes accruals for annual leave and long service leave entitlements, sign-on bonus based on successful completion of probation period in lieu of forgone incentives from previous employer of $300,000 paid to A M Heraghty in 2016 and also termination payments for S J Doyle in 2015.

(3) The reporting period of 28 June 2015 to 2 July 2016 is a period representing 53 weeks, compared to the comparative reporting period 29 June 2014 to 27 June 2015 representing 52 weeks which has resulted in a $0.1 million increase in expense for the period.

(4) D J Eilert and L K Inman commenced as KMP on 21 October 2015.

(5) A M Heraghty commenced with the Group and as KMP on 27 April 2015. His 2015 non-monetary benefits includes a relocation reimbursement.

(6) G G Carroll resigned effective 22 July 2016 and ceased as KMP on this date.

(7) R A Murray resigned effective 29 April 2015.

(8) E A Berchtold adjusted base salary is reflective of a period of unpaid leave taken during the 2015 financial year.

(9) S J Doyle resigned effective 1 August 2014 and ceased as KMP on this date.

(10) D F Ajala ceased to be a KMP effective 28 June 2015 due to changes in nature of his responsibility for planning, directing, controlling activities.

4. Remuneration Report – Audited (continued)

Section 7: Remuneration Outcomes for 2016 (continued)

(a) Remuneration related to performance

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

(i) Short Term Incentives

STI is dependent on the satisfaction of performance conditions as set out in Section 4(b) - Short Term Incentives. The 2016 STI cash bonus was awarded on 25 August 2016. No part of the bonuses are payable in future years.

(ii) Long Term Incentives

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

Performance Rights over equity instruments of Super Retail Group Limited

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly or indirectly or beneficially, by each KMP, including their related parties is as per the table below.

	Held at 27 June 2015	Granted[1]	Vested	Other Changes[2]	Held at 2 July 2016[3]	Value of Performance Rights granted in year	Financial year in which grant vests
2016	**Number**	**Number**	**Number**	**Number**	**Number**	**$**	**Year**
P A Birtles							
2011	25,000	-	(25,000)	-	-	n/a	n/a
2012	31,650	-	(15,825)	-	15,825	n/a	2016, 2017
2013	110,000	-	-	(110,000)	-	n/a	2016, 2017, 2018
2014	110,000	-	-	-	110,000	n/a	2017, 2018, 2019
2015	100,000	-	-	-	100,000	n/a	2018, 2019, 2020
2016	-	104,516	-	-	104,516	853,803	2019, 2020, 2021
D J Burns							
2014	21,615	-	-	-	21,615	n/a	2017, 2018, 2019
2015	32,017	-	-	-	32,017	n/a	2018, 2019, 2020
2016	-	34,994	-	-	34,994	285,870	2019, 2020, 2021
E A Berchtold							
2013	35,712	-	-	(35,712)	-	n/a	2016, 2017, 2018
2014	26,137	-	-	-	26,137	n/a	2017, 2018, 2019
2015	37,519	-	-	-	37,519	n/a	2018, 2019, 2020
2016	-	45,291	-	-	45,291	369,987	2019, 2020, 2021
C D Wilesmith							
2011	3,145	-	(3,145)	-	-	n/a	n/a
2012	4,335	-	(2,168)	-	2,167	n/a	2016, 2017
2013	11,687	-	-	(11,687)	-	n/a	2016, 2017, 2018
2014	22,838	-	-	-	22,838	n/a	2017, 2018, 2019
2015	35,859	-	-	-	35,859	n/a	2018, 2019, 2020
2016	-	43,897	-	-	43,897	358,600	2019, 2020, 2021
A M Heraghty							
2016	-	52,258	-	-	52,258	426,901	2019, 2020, 2021
G G Carroll							
2011	5,772	-	(5,772)	-	-	n/a	n/a
2012	9,744	-	(4,872)	-	4,872	n/a	2016, 2017
2013	26,432	-	-	(26,432)	-	n/a	2016, 2017, 2018
2014	18,760	-	-	-	18,760	n/a	2017, 2018, 2019
2015	26,681	-	-	-	23,681	n/a	2018, 2019, 2020
2016	-	29,115	-	-	29,115	237,844	2019, 2020, 2021

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

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

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

4. Remuneration Report – Audited (continued)

Section 7: Remuneration Outcomes for 2016 (continued)

(a) Remuneration related to performance (continued)

(ii) Long Term Incentives (continued)

The Performance Rights granted in the current reporting period were valued using a fair value of $8.17. The Performance Rights are expensed over a five year period in-line with the vesting conditions of the Performance Rights; refer to Section 4(c) - Long Term Incentives, for details of these vesting conditions. Plan participants may not enter into any transaction designed to remove the at risk aspect of the Performance Rights before they vest. The value at exercise date for Performance Rights is the Group share price. There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2016 financial year.

No Performance Rights vested in relation to the 2015/16 financial results.

Option over equity instruments of Super Retail Group Limited

No Options were granted or vested during the financial year.

Section 8: Remuneration Changes for 2017

(a) Approach for 2017

In the 2016/17 year, the Human Resources and Remuneration Committee will lead a review of the incentive component of the executive remuneration framework as the Board seeks to achieve continuing alignment of the Group's approach to remuneration with the strategic objectives.

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

The Board has reviewed the total reward structure for Group Managing Director and Chief Executive Officer to ensure that there is an appropriate amount "at risk" based on performance. Therefore the "at risk" long term incentive component has increased from 2016/17 with the total reward structure moving to one-third as fixed remuneration, one-third as short term incentive and one-third as long term incentive.

(c) Base Salary Package

This year, the comparator benchmarks show that overall executive KMP base salary packages for the 2016/17 year will be in line with the market median with individual KMP base salary packages varying from 91% to 112% of respective market median. The base salary package for the Group Managing Director and Chief Executive Officer has been set at market median with a base salary increase of 2.5% for the 2016/17 year. Overall KMP base salary packages will increase by 3% in the 2016/17 year.

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

The EPS performance hurdle – EPS Compound Growth Rate (50% of Grant) will be unchanged.

The ROC performance hurdle – Averaged ROC (50% of Grant) will be set annually with reference to the Group's cost of capital as determined by an independent advisor. The Board will set the bottom end of the range at a premium to the Group's cost of capital. The top end of the range will continue to be set at 15%, consistent with the Group's long term financial targets.

The vesting criteria in relation to the averaged ROC performance hurdle for those performance rights granted in the 2016/17 year has been set as follows:

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

Performance Rights will vest on a pro rata basis between these averaged ROC ranges.

Under these performance hurdles for the plan to achieve 100% of vesting the cumulative EPS growth must be at least 15% and ROC must average at least 15%.

Approval for the vesting criteria change in relation to the Group Managing Director and Chief Executive Officer will be sought at the Annual General Meeting.

(e) Non-Executive Directors' Fees

Director's fees will increase by 2.5% in 2016/17. In addition, based on benchmarking and an increase in the number of committee meetings, the annual fee for the Chair of the Human Resources and Remuneration Committee will increase from $20,000 to $25,000.

4. Remuneration Report – Audited (continued)

Section 9: Service Agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits and when eligible, participation in the Performance Rights Plans and Option Plans. Restraint provisions are detailed in Section 10.

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

Name	Term of Agreement	Agreement Commencement Date[1]	Review Term[2]	Termination payment	Commencement date with Super Retail Group
P A Birtles	3 years	1 January 2014	Annual	12 months[3]	30 April 2001
D J Burns	5 years, 10 months	3 December 2012	Annual	6 months[4]	3 December 2012
E A Berchtold	4 years, 11 months	5 November 2011	Annual	6 months[4]	5 November 2011
C D Wilesmith	5 years, 3 months	1 July 2013	Annual	6 months[4]	18 September 2007
A M Heraghty	4 years, 8 months	27 April 2015	Annual	6 months[3]	27 April 2015
G G Carroll	5 years, 3 months	30 June 2011	Annual	6 months[4]	17 April 2006

(1) Commencement date of service agreement.
(2) Reviewed annually by the Human Resource and Remuneration Committee.
(3) Payment of a termination benefit on early termination by the Company, other than for cause, equal to the base salary for the period detailed.
(4) Payment of a termination benefit on early termination by the Company, other than for cause, equal to the base salary for period detailed if the termination is effective more than 12 months before the expiry date, or three months base salary if the termination is effective within 12 months before the expiry date.

Section 10: Period of Restraint

The above KMP have the following post-employment restraints within their service 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.

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

Section 11: Additional Information

(a) Minimum Securities Holding Policy

Commencing from the 2015 financial year, the Board has approved a minimum shareholding requirement for Non-Executive Directors to be 100% of base fees, the Group Managing Director and Chief Executive Officer to be 150% of fixed remuneration and for other executive KMP 100% of fixed remuneration. This is to be achieved by the later of October 2020 or within five years from the commencement of employment. This is to further align the interest of Non-Executive Directors and executive KMP with those of shareholders.

4. Remuneration Report – Audited (continued)

Section 11: Additional Information (continued)

(a) Minimum Securities Holding Policy (continued)

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

(b) Equity instruments held by KMP

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

The table below lists the ordinary shares in the Company issued during the year as a result of the exercise of Performance Rights. There were no shares issued during the year ended 2 July 2016 on the exercise of Options.

Name[(1)]	Incentive Scheme[(2)]	Number of Ordinary Shares Issued on Exercise of Share Plans During the Year[(3)]	Market Value at Exercise Date[(4)]
P A Birtles	Performance Rights	40,825	350,687
D J Burns	n/a	n/a	n/a
E A Berchtold	Performance Rights	-	-
C D Wilesmith	Performance Rights	5,313	45,639
A M Heraghty	n/a	n/a	n/a
G G Carroll	Performance Rights	10,644	91,432
Total		**56,782**	**487,758**

(1) D J Burns and A M Heraghty were not employees of the Company at the time of the grant of performance rights detailed above and were therefore not eligible to participate in these incentive schemes.
(2) Refer to Section 4(c) - Long Term Incentives.
(3) Both the 2011 and 2012 grants were exercised on 1 September 2015, with the 2013 grant lapsing due to hurdles not being met.
(4) The value at exercise date for Performance Rights was determined using the Group share price of $8.59.

(ii) Movement in shares

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

2016	Held at 27 June 2015	Granted[(1)]	Purchases	In lieu of dividends[(2)]	Sales	Held at 2 July 2016
Non-Executive Directors						
R J Wright	106,757	-	-	244	-	107,001
R A Rowe	59,283,087	-	-	593,198	-	59,876,285
R J Skippen	-	-	7,500	-	-	7,500
S A Pitkin	26,453	-	-	-	-	26,453
D J Eilert	-	-	-	-	-	-
L K Inman	-	-	5,241	-	-	5,241
Executive Director						
P A Birtles	1,424,246	40,825	-	-	(72,475)	1,392,596
Other KMP						
D J Burns	-	-	-	-	-	-
E A Berchtold	-	-	-	-	-	-
C D Wilesmith	1,019	5,313	-	54	(5,100)	1,286
A M Heraghty	-	-	-	-	-	-
G G Carroll	90,000	10,644	-	-	(40,644)	60,000

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

4. Remuneration Report – Audited (continued)

Section 11: Additional Information (continued)

(b) Equity instruments held by KMP (continued)

(iii) Unissued shares under Performance Rights and Options plans

Unissued ordinary shares of Super Retail Group Limited under the Performance Rights Plan at the date of this report are:

Grant date	Vesting Date	Value per Performance Right at Grant Date	Number of Performance Rights
1 September 2011	[1]	$6.09	62,702
1 September 2012	[1]	$7.95	-
1 September 2013	[1]	$10.83	349,748
1 September 2014	[1]	$6.03	479,724
1 September 2015	[1]	$8.17	546,500
Total			**1,438,674**

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

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

(c) Loans to KMP and their Related Parties

There are no loans to KMP and their related parties as at 2 July 2016 and no loans were made during the financial year.

