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18 August 2021

ASX Announcement

APPENDIX 4E AND ANNUAL REPORT

Super Retail Group Limited (ASX–SUL) provides its Appendix 4E and Annual Report to the market.

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The release of this announcement has been authorised by the Board of Super Retail Group Limited.

APPENDIX 4E
PRELIMINARY FINAL REPORT

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

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Statutory Results

Current Reporting Period: From 28 June 2020 to 26 June 2021 (52 weeks)
Previous Reporting Period: From 30 June 2019 to 27 June 2020 (52 weeks)

Results for Announcement to the Market

	Statutory Results $m	Comparison to 2020 Statutory Results $m			
Revenue from ordinary activities	3,453.1	Up	22.2%	from	$2,825.2
Profit from ordinary activities after tax attributable to members	301.0	Up	173.1%	from	$110.2
Net profit for the period attributable to members	301.0	Up	173.1%	from	$110.2

Dividends

	Amount Per Share	Franked Amount Per Share
Interim dividend – Current Period	33.0¢	33.0¢
Final dividend – Current Period [1]	55.0¢	55.0¢
Record date for determining entitlements to the final dividend	24 August 2021	

[1] Determined 18 August 2021, payable 7 October 2021.

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

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

Key features of the result include:

- Statutory net profit for the period attributable to members up 173.1 percent to $301.0 million
- Total Group sales up 22 per cent to $3.45 billion
- Group like-for-like sales growth of 23 per cent
- Online sales up 43 per cent to $415.6 million
- Segment earnings before interest and tax (EBIT) up 80 per cent to $476.8 million
- Segment normalised profit before tax (PBT) up 108 per cent to $435.8 million
- Normalised NPAT up 107 per cent to $306.8 million
- Basic EPS up 139 percent to 133.4 cents
- Fully franked final dividend of 55.0 cents per share, bringing the full year dividend to 88.0 cents per share
- Active club members up 22 per cent to 8 million

APPENDIX 4E
PRELIMINARY FINAL REPORT

SUPER RETAIL GROUP LIMITED (SUL)
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Details of associates and joint venture entities

Name of entity	Ownership percentage
Autoguru Australia Pty Ltd - associate	38.3%
Autocrew Australia Pty Ltd – joint venture	50.0%

Control gained or lost over entities during the period

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

None

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

None

Super Retail Group

20 ANNUAL 21 REPORT

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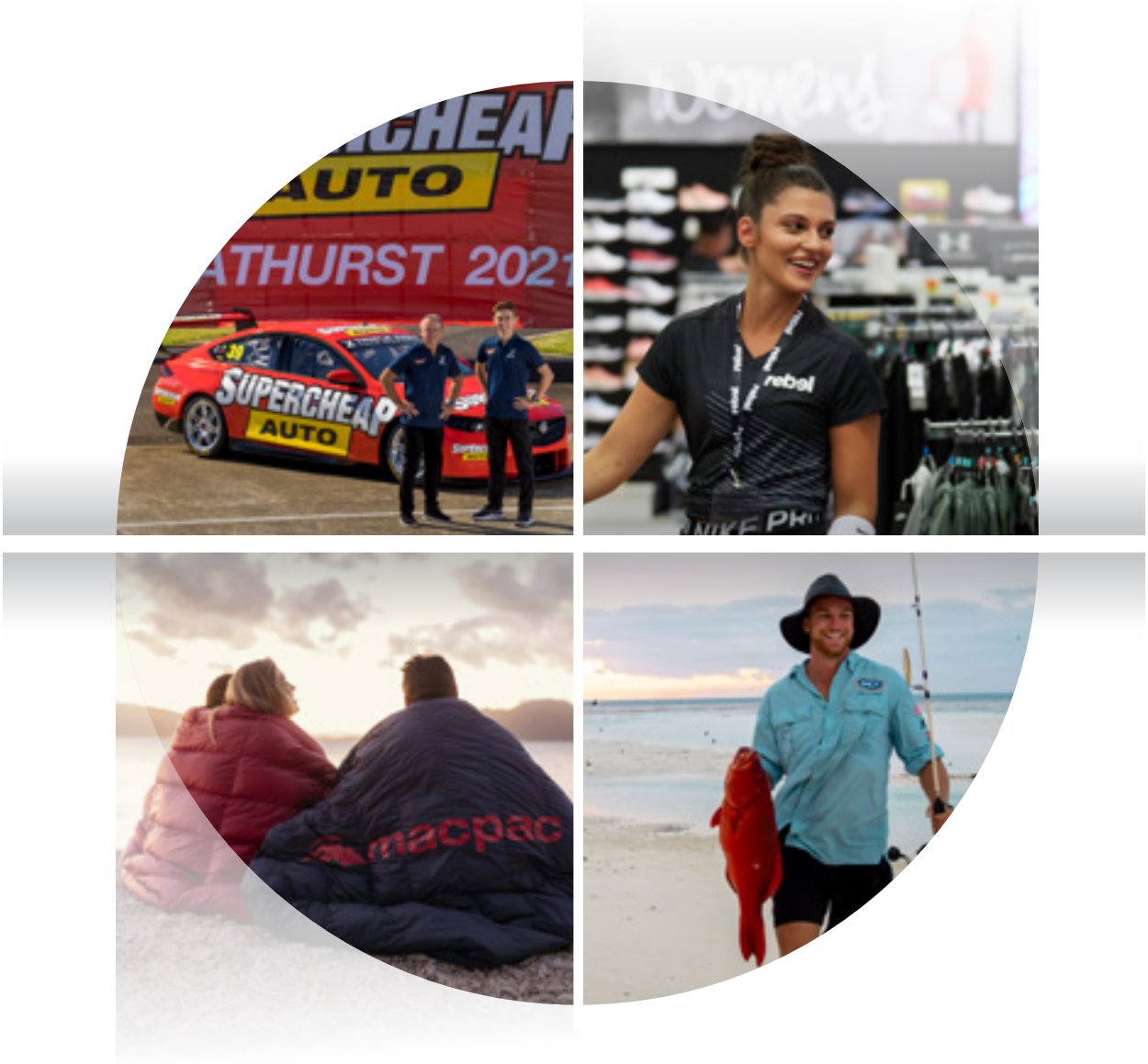

Inspiring you to live your passion

ABN: 81 108 676 204

SUPERCHEAP AUTO rebel BCF macpac

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CHAIR'S MESSAGE

DEAR SHAREHOLDERS

The 2021 financial year was a demonstration of Super Retail Group at its best, underlining the benefits of a sustainable business strategy that remains robust in a volatile world.

This past year was a difficult and challenging time for everyone, but in Super Retail Group's ongoing response to the COVID-19 pandemic we displayed the agility, innovation and resilience required to operate successfully in an uncertain external environment.

When I wrote to shareholders in last year's annual report, the health and economic crisis was still unfolding. While uncertainty remains and the impact of the pandemic will play out for some time yet, Super Retail Group has continued to perform strongly thanks to our resilient omni-retail strategy, strong leadership and engaged team members.

The $203 million equity raising in July 2020, completed with strong support from retail and institutional shareholders, including our founder and major shareholder Reg Rowe, helped position the Group for success. It allowed us to invest in both our people and the infrastructure needed to continue delivering our omni-retail strategy despite the uncertainty created by COVID-19. The Group entered the 2022 financial year with a conservative balance sheet and no bank debt.

As consumer trends accelerated the shift towards online and became embedded in customer behaviour across Australia and New Zealand, our supply chain and distribution networks were bolstered and enhanced, flowing through to a strong operational performance and a record financial result.

The Group's result and robust financial position has supported the Board's decision to determine a fully franked final dividend of 55.0 cents per share. The total dividend for the 2021 financial year is 88.0 cents per share. The total dividend represents a full year payout ratio of 65 per cent, in line with the Group's policy.

On behalf of shareholders, the Board also remains focused on the ethical and sustainable stewardship of all aspects of the Group's activities. At Super Retail Group we are determined to make a constructive contribution to society and have a positive impact in the communities in which we operate.

With a rapidly evolving external environment, the Group is reviewing its Vision, Mission and Values to ensure they remain relevant to team members and other stakeholders. In the time since our Values were first articulated, the Company has transitioned to an omni-retailer with four core brands and employs a larger and more diverse group of team members. The Board wants to be satisfied that these statements of intent remain firmly aligned with the ambition of the organisation.

Robust environmental, social and governance practices continue to be an area of focus for the Board and leadership team.

As a Group, our business activities are increasingly conducted in a manner that aligns with the transition to a lower carbon footprint and ESG risk management is now entrenched as a routine component of the Board's accountabilities.

Any review of the past 12 months must call out the

passion and dedication of our team members. Their commitment and capability is the open secret behind this organisation's success. I am constantly impressed by our team members, with frequent accounts of their determination, innovation and ingenuity in getting the job done, confirming the depth of our talented and engaged workforce. We will continue to invest in our team members because we understand how integral they are to our growth.

Given the strong corporate performance during one of the most challenging external environments in our time as a listed company, the leadership of our Managing Director and Chief Executive Officer Anthony Heraghty can only be described as first-class. Despite the external uncertainty, Anthony has ensured the business continues to focus on executing our strategy, creating a culture of high performance, creativity and engagement. Strong leadership from Anthony and his leadership team, and an emphasis on more deeply understanding our customers has delivered enviable sales growth.

The stewardship of the Board has helped strengthen the Group and positioned it to create long-term value. The Board is diligent and dedicated in fulfilling its responsibilities guiding the business on behalf of shareholders and I take this opportunity to thank my fellow directors for their sound advice and counsel.

Over the course of the financial year, Diana Eilert announced her retirement as a Non-Executive Director after six years on the Board. The Board thanks Diana for her contribution and service to shareholders, particularly as Chair of the Human Resources and Remuneration Committee. We are well advanced on a process to replace Diana with an experienced director who will complement the diversity of expertise on the Board.

Although the year ahead will be marked by continuing uncertainty, the Board and leadership team have a clear strategy to ensure the Group is positioned to deliver sustainable success. With the energy and commitment of our team members underpinning the business, I am confident Super Retail Group will continue to create value for our shareholders.

Thank you for your continued support.

Sally Pitkin AO
Chair

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CEO'S MESSAGE

DEAR SHAREHOLDERS

Despite continuing aftershocks from the COVID-19 pandemic over the past 12 months, I am pleased to report that your company exceeded performance targets and delivered a record sales result in FY21.

Our omni-retail strategy and operational flexibility combined with the commitment of the company's dedicated team members helped Super Retail Group deliver more than $3.45 billion in sales for the first time. This is a significant achievement given Australia and New Zealand continued to face lockdowns and movement restrictions as governments sought to contain COVID-19 outbreaks.

On behalf of the executive team, I offer my sincere thanks to the 14,305 team members in the Super Retail Group family. They have risen above every challenge thrown at them over the past 12 months and worked tirelessly to meet our customers' needs.

The foundation of our strong performance was built around a strategy of boosting inventories to meet anticipated increases in customer demand and re-directing our efforts to meet elevated demand in our online sales channels. On inventories, we shipped 54 per cent more containers (TEUs) compared to the previous year to guarantee supplies and overcome global logistical challenges related to the pandemic. We also reduced costs and complexity within our supply chain and information technology infrastructure.

Our strategy enabled us to capitalise on the rapid growth in online sales and the expanded appetite of customers for DIY, outdoors and health and wellbeing products. The results - delivered against the backdrop of economy-wide COVID-19 impacts across Australia and New Zealand - confirm that our business strategy is resilient and delivering a real competitive advantage for the Group.

STRONG FINANCIAL PERFORMANCE

Given the ongoing challenges of COVID-19, we were very pleased with the Group's financial performance. Key features of the full-year financial performance for the 52 weeks to 26 June 2021 included:

- Total Group sales of $3.45 billion – up 22 per cent
- Group like-for-like sales growth of 23 per cent
- Online sales of $415.6 million – up 43 per cent
- Segment EBIT of $476.8 million – up 80 per cent
- Segment PBT of $435.8 million – up 108 per cent
- Statutory NPAT of $301.0 million – up 173 per cent
- Normalised NPAT of $306.8 million – up 107 per cent
- Basic EPS of 133.4 cents – up 139 per cent
- Fully franked final dividend of 55.0 cents per share.

At the end of FY21, the Group had no bank debt and more than $242 million in cash on the balance sheet.

FOUR POWERFUL BRANDS

Our four core brands continue to maintain strong, established positions in attractive and growing lifestyle categories.

In FY21, Supercheap Auto, rebel, BCF and Macpac all recorded significant sales growth as Australians and New Zealanders embraced domestic tourism, DIY vehicle maintenance and more outdoor physical activity. The introduction of Macpac products to our rebel and BCF stores exceeded expectations, driving sales growth and raising the profile of the brand.

	FY21 sales ($m)	Sales growth	Like-for-like sales growth	Online sales growth
Supercheap Auto	$1,308.8	16.9%	16.4%	31%
rebel	$1,197.0	15.3%	17.5%	36%
BCF	$797.7	49.1%	48.0%	90%
Macpac	$153.4	16.3%	14.2%	38%

ONLINE SALES MEETING CUSTOMER DEMAND

The channel shift to online sales, which accelerated during the COVID-19 lockdowns in FY20, continued over the past 12 months.

Group online sales increased by 43 per cent to $415.6 million, representing 12 per cent of Group sales compared to 10 per cent in the previous financial year. Click & Collect, which leverages the strength of our 698 stores and constitutes our most profitable online channel, represented 46 per cent of Group online sales.

While the overwhelming majority of our loyal customers continue to use stores to engage with the business, it is clear that the channel shift to online is now a permanent feature of the retail landscape in Australia and New Zealand. Our continued evolution from a bricks and mortar retailer to an omni-retailer means we are well placed to successfully navigate the transition to increased digital sales.

A STRONG STORE NETWORK

Our network of 698 stores continued to be the backbone of the business.

Despite the impact of COVID-19 on foot traffic, 94 per cent of sales during the year involved a store visit.

We continue to invest in our store network, with upgrades and refurbishments delivering robust sales increases.

The new rebel rCX format with a focus on key categories of basketball, football, fitness and kids proved highly attractive to customers while improvements to Supercheap Auto stores, including the expansion of 'do-it-for-me' service spaces, boosted revenue. Favourable dynamics in the commercial property sector also enabled us to secure improved terms on many of our lease renewals during the year.

OUR STRATEGY IS ON TRACK

The sales performance during the financial year demonstrates that our strategy is resilient and delivering a significant dividend for the business. The Group's strategic focus remains on:

- Growing the four core brands
- Leveraging closeness to our customer
- Connecting our omni-retail supply chain
- Simplifying the business
- Excelling in omni-retail.

The current uncertain outlook for retail trading conditions underscores the importance of our clear business plan. The strategy has enabled us to take advantage of changing consumer trends and invest further in our omni-retail execution to position the business for future success.

CUSTOMER LOYALTY IS KEY

Our large and loyal customer base continued to grow over the past 12 months, in line with our strategic goal of building stronger and closer personal relationships with our customers.

We are very pleased with the growth in this area. We now have eight million active club members across our four core brands, an increase of 22 per cent on the previous financial year. Combined, our club members contributed 63 per cent of total sales and provide the Group with a key competitive advantage.

With significant migration to online, customer satisfaction levels have improved with average club member NPS increasing to 62.6, up 1.9 per cent on pcp.

AN ENGAGED AND CAPABLE TEAM

This year's record result is a credit to our capable and passionate team members. Their dedication to the business and our customers is a key driver of our sales performance and strong customer satisfaction levels in FY21.

Health, safety and wellbeing remains a priority for the business and we are committed to a zero-harm workplace for our team members. Our focus on manager-led safety conversations, mental health, identifying and assessing key risks, line accountability and implementing initiatives to reduce risks, including those related to mobile plant and manual handling, helped reduce injury rates.

We achieved a Total Recordable Injury Frequency Rate (TRIFR) of 9.43 in FY21, a 24 per cent reduction on the previous year. While this is an improvement, there is no sense of complacency and we continue to look at how we can work together to improve outcomes for team members and the wider community.

We also continue to focus on gender balance across the organisation as part of our commitment to gender equality and a diverse and inclusive workforce. In FY21, female representation on our Board was 29 per cent, 27 per cent at the executive leadership level and 39 per cent for women in senior leadership. Recent appointments have further improved this balance and while we still have work to do to reach our goal of gender equality by 2025, we are firmly on the right path to building a more representative and stronger business.

The remediation program for the historical underpayment issues identified and proactively reported to the Fair Work Ombudsman is substantially complete with $52.4 million in back payments paid to more than 26,488 current and former team members. Super Retail Group continues to engage with the Fair Work Ombudsman in relation to these matters.

A SUSTAINABLE FUTURE

Sustainability is at the core of our business decision-making and in FY21 we made progress across the Group on implementing more sustainable practices.

Our carbon emissions (scopes one and two) across the Group declined by seven per cent and our recycling rates (for all waste material in stores, support offices and distribution centres) remained at 65 per cent, in line with FY20 levels. Our brands continued to help customers reduce their impact on the environment with Supercheap Auto recycling a record 1,068,200 million litres of oil and 85,967 car batteries, and rebel recycling more than 37,000 pairs of shoes through its in-store collection.

BCF contributed $300,000 and customers raised a further $392,850 to support OzFish in protecting and restoring waterways and fish habitats. Through its Fund for Good, Macpac gave grants worth more than $376,000 to over 40 organisations.

The Group was included in the SAM Sustainability Yearbook 2021 as a Sustainability leader in the retail sector and increased its Dow Jones Sustainability Index score to 60, placing it in the top quartile within the retail sector.

The Group's performance in FY21, despite one of the most challenging retail environments in our history, underscores that our business strategy is working, fit-for-purpose and delivering significant long-term value for our shareholders.