(d) Other Transactions with KMP

KMP may hold positions in other companies that transacted with the Group in the reporting period. Refer to note 24 to the consolidated financial statements, Related Party Transactions, for further details.

(e) Insurance of Officers

During the financial year, the Group paid a premium of $91,839 (2015: $93,378) to insure the Officers of the Group including Directors and Secretaries of the Company and its controlled entities, and the General Managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as Officers of entities in the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

5. Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

5. Non-Audit Services (continued)

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

	2016 $	2015 $
Audit Services		
PricewaterhouseCoopers Australian firm:		
Remuneration for audit and review services	**423,700**	473,854
Audit of subsidiaries[(1)]	**88,230**	20,000
Other assurance	**53,500**	10,000
Total remuneration for audit and review services	**565,430**	503,854
Taxation and Other Services		
PricewaterhouseCoopers Australian firm:		
Taxation Services[(2)]	**215,834**	124,367
Digital Innovation Support[(3)]	**340,290**	-
Network firms of PricewaterhouseCoopers Australia:		
Taxation Services	**33,845**	26,025
Total remuneration for non-audit services	**589,969**	150,392

(1) Increase due to audit requirements of partially owned subsidiaries.
(2) Increase due to indirect taxes review resulting in refunds being received.
(3) Engagement in relation to digital capability analysis and support awarded under a competitive tender.

6. Corporate Governance Statement

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

7. Proceedings on behalf of the Company

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

8. Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 51.

9. Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest hundred thousand dollars or in certain cases to the nearest dollar.

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

R J Wright
Chairman

P A Birtles
Group Managing Director and
Chief Executive Officer

Brisbane
25 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Super Retail Group Limited for the period 28 June 2015 to 2 July 2016, 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 audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
25 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 2 July 2016

	Notes	2016 $m	2015 $m
CONTINUING OPERATIONS			
Revenue from continuing operations		**2,422.2**	2,238.7
Other income from continuing operations		**1.6**	2.5
Total revenues and other income		**2,423.8**	2,241.2
Expenses			
Cost of sales of goods		**(1,372.4)**	(1,273.3)
Other expenses from ordinary activities			
- selling and distribution		**(313.5)**	(290.2)
- marketing		**(86.8)**	(81.9)
- occupancy		**(215.9)**	(186.2)
- administration		**(328.0)**	(256.1)
Net finance costs	5	**(19.4)**	(21.9)
Total expenses		**(2,336.0)**	(2,109.6)
Profit before income tax from continuing operations		**87.8**	131.6
Income tax expense	6	**(29.8)**	(38.5)
Profit for the period from continuing operations		**58.0**	93.1
DISCONTINUED OPERATIONS			
Loss from discontinued operations	26	**-**	(16.2)
Profit for the period		**58.0**	76.9
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		**62.8**	81.1
Non-controlling interests		**(4.8)**	(4.2)
		58.0	76.9
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	16	**(7.5)**	6.3
Exchange differences on translation of foreign operations	16	**0.4**	(0.6)
Other comprehensive (loss)/income for the period, net of tax		**(7.1)**	5.7
Total comprehensive income for the period		**50.9**	82.6
Total comprehensive income for the period is attributable to:			
Continuing operations		**50.9**	98.5
Discontinued operations		**-**	(15.9)
		50.9	82.6
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		**55.7**	86.8
Non-controlling interests		**(4.8)**	(4.2)
		50.9	82.6
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share	30	**31.8**	49.4
Diluted earnings per share	30	**31.6**	49.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	30	**31.8**	41.2
Diluted earnings per share	30	**31.6**	40.8

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

CONSOLIDATED BALANCE SHEET

As at 2 July 2016

	Notes	2016 $m	2015 $m
ASSETS			
Current assets			
Cash and cash equivalents		**15.6**	13.1
Trade and other receivables	7	**42.7**	29.3
Current tax assets		**-**	2.9
Derivative financial instruments	17	**-**	6.8
Inventories	8	**501.9**	505.6
Total current assets		**560.2**	557.7
Non-current assets			
Property, plant and equipment	10	**236.9**	224.1
Intangible assets	11	**772.4**	801.3
Total non-current assets		**1,009.3**	1,025.4
Total assets		**1,569.5**	1,583.1
LIABILITIES			
Current liabilities			
Trade and other payables	12	**251.1**	268.6
Interest-bearing liabilities	13	**5.7**	2.2
Current tax liabilities		**6.3**	-
Derivative financial instruments	17	**8.0**	4.1
Provisions	14	**58.7**	48.6
Total current liabilities		**329.8**	323.5
Non-current liabilities			
Trade and other payables	12	**41.7**	36.7
Interest-bearing liabilities	13	**410.1**	389.8
Deferred tax liabilities	9	**24.7**	51.5
Provisions	14	**29.2**	16.3
Total non-current liabilities		**505.7**	494.3
Total liabilities		**835.5**	817.8
NET ASSETS		**734.0**	765.3
EQUITY			
Contributed equity	15	**542.3**	542.3
Reserves	16	**(0.9)**	13.2
Retained earnings	16	**193.7**	212.8
Capital and reserves attributable to owners of Super Retail Group Limited		**735.1**	768.3
Non-controlling interests		**(1.1)**	(3.0)
TOTAL EQUITY		**734.0**	765.3

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 2 July 2016

	Notes	Contributed Equity $m	Reserves $m	Retained Earnings $m	Total $m	Non-Controlling Interests $m	Total Equity $m
Balance at 28 June 2014		542.3	7.7	210.4	760.4	-	760.4
Profit for the period		-	-	81.1	81.1	(4.2)	76.9
Other comprehensive income for the period		-	5.7	-	5.7	-	5.7
Total comprehensive income for the period		-	5.7	81.1	86.8	(4.2)	82.6
Transactions with owners in their capacity as owners							
Dividends provided for or paid	19	-	-	(78.7)	(78.7)	-	(78.7)
Employee performance rights	16	-	(0.2)	-	(0.2)	-	(0.2)
Acquisition of non-controlling interests		-	-	-	-	1.2	1.2
		-	(0.2)	(78.7)	(78.9)	1.2	(77.7)
Balance at 27 June 2015		**542.3**	**13.2**	**212.8**	**768.3**	**(3.0)**	**765.3**
Profit for the period		**-**	**-**	**62.8**	**62.8**	**(4.8)**	**58.0**
Other comprehensive loss for the period		**-**	**(7.1)**	**-**	**(7.1)**	**-**	**(7.1)**
Total comprehensive income for the period		**-**	**(7.1)**	**62.8**	**55.7**	**(4.8)**	**50.9**
Transactions with owners in their capacity as owners							
Dividends provided for or paid	19	**-**	**-**	**(81.9)**	**(81.9)**	**-**	**(81.9)**
Employee performance rights	16	**-**	**0.7**	**-**	**0.7**	**-**	**0.7**
Change in ownership interest in controlled entities	25	**-**	**(7.7)**	**-**	**(7.7)**	**6.7**	**(1.0)**
		-	**(7.0)**	**(81.9)**	**(88.9)**	**6.7**	**(82.2)**
Balance at 2 July 2016		**542.3**	**(0.9)**	**193.7**	**735.1**	**(1.1)**	**734.0**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 2 July 2016

	Notes	2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**2,678.4**	2,530.0
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,216.3)**	(2,077.6)
Rental payments			
- external		**(247.2)**	(213.2)
- related parties		**(11.9)**	(10.8)
Income taxes paid		**(43.8)**	(46.4)
Net cash inflow from operating activities	29	**159.2**	182.0
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		**(79.9)**	(72.8)
Proceeds from sale of property, plant and equipment		**-**	0.9
Net cash (outflow) from investing activities		**(79.9)**	(71.9)
Cash flows from financing activities			
Proceeds from borrowings		**917.0**	785.4
Repayment of borrowings		**(892.0)**	(803.5)
Finance lease payments		**(1.7)**	(2.5)
Interest paid		**(18.5)**	(22.1)
Interest received		**0.1**	0.3
Dividends paid to Company's shareholders	19	**(81.9)**	(78.7)
Net cash (outflow) from financing activities		**(77.0)**	(121.1)
Net increase / (decrease) in cash and cash equivalents		**2.3**	(11.0)
Cash and cash equivalents at the beginning of the period		**13.1**	24.2
Effects of exchange rate changes on cash and cash equivalents		**0.2**	(0.1)
Cash and cash equivalents at end of the period		**15.6**	13.1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 2 July 2016

Contents of the notes to the consolidated financial statements

1. Reporting entity ... 57
2. Summary of significant accounting policies ... 57
3. Critical accounting estimates and judgements ... 69
4. Segment information ... 70
5. Expenses from continuing operations ... 72
6. Income tax expense ... 73
7. Trade and other receivables ... 74
8. Inventories ... 75
9. Deferred tax assets and liabilities ... 76
10. Property, plant and equipment ... 77
11. Intangible assets ... 78
12. Trade and other payables ... 80
13. Interest-bearing liabilities ... 80
14. Provisions ... 80
15. Contributed equity ... 81
16. Reserves and retained earnings ... 82
17. Financial assets and financial liabilities ... 83
18. Financial risk management ... 85
19. Capital management ... 91
20. Key management personnel disclosures ... 92
21. Remuneration of auditors ... 93
22. Contingencies ... 93
23. Commitments ... 94
24. Related party transactions ... 94
25. Business combinations ... 95
26. Discontinued operations ... 98
27. Net tangible asset backing ... 98
28. Deed of cross guarantee ... 98
29. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities ... 101
30. Earnings per share ... 101
31. Share-based payments ... 102
32. Events occurring after balance date ... 103
33. Parent entity financial information ... 103
34. Investments in controlled entities ... 104

1. Reporting entity

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

The consolidated annual financial report of the Company as at and for the period ended 2 July 2016 comprises: the Company and its subsidiaries (together referred to as the Group, and individually as Group entities).

The Group is a for-profit entity and is primarily involved in the retail industry. Principal activities of the Group consist of:
- retailing of auto parts and accessories, tools and equipment;
- retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
- retailing of sporting equipment, bicycles, bicycle accessories and apparel.

2. Summary of significant accounting policies

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.

(a) Basis of preparation

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

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

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Super Retail Group Limited (the Company or parent entity) as at 2 July 2016 and the results of its controlled entities for the period then ended. The effects of all transactions between entities in the consolidated entity are fully eliminated.

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

(ii) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer note 25 - Business combinations).

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

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

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(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.

(iv) Joint arrangements

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

Interests in joint ventures are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated balance sheet.

(v) Equity method

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

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

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

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

(vi) Comparatives

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

2. Summary of significant accounting policies (continued)

(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.

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 account for current and deferred tax amounts under the Separate taxpayer within Group approach in accordance with *AASB Interpretation 1052, Tax Consolidation Accounting*.

(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.

2. Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

(iii) Group companies

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

- assets and liabilities for each 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.

(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.

2. Summary of significant accounting policies (continued)

(i) Provisions (continued)

(i) 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

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(ii) 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.

(iii) 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.

(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.

2. Summary of significant accounting policies (continued)

(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.

(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.

2. Summary of significant accounting policies (continued)

(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.

(i) Depreciation and amortisation of property, plant and equipment

Depreciation and amortisation are calculated on a straight line basis for accounting and on a diminishing value basis for tax. Depreciation and amortisation allocates the cost of an item of property, plant and equipment net of residual values over the expected useful life of each asset to the consolidated entity. Estimates of remaining useful lives and residual values are reviewed and adjusted, if appropriate, at each statement of financial position date.

The depreciation rates used for each class of assets are:

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

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

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.

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.

2. Summary of significant accounting policies (continued)

(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.

(iii) Other intangible assets

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

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

Computer software

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

Brand names

Brand names that are acquired as part of a business combination are recognised separately from goodwill. These assets are carried at their fair value at the date of acquisition less impairment losses. Brand names are valued using the relief from royalty method. Amortisation is calculated based on the brand names estimated useful lives, which is 20 years or indefinite.