The Group's four core brands have established market positions in the fast-growing auto, sports, leisure and outdoor categories and our loyal customer base is underpinned by eight million active club members. While the outlook for retail trading conditions remains uncertain, we are confident that demand in our lifestyle categories will continued to be supported by growing trends towards fitness, wellbeing and enjoying the great outdoors.

We are in a very strong position to continue inspiring our customers to live their passion, and we remain focused on growing our market share to help deliver value for our shareholders.

Anthony Heraghty
Group Managing Director and
Chief Executive Officer

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ABOUT US

14,305
TEAM MEMBERS

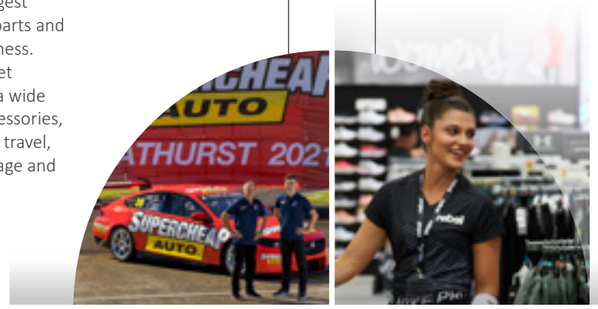
698
STORES

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

Our powerful brands have established, leading positions in growing high-involvement lifestyle categories of auto, sports and outdoor leisure. We provide our customers and highly engaged eight million active loyalty club members with the option to experience our brands whenever and however they choose – whether that's through our network of 698 stores or via our digital capabilities, which we continue to enhance.

OUR BRANDS

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



rebel helps our customers chase their sporting dreams. We are Australia's leading sporting goods specialist retailer, bringing the best of global brands direct to our customers. We inspire all Australians to live their sporting passion, with the best service and products empowering every customer to answer the call of sport.

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

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

OUR VISION

Inspiring you to live your passion – whether that's proudly looking after your car, running a marathon, catching a 'barra' or reaching a mountain summit.

CORPORATE GOVERNANCE

Super Retail Group is committed to sound corporate governance standards that protect and enhance the sustainable performance of the Group, taking into account the interests of our stakeholders, as well as the communities and environments in which the Group operates.

The Group has complied with the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) for the entire reporting period. Further details are set out in the Group's Appendix 4G and Corporate Governance Statement, authorised for issue by the Directors, which are available on the Australian Securities Exchange (ASX) website at www.asx.com.au and the Group's website at: https://www.superretailgroup.com.au/investors-and-media/corporate-governance/

ABOUT THIS REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of Super Retail Group Limited and its subsidiaries. The financial report is presented in Australian dollars. Super Retail Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal registered office and principal place of business is 6 Coulthards Avenue, Strathpine, Queensland, 4500. A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report and Remuneration Report on pages 31 to 67. All press releases, reports and other information are available on our Investors and Media menu on our website: https://www.superretailgroup.com.au/.

This report may contain forward-looking statements, including statements of current intention, opinion and expectation regarding the Group's present and future operations, possible future events and future financial prospects (including statements related to the ongoing impact of the COVID-19 pandemic). These forward-looking statements are based on the information available as at the date of this report and they are, by their nature, subject to significant uncertainties, many of which are outside of the control of the Group. Actual results, circumstances and developments may differ materially from those expressed or implied, and the Group cautions against reliance on any forward-looking statements in this report.

OUR VALUES

Our culture is underpinned by five values that guide the way we operate and behave.

PASSION OPENNESS INTEGRITY CARE DISCIPLINE

4
SUPPORT OFFICES

8
DISTRIBUTION CENTRES

3
COUNTRIES OF OPERATION

Australia, New Zealand and China

PERFORMANCE HIGHLIGHTS

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$3.45b
GROUP SALES UP 22%

23%
GROUP LFL SALES GROWTH

$476.8m
SEGMENT EBIT UP 80%

$435.8m
SEGMENT PBT UP 108%

$306.8m
NORMALISED NET PROFIT AFTER TAX

$301.0m
STATUTORY NPAT

88.0¢
DIVIDEND PER SHARE, FULLY FRANKED

CUSTOMER LOYALTY AND OMNI-RETAIL EXECUTION

ONLINE SALES GROWTH

43%
TOTAL GROUP ONLINE SALES GROWTH

31%
SUPERCHEAP AUTO

>1.6m
NEW ONLINE CUSTOMERS

36%
REBEL

56%
CLICK & COLLECT SALES GROWTH

90%
BCF

34%
HOME DELIVERY SALES GROWTH

38%
MACPAC

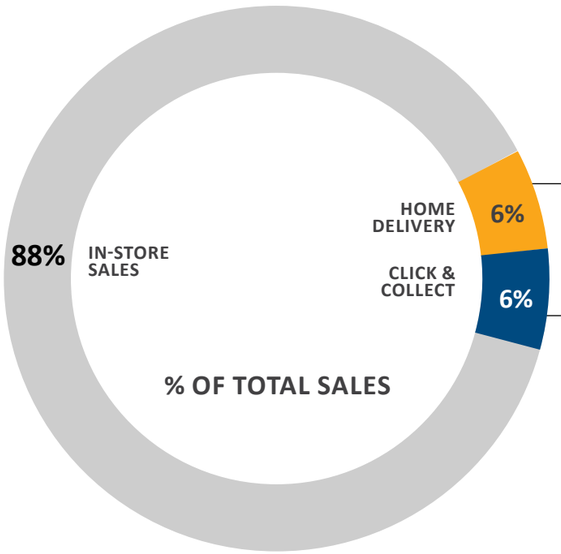
CUSTOMER LOYALTY

8.0m
ACTIVE CLUB MEMBERS

62.6
AVERAGE CUSTOMER NPS

63.2%
ACTIVE CLUB MEMBER % OF GROUP SALES

CHANNEL



54%
HOME DELIVERY % OF TOTAL ONLINE SALES

46%
CLICK & COLLECT % OF TOTAL ONLINE SALES

OUR STRATEGY

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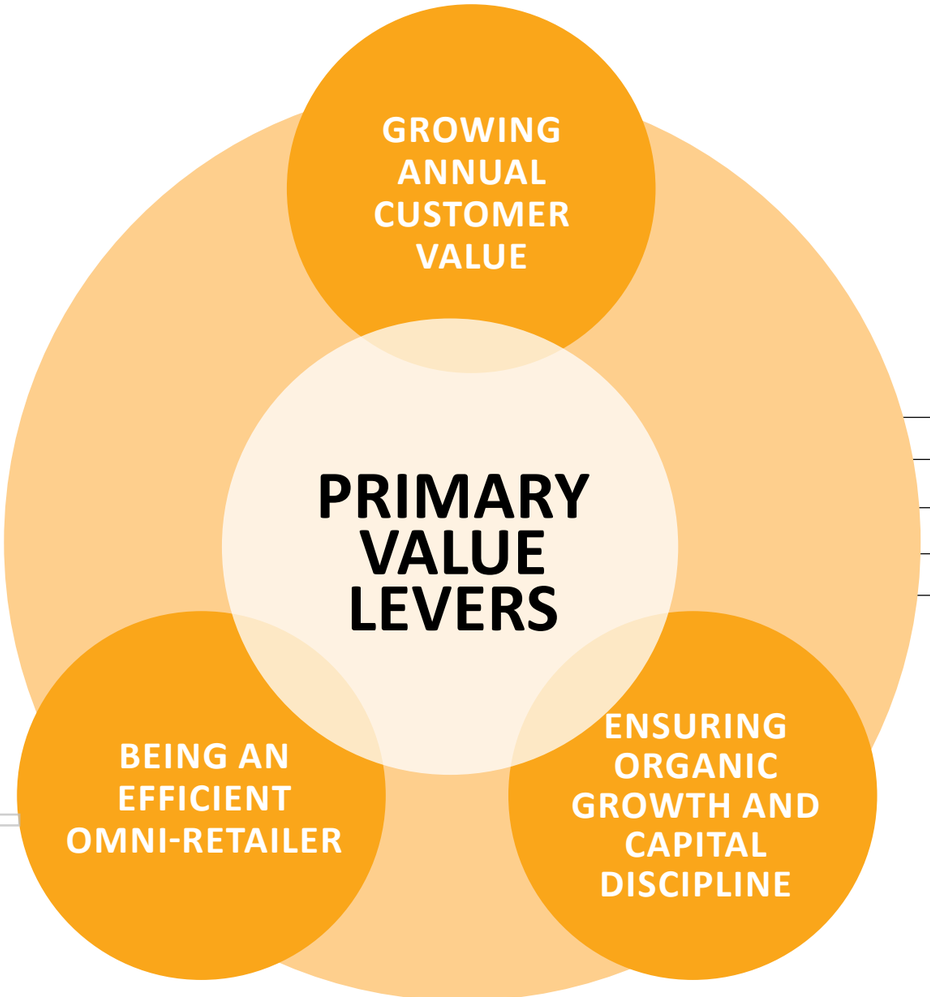


STRATEGIC DRIVERS

1 GROW THE FOUR CORE BRANDS: Focus on four core brands, key categories and leveraging scale.

FOCUS AREAS
- Align capital investment to grow our four core brands
- Develop organic brand strategies, leveraging consolidated competitive advantage
- Refresh private brand strategy

FY21 OUTCOMES
- Expansion of successful rCX concept in Doncaster to Parramatta, Miranda, Chermside and Chadstone
- Progressed five-year brand strategy
- Ongoing store network optimisation
- Macpac range expanded successfully to BCF and rebel
- New and refreshed ranges across the private brand portfolio and improved brand execution in BCF

2 LEVERAGE CLOSENESS TO OUR CUSTOMER: Building a personalised relationship with our customers, capitalising on data and insights.