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.

(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.

2. Summary of significant accounting policies (continued)

(r) Trade and other payables

Trade and other payables are payables for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid at that date. The amounts are unsecured and are normally paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(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.

(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.

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(iv) Share-based payments (continued)

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 (refer note 30 - Earnings Per Share).

(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.

2. Summary of significant accounting policies (continued)

(aa) Rounding of amounts

The economic entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest hundred thousand dollars.

(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 2 July 2016, the Group is reporting on the 53 week period that began 28 June 2015 and ended 2 July 2016. For the period to 27 June 2015, the Group is reporting on the 52 week period that began 29 June 2014 and ended 27 June 2015.

(ac) New and amended standards adopted by the Group

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

New Accounting Standard	Effective Date	Summary of Changes	Group Impact
AASB 2012-3 Offsetting Financial Assets and Financial Liabilities	1 July 2015	Clarifies the offsetting rules in *AASB 132 Financial Instruments: Presentation* (AASB 132), and explains when offsetting can be applied.	Adopted with no significant impacts.
AASB 2013-3 Limited amendment of impairment disclosures	1 July 2015	Removes the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment, requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed, and requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.	Adopted with no significant impacts.
AASB 2013-4 Novation of derivatives and hedge accounting	1 July 2015	Allows for the continuation of hedge accounting when a derivative is novated, provided specific conditions are met.	Adopted with no significant impacts.
AASB 2014-1 Part A Annual improvements project – 2010-2012 cycle	1 July 2015	An annual improvements project clarifies minor points in various Australian accounting standards	Adopted with no significant impacts.
AASB 2014-1 Part A Annual improvements project – 2011-2013 cycle	1 July 2015	An annual improvements project clarifies minor points in various Australian accounting standards	Adopted with no significant impacts.

2. Summary of significant accounting policies (continued)

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

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

New Accounting Standard	Effective Date	Summary of Changes	Group Impact
AASB 9 Financial Instruments	1 January 2018	Addresses the classification, measurement and de-recognition of financial assets and financial liabilities and new rules for hedge accounting.	The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 Revenue from Contracts with Customers	1 January 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.	While still assessing the potential impact, the group does not anticipate any significant impacts on its consolidated financial statements resulting from the application of IFRS 15.
IFRS 16 Leases	1 January 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	The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16 which is considered to be significant.

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 33 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 current and deferred tax amounts under the Separate taxpayer within Group approach in accordance with *AASB Interpretation 1052, Tax Consolidation Accounting*.

In addition to its own current and deferred tax amounts, Super Retail Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Super Retail Group Limited for any current tax payable assumed and are compensated by Super Retail Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Super Retail Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

2. Summary of significant accounting policies (continued)

(ad) Parent entity financial information (continued)

(ii) Tax consolidation legislation (continued)
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.

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of indefinite useful life non-financial assets
The Group tests annually whether indefinite useful life non-financial assets has suffered any impairment, in accordance with the accounting policy stated in note 2(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 11 – Intangible assets, for details of these assumptions.

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

(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.

(iv) Net realisable value
The Group records inventory at net realisable value. This is the estimated selling price in the normal course of business, less the estimated cost of completion and the estimate costs necessary to make the sale.

(v) Long service leave
Judgement is required in determining the following key assumptions used in the calculation of long service leave at balance date.
- Future increase in salaries and wages;
- Future on-cost rates; and
- Experience of employee departures and period of service.

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

4. Segment information

(a) Description of segments

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

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

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

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

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

(1) Adjusted for business restructuring costs of $43.3 million and the $20.0 million impairment charge for the Ray's Outdoors brand, refer to note 11 – Intangible assets.

(2) Adjusted for NCI depreciation of $0.9 million and $14.9 million provision for depreciation relating to business restructuring.

(3) Excludes $17.5 million relating to the tax effect of business restructuring costs with a value of $63.3 million.

(4) Includes $63.3 million of business restructuring costs (including $20.0 million impairment) and the associated income tax benefit of $17.5 million.

Business restructuring - 2016

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

Leisure - Ray's Outdoors

In May 2016, a decision was made to reduce the Ray's network from 55 stores as at December 2015 to 17 stores. Twenty-one stores close as a result of this decision and 17 stores will convert to other Super Retail Group Limited brands. As a result there have been $38.3 million of business restructuring costs associated with the closures, comprising $18.7 million of property costs, $13.3 million of Property, plant and equipment write-offs, and $6.3 million of other closures costs. In December 2015, the Directors resolved to impair the $20 million Ray's Outdoors brand name based on the underperformance of the older Rays stores during the period and after reviewing their suitability for the Rays new format.

Sports – Infinite Retail

A business review identified the need to renegotiate or exit structurally unprofitable contracts with major sporting bodies or clubs and to integrate the operations into Rebel. Super Retail Group Limited has recognised business restructuring costs of $5.0 million comprising $3.0 million provision for onerous contracts, $1.7 million of Property, plant and equipment and Computer software write-offs, and $0.2 million other costs.

4. Segment information (continued)

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

For the period ended 27 June 2015	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	854.3	543.2	835.0	2,232.5	8.2	2,240.7
Inter segment sales	-	-	-	-	(2.0)	(2.0)
Other income	0.7	-	0.9	1.6	0.9	2.5
Total segment revenue and other income	855.0	543.2	835.9	2,234.1	7.1	2,241.2
Segment EBITDA[1]	119.4	48.8	85.8	254.0	(23.0)	231.0
Segment depreciation and amortisation[2]	(23.4)	(16.5)	(20.2)	(60.1)	(0.7)	(60.8)
Segment EBIT result	96.0	32.3	65.6	193.9	(23.7)	170.2
Net finance costs[3]						(21.6)
Total segment NPBT						148.6
Segment income tax expense[4]						(42.3)
Normalised NPAT						106.3
Other items not included in the total segment NPAT[5]						(9.0)
Loss from discontinuing operations						(16.2)
Profit for the period attributable to:						
Owners of Super Retail Group Limited						81.1
Non-controlling interests						(4.2)
Profit for the period						76.9

(1) Adjusted for business restructuring costs for continuing operations and discontinuing operations.
(2) Adjusted for expenses pertaining to discontinued operations of $5.9 million and business restructuring costs for continuing operations of $0.4m.
(3) Adjusted for non-controlling interest (NCI) interest of $0.3 million).
(4) Segment income tax expense of $42.3 million excludes $3.8 million relating to the tax effect of business restructuring costs with a value of $12.8 million, refer to (i) below.
(5) Includes $12.8 million of business restructuring costs, the related income tax effect of $3.8 million.

Business restructuring - 2015
During the period ended 27 June 2015, Super Retail Group Limited conducted a strategic review of the Ray's Outdoors, FCO Fishing Camping Outdoors (FCO), and Workout World businesses.

Leisure - Ray's Outdoors
The strategic review of Ray's Outdoors determined to reposition Ray's Outdoors from a broad camping and outdoor offering to an outdoor adventure for all' retail offering, focusing on providing a wide range of quality outdoor products at constant fair value. $10.3 million of restructuring expenses have been incurred during the period, with five stores being closed or downsized, and the commencement of clearance of inventory lines that have been identified to be exited under the new strategic direction. As at the end of the 2015 financial year, provisions recorded in the consolidated balance sheet in relation to this activity comprise $2.7 million for inventories, $0.4 million for property, plant and equipment, $2.2 million for onerous leases.

Leisure - Fishing Camping Outdoors (FCO)
The Group has exited the FCO business with all 13 stores closed by the end of the 2015 financial year incurring a loss from operations during the period ended 27 June 2015, of $16.2 million - $14.1 million loss generated from trading in the second half of the financial year. As at the end of the financial year, provisions recorded in the consolidated balance sheet in relation to this activity comprise $5.5 million for onerous leases, $0.5 for make good provisions and other accruals of $0.6 million. Refer to note 26 - Discontinued operations.

Sports - Workout World
During the 2015 financial year, a plan was developed to integrate the Workout World stores into the Rebel business with a combined buying and marketing team. Workout World has been rebranded as a fitness brand. $2.5 million of restructuring expenses were incurred during the period ended 27 June 2015 with five stores closed at the end of the 2015 financial year and another five closed in the 2016 financial year. As at the end of the financial year, provisions recorded in the consolidated balance sheet in relation to this activity comprise $0.4 million for inventories and $1.0 million for onerous leases.

4. Segment information (continued)

(c) Other information

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

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

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

(i) Total revenue and other income from continuing operations

	2016 $m	2015 $m
Australia	**2,320.3**	2,146.1
New Zealand	**103.5**	95.1
	2,423.8	2,241.2

5. Expenses from continuing operations

	2016 $m	2015 $m
Profit before income tax includes the following specific gains and expenses:		
Expenses		
Net loss on disposal of property, plant and equipment	-	0.4
Depreciation		
Plant and equipment	**56.2**	34.1
Motor vehicles	**0.3**	0.1
Computer equipment	**10.4**	9.2
Total depreciation[1] [2]	**66.9**	43.4

[1] Included in depreciation expense is $14.9 million (2015: nil) relating to accelerated depreciation on fixed assets for Ray's Outdoors and Infinite Retail in respect of business restructuring activities – refer note 4 – Segment information.

[2] An additional nil (2015: $5.9 million) depreciation expense pertains to discontinued operations.

	2016 $m	2015 $m
Amortisation and Impairment		
Computer software	**19.2**	17.3
Brand name amortisation	**0.1**	0.5
Brand name impairment	**20.0**	-
Total amortisation and impairment	**39.3**	17.8
Net finance costs		
Interest and finance charges	**19.5**	22.2
Interest revenue	**(0.1)**	(0.3)
Net finance costs	**19.4**	21.9
Employee benefits expense		
Superannuation	**34.0**	30.5
Salaries and wages	**438.3**	397.2
Total employee benefits expense	**472.3**	427.7

5. Expenses from continuing operations (continued)

	2016 $m	2015 $m
Rental expense relating to operating leases		
Lease expenses[3]	**233.1**	203.2
Equipment hire	**8.1**	10.1
Total rental expense relating to operating leases[4]	**241.2**	213.3

[3] Included in lease expenses is $16.8 million (2015: $2.3 million) relating to provision for onerous leases for Ray's Outdoors in respect of business restructuring activities – refer note 4 – Segment information.

[4] An additional nil (2015: $9.0 million) rental expense pertains to discontinued operations.

	2016 $m	2015 $m
Foreign exchange gains and losses		
Net foreign exchange (gain) / loss	**(2.8)**	1.7

6. Income tax expense

(a) Income tax expense

	2016 $m	2015 $m
Current tax expense	**53.7**	41.3
Deferred tax (benefit)	**(24.0)**	(4.2)
Adjustments to tax expense of prior periods	**0.1**	1.4
	29.8	38.5
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Increase) in deferred tax assets (note 9)	**(17.1)**	(9.2)
(Decrease) / increase in deferred tax liabilities (note 9)	**(6.9)**	5.0
	(24.0)	(4.2)

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

	2016 $m	2015 $m
Profit before income tax from continuing operations	**87.8**	131.6
Tax at the Australian tax rate of 30% (2015: 30%)	**26.3**	39.5
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Tax consolidation adjustments regarding NZ branches	**(2.7)**	(2.2)
Research and development credits and sundry items	**-**	(0.5)
	23.6	36.8
Difference in overseas tax rates	**0.3**	(0.1)
Derecognition of tax losses and deferred tax assets	**5.8**	2.9
Previously unrecognised tax losses now recouped to reduce tax expense	**-**	(0.4)
Adjustments to tax expense of prior periods	**0.1**	(0.7)
Income tax expense	**29.8**	38.5
Effective tax rate:		
Australia	**33.3%**	29.5%
Consolidated group	**33.9%**	29.3%

6. Income tax expense (continued)

	2016 $m	2015 $m
(c) Numerical reconciliation of income tax expense to income tax payable		
Income tax (expense)	**(29.8)**	(38.5)
Tax effect of timing differences:		
Depreciation	**(9.0)**	2.6
Provisions	**(8.6)**	(4.8)
Accruals and prepayments	**(4.7)**	-
Sundry temporary differences	**2.0**	1.5
Current tax payable	**(50.1)**	(39.2)
Income tax instalments paid during the year	**43.8**	42.1
Income tax (payable) / receivable	**(6.3)**	2.9

(d) Amounts recognised directly in equity

	2016 $m	2015 $m
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax (credited) / debited directly to equity (note 9)	**(2.8)**	3.1
	(2.8)	3.1
Tax (income) / expenses relating to items of other comprehensive income		
Cash flow hedges	**(3.2)**	2.7
	(3.2)	2.7

(e) 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 2(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.

7. Trade and other receivables

Current	2016 $m	2015 $m
Trade receivables	**11.6**	12.8
Provision for impairment of receivables	**(0.6)**	(0.3)
Net trade receivables	**11.0**	12.5
Other receivables	**6.8**	7.8
Prepayments[1]	**24.9**	9.0
Net current trade and other receivables	**42.7**	29.3

[1] Due to period end being 2 July 2016, compared to 27 June 2015, the prepayments balance has increased due to rent payments being made on the first day of the month.

7. Trade and other receivables (continued)

(a) Impaired trade receivables

As at 2 July 2016 current trade receivables of the Group with a nominal value of $0.6 million (2015: $0.3 million) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers with whom the Group no longer trade.

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

	2016 $m	2015 $m
Opening balance	**(0.3)**	(0.5)
Provision for impairment recognised during the period	**(0.5)**	(0.7)
Provision for impairment reversed during the period	**0.2**	-
Receivables written off during the year as uncollectable	**-**	0.9
Closing balance	**(0.6)**	(0.3)

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

(b) Past due but not impaired

As at 2 July 2016, trade receivables of $6.2 million (2015: $6.3 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:

	2016 $m	2015 $m
30 to 60 days	**1.7**	3.1
60 to 90 days	**1.5**	1.3
90 days and over	**3.0**	1.9
	6.2	6.3

8. Inventories

	2016 $m	2015 $m
Finished goods, at lower of cost or net realisable value	**501.9**	505.6

(a) Inventory expense

Inventories recognised as expense during the period ended 2 July 2016 amounted to $1,291.9 million (2015: $1,222.7 million).

Write-downs of inventories to net realisable value recognised as an expense during the period ended 2 July 2016 amounted to $4.3 million (2015: $6.3 million). This expense has been included in cost of sales of goods within the consolidated statement of comprehensive income.

9. Deferred tax assets and liabilities

	2016 $m	2015 $m
Assets		
Amounts recognised in profit or loss		
Provisions	**37.3**	26.1
Accruals and prepayments	**6.4**	1.5
Depreciation	**16.0**	12.8
Tax losses	**-**	1.3
Sundry temporary differences	**0.4**	1.3
	60.1	43.0
Amounts recognised directly in equity		
Cash flow hedges	**2.4**	-
Share placement costs	**-**	0.4
	62.5	43.4
Set off with deferred tax liabilities	**(62.5)**	(43.4)
Net deferred tax assets	**-**	-
Liabilities		
Amounts recognised in profit or loss		
Brand values	**74.0**	80.0
Depreciation	**13.2**	14.1
	87.2	94.1
Amounts recognised directly in equity		
Cash flow hedges	**-**	0.8
	87.2	94.9
Set-off of deferred tax assets	**(62.5)**	(43.4)
Net deferred tax liabilities	**24.7**	51.5
Net deferred tax assets (liabilities)	**(24.7)**	(51.5)
Movements in deferred tax assets:		
Opening balance	**43.4**	36.5
Credited to the income statement	**17.1**	9.2
Credited / (charged) to equity	**2.0**	(2.3)
Closing balance	**62.5**	43.4
Deferred tax assets to be recovered after more than 12 months	**45.6**	30.2
Deferred tax assets to be recovered within 12 months	**16.9**	13.2
	62.5	43.4
Movements in deferred tax liabilities:		
Opening balance	**94.9**	89.1
(Credited) / charged to the income statement	**(6.9)**	5.0
Charged to equity	**(0.8)**	0.8
Closing balance	**87.2**	94.9
Deferred tax liabilities to be settled after more than 12 months	**87.2**	94.1
Deferred tax liabilities to be settled within 12 months	**-**	0.8
	87.2	94.9

10. Property, plant and equipment

	2016 $m	2015 $m
Plant and equipment, at cost	**383.2**	360.7
Less accumulated depreciation	**(179.9)**	(161.2)
Net plant and equipment	**203.3**	199.5
Motor vehicles, at cost	**0.7**	0.5
Less accumulated depreciation	**(0.4)**	(0.3)
Net motor vehicles	**0.3**	0.2
Computer equipment, at cost	**88.1**	83.9
Less accumulated depreciation	**(54.8)**	(59.5)
Net computer equipment	**33.3**	24.4
Total net property, plant and equipment	**236.9**	224.1

(a) Reconciliations

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

2016	Plant and equipment $m	Motor vehicles $m	Computer equipment $m	Total $m
Carrying amounts at 27 June 2015	**199.5**	**0.2**	**24.4**	**224.1**
Additions	**59.5**	**0.4**	**19.3**	**79.2**
Disposals	**-**	**-**	**(0.2)**	**(0.2)**
Depreciation[1]	**(56.2)**	**(0.3)**	**(10.4)**	**(66.9)**
Foreign currency exchange differences	**0.5**	**-**	**0.2**	**0.7**
Carrying amounts at 2 July 2016	**203.3**	**0.3**	**33.3**	**236.9**
2015				
Carrying amounts at 28 June 2014	172.9	0.1	24.6	197.6
Additions	50.5	0.1	9.8	60.4
Disposals	(0.3)	(0.1)	(0.1)	(0.5)
Acquisition of subsidiary	0.4	0.2	0.1	0.7
Depreciation[2]	(39.2)	(0.1)	(10.0)	(49.3)
Transfers between asset class[3]	15.6	-	-	15.6
Foreign currency exchange differences	(0.4)	-	-	(0.4)
Carrying amounts at 27 June 2015	199.5	0.2	24.4	224.1

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

[2] During the 2015 financial year, depreciation of $43.4 million was included in administration expenses in the consolidated statement of comprehensive income relating to continuing operations. Total depreciation for the Group including discontinued operations was $49.3 million.

[3] Transfers relates to amounts for computer hardware disclosed within Intangible Assets work-in-progress at period end, which were capitalised as Plant and Equipment assets during the subsequent financial year.

Finance Leases

The carrying value of computer equipment held under finance leases as at 2 July 2016 was $1.2 million (2015: $2.6 million).
During the 2015 financial year, finance leases with a value of $0.2 million were acquired on acquisition of subsidiary during the financial year. There were no other additions during the year. Leased assets are pledged as security for the related finance lease liability.

11. Intangible assets

	2016 $m	2015 $m
Goodwill, at cost	**449.7**	449.7
Less accumulated impairment charge	**(2.1)**	(2.1)
Net goodwill	**447.6**	447.6
Computer software, at cost	**146.5**	147.7
Less accumulated amortisation	**(68.2)**	(60.6)
Net computer software	**78.3**	87.1
Brand names, at cost	**267.5**	267.5
Less accumulated amortisation and impairment charge	**(21.0)**	(0.9)
Net brand names	**246.5**	266.6
Total net intangible assets	**772.4**	801.3

(a) Reconciliations

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

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

	Goodwill $m	Computer Software $m	Brand Name $m	Supplier Agreement $m	Totals $m
2015					
Carrying amounts at 28 June 2014	441.4	104.9	266.8	0.3	813.4
Additions	-	14.8	-	-	14.8
Acquisition of business	6.2	0.4	-	-	6.6
Disposals	-	(0.1)	-	-	(0.1)
Amortisation charge(1)	-	(17.3)	(0.2)	(0.3)	(17.8)
Transfers between asset class(2)	-	(15.6)	-	-	(15.6)
Carrying amounts at 27 June 2015	447.6	87.1	266.6	-	801.3

(1) During the 2015 financial year amortisation of $17.8 million was included in administration expenses in the consolidated statement of comprehensive income relating to continuing operations. There was nil amortisation expense included in discontinued operations.
(2) Transfers relates to amounts disclosed within computer software work-in-progress at period end, which were capitalised as Plant and Equipment assets during the subsequent financial year.

11. Intangible assets (continued)

(b) Impairment tests for goodwill

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

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

CGU	2016 $m	2015 $m
Auto	**45.3**	45.3
Leisure	**25.1**	25.1
Sports	**376.5**	376.5
Group	**0.7**	0.7
Total	**447.6**	447.6

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial business plans approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations

Management have consistently applied two key assumptions in the value-in-use analysis across each business segment CGU, a pre-tax discount rate of 14.0% (2015: 14.0%) and terminal growth rate of 3.0% (2015: 3.0%). Budgeted gross margin is determined based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The recoverable amount of the Group's goodwill currently exceeds its carrying value.

(c) Impairment tests for the useful life for brands

No amortisation is provided against the carrying value of the purchased Rebel Sport 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 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	2016 $m	2015 $m
Rebel Sport	**209.0**	209.0
Amart Sports	**36.0**	36.0
Ray's Outdoors	**-**	20.0
Goldcross Cycles	**1.5**	1.6
Total	**246.5**	266.6

Key assumptions used for value-in-use calculations

Management have consistently applied two key assumptions in the value-in-use analysis across each brand, a pre-tax discount rate of 14.0% (2015: 14.0%) and terminal growth rate of 3.0% (2015: 3.0%). Budgeted gross margin is determined based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports.

The recoverable amount of the Group's brand names currently exceeds its carrying value.

During the financial year, the Group continued to reassess the recoverable amount of the associated brand name as a result of the ongoing restructure of the Rays business. Following an analysis as at 26 December 2015, the recoverable amount was determined to be nil, based on a value in use calculation using a pre-tax discount rate of 14.0% (2015: 14.0%) and terminal growth rate of 3.0% (2015: 3.0%). Forecasted gross margin is determined based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The Group has recognised an impairment charge of $20.0 million against the Ray's Outdoors brand name. This impairment charge has been included in administration expenses in the consolidated income statement.

12. Trade and other payables

	2016	2015
Current	**$m**	**$m**
Trade payables	**167.4**	194.9
Other payables	**79.6**	70.1
Straight line lease adjustment	**4.1**	3.6
Total current trade and other payables	**251.1**	268.6
Non-current		
Straight line lease adjustment	**41.7**	36.7
Total non-current trade and other payables	**41.7**	36.7

13. Interest-bearing liabilities

	2016	2015
Current	**$m**	**$m**
Finance leases - secured by leased asset	**0.8**	1.6
Bank debt funding facility - secured	**0.1**	0.6
Bank debt funding facility - unsecured	**4.8**	-
Total current interest-bearing liabilities	**5.7**	2.2
Non-current		
Finance lease - secured by leased asset	**-**	1.0
Bank debt funding facility - secured	**0.1**	0.1
Bank debt funding facility - unsecured[1]	**410.0**	387.8
Loan from related party - unsecured	**-**	0.9
Total non-current interest-bearing liabilities	**410.1**	389.8

[1]Net of borrowing costs capitalised of $1.2 million (2015: $1.7 million)

14. Provisions

	2016	2015
Current	**$m**	**$m**
Employee benefits[a]	**45.1**	37.9
Onerous contracts[b]	**10.1**	7.2
Make good provision[c]	**2.6**	1.5
Other provisions[d]	**0.9**	2.0
Total current provisions	**58.7**	48.6
Non-current		
Employee benefits[a]	**8.7**	7.6
Onerous contracts[b]	**13.0**	2.2
Make good provision[c]	**7.5**	6.5
Total non-current provisions	**29.2**	16.3

(a) Employee benefits

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

(b) Onerous contracts

Onerous contracts include the provision for surplus lease space which represents the present value of the future lease payments that the Group is obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue. During the year, the group committed to a plan to restructure the Ray's Outdoors business by converting various stores into either the new concept Rays stores or to other Group brands and close other stores. $17.7million associated with the transformation relates to surplus lease space.