FOCUS AREAS
- Deepen understanding of the customer through more sophisticated analytics and insights
- Develop structured customer relationship management (CRM) program to drive visitation and transaction growth
- Align marketing, merchandising and pricing strategies to customer

FY21 OUTCOMES
- Embedding behavioural segmentation across the value chain in all brands
- Completion of customer research and loyalty club reviews, leading to the updated Customer Value Propositions for all brands
- Expansion of pricing strategy

3 CONNECTED OMNI-RETAIL SUPPLY CHAIN: Continuing to build a fit-for-purpose integrated supply chain.

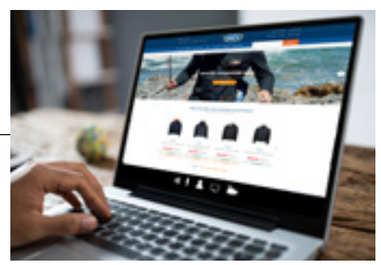
FOCUS AREAS
- Optimise Australian and New Zealand distribution centre networks, planning and product flows
- Orchestration of customer online orders
- Maximise benefits of Group sourcing capability

FY21 OUTCOMES
- Progressed Group sourcing optimisation and five-year supply chain strategy
- Commenced upgrade of the Warehouse Management System
- Order Management System (OMS) phase one and International Freight System (IFS) implemented
- Enhanced omni fulfilment network
- Supply chain TRIFR reduced by 62 per cent

4 SIMPLIFY THE BUSINESS: Becoming a more efficient and effective omni-retailer through optimising overhead and focusing on customer-facing investment.

FOCUS AREAS
- Remove duplication and leverage scale
- KPI alignment and value mindset
- Modernise technology infrastructure to be fit-for-purpose

FY21 OUTCOMES
- Senior Leadership Team KPIs aligned to Group strategy and cascaded through the business
- Information Services' five-year strategy in train including migration to Amazon Web Services
- Team engagement and communication tools in use (Workplace by Facebook)
- Ongoing workforce planning program



5 EXCEL IN OMNI-RETAIL: Enhancing our customer experience through all touchpoints along the customer journey.

FOCUS AREAS
- Build expertise for our customer-facing teams, underpinned by team members as industry experts
- Deliver a seamless 'Super Retailer' experience
- Evolve the store experience

FY21 OUTCOMES
- Omni-retail execution continuing including key digital acceleration elements:
  - **Web chat**: positive conversion rate and average order value impact
  - **Fit-finder**: delivering sustained Conversion Rate uplift
  - **Overhauled checkout flow**: easier to transact
  - **Search engine optimisation:** increasing source of revenue
- Further development of Artificial Intelligence for merchandising
- Enhanced websites with improved navigation
- Continued investment in store experience, particularly across Supercheap Auto and rebel

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Helping our communities in challenging times

As customer demand soared during the past 12 months due to increased participation in DIY maintenance, outdoor pursuits and health and wellbeing activities, Super Retail Group went to significant lengths to ensure its customer's needs were fulfilled.

Whether it was generators and gas refills for bushfire and flood-affected customers, meeting the huge demand for exercise equipment during protracted COVID-19 lockdowns or assisting a family buying their first tent for a holiday-at-home, the Group supported its customers throughout a challenging year.

Meeting this record level of demand required a step-change in how we managed inventories and serviced our customers.

We imported more than 15,000 containers (TEUs) - a 54 per cent increase on the previous year - to provide sufficient stock that would meet demand, and we were able to circumvent delays in COVID-19 affected supply chains.

Our distribution centres moved more than 408,000 pallets - a 25 per cent increase on the prior year - enabling the four core brands to have the right products in the right stores for our customers at the right time.

Our store team members fulfilled Click & Collect orders at a rapid pace, with sales up 56 per cent on last year. Our home delivery offer also stepped up, with more than 1.5 million deliveries completed in the reporting period. Our dedicated team in the customer care centre also stepped up to meet the increased demand and solved more than 400,000 calls while introducing new technology such as webchat in November 2020, which facilitated more than 71,000 interactions in the financial year.

With the ongoing challenges faced by many communities, our products and our team helped tens of thousands of Australians and New Zealanders to continue to live their passions while staying safe and active.

The Group delivered a record $3.45 billion in sales as our customers built home gyms, kept their cars on the road and re-embraced the great Australian road-trip holiday.

Our customers took to the great outdoors in droves in response to restrictions around interstate and international travel. As an example, sales of BCF's tents grew more than 55 per cent.

$300,000
BCF SUPPORT FOR OZFISH

408,000+
PALLETS DELIVERED

With the continuing turmoil of natural disasters and the pandemic, the Group acknowledged the critical role played by emergency services personnel in responding to natural disasters and the COVID-19 pandemic.

Our four core brands joined other retailers in supporting the second First Responders Day – offering discount privileges for healthcare and emergency services personnel who went above and beyond during the pandemic and the natural disasters that caused so much devastation in Australia and New Zealand.

Super Retail Group recognises that sustainable value creation is only possible if we play a positive role in the communities we serve.

During FY21, Macpac's 'Fund for Good' program awarded grants worth over $376,000 to more than 40 Australian and New Zealand-based organisations. BCF's support of OzFish continued with $300,000 being contributed to the protection and restoration of waterways and fish habitats and a further $392,850 being raised by customers.

To ensure Super Retail Group continues to create value, the business encourages all team members to act in a manner that benefits the communities in which we operate.

An awareness of community expectations, and how and they are constantly evolving, is necessary to continually readjust the way we work. Society is demanding more of the corporate sector, raising the bar on what is the right way of going about business.

Super Retail Group understands that the best way to understand the communities in which it operates is to be embedded and active in the community. Drawing our team members from our communities, using local partners and suppliers, participating in community programs, all help us build a deep understanding of our customers needs.

And it assists the business in responding swiftly at times of need.

When our customers are facing serious challenges, Super Retail Group has established a track record of working hard to be there for them. It's a reputation we are determined to retain. It requires commitment and enormous reservoirs of energy and enthusiasm to take that extra step, make that extra call to ensure the customer is satisfied.

We acknowledge this would be impossible to achieve without the dedication and commitment of our indefatigable team members. Without their support and drive, the Group would have been unable to deliver such achievements across such a challenging year.

$376,000
MACPAC 'FUND FOR GOOD' GRANTS

400,000+
CALLS VIA OUR CUSTOMER CARE CENTRE

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IN-STORE SERVICES

Helping our customers enjoy their drive

The Supercheap Auto Services program provides high-value fitments and services to complement a wide range of common automotive products sold in store. These services include checks and replacement of batteries, wiper blades, bulbs, protectors and covers. Our team are trained to help the customer choose the correct product and, in many cases, fit or apply the product for the customer. The program is available in 318 stores, with 100 of those stores offering an extended range of fitments and services, such as roof racks.

In FY21, the team increased its focus on this offer, delivering almost 725,000 service solutions to our Supercheap Auto customers. The services included fitting 340,000 wiper blades and arms, replacing 107,000 bulbs, replacing and recycling 32,000 batteries, and facilitating 206,000 automotive paint requests.

Market data has provided us with a clear picture of the two distinct customer segments most likely to participate and benefit from this offer. The first segment is the 'do-it-for-me' customer, who see the service as a low-cost alternative to solving problems usually handled by their mechanic. The second segment is the traditional 'do-it-yourself' customer, who could do it themselves but instead choose the no-fuss convenience of getting it done while they shop.

A key priority of the program is the safety of our team and customers. Dedicated Service Areas (DSAs) are in nearly a third of all Supercheap Auto stores and provide a safe and secure location for fitments and services to be undertaken. These areas provide space for a broader range of fitments that would not be possible in a traditional carpark environment.

Continued expansion of the DSA network is key to offering the extended range of services in-store, to meet the needs of local customers and their vehicles. During the pandemic, we also implemented a contact-free fitment solution, so our team could continue to provide this service while keeping a safe distance from each other and the customer.

The services program is continuing to expand in range and volume as we incorporate the latest customer insights and market data into the offer. In FY21, the core services (bulbs, blades and batteries) achieved an NPS result of 80, which is 15 points higher than our average active club member. Given the critical role services play in the overall shopping experience for our customer, we are committed to continuing to grow the services program as our customers' needs and vehicles change.

OUR BRANDS

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

327
STORES

2.3m
ACTIVE CLUB MEMBERS

64
AVERAGE ACTIVE CLUB MEMBER NPS

16.9%
SALES GROWTH

14.7%
PBT MARGIN

46%
ACTIVE CLUB MEMBERS % OF TOTAL SALES

6%
CLICK & COLLECT % OF TOTAL SALES

85%
BRAND AWARENESS
Data: Stellar Market Research; Australia FY21

31%
ONLINE SALES GROWTH

37%
ACTIVE CLUB MEMBER GROWTH

92%
IN–STORE % OF TOTAL SALES

2%
HOME DELIVERY % OF TOTAL SALES

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Bringing the rebel brand promise to life

The rebel team continues to inspire Australians to chase their sporting dreams and passions through the rebel customer experience (rCX) store program and roll-out.

Following the opening of the first rCX store in Doncaster in March 2020, the team further progressed the personalised concept with the expansion and refurbishment of key sites including Miranda and Parramatta in New South Wales, Chermside in Queensland, and Chadstone in Victoria.

Despite ongoing volatility with the COVID-19 pandemic, the new concept stores are showing strong sales growth with almost 50 per cent increase in sales compared to the previous year. The key focus categories of women's apparel, senior footwear, kids, football, basketball, and fitness are all performing strongly, providing confidence for future roll-outs.

The rCX stores offer customers an innovative and immersive shopping experience, using a combination of technology and personalised interactions to create a truly unique experience. From shooting hoops and playing virtual interactive games, to getting a fellow athlete's advice about the perfect running shoe, the rCX concept positions rebel as a frontrunner in sporting expertise and experiences.

The introduction of a football experience space, a basketball court and a showcase of LeBron James' products is providing customers a memorable retail experience and a chance for sporting fanatics to have fun with friends. The passion and expertise from the team on the floor, combined with the range and presentation of products on offer in rCX stores, creates a unique connection with the customer. Each store includes bespoke features to cater to the local community and is designed to provide a balance between retail and experience, to maximise the customer journey and return on floorspace.

The concept, designed in partnership with Nike and other key trade partners, was recognised at Inside Retail's 2021 Retailer Awards with rebel winning the Best Store Design/Concept of the Year category, as well as the Customer Experience of the Year (Medium to Large Business) award.

The next step for rebel is to continue to innovate, listen and respond to customer feedback and expand the rCX strategy across key stores around the country.

OUR BRANDS

rebel

rebel helps our customers chase their sporting dreams. We are Australia's leading sporting goods specialist retailer, bringing the best of global brands direct to our customers. We inspire all Australians to live their sporting passion, with the best service and products empowering every customer to answer the call of sport.

153
STORES

3.2m
ACTIVE CLUB MEMBERS

59
AVERAGE ACTIVE CLUB MEMBER NPS

15.3%
SALES GROWTH

13.9%
PBT MARGIN

68%
ACTIVE CLUB MEMBERS % OF TOTAL SALES

5%
CLICK & COLLECT % OF TOTAL SALES

94%
BRAND AWARENESS
Data: Stellar Market Research; Australia FY21

36%
ONLINE SALES GROWTH

13%
ACTIVE CLUB MEMBER GROWTH

84%
IN–STORE % OF TOTAL SALES

11%
HOME DELIVERY % OF TOTAL SALES

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Better for our customers – new formats, new locations

The changing retail landscape for the outdoor category continued in FY21, with an increase in customer participation in everything boating, camping and fishing. In response to significantly increased participation in these recreational activities, BCF began trialling a series of new brand and category initiatives, regional formats and store locations.

A core initiative catering to this customer growth is the expansion of the BCF store network to include new store formats (high-fulfilment stores) and regional locations (smaller format stores).

The purpose of this expansion is to reach more customers and become even more relevant to our loyal customers in each location.

There are now six high-fulfilment stores in the BCF network, such as Everton Park in south-east Queensland, that cater to both the local and online customers with an active range that is over 45 per cent greater than a standard store.

Smaller format stores in key locations such as Echuca in Victoria, Ayr in north Queensland and Victor Harbor in South Australia are also proving to be a successful format, delivering sales intensity well above fleet average.

The Echuca store is about 35 per cent smaller than the traditional BCF store with a localised range catering for customers with a tailored freshwater fishing range and reduced offer on saltwater gear. Trading since November 2020, BCF Echuca has upper quartile performance in sales density and profit contribution.

The 4WD and caravan categories have been showing accelerated demand for a period of time. In response to this growth, significant in-store improvements were made in the financial year to cater for this burgeoning demand. The overhaul of the in-store offer for these two categories included new purpose-built fixtures, improved signage, changed positions in store and eye-catching display samples for customers. Amplification of these categories in a trial store in FY21 delivered substantial growth, and plans for a further 25 stores to join the rollout are well progressed.

BCF Glendale in New South Wales has one of the largest showrooms in the BCF network with a 1680 sqm showroom and is one of the first stores to showcase the new 4x4 amplification. The site is a replacement store and an example of BCF's property plan to relocate key stores to a superior site with improved car parking and customer access.

BCF will continue to progress these new initiatives, which are designed to accelerate the growth of key categories, highlight key in-store brands, and meet growing customer participation through tailored, local offers as well as online demand.

OUR BRANDS

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

142
STORES

2.0m
ACTIVE CLUB MEMBERS

63
AVERAGE ACTIVE CLUB MEMBER NPS

49.1%
SALES GROWTH

12.1%
PBT MARGIN

84%
ACTIVE CLUB MEMBERS % OF TOTAL SALES

6%
CLICK & COLLECT % OF TOTAL SALES

76%
BRAND AWARENESS
Data: Stellar Market Research; Australia FY21

90%
ONLINE SALES GROWTH

29%
ACTIVE CLUB MEMBER GROWTH

89%
IN–STORE % OF TOTAL SALES

5%
HOME DELIVERY % OF TOTAL SALES

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Macpac range extended to BCF and rebel

Macpac is New Zealand's original technical outdoor brand. The apparel and equipment we design has inspired a life outdoors since 1973, and our journey has been one of creation and innovation since day one. Macpac has a proud heritage rooted in adventure and a devoted following that spans generations. Our products are built to stand the test of time, and they continue to support explorers in some of the world's harshest environments.

Starting out as a wholesale company, Macpac initially served domestic and international markets across New Zealand, Australia, Japan and Europe using third-party retailers. In 2008, Macpac expanded into retail with its first flagship store.

In FY21, we embraced a new concept to grow brand awareness and introduce our wide range of products to a different type of customer. Looking beyond the classic adventurer – and those who love travel and the outdoors – Macpac extended its range to new customers who wear the outdoor look casually, with a trial of select Macpac apparel in four Tasmanian BCF stores during winter 2020. The trial showed early signs of success for the BCF stores as well as the two Tasmanian Macpac stores, with 33 per cent like-for-like sales growth in the Macpac stores attributed to the growth in brand awareness. The trial also improved Macpac online sales in Tasmania.

The trial showed that brand awareness and sales could be driven by using Super Retail Group's existing brands instead of relying on third-party partners. As a result, two select winter ranges were rolled out to 53 Australian BCF stores in April, followed by 99 Australian rebel stores in May.

Virtual training was undertaken by the brand teams and Macpac fixtures were installed in BCF to display the new stock. The Macpac apparel range delivered more than 35 per cent of total apparel sales in those BCF stores in FY21. BCF has also ordered a select Macpac range for the upcoming summer season.

As a result of these changes, Macpac recorded significant sales growth as its products were introduced to new customers experiencing the quality and comfort of our apparel for the first time. We are confident the increased exposure of the brand will help to attract and retain a new generation of devoted supporters, and adventurers.