14. Provisions (continued)

(b) Onerous contracts (continued)

Onerous contracts also includes the provision for loss making contracts which represents the present value of the forecasted loss. During the year the Group performed a review of key contracts relating to Infinite Retail that were loss making and as a result $3.1 million was provided within the onerous contracts provision.

(c) Make good provision

Provision is made for costs arising from contractual obligations in lease agreements at the inception of the agreement. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(d) Other provisions

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

(e) Movement in provisions

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

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

15. Contributed equity

(a) Share capital

	2016 $m	2015 $m
Ordinary shares fully paid (197,177,318 ordinary shares as at 2 July 2016)	**542.3**	542.3

	Number of Shares	Issue Price	$m
(i) Movement in ordinary share capital			
Opening Balance 28 June 2014	196,731,620		542.3
Shares issued under performance rights	298,951	-	-
Balance 27 June 2015	197,030,571		542.3
Shares issued under performance rights	146,747	-	-
Closing balance 2 July 2016	**197,177,318**		**542.3**

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

The ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present, in person or by proxy, at a meeting of shareholders of the parent entity is entitled to one vote and, upon a poll, each share is entitled to one vote.

Performance rights over 621,365 (2015: 579,192) ordinary shares were issued during the period with 146,747 (2015: 298,951) performance rights vesting during the period. Under the share option plan, nil (2015: nil) ordinary shares were issued during the period. Information relating to performance rights and options outstanding at the end of the financial period are set out in note 31 - Share-based payments.

15. Contributed equity (continued)

(a) Share capital (continued)

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.

16. Reserves and retained earnings

	2016 $m	2015 $m
(a) Reserves		
Foreign currency translation reserve	**3.9**	3.5
Share based payments reserve	**8.5**	7.8
Hedging reserve	**(5.6)**	1.9
NCI equity reserve	**(7.7)**	-
Total	**(0.9)**	13.2
(i) Movements		
Foreign currency translation reserve		
Balance at the beginning of the financial period	**3.5**	4.1
Net exchange difference on translation of foreign controlled entities	**0.4**	(0.6)
Balance at the end of the financial period	**3.9**	3.5
Share-based payments reserve		
Balance at the beginning of the financial period	**7.8**	8.0
Options and performance rights expense	**0.7**	(0.2)
Balance at the end of the financial period	**8.5**	7.8
Hedging reserve		
Balance at the beginning of the financial period	**1.9**	(4.4)
Revaluation – gross	**(10.7)**	9.0
Deferred tax	**3.2**	(2.7)
Balance at the end of the financial period	**(5.6)**	1.9
NCI equity reserve		
Balance at the beginning of the financial period	**-**	-
Change in ownership interest in controlled entities	**(7.7)**	-
Balance at the end of the financial period	**(7.7)**	-

(ii) Nature and purpose of reserves

Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(l). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

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

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2(e). The reserve is recognised in profit and loss when the net investment is disposed of.

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

16. Reserves and retained earnings (continued)

(b) Retained earnings

	2016 $m	2015 $m
Balance at the beginning of the financial period	**212.8**	210.4
Net profit for the period attributable to owners of Super Retail Group Limited	**62.8**	81.1
Dividends paid	**(81.9)**	(78.7)
Retained profits at the end of the financial period	**193.7**	212.8

17. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

Financial assets	Notes	Derivatives used for hedging $m	Financial assets at amortised cost $m	Total $m
2016				
Cash and cash equivalents		**-**	**15.6**	**15.6**
Trade and other receivables	7	**-**	**42.7**	**42.7**
Derivative financial instruments	18	**-**	**-**	**-**
Total		**-**	**58.3**	**58.3**
2015				
Cash and cash equivalents		-	13.1	13.1
Trade and other receivables	7	-	29.3	29.3
Derivative financial instruments	18	6.8	-	6.8
Total		6.8	42.4	49.2

Financial liabilities	Notes	Derivatives used for hedging $m	Financial liabilities at amortised cost $m	Total $m
2016				
Trade and other payables	12	**-**	**292.8**	**292.8**
Interest-bearing liabilities	13	**-**	**415.8**	**415.8**
Derivative financial instruments	18	**8.0**	**-**	**8.0**
Total		**8.0**	**708.6**	**716.6**
2015				
Trade and other payables	12	-	305.3	305.3
Interest-bearing liabilities	13	-	392.0	392.0
Derivative financial instruments	18	4.1	-	4.1
Total		4.1	697.3	701.4

The Group's exposure to various risks associated with the financial instruments is discussed in note 18 – Financial risk management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(b) Recognised fair value measurements

(i) Fair value hierarchy

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

17. Financial assets and financial liabilities (continued)

(b) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

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

	Level 1	Level 2	Level 3	Total
2015	**$m**	**$m**	**$m**	**$m**
Financial assets				
Derivatives used for hedging	-	6.8	-	6.8
Total	-	6.8	-	6.8
Financial liabilities				
Derivatives used for hedging	-	4.1	-	4.1
Total	-	4.1	-	4.1

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, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

18. Financial risk management

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

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

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

(a) Derivative Financial Instruments

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

	2016 $m	2015 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	-	6.8
Total current derivative financial instrument assets	-	6.8
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**4.2**	-
Interest rate swap contracts – cash flow hedges	**3.8**	4.1
Total current derivative financial instrument liabilities	**8.0**	4.1

(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 2(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) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 2(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.

18. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

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

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

Instruments used by the Group

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

Exposure

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

	2016 USD $m	2015 USD $m
Trade receivables	**2.3**	1.5
Trade payables	**16.9**	8.0
Forward exchange contract - foreign currency (cash flow hedges)		
Buy United States dollars and sell Australian dollars with maturity		
- 0 to 4 months	**47.0**	54.0
- 5 to 12 months	**74.0**	80.0
	121.0	134.0

	2016 CNY $m	2015 CNY $m
Trade receivables	**0.4**	0.2
Trade payables	**2.0**	3.9

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the consolidated balance sheet by the related amount deferred in equity. In the year ended 2 July 2016, no hedges were designated as ineffective (2015: 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:

	2016 $m	2015 $m
- unrealised (losses) / gains / on USD foreign exchange contracts	**(4.2)**	6.8
- unrealised (losses) / gains / on interest rate swaps	**(3.8)**	(4.1)
Total unrealised (losses) / gains	**(8.0)**	2.7

18. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Group sensitivity
Based on the financial instruments held at 2 July 2016, 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 $10.7 million lower/$13.1 million higher (2015: $11.9 million lower/$14.5 million higher) had the Australian dollar weakened/strengthened by 10% against other currencies, arising mainly from forward foreign exchange contracts designated as cash flow hedges. The impact on other Group assets and liabilities as a result of movements in exchange rates are not material.

A sensitivity of 10% was selected following review of historic trends.

(ii) Cashflow and fair value interest rate risk

Instruments used by the Group - interest rate swap contracts
Bank loans of the economic entity currently bear an average variable interest rate of 3.28% (2015: 3.49%). It is policy to protect part of the forecasted debt from exposure to increasing interest rates. Accordingly, the economic entity has entered into interest rate swap contracts, under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other receivables or other payables.

At period end, the Group was a party to multiple interest rate swaps for a total nominal value of $155.0 million (2015: $175.0 million). The Group also has $200.0 million (2015: $75.0 million) interest rate swaps in place for future periods up until November 2018 at an average rate of 2.85%.

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 37.0% (2015: 45.0%) of the loan principal outstanding. The average fixed interest rate is 3.35% (2015: 3.37%).

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

			Fixed interest maturing in				
	Notes	Floating interest rate $m	1 year or less $m	Over 1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
2016							
Financial assets							
Cash and cash equivalents		**13.8**	**-**	**-**	**-**	**1.8**	**15.6**
Trade and other receivables	7	**-**	**-**	**-**	**-**	**42.7**	**42.7**
Total financial assets		**13.8**	**-**	**-**	**-**	**44.5**	**58.3**
Weighted average rate of interest		***1.75%***					
Financial liabilities							
Trade and other payables	12	**-**	**-**	**-**	**-**	**292.8**	**292.8**
Interest-bearing liabilities	13	**415.0**	**0.8**	**-**	**-**	**-**	**415.8**
Provisions (employee benefits)	14	**-**	**-**	**-**	**-**	**53.8**	**53.8**
Total financial liabilities		**415.0**	**0.8**	**-**	**-**	**346.6**	**762.4**
Weighted average rate of interest		***3.28%***					
Net financial (liabilities) / assets		**(401.2)**	**(0.8)**	**-**	**-**	**(302.1)**	**(704.1)**

18. Financial risk management (continued)

(b) Market risk (continued)

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

	Notes	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	Over 1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
2015							
Financial assets							
Cash and cash equivalents		11.4	-	-	-	1.7	13.1
Trade and other receivables	7	-	-	-	-	29.3	29.3
Total financial assets		11.4	-	-	-	31.0	42.4
Weighted average rate of interest		*2.00%*					
Financial liabilities							
Trade and other payables	12	-	-	-	-	305.3	305.3
Interest-bearing liabilities	13	389.4	1.6	1.0	-	-	392.0
Provisions (employee benefits)	14	-	-	-	-	45.5	45.5
Total financial liabilities		389.4	1.6	1.0	-	350.8	742.8
Weighted average rate of interest		*3.49%*					
Net financial (liabilities) / assets		(378.0)	(1.6)	(1.0)	-	(319.8)	(700.4)

Group sensitivity

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the 2016 and 2015 financial years, the Group's borrowings were at variable rates and were denominated in Australian dollars.

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

	2016 $m	2015 $m
Bank overdrafts and bank loans	**416.2**	390.2
Interest rate swaps	**155.0**	175.0

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

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

As at 2 July 2016, 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 $1.8 million lower/higher (2015: $1.7 million lower/higher), mainly as a result of higher/lower interest expense on bank loans.

(c) Credit risk

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

(i) Risk management

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

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

18. Financial risk management (continued)

(c) Credit risk (continued)

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

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

(d) Liquidity risk

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

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

(i) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:	2016 $m	2015 $m
Total facilities		
- bank debt funding facility	**615.0**	615.0
- multi-option facility (including indemnity/guarantee)	**20.0**	20.0
Total	**635.0**	635.0
Facilities used at balance date		
- bank debt funding facility	**416.0**	389.5
- multi-option facility (including indemnity/guarantee)	**3.7**	4.8
Total	**419.7**	394.3
Unused balance of facilities at balance date		
- bank debt funding facility	**199.0**	225.5
- multi-option facility (including indemnity/guarantee)	**16.3**	15.2
Total	**215.3**	240.7

Current interest rates on bank loans of the economic entity are 2.88% - 3.33% (2015: 3.19% - 3.68%).

(ii) Maturities of financial liabilities
The following tables analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

18. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

2016	Less than 6 months $m	6-12 months $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount (assets) / liabilities $m
Non-derivatives							
Trade and other payables	**247.0**	**-**	**-**	**-**	**-**	**247.0**	**247.0**
Interest-bearing liabilities[1]	**6.8**	**11.5**	**221.7**	**210.2**	**-**	**450.2**	**416.2**
Finance lease liabilities	**0.4**	**0.4**	**-**	**-**	**-**	**0.8**	**0.8**
Total non-derivatives	**254.2**	**11.9**	**221.7**	**210.2**	**-**	**698.0**	**664.0**
Derivatives							
Net settled (Interest Rate Swaps)	**1.2**	**1.0**	**1.3**	**0.3**	**-**	**3.8**	**3.8**
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	**(103.4)**	**(59.1)**	**-**	**-**	**-**	**(162.5)**	**-**
- outflow	**107.0**	**60.9**	**-**	**-**	**-**	**167.9**	**4.2**
Total derivatives	**4.8**	**2.8**	**1.3**	**0.3**	**-**	**9.2**	**8.0**

[1]Excludes finance leases.