OUR BRANDS

macpac

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

76
STORES

0.5m
ACTIVE CLUB MEMBERS

68
AVERAGE ACTIVE CLUB MEMBER NPS

16.3%
SALES GROWTH

11.0%
PBT MARGIN

66%
ACTIVE CLUB MEMBERS % OF TOTAL SALES

2%
CLICK & COLLECT % OF TOTAL SALES

86%
BRAND AWARENESS
Data: Stellar Market Research; New Zealand FY21

38%
ONLINE SALES GROWTH

6%
ACTIVE CLUB MEMBER GROWTH

79%
IN–STORE % OF TOTAL SALES

19%
HOME DELIVERY % OF TOTAL SALES

BOARD OF DIRECTORS[1]

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	SALLY PITKIN AO **Independent Non-Executive Chair**	ANTHONY HERAGHTY **Group Managing Director and Chief Executive Officer**	REG ROWE **Non-Executive Director**	HOWARD MOWLEM **Independent Non-Executive Director**	PETER EVERINGHAM **Independent Non-Executive Director**	ANNABELLE CHAPLAIN AM **Independent Non-Executive Director**	GARY DUNNE **Independent Non-Executive Director**
Appointed	Chair – 23 October 2017 Board – 1 July 2010	20 February 2019	8 April 2004	13 June 2017	19 December 2017	31 March 2020	31 March 2020
Committees	Chair of the Nomination Committee, Member (ex-officio) of the Human Resources and Remuneration Committee		Member of the Nomination Committee	Chair of the Audit and Risk Committee, Member of the Human Resources and Remuneration Committee	Chair of the Human Resources and Remuneration Committee, Member of the Audit and Risk Committee and Nomination Committee	Member of the Audit and Risk Committee	Member of the Audit and Risk Committee
Experience	Sally has 25 years' experience as a Non-Executive Director in the listed, private, public and non-profit sectors, including experience in international markets, and 17 years' experience as a non-executive director of ASX200 companies. Sally served as an Independent Non-Executive Director for Super Retail Group (1 July 2010 – 23 Oct 2017) prior to her appointment as Chair and is an ex-officio member of the Human Resources and Remuneration Committee. She is a former lawyer and former partner of a national law firm with banking law, corporate law and corporate governance expertise. Sally holds a Doctor of Philosophy (Governance), a Master of Laws and Bachelor of Laws.	Anthony has more than 20 years' leadership experience across the retail, apparel, FMCG and marketing services industries. Prior to his appointment as Group Managing Director and Chief Executive Officer, Anthony was Managing Director – Outdoor Retailing (2015 – 2019) where he was responsible for the BCF, Rays and Macpac businesses. Anthony has served in a variety of senior roles including Group General Manager of Underwear for Pacific Brands Limited, where he led the overhaul of the Bonds business from a wholesale operation to an omni-retailer, Global Marketing Director for Foster's Group Limited and Managing Director for George Patterson and McCann Erickson.	Reg and Hazel Rowe founded an automotive accessories mail order business in 1972, which they ran from their Queensland home. In 1974 they commenced retail operations of the business that evolved into the thriving specialty retail business – Supercheap Auto. Reg served as Managing Director until 1996 and then Chairman from 1996 to 2004. Prior to this, Reg had 13 years' experience in various retail and merchandise roles at Myer department stores. Reg brings to the Board extensive retail industry and general management expertise and skills in retail and merchandise operations, property and strategy.	Howard is experienced in many segments of the Australian and international retail industry and brings extensive experience in corporate finance, mergers and acquisitions, financial reporting, treasury, tax, audit and governance. From 2001 – 2010, he was Chief Financial Officer and board member of Dairy Farm International Holdings, a Hong Kong-based pan-Asian retailer. Prior to that, he held the position of Finance Director for Coles Supermarkets for 12 years. Howard was formerly a Non-Executive Director of Billabong International Ltd. He holds a Bachelor of Economics (Hons), a Master of Business Administration and Securities Industry Diploma, and is a Fellow of CPA Australia.	Peter is an experienced executive with more than 25 years' corporate experience, including 18 years in senior executive roles in the digital sector. He was formerly Managing Director of SEEK Limited's International Division, and served as a Non-Executive Director of the education businesses, IDP Education, Online Education Services and THINK Education, as well as Chairman of Seek's China subsidiary, Zhaopin Limited. His previous executive roles include Director of Strategy for Yahoo! in Australia and Southeast Asia. Peter holds a Master of Business Administration from IESE, a Bachelor of Economics from The University of Sydney, and is a graduate member of the Australian Institute of Company Directors.	Annabelle brings broad-ranging experience in financial services, industrial and infrastructure services. Previously, Annabelle was a director of Downer EDI Ltd, Credible Labs Inc and EFIC (Australia's export credit agency). Annabelle holds an MBA (University of Melbourne), a BA majoring in Economics and Mandarin (Griffith University), a diploma from the Securities Institute of Australia and is a Fellow of the Australian Institute of Company Directors. In 2016, Griffith University conferred on her an honorary doctorate for her service to banking, finance and the community.	Gary has deep retail sector experience with extensive careers at Woolworths, Coles, and ALDI. He has executive experience with private equity, and, most recently, held the Chief Operations role at Sigma Healthcare. Gary was formerly Chair of NostraData (a market- leading pharmacy data provider) and a former director of National Pharmaceutical Services Australia and Members Benefits Australia. He holds a Graduate Certificate of Management from Adelaide University, Master of Enterprise from Melbourne University and is a graduate of the Advanced Management Program from Harvard Business School in Boston. Gary is a recipient of the Joe Berry Memorial Award.
Other Roles	Director of ASX listed companies The Star Entertainment Group Limited and Link Administration Holdings Limited, Fellow of the Australian Institute of Company Directors and Chair of the Institute's Corporate Governance Committee.		Director of a number of private family companies.		Non-Executive Director of iCar Asia Limited and Member of the WWF-Australia, Australia's largest conservation organisation.	Chair of Canstar Pty Ltd and MFF Capital Investments Limited, Director of Seven Group Holdings Ltd and Member of the Australian Ballet board of directors.	Member of the Australian Institute of Company Directors.
Leisure Passion	Bush walking and skiing	Fishing, camping, hiking, cycling, running and cars	Enjoying time with family, walking and gardening	Golf	Ocean swimming	Hiking, travel and reading	Golf, AFL and walking

(1) Diana Eilert retired from the Board on 31 January, 2021. A search is underway to identify a new non-executive director.

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EXECUTIVE LEADERSHIP TEAM

PAUL BRADSHAW | Managing Director – BCF

Paul joined Super Retail Group in December 2019 as Managing Director for BCF and brings deep retail expertise from more than 30 years in executive and management leadership roles at successful retailers in both Australia and internationally. After working in various managerial roles at Safeway in the United Kingdom, Paul joined ASDA Stores working in regional and headquarters planning and strategy positions. Paul worked for nearly a decade with the Coles Group, holding a number of leadership positions including Group General Manager, Store Development and Chief Store Operations Officer where he was responsible for creating and driving the operations strategy.

ALEX BRANDON | Chief Executive Officer – Macpac

Alex was appointed as Macpac's Chief Executive Officer in July 2012 and continues to serve in this role after Super Retail Group acquired the outdoor adventure specialist retailer in April 2018. Originally from England, Alex holds a Bachelor of Economics and Marketing degree from the London Guildhall University. Alex has more than 25 years' of retailing experience across the US, Australia and New Zealand with companies including Bath and Body Works, Express, Surf Dive 'n' Ski, Rip Curl and Just Kids. He is based in Christchurch, New Zealand.

DAVID BURNS | Chief Financial Officer

David joined Super Retail Group in December 2012 in the role of Chief Financial Officer. David has overall responsibility for the finance, investor relations, and property and store improvement portfolios. David holds a degree in Economics from the University of Sydney and is a FCPA. He has more than 30 years of finance experience in a number of industry sectors, and previously held senior management positions at Qantas, Spotless and Lend Lease.

REBECCA FARRELL | Chief Legal Officer and Company Secretary

Rebecca joined Super Retail Group in February 2020 as Chief Legal Officer and Company Secretary, and is responsible for leading our legal, risk, health and safety, compliance, sustainability, sustainability and group secretariat functions. She has extensive executive experience in legal and corporate governance, gained through roles in top tier law firms and blue chip corporates throughout the US, Europe, Asia and Australia including IAG, Amcor and Westpac. Rebecca holds a Bachelor of Laws (first class honours) from Monash University and a Bachelor of Arts.

PAUL HAYES | Chief Information Officer[1]

Since joining Super Retail Group in December 2015 as Chief Information Officer, Paul has focused on the digital transformation of the Group's technology capability. He has implemented innovative and cost-effective technologies that drive real business value and support the Group's continued growth to be a leading omni-retailer. Paul has an extensive retailing background that include Head of Information Systems Delivery at UK retailer John Lewis, IBM managing consultant positions leading projects for premier retailers including Tesco, Argos and Woolworths and a variety of other roles including Head of Merchandising at British Home Stores.

(1) Mandy Ross will commence in the Chief Information and Digital Officer role on 25 October 2021, following Paul Hayes' decision to retire.

JANE KELLY | Chief Human Resources Officer

Jane joined Super Retail Group in July 2016 as Chief Human Resources Officer and is responsible for the company's workforce strategy, leadership and capability development, employee relations and corporate affairs. Through the Group people strategy, she delivers sustainable business outcomes, with a focus on quality stakeholder engagement. Jane holds a Master of Commerce and Employee Relations with Honours from the University of Melbourne and a Bachelor of Commerce from the University of New South Wales. She was previously the Human Resources and Corporate Affairs Director at BT Financial Group and also held senior roles as Head of Reward for St. George Bank and Head of Human Resources - Australian Financial Services at Westpac.

KATIE McNAMARA | Chief Strategy and Customer Officer

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

BENJAMIN WARD | Managing Director – Supercheap Auto

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

DARREN WEDDING | Chief Supply Chain Officer

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

GARY WILLIAMS | Managing Director – rebel

Gary joined Super Retail Group in April 2019 as Managing Director – rebel. Gary has more than 30 years of global retail, brand and property experience, including senior executive roles in Australia - where he has served for the past 20 years – the US, UK, Asia Pacific and South Africa. Previously Gary was the Chief Operating Officer for the Alceon Retail Group and has also held executive, board and senior retail leadership roles with brands including David Jones/Country Road Group, Myer, OK Bazaars, Puma, Reebok, Coca-Cola, Westfield and Topshop.

OUR TEAM

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82%
TEAM MEMBER ENGAGEMENT

39%
WOMEN IN SENIOR LEADERSHIP

With more than 14,000 team members across Australia, New Zealand and China, an engaged, passionate and capable team is critical to inspiring our customers to live their passion.

In FY21, we shifted from an annual engagement survey to a continuous listening, pulse survey that measures engagement three times a year and focuses on micro-actions. This shorter, sharper cycle enables our people leaders to listen more, to learn more and to act with greater speed. Our first pulse had a participation rate of 71 per cent with 10,014 responses, and the Group's engagement score was 82, which is 5 points above the Achievers (a global expert in employee recognition and engagement) industry benchmark.

We continue to invest in two key, digital engagement platforms – SOULmoments (recognition) and Workplace (communication). Each month, our team averages 14,351 recognitions and 89 per cent are active on Workplace.

CONSISTENT INVESTMENT IN LEARNING AND DEVELOPMENT

We are focused on providing consistent learning and development opportunities to attract, grow and retain the talent needed to execute our strategy and deliver our customer promise.

Our SOULlibrary platform underpins a suite of learning tools, available to all team members, based on a continuous learning philosophy. Team members can improve their skills and knowledge when, where and how it suits them. More than 18,000 hours of learning were undertaken via this platform in FY21.

Our 'experts' program for Supercheap Auto, rebel, BCF and Macpac retail team members equip our team with the product and technical expertise required to meet the needs of our customers. In FY21, there were 22 campaigns rolled out to 11,525 retail team members delivering more than 40,000 hours of learning.

Access to accredited learning programs is another important development experience offered to our retail team members. In the financial year, there were 119 Australian team members who completed their Certificate III in Retail Operations or Certificate IV in Retail Management and five New Zealand team members who gained their Level Four Retail Management qualification.

FOCUSED ON A SAFE WORK ENVIRONMENT

We care about the physical and psychological health and safety of our team members, customers, contractors, business partners and visitors including our heavy vehicle operations.

This year's focus has been on mental health, COVID-19, identifying and assessing key risks, line accountability and implementing initiatives to reduce risks involved with mobile plant and manual handling.

We achieved a Total Recordable Injury Frequency Rate (TRIFR) of 9.43 in FY21, a 24 per cent reduction on the previous year. We also recorded a Lost Time Injury Frequency Rate (LTIFR) of 4.51, a 22 per cent improvement on the previous year. These results include both team members and labour hire.

Our response to the COVID-19 crisis remains a closely monitored risk. An SRG COVID-19 Operations Guide, containing information about government controls, risk assessment, enhanced cleaning methods, mental wellbeing, remote working, incident response and government travel restrictions, has been a critical control through the period.

In response to the growing awareness about mental wellbeing, our 'I Am Here' program encourages the team to look out for themselves and others and to create a supportive work environment for every team member, every day. More than 1,800 team members have been actively involved in the initiative.

To further lift our safety maturity the Health and Safety Governance Framework and Health and Safety Standards were implemented. To meet our Chain of Responsibility (CoR) obligations, more than 11,000 team members were engaged in online training.

DIMENSIONS – MODERN AND FLEXIBLE ROSTERING

A significant investment in the financial year has been our new rostering, time, and attendance system. This system (Dimensions) makes it easier for store managers to change, build and publish rosters and gives team members more control to manage their availability and shifts.

To help prepare for full deployment in FY22, 49 stores were engaged as pilot stores in FY21, allowing for improvements to be made prior to implementing this change across our network. To support retail management, comprehensive leadership and system training was delivered with more than 3,700 hours of training completed to support managers in all aspects of rostering their team.

COMMITTED TO DIVERSITY AND FLEXIBILITY

Our commitment to providing an environment that includes people with diverse values, backgrounds, skills, experience and needs is a critical component to reflecting the communities in which we operate.

Our goal remains to achieve gender equality in our Board, executive and senior leadership teams by 2025.

In the financial year, we initiated a Group Diversity and Inclusion Committee and launched a Gender Affirmation policy and plan. We continue to celebrate various diversity events including Wear it Purple Day, International Women's Day and NAIDOC week.

We proudly hold the Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality (EOCGE) Citation. In September 2021, we will be renewing our application for citation. Female representation on our Board is at 29 per cent, 27 per cent at the executive leadership level and 39 per cent for women in senior leadership. Our 2021 Workplace Gender Equality Agency (WGEA) report is available via the Group's website.

WGEA Employer of Choice for Gender Equality

9.43
TRIFR - 138 INCIDENTS PER MILLION HOURS WORKED
down 24% YOY

14,351
AVG TEAM MEMBER RECOGNITIONS PER MONTH

Directors' Report
Remuneration Report
Financial Report

FOR THE YEAR ENDED
26 JUNE 2021

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

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Super Retail Group Limited (SUL) (the Company) and its subsidiaries for the period ended 26 June 2021.

1. Directors

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

Directors:
S A Pitkin AO
(Independent Non-Executive Chair)
A M Heraghty
(Group Managing Director and Chief Executive Officer)
R A Rowe
(Non-Executive Director)
H L Mowlem
(Independent Non-Executive)
P D Everingham
(Independent Non-Executive)
S A Chaplain AM
(Independent Non-Executive)
G T Dunne
(Independent Non-Executive)

Former:
D J Eilert
(Independent Non-Executive) *(retired 31 January 2021)*

Details of the qualifications, experience and responsibilities of the Directors can be found in the Group's annual report on pages 24 and 25.

Special Responsibilities of Directors:

Director	Audit & Risk Committee	Nomination Committee	Human Resources & Remuneration Committee
S A Pitkin AO	-	Chair	Member (Ex-Officio)
A M Heraghty	-	-	-
R A Rowe	-	Member	-
H L Mowlem	Chair	-	Member
P D Everingham	Member	Member	Chair[1]
S A Chaplain AM	Member	-	-
G T Dunne	Member	-	-
D J Eilert	-	-	Member[2][3]

[1] Appointed as Chair on 28 October 2020.
[2] Ceased as Chair on 28 October 2020.
[3] Ceased as a member on 31 January 2021.

1.1 Directorships of listed companies held by members of the Board

Current Directors:

Director	Listed Company	Directorship	Key Dates
S A Pitkin AO	Super Retail Group Limited	Independent Non-Executive Chair	Current, appointed 01 July 2010 Appointed as Chair 23 October 2017
	The Star Entertainment Group Limited	Independent Non-Executive Director	Current, appointed 31 July 2014
	Link Administration Holdings Limited	Independent Non-Executive Director	Current, appointed 23 September 2015
A M Heraghty	Super Retail Group Limited	Group Managing Director and Chief Executive Officer	Current, appointed 20 February 2019
R A Rowe	Super Retail Group Limited	Non-Executive Director	Current, appointed 08 April 2004
H L Mowlem	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 13 June 2017

DIRECTORS' REPORT (continued)

1. Directors (continued)

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

Current Directors:

Director	Listed Company	Directorship	Key Dates
P D Everingham	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 19 December 2017
	iCar Asia Limited	Independent Non-Executive Director	Current, appointed 1 July 2017
S A Chaplain AM	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 31 March 2020
	MFF Capital Investments Limited	Independent Non-Executive Director	Current, appointed 21 May 2019 (Chair from 1 August 2019)
	Seven Group Holdings Limited	Independent Non-Executive Director	Current, appointed 24 November 2015
G T Dunne	Super Retail Group Limited	Independent Non-Executive Director	Current, appointed 31 March 2020

Former Director:

Director	Listed Company	Directorship	Key Dates
D J Eilert	Elders Limited	Independent Non-Executive Director	Current appointed 14 November 2017
	Domain Holdings Australia Limited	Independent Non-Executive Director	Current appointed 16 November 2017
	Former directorships:		
	Super Retail Group Limited	Independent Non-Executive Director	Former, appointed 21 October 2015 and resigned 31 January 2021
	Navitas Limited	Independent Non-Executive Director	Former, appointed 28 July 2014 and delisted 5 July 2019

1.2 Directors' Meetings

All Directors may attend Board Committee meetings even if they are not a member of the relevant Committee. The number of meetings of the Company's Board of Directors and each Board Committee held during the period ended 26 June 2021 is set out below:

			Meetings of Committees							
	Board Meetings		Audit and Risk		Human Resources and Remuneration		Nomination		Board Sub-Committee	
Total number of meetings held	12		4		4		1		2	
	Attended	Eligible[1]	Attended	Eligible[1]	Attended	Eligible[1]	Attended	Eligible[1]	Attended	Eligible[1]
S A Pitkin AO	12	12	4	-	4	4	1	1	2	2
A M Heraghty	12	12	4	-	4	-	-	-	2	2
R A Rowe	12	12	4	-	4	-	1	1	-	-
H L Mowlem	12	12	4	4	4	4	-	-	2	2
P D Everingham	12	12	3	4	4	4	1	1	-	-
S A Chaplain AM	12	12	3	4	2	-	-	-	-	-
G T Dunne	12	12	4	4	4	-	-	-	-	-
D J Eilert[2]	8	8	2	-	3	3	-	-	-	-

[1] Number of meetings the Director was eligible to attend during the time the Director held office in the year.
[2] Ceased as a Director on 31 January 2021.