2015	Less than 6 months $m	6-12 months $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount (assets) / liabilities $m
Non-derivatives							
Trade and other payables	265.0	-	-	-	-	265.0	265.0
Interest-bearing liabilities[1]	7.4	6.8	101.8	313.2	-	429.2	390.2
Finance lease liabilities	0.9	0.7	1.0	-	-	2.6	2.6
Total non-derivatives	273.3	7.5	102.8	313.2	-	696.8	657.8
Derivatives							
Net settled (Interest Rate Swaps)	1.1	1.0	1.9	0.6	-	4.6	4.1
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(112.9)	(61.0)	-	-	-	(173.9)	(6.8)
- outflow	108.3	60.5	-	-	-	168.8	-
Total derivatives	(3.5)	0.5	1.9	0.6	-	(0.5)	(2.7)

[1]Excludes finance leases.

19. Capital management

(a) Risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors overall capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet (including non-controlling interests) plus net debt.

During 2016 the Group's strategy, which was unchanged from 2015, 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 2 July 2016 and 27 June 2015 were as follows:

	2016 $m	2015 $m
Total borrowings	**415.8**	392.0
Less: Cash & cash equivalents	**(15.6)**	(13.1)
Net Debt	**400.2**	378.9
Total Equity	**734.0**	765.3
Total Capital	**1,134.2**	1,144.2
Gearing Ratio	**35.3%**	33.1%

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

During 2016 the Group's strategy, which was unchanged from 2015, was to maintain a fixed charge cover ratio of around 2.0 times and a net debt to EBITDA of below 2.5 times. The fixed charge cover and net debt to EBITDA ratios at 2 July 2016 and 27 June 2015 were as follows:

	2016 $m	2015(1) $m
Profit attributable to Owners of Super Retail Group Limited	**62.8**	81.1
Add: Taxation expense	**29.8**	38.5
Net finance costs	**19.4**	21.9
Depreciation and amortisation (excludes Goodwill impairment)	**86.2**	67.1
EBITDA	**198.2**	208.6
Rental expense	**241.2**	222.3
EBITDAR	**439.4**	430.9
Net finance costs	**19.4**	21.9
Rental expense	**241.2**	222.3
Fixed charges	**260.6**	244.2
Fixed charge cover ratio	**1.69**	1.76
Net debt to EBITDA ratio	**2.02**	1.82

(1) 2015 includes continuing and discontinued operations.

Fixed charge cover ratio from normalised net profit after tax(2)	**1.93**	1.89
Net debt to EBITDA ratio from normalised net profit after tax(2)	**1.63**	1.64

(2) Normalised EBITDAR is $470.0m (2015: $444.3m) and normalised EBITDA is $245.7m (2015: $231.0m)

(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 2016 and 2015 financial years. There are no assets pledged as security in relation to the unsecured debt in the 2016 financial year (2015: nil).

19. Capital management (continued)

(b) Dividends

	2016 $m	2015 $m
Ordinary shares		
Dividends paid by Super Retail Group Limited during the 2016 financial year were as follows:		
Final dividend for the period ended 27 June 2015 of 21.5 cents per share (2014: 21.5 cents per share) paid on 2 October 2015. Fully franked based on tax paid @ 30%	**42.4**	42.2
Interim dividend for the period ended 26 December 2015 of 20.0 cents (2015: 18.5 cents per share) paid on 8 April 2016. Fully franked based on tax paid @ 30%	**39.5**	36.5
Total dividends provided and paid	**81.9**	78.7
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
- paid in cash	**72.3**	74.6
- satisfied by issue of shares purchased on market	**9.6**	4.1
	81.9	78.7
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 (2015: 21.5 cents per ordinary share), fully franked based on tax paid at 30%.		
The aggregate amount of the dividend expected to be paid on 7 October 2016, out of retained profits as at 2 July 2016, but not recognised as a liability at year end, is	**42.4**	42.4
Franking credits		
The franked portions of dividends paid after 2 July 2016 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 2 July 2016.		
Franking credits remaining at balance date available for dividends declared after the current balance date based on a tax rate of 30%	**121.9**	106.7

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

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

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

The impact on the franking account of the dividend recommended by the directors since year end will be a reduction in the franking account of $18,168,481 (2015: $18,154,960). The recommended dividend has not been recognised as a liability at year end.

20. Key management personnel disclosures

(a) Key management personnel compensation

	2016 $	2015 $
Short-term employee benefits	**6,358,770**	5,145,292
Long-term employee benefits	**51,826**	51,183
Post-employment benefits	**221,046**	224,263
Share-based payments	**453,190**	96,533
Termination benefits	**-**	232,004
	7,084,832	5,749,275

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.

20. Key management personnel disclosures (continued)

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:

	2016	2015
Amounts paid to key management personnel as shareholders	$	$
Dividends	**25,261,350**	23,192,162

21. 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.

	2016	2015
	$	$
(a) PricewaterhouseCoopers Australia		
(i) Assurance services		
Audit and review of financial statements	**423,700**	473,854
Audit and review of subsidiaries[1]	**88,230**	20,000
Other assurance	**53,500**	10,000
Total remuneration for audit and other assurance services	**565,430**	503,854
(ii) Taxation services		
Tax compliance services, including review of Company income tax returns[2]	**211,244**	101,692
Customs Advice	**4,590**	22,675
Total remuneration for taxation services	**215,834**	124,367
(iii) Other services		
Digital innovation support[3]	**340,290**	-
Total remuneration for advisory services	**340,290**	-
Total remuneration of PricewaterhouseCoopers Australia	**1,121,554**	628,221
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Taxation services		
Tax compliance services, including review of Company income tax returns	**33,845**	26,025
Total remuneration for taxation services	**33,845**	26,025
Total remuneration of network firms of PricewaterhouseCoopers Australia	**33,845**	26,025
Total auditors' remuneration	**1,155,399**	654,246

(1) Increase due to audit requirements of partially owned subsidiaries.
(2) Increase due to indirect taxes review resulting in refunds being received.
(3) Engagement in relation to digital capability analysis and support awarded under a competitive tender.

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

22. Contingencies

	2016	2015
	$m	$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:	**3.7**	5.3

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.

23. Commitments

	2016 $m	2015 $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	**4.0**	4.5
Total capital commitments	**4.0**	4.5
Lease commitments		
Commitments in relation to operating lease payments for property and motor vehicles under non-cancellable operating leases are payable as follows:		
Within one year	**202.0**	193.0
Later than one year but not later than five years	**596.7**	561.5
Later than five years	**157.1**	201.0
Less lease straight lining adjustment (note 12)	**(45.8)**	(40.3)
Total lease commitments	**910.0**	915.2
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**2.5**	0.2

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.

Finance leases

The Group leases various plant and equipment with a carrying amount of $1.2m (2015: $2.6m) under finance leases expiring within one year.

	2016 $m	2015 $m
Commitments in relation to finance leases are payable as follows:		
Within one year	**0.8**	1.8
Later than one year but not later than five years	**-**	1.0
Minimum lease payments	**0.8**	2.8
Future finance charges	**-**	(0.2)
Total lease liabilities	**0.8**	2.6
Representing lease liabilities:		
Current (note 13)	**0.8**	1.6
Non-current (note 13)	**0.0**	1.0
	0.8	2.6

24. 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 34 – Investments in controlled entities.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 20 – Key management personal disclosures.

24. Related party transactions (continued)

(d) Directors

The names of the persons who were Directors of Super Retail Group Limited during the financial period are R J Wright, R A Rowe, R J Skippen, S A Pitkin, D J Eilert, L K Inman 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 24(f).

(f) Loans to / (from) Related Parties

	2016 $	2015 $
Loans to / (from) Related Parties		
Loan from related parties[(1)]	-	(955,687)
Loan to related parties[(2)]	**259,088**	50,000

[(1)] Loan from Sports and Entertainment Limited (SEL), an entity with a non-controlling interest in Infinite Retail Pty Ltd (Infinite Retail), a controlled entity of the Group. This loan has been repaid in November 2015 as part of the transaction resulting in the Group's change in ownership interest in Infinities Retail, refer to note 25(a) - Business combinations. In the prior financial year, the loan was deemed to be on an arms-length basis, attracting interest at a rate of 6.9%.

[(2)] Loans to James Woodford Pty Ltd, an entity with a non-controlling interest in Youcamp Pty Ltd, a controlled entity of the Group and Australian Creatives Online Pty Ltd, an entity with a non-controlling interest in Fixed Price Car Service Pty Ltd, a controlled entity of the Group. These loans were extended as part of the Group's acquisition arrangements with Youcamp Pty Ltd and Fixed Price Car Service Pty Ltd, refer to note 25(b) & (d) - Business combinations. These loans are deemed to be on an arms-length basis, attracting interest at a rate of 7.0% (2015: nil).

(g) Transactions with other related parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:

	2016 $	2015 $
Purchase of goods and services		
Store lease payment[(1)]	**12,064,672**	11,087,692
Inventories[(2)]	**1,163,091**	2,237,048
Royalties for brand name[(3)]	**551,637**	486,157
Management fees[(4)]	-	275,000
Finance costs[(5)]	**67,260**	158,102

[(1)] Rent on properties, with rates which are deemed to be on an arms-length basis. Rent payable at year-end was nil (2015: nil).

[(2)] Inventories sourced from Velocity Brand Management Pty Ltd (VBML) a sports licensing agency and it's operating entities Velocity Brand Management NZ Limited and VBM Manufacturing Pty Ltd which are deemed to be on an arms-length basis.

[(3)] Royalties are payable to VBML which are deemed to be on an arms-length basis.

[(4)] Management services are provided by VBML which are determined to be on an arms-length basis.

[(5)] Interest accrued relating to the related party loans between James Woodford Pty Ltd and Australian Creatives Online Pty Ltd at a rate of 7.0% (2015: nil), in addition to motor vehicle finance lease charges paid to VBML at a rate of 6.22% (2015: 6.22%). Includes also interest paid and accrued in the prior year relating to the related party loan to SEL at a rate of 6.9% which was repaid in November 2015. These transactions are determined to be on an arms-length basis.

25. Business combinations

2016

There were no business combinations during the 2016 financial year. The Group did however change its ownership interest in Infinite Retail Pty Ltd and Fixed Price Car Service Australia Pty Ltd as detailed below.

(a) Infinite Retail Pty Ltd

On 4 November 2015, the shareholders of Infinite Retail Pty Ltd, entered into an agreement to restructure its shareholder ownership and to issue new shares resulting in an increase in the Group's ownership interest to 95% from 50.05% for a total consideration of $5.0 million for the new share issue. In recognising the change in ownership, the Group reassessed the value of the Group's non-controlling interest (NCI) held in Equity Reserves at the grant date, 4 November 2015, to reflect the change in NCI from 49.95% to 5%. The differential was transferred to a separate NCI Equity Reserve.

25. Business combinations (continued)

(b) Fixed Price Car Service Australia Pty Ltd

On 12 May 2016, the shareholders of Fixed Price Car Service Australia Pty Ltd, entered into an agreement to issue shares resulting in an increase in the Group's ownership interest to 61.85% from 51% for a total consideration of $1.0 million. In recognising the change in ownership, the Group reassessed the value of the Group's non-controlling interest (NCI) held in Equity Reserves at the grant date, 12 May 2016, to reflect the change in NCI from 49% to 38.15%. The differential was transferred to a separate NCI Equity Reserve.

2015

During the 2015 financial year, the Group entered into several strategic business combination transactions, enhancing the Group's diverse business segment portfolio. The details of each business combination, consideration paid, net assets acquired, and provisional goodwill assumed are outlined below. Entities acquired include:

- Infinite Retail Pty Ltd (Infinite Retail)
- Fixed Price Car Service Australia Pty Ltd (FPCS)
- Oceania Bicycles Pty Ltd (Oceania)
- Youcamp Pty Ltd (Youcamp)

2015	Infinite Retail[a] $m	FPCS[b] $m	Oceania[c] $m	Youcamp[d] $m	Total $m
(i) Consideration					
Cash paid	-	1.5	0.5	0.5	2.5
Fair value of the Group's previous equity accounted holding	5.3	-	-	-	5.3
Fair value of non-controlling interest previous equity accounted holding	5.3	1.5	-	0.5	7.3
Total consideration	10.6	3.0	0.5	1.0	15.1
(ii) Net assets					
ASSETS					
Cash and cash equivalents	0.5	1.5	-	0.5	2.5
Trade and other receivables	3.4	-	-	-	3.4
Inventories	6.9	-	-	-	6.9
Total current assets	10.8	1.5	-	0.5	12.8
Property, plant & equipment	1.0	-	-	-	1.0
Intangible assets	-	0.2	-	-	0.2
Total non-current assets	1.0	0.2	-	-	1.2
Total assets	11.8	1.7	-	0.5	14.0
LIABILITIES					
Trade and other payables	5.7	-	-	-	5.7
Provisions	0.1	-	-	-	0.1
Total current liabilities	5.8	-	-	-	5.8
Interest-bearing liabilities	5.8	-	-	-	5.8
Total non-current liabilities	5.8	-	-	-	5.8
Total liabilities	11.6	-	-	-	11.6
NET ASSETS	0.2	1.7	-	0.5	2.4
(iii) Goodwill					
Total consideration	10.6	3.0	0.5	1.0	15.1
Fair value of net identifiable assets acquired	(0.2)	(1.7)	-	(0.5)	(2.4)
Fair value of put option liability extinguished[1]	-	-	(0.5)	-	(0.5)
Provisional goodwill	10.4	1.3	-	0.5	12.2
Attributable to the Group	5.2	0.7	-	0.3	6.2
Attributable to non-controlling interests	5.2	0.6	-	0.2	6.0

[1] On acquisition of Oceania in 2008 a put option liability was recognised, reflecting an estimate of the potential obligation under the put agreement. This liability was extinguished as part of the wider business combination transaction. Refer to note 25(c) - Business combinations for further detail.

25. Business combinations (continued)

(a) Infinite Retail Pty Ltd

On 14 July 2014, an additional 2 shares were acquired, increasing the ownership from 50% to 50.05%, for a cash consideration of $5,300 per share. Infinite Retail Pty Ltd (Infinite Retail) is a sports merchandising business specialist. The entity changed from being an associate to a controlled entity in accordance with *AASB 10 Consolidated Financial Statements*.

As at the acquisition date, 14 July 2014, the Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The previously held interests were fair valued and formed part of the consideration transferred. The Group recognised a gain of $0.6 million as a result of measuring at fair value it 50% equity interest in Infinite Retail Pty Ltd held before the business combination. The gain is included in other income in the Group's statement of comprehensive income for the year ended 27 June 2015.

The goodwill is attributable mainly to the licensing and brand management programs developed in Australia, New Zealand and internationally and the synergies expected to be achieved from integrating the businesses into the Group's existing Sporting Business. Goodwill will not be deductible for tax purposes.

The acquired business contributed revenues of $29.1 million for the period 14 July 2014 to 27 June 2015 and a loss after tax of $3.9 million attributable to the Owners of Super Retail Group Limited. Included in the Sports Division segment result is a loss of $3.6 million. The Group has accounted for the entity as if it had been acquired on 29 June 2014, based on insignificant net trading during the period from 29 June 2014 to 14 July 2014.

(b) Fixed Price Car Service Australia Pty Ltd

On 24 December 2014, the Group acquired a 51% shareholding in Fixed Price Car Service Australia Pty Ltd, an online car servicing solution, for a cash consideration of $1.5 million.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The goodwill is attributable mainly to the internally developed software and access to management, which is not separately recognised. Goodwill will not be deductible for tax purposes.

The acquired business contributed revenues of $0.1 million for the period 24 December 2014 to 27 June 2015 and a loss after tax of $0.3 million attributable to the Owners of Super Retail Group Limited. As the acquired business was non-trading prior to the acquisition date, these results are reflective of the contribution to the Group's results as if it the acquisition date had been 29 June 2014.

(c) Oceania Bicycles Pty Ltd

On 25 June 2015, the Group entered into a Deed of Settlement and Release to acquire the remaining 50% non-controlling interest shareholding in Oceania Bicycles Pty Ltd (Oceania), an Australian bicycle, parts and accessories distributor, for a cash consideration of $0.5 million, resulting in the ownership interest in this entity increasing to 100%. Oceania Bicycles Limited is a subsidiary of Oceania Bicycles Pty Ltd and as such, 100% ownership interest was also gained of this entity as part of this transaction.

The Group had acquired an initial 50% shareholding in Oceania on 23 June 2008. The Group had elected to deem control had passed on acquisition due to the provisions of a put agreement on the remaining 50% shares, entered into at this date. As such the Group consolidated 100% of their results and net assets since acquisition date. No additional net assets were recognised at 25 June 2015.

(d) Youcamp Pty Ltd

On 24 June 2015, the Group completed the acquisition of a 51% shareholding in Youcamp Pty Ltd, an online accommodation solution connecting a community of private landowners and customers, for a cash consideration of $0.5 million.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The goodwill is attributable mainly to access to management which is not separately recognised. Goodwill will not be deductible for tax purposes.

The acquired business contributed revenues of $nil million for the period 24 June 2015 to 27 June 2015 and a profit after tax of $nil million to the Group's results. As the acquired business was non-trading prior to the acquisition date, these results are reflective of the contribution to the Group's results as if it the acquisition date had been 29 June 2014.

26. Discontinued operations

(a) Description

In the previous financial year, on 19 February 2015, the Group announced the decision to exit the FCO business with an objective of ceasing operations by the end of the financial year. As at the end of the 2015 financial year, all stores had ceased trading.

(b) Financial performance and cash flow information

	2016 $m	2015 $m
Revenue	-	31.2
Expenses	-	(47.4)
Loss before income tax of discontinued operations	-	(16.2)
Income tax expense / (benefit)	-	-
Loss after income tax of discontinued operations	-	(16.2)
Net cash (outflow) / inflow from operating activities	**(0.4)**	(0.5)
Net (decrease) / increase in cash generated by the division	**(0.4)**	(0.5)

27. Net tangible asset backing

	2016 Cents	2015 Cents
Net tangible asset per ordinary share	**$0.18**	$0.22

Net tangible asset per ordinary share is calculated based on Net Assets of $734.0 million (2015: $765.3 million) less intangible assets of $772.4 million (2015: $801.3 million) adjusted for the associated deferred tax liability of $74.1 million (2015: $80.1 million). The number of shares used in the calculation was 197,177,318 (2015: 197,030,571).

28. Deed of cross guarantee

Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Workout World Pty Ltd, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, 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, SCA Equity Plan Pty Ltd, SRG Leisure Retail Pty Ltd, SRGS Pty Ltd, Super Cheap Auto Pty Ltd, Super Retail Commercial Pty Ltd and Super Retail Group Services Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

28. Deed of cross guarantee (continued)

(a) Consolidated Comprehensive Income Statement and Summary of Movements in Consolidated Retained Earnings

The above companies represent a Closed Group for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Super Retail Group Limited, they also represent the Extended Closed Group.

Set out below is a consolidated comprehensive income statement and a summary of movements in consolidated retained earnings for the period ended 2 July 2016 of the Closed Group.

	2016	2015
Consolidated Comprehensive Income Statement	**$m**	**$m**
Revenue from continuing operations	**2,284.4**	2,110.9
Other income from continuing operations	**1.5**	11.3
Total revenues and other income	**2,285.9**	2,122.2
Cost of sales of goods	**(1,278.2)**	(1,184.3)
Other expenses from ordinary activities		
- selling and distribution	**(299.1)**	(276.6)
- marketing	**(82.0)**	(77.1)
- occupancy	**(207.4)**	(178.2)
- administration	**(299.0)**	(267.1)
Net finance costs	**(19.1)**	(19.1)
Total expenses	**(2,184.8)**	(2,002.4)
Profit before income tax	**101.1**	119.8
Income tax expense	**(28.8)**	(38.2)
Profit for the period	**72.3**	81.6
Statement of comprehensive income		
Profit for the period	**72.3**	81.6
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**(7.5)**	6.3
Other comprehensive income for the period, net of tax	**(7.5)**	6.3
Total comprehensive income for the period	**64.8**	87.9
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial period	**203.8**	200.9
Profit for the period	**72.3**	81.6
Dividends paid	**(81.9)**	(78.7)
Retained profits at the end of the financial period	**194.2**	203.8

28. Deed of cross guarantee (continued)

(b) Consolidated Balance Sheet

Set out below is a consolidated balance sheet as at 2 July 2016 of the Closed Group.

ASSETS	2016	2015
Current assets	**$m**	**$m**
Cash and cash equivalents	**10.7**	4.6
Trade and other receivables	**44.7**	38.7
Current tax assets	**-**	2.9
Derivative financial instruments	**-**	6.8
Inventories	**469.9**	469.6
Total current assets	**525.3**	522.6
Non-current assets		
Other financial assets	**37.5**	18.9
Property, plant and equipment	**223.3**	211.0
Intangible assets	**764.3**	792.1
Total non-current assets	**1,025.1**	1,022.0
Total assets	**1,550.4**	1,544.6
LIABILITIES		
Current liabilities		
Trade and other payables	**232.8**	249.3
Interest-bearing liabilities	**5.6**	1.4
Current tax liabilities	**6.6**	-
Derivative financial instruments	**8.0**	4.1
Provisions	**55.1**	40.7
Total current liabilities	**308.1**	295.5
Non-current liabilities		
Trade and other payables	**40.7**	35.8
Interest-bearing liabilities	**410.0**	388.6
Deferred tax liabilities	**25.6**	53.7
Provisions	**26.6**	15.2
Total non-current liabilities	**502.9**	493.3
Total liabilities	**811.0**	788.8
NET ASSETS	**739.4**	755.8
EQUITY		
Contributed equity	**542.3**	542.3
Reserves	**2.9**	9.7
Retained profits	**194.2**	203.8
TOTAL EQUITY	**739.4**	755.8

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

	2016 $m	2015 $m[1]
Profit from ordinary activities after related income tax	**62.8**	81.1
Depreciation and amortisation	**86.2**	67.1
Impairment charge	**20.0**	-
Net gain on sale of non-current assets	**-**	(0.6)
Non-cash employee benefits expense/share based payments	**0.7**	(0.2)
Fair value gain on acquisition of associate	**-**	(0.6)
Profit for the period attributable to non-controlling interests	**(4.8)**	(4.2)
Net finance costs	**19.4**	21.9
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	**(13.7)**	15.7
- decrease / (increase) in net current tax asset	**9.2**	(4.0)
- decrease / (increase) in inventories	**3.7**	(15.5)
- (decrease) / increase in payables	**(23.7)**	6.7
- increase in provisions	**23.0**	15.7
- (decrease) in deferred tax liability	**(23.6)**	(1.1)
Net cash inflow from operating activities	**159.2**	182.0

[1] Continuing and discontinued operations results.

30. Earnings per share

	2016 Cents	2015 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**31.8**	49.4
From discontinued operations	**-**	(8.2)
Total basic earnings per share attributable to the ordinary equity holders of the company	**31.8**	41.2
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**31.6**	49.0
From discontinued operations	**-**	(8.2)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**31.6**	40.8
(c) Normalised earnings per share[1]		
From continuing operations attributable to the ordinary equity holders of the company	**55.1**	54.0

[1] Normalised profit attributable to ordinary equity holders is $108.6 million (2015: $106.3 million) – note 4(b).

(d) Weighted average number of shares used as the denominator	2016 Number	2015 Number
Weighted average number of shares used as the denominator in calculating basic EPS	**197,152,793**	196,944,779
Adjustments for calculation of diluted earnings per share options	**1,513,230**	1,617,360
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	**198,666,023**	198,562,139

(e) Reconciliations of earnings used in calculating earnings per share	2016 $m	2015 $m
Basic earnings and diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in EPS		
From continuing operations	**62.8**	97.3
From discontinued operations	**-**	(16.2)
	62.8	81.1

30. Earnings per share (continued)

(f) Information concerning the classification of securities

Options and Performance Rights
Options and performance rights granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

31. 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)**
2016						
1 September 2010	**80,980**	**-**	**(80,980)**	**-**	**-**	**-**
1 September 2011	**131,535**	**-**	**(65,767)**	**(3,066)**	**62,702**	**62,702**
1 September 2012	**448,156**	**-**	**-**	**(448,156)**	**-**	**-**
1 September 2013	**403,999**	**-**	**-**	**(35,491)**	**368,508**	**368,508**
1 September 2014	**561,081**	**-**	**-**	**(54,676)**	**506,405**	**506,405**
1 September 2015	**-**	**621,365**	**-**	**(45,750)**	**575,615**	**575,615**
	1,625,751	**621,365**	**(146,747)**	**(587,139)**	**1,513,230**	**1,513,230**
2015						
1 September 2009	83,421	-	(83,421)	-	-	-
1 September 2010	171,058	-	(82,389)	(7,689)	80,980	80,980
1 September 2011	443,152	-	(133,141)	(178,476)	131,535	131,535
1 September 2012	534,019	-	-	(85,863)	448,156	448,156
1 September 2013	469,920	-	-	(65,921)	403,999	403,999
1 September 2014	-	579,192	-	(18,111)	561,081	561,081
	1,701,570	579,192	(298,951)	(356,060)	1,625,751	1,625,751

(b) Executive Option Plan

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

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

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

31. Share-based payments (continued)

(b) Executive Option Plan (continued)

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

There were no options granted under the Option Plan during the 2016 financial year (2015: nil).

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

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

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

Expenses arising from share based payments transactions:	2016 $m	2015 $m
Executive Performance Rights	**0.7**	(0.2)

32. Events occurring after balance date

No matter or circumstance has arisen since 2 July 2016 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.

33. Parent entity financial information

Summary financial information

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

	2016 $m	2015 $m
Balance Sheet		
Current assets	**224.2**	392.5
Total assets	**1,026.3**	1,176.6
Current liabilities	**42.2**	190.7
Total liabilities	**452.2**	578.3
NET ASSETS	**574.1**	598.3
Contributed equity	**542.3**	542.3
Reserves		
- share-based payments	**8.5**	7.8
- cash flow hedges	**(2.7)**	(2.9)
Retained earnings	**26.0**	51.1
Total Equity	**574.1**	598.3
Profit after tax for the period	**56.8**	29.0
Total comprehensive income	**57.0**	27.7

34. Investments in controlled entities

The Group's subsidiaries at 2 July 2016 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 2016 %	Equity Holding 2015 %
A-Mart All Sports Pty Ltd(1)	Australia	Sports retail	100	100
Auto Trade Direct (NZ) Limited	New Zealand	Auto retail	100	100
Auto Trade Direct Pty Ltd(1)	Australia	Auto retail	100	100
BCF New Zealand Limited	New Zealand	Leisure retail	100	100
Workout World Pty Limited(1)(2)	Australia	Sports retail	100	100
Coyote Retail Pty Limited(1)	Australia	Sports retail	100	100
FCO New Zealand Limited	New Zealand	Leisure retail	100	100
Fixed Price Car Service Australia Pty Ltd(3)	Australia	Auto services	61.85	51
Foghorn Holdings Pty Ltd(1)	Australia	Sports retail	100	100
Goldcross Cycles Pty Ltd(1)	Australia	Sports retail	100	100
Infinite Retail Pty Ltd(4)(5)	Australia	Sports retail	95	50.05
VBM Retail (HK) Limited(5)(6)	Hong Kong	Sports retail	95	50.05
Infinite Retail UK Limited(5) (6)	United Kingdom	Sports retail	95	50.05
VBM Retail NZ Limited(5) (6)	New Zealand	Sports retail	95	50.05
Oceania Bicycles Pty Ltd(1) (7)	Australia	Sports retail	100	100
Oceania Bicycles Limited (8)	New Zealand	Sports retail	100	100
Quinns Rock Pty Ltd(1)	Australia	Sports retail	100	100
Ray's Outdoors New Zealand Limited	New Zealand	Leisure retail	100	100
Ray's Outdoors Pty Ltd(1)	Australia	Leisure retail	100	100
Rebel Group Limited(1)	Australia	Sports retail	100	100
Rebel Management Services Pty Limited(1)	Australia	Sports retail	100	100
Rebel Sport Limited(1)	Australia	Sports retail	100	100
Rebel Wholesale Pty Limited(1)	Australia	Sports retail	100	100
Rebelsport.com Pty Limited(1)	Australia	Sports retail	100	100
SCA Equity Plan Pty Ltd	Australia	Investments	100	100
SRG Leisure Retail Pty Ltd(1)	Australia	Leisure retail	100	100
SRGS (New Zealand) Limited	New Zealand	Product acquisition and distribution	100	100
SRGS Pty Ltd(1)	Australia	Product acquisition and distribution	100	100
Super Cheap Auto (New Zealand) Pty Ltd	New Zealand	Auto retail	100	100
Super Cheap Auto Pty Ltd(1)	Australia	Auto retail	100	100
Super Retail Commercial Pty Ltd(1)	Australia	Auto retail	100	100
Super Retail Group Services (New Zealand) Limited	New Zealand	Support services	100	100
Super Retail Group Services Pty Ltd(1)	Australia	Support services	100	100
Super Retail Group Trading (Shanghai) Ltd	China	Product sourcing	100	100
Youcamp Pty Ltd(9)	Australia	Leisure services	51	51

(1) 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.

(2) Previously known as Coyote Retail Investments Pty Limited.

(3) On 12 May 2016, the shareholders of Fixed Price Car Service Australia Pty Ltd, entered into an agreement resulting in an increase in the Group's ownership interest to 61.85% from 51%. Refer to note 25 - Business combinations.

(4) On 14 July 2014, an additional 2 shares were acquired, resulting in the ownership interest in Infinite Retail Pty Ltd (formerly known as VBM Retail Pty Ltd) increasing to 50.05%. The entity changed from being an associate to a controlled entity. Refer to note 25 - Business combinations.

(5) On 4 November 2015, the shareholders of Infinite Retail Pty Ltd, entered into an agreement resulting in an increase in the Group's ownership interest to 95% from 50.05%. Refer to note 25 – Business combinations.

(6) Investment is held directly by Infinite Retail Pty Ltd.

(7) On 25 June 2015, the Group acquired the remaining 50% non-controlling interest shareholding, resulting in the ownership interest in these entities increasing to 100%. Refer to note 25 – Business combinations.

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

(9) On 24 June 2015, the Group acquired a 51% controlling shareholding in Youcamp Pty Ltd. Refer to note 25 - Business combinations.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 52 to 104 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 2 July 2016 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 28 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 28.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Group Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

R J Wright
Director

P A Birtles
Director

Brisbane
25 August 2016

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 balance sheet as at 2 July 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 28 June 2015 to 2 July 2016, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Super Retail Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial 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 2, 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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 2 July 2016 and of its performance for the period ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 35 to 49 of the directors' report for the period ended 2 July 2016. 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 ended 2 July 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
25 August 2016

SHAREHOLDER INFORMATION

For the period ended 2 July 2016

The shareholder information set out below was applicable as at 24 August 2016.

Number of Shareholders

There were 7,192 shareholders, holding 197,177,318 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	3,672	-
1,001-5,000	2,804	4
5,001-10,000	414	12
10,001-100,000	258	37
100,001 and over	44	3
Total	7,192	56

There were 484 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	28.93%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,587,089	15.51%
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,358,922	12.86%
NATIONAL NOMINEES LIMITED	14,658,312	7.43%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	12,518,526	6.35%
CITICORP NOMINEES PTY LIMITED	10,554,627	5.35%
BNP PARIBAS NOMS PTY LTD	9,436,513	4.79%
BNP PARIBAS NOMINEES PTY LTD	2,550,292	1.29%
BNP PARIBAS NOMINEES PTY LTD	2,474,900	1.26%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,620,655	0.82%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	955,000	0.48%
UBS NOMINEES PTY LTD	801,362	0.41%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	681,680	0.35%
MR PETER ALAN BIRTLES	675,000	0.34%
MR PETER ALAN BIRTLES	665,000	0.34%
CITICORP NOMINEES PTY LIMITED	610,690	0.31%
EQUITAS NOMINEES PTY LIMITED	583,889	0.30%
SCCASP HOLDINGS PTY LTD AS TRUSTEE FOR H & R SUPER FUND	578,703	0.29%
EQUITAS NOMINEES PTY LIMITED	567,302	0.29%
EQUITAS NOMINEES PTY LIMITED	547,135	0.28%
	173,472,612	**87.98%**

C. Substantial shareholdings

As at 24 August 2016, there are three 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	24,896,333	12.63%	21/06/2016
GOLDMAN SACHS GROUP	15,186,241	7.70%	08/07/2016

D. Unquoted equity securities

As at 24 August 2016, there were 1,438,674 unlisted performance rights, granted to 56 holders, over unissued ordinary shares in the Company.

E. Voting rights

The voting rights relating to each class of equity securities is as follows:

a) Ordinary Shares
On a show of hands at a General Meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each ordinary share held.

b) Options and Performance Rights
Performance Rights and Options do not have any voting rights.

F. Market buy-back

There is currently no on market buy-back.

PERFORMANCE TRENDS

FINANCIAL

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

CUSTOMER

	JUN 15	JUN 16
AVERAGE NPS	36.9%	43.1%
ACTIVE CLUB MEMBERS	3.9M	4.5M
CUSTOMER TRANSACTIONS	42.8M	44.8M

TEAM

	JUN 15	JUN 16
TEAM ENGAGEMENT	68%*	71%
SAFETY - LTIFR	13.2	6.8
TEAM RETENTION	75%	75%

*Results of 2014 survey

CORPORATE DIRECTORY

Name of Entity
SUPER RETAIL GROUP LIMITED

ABN
81 108 676 204

Company Secretary
Mr Robert Dawkins

Principal Registered Office
751 Gympie Road
LAWNTON QLD 4501 Australia

Telephone	+61 7 3482 7900
Facsimile	+61 7 3205 8522

Website Address
www.superretailgroup.com

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

Share Registry
Link Market Services
Level 12, 680 George Street
SYDNEY NSW 2000 Australia

Telephone	1300 554 474 +61 2 8280 7100

www.linkmarketservices.com.au

Solicitors
King & Wood Mallesons

Auditors
PricewaterhouseCoopers

KEY DATES FOR SHAREHOLDERS

Event	Date[1]
Annual General Meeting[2]	24 October 2016
Final Dividend Ex-Date	5 September 2016
Final Dividend Record Date	6 September 2016
DRP Election Date	7 September 2016
Final Dividend Payment Date	7 October 2016
Interim Results Announcement	24 February 2017
Interim Dividend Ex-Date	6 March 2017
Interim Dividend Record Date	7 March 2017
DRP Election Date	8 March 2017
Interim Dividend Payment Date	7 April 2017

[1]If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.
[2]The 2016 Annual General Meeting of the Shareholders of Super Retail Group Limited will be held at Kedron Wavell Services Club, 375 Hamilton Road, Chermside South, Queensland.

Super Retail Group

www.superretailgroup.com