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DIRECTORS' REPORT (continued)

1. Directors (continued)

1.3 Directors' Interests

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

Director	Number of Ordinary Shares	Number of Restricted Shares	Options over Ordinary Shares
S A Pitkin AO	59,605	-	-
A M Heraghty	66,238	22,084	-
R A Rowe	68,517,723	-	-
H L Mowlem	34,286	-	-
P D Everingham	40,000	-	-
S A Chaplain AM	5,000	-	-
G T Dunne	8	-	-

2. Company Secretary

The Company Secretary (and Chief Legal Officer) is Ms Rebecca Farrell, B.A. LLB (Hons) (MU). Ms Farrell was appointed and commenced with Super Retail Group Limited on 10 February 2020. Details of Ms Farrell's experience can be found in the Group's annual report on page 26. Ms Kelly Head, LLB (Hons) was appointed as additional Company Secretary on 31 May 2021. Ms Head is an experienced Corporate lawyer with 17 years post qualification experience, including at King & Wood Mallesons, an international bank and Commonwealth Bank of Australia.

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:

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

For further details on strategy refer to pages 12 to 13 of the Group's annual report.

3.2 Review of Financial Condition

A number of factors are influencing the financial results of the Group which will need to be considered when reviewing the financial performance of the business. The key factors to be considered are:

- COVID-19 and online growth
- Strength of the balance sheet

(a) Group Results – Post AASB16 *Leases*	2021 $m	2020 $m
Revenue from continuing operations	**3,453.1**	2,825.2
Statutory profit for the period after tax	**301.0**	110.2
Segment earnings before interest and taxes (EBIT)	**476.8**	265.0
Segment earnings before taxes (PBT)	**435.8**	209.9
Normalised net profit after tax (NPAT)	**306.8**	148.2
Operating cash flow	**600.0**	610.7
Earnings per share (EPS) – basic (cents)	**133.4**	55.8
Dividends per share (cents)	**88.0**	19.5

The Group delivered a record full year result driven by sales, higher gross margin and disciplined cost management. The Group achieved total sales growth of 22.2 per cent which included significant like-for-like sales growth across all divisions. The 22.2 per cent sales growth for the Group translated into a 45.6 per cent increase in Segment EBITDA, a 79.9 per cent increase in Segment EBIT and a 107.0 per cent increase in normalised net profit after tax.

Profit for the period was $301.0 million compared to $110.2 million in the prior period representing an increase of 173.1 per cent. The table below provides the reconciliation to the statutory profit.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(a) Group Results – Post AASB16 *Leases* (continued)

Impacts of COVID-19 and Online Growth

COVID-19 has had a significant impact on the Group during the year as customer spending increased. While total sales grew by 22.2%, online sales grew by 43.3% and represented 12.0% of total sales as customers moved increasingly online. Click & Collect represented 46.2% of Group online sales. The importance of the Group's investment in its digital capability was underscored by the impact of intermittent COVID-19 lockdowns on store trading and foot traffic. The Group's omni-retail capability enabled it to pivot to online channels to meet consumer demand through both click & collect and home delivery. COVID-19 restrictions varied by geography throughout the year.

Strength of the Balance Sheet

On 15 June 2020, the Group announced an underwritten one for seven accelerated pro rata non-renounceable entitlement offer which generated net cash proceeds of $198.4 million. This allowed the Group to invest in inventory to support the elevated sales demand and protect against supply chain delays. The June 2021 inventory balance is 38.6% higher than the prior period.

	2021 $m	2020 $m
Statutory profit for the period after tax	**301.0**	110.2
Wages underpayment and remediation costs[1]	**6.2**	17.1
Losses from associates accounted for using the equity method	**0.2**	0.6
Reversals of provisions previously excluded from normalised NPAT[1]	**(0.6)**	(1.0)
Accelerated asset amortisation[1]	**-**	9.6
Business restructuring costs[1]	**-**	5.5
Break costs on interest rate swaps[1]	**-**	4.2
Loss on divestment of investments/Closure of non-core businesses[1]	**-**	2.0
Total of items not included in total segment NPAT	**5.8**	38.0
Normalised net profit after tax	**306.8**	148.2

[1] Net of tax

Adjustments relating to normalised net profit for the current year remain consistent with prior years with the main adjustment relating to costs in relation to executing the wage underpayment remediation programme.

(b) Division Results – Post AASB16 *Leases*

	Sales		Segment EBIT		Segment PBT	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Supercheap Auto	**1,308.8**	1,119.7	**204.2**	141.6	**192.3**	129.2
rebel	**1,197.0**	1,038.6	**180.0**	110.6	**166.7**	96.0
BCF	**797.7**	535.0	**105.2**	23.4	**96.4**	15.0
Macpac	**153.4**	131.9	**18.1**	7.7	**16.9**	5.8
Unallocated/intersegment	**(3.8)**	-	**(30.7)**	(18.3)	**(36.5)**	(36.1)
	3,453.1	2,825.2	**476.8**	265.0	**435.8**	209.9

Supercheap Auto

Sales increased by 16.9 per cent to $1,308.8 million. Like-for-like sales growth of 16.4 per cent reflected both transaction growth and higher average transaction value driven by increase units per transaction and average unit value.

Segment PBT increased by 48.8 per cent to $192.3 million and PBT margin of 14.7 per cent was 3.2 per cent higher than the prior comparative period. Gross margin expansion was driven by lower promotional sales, reduced promotional and clearance depth and a favourable net recovery of supply cost inflation.

Online sales increased by 30.6 per cent to $106.8 million. Online sales represented eight per cent of Supercheap Auto's total sales and Click & Collect accounted for over 70 per cent of these online sales.

Supercheap Auto active Club Plus membership increased by approximately 37 per cent during the financial year to 2.3 million members. Sales to club members increased to 46 per cent of total sales. Average club member net promotor score (NPS) increased to 64 from 63 in the prior comparative period.

During the 2021 financial year, the business opened two new stores and closed one store. As at the end of the financial year, the business had a total of 283 stores in Australia and 44 stores in New Zealand.

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(b) Division Results – Post AASB16 *Leases* (continued)

rebel

Sales increased by 15.3 per cent to $1,197.0 million with like-for-like sales growth of 17.5 per cent. Like-for-like growth reflected increased transaction and higher average transaction value, due to increased items per transaction and higher average item value.

Segment PBT increased by 73.6 per cent to $166.7 million and PBT margin of 13.9 per cent was 4.7 per cent higher than the prior comparative period. Gross margins increased due to lower promotional activity, sales mix changes to higher margin products and favourable net recovery of supply cost inflation.

Online sales increased by 36.3 per cent to $192.6 million reflecting the strong channel shift during COVID-19. Online sales represented 16 per cent of total rebel sales and Click & Collect accounted for approximately 32 per cent of these online sales.

Rebel active club membership increased by approximately 13 per cent during the financial year to 3.2 million members. Sales to club members increased to 68 per cent of rebel sales. Average club member net promotor score (NPS) increased to 59 from 55 in the prior comparative period.

During the 2021 financial year, rebel opened one store and closed eight stores. As at the end of the financial year, rebel had 153 stores.

BCF

Sales increased by 49.1 per cent to $797.7 million. Like-for-like sales grew 48.0 per cent driven by both increased transactions and higher average transaction value.

Segment PBT increased by 542.6 per cent to $96.4 million and PBT margin of 12.1 per cent was 9.3 per cent higher than the prior comparative period. Gross Margins increased due to lower promotional sales, reduced promotional and clearance depth and a favourable net recovery of supply cost inflation.

The BCF club loyalty program experienced strong growth with active memberships increasing by approximately 29 per cent to 2.0 million. Sales to club members increased to 84 per cent of total BCF sales. Average club member net promotor score (NPS) decreased to 63 from 64 in the prior comparative period.

Online sales grew by 90.2 per cent to $86.1 million reflecting a shift to the online channel due to COVID-19. Online sales represented 11 per cent of total BCF sales and Click & Collect accounted for approximately 60 per cent of these online sales.

BCF opened three stores during the financial year. As at the end of the financial year, BCF had 142 stores.

Macpac

Sales increased by 16.3 per cent to $153.4 million with like-for-like sales growth of 14.2 per cent.

Segment PBT increased by 191.4 per cent to $16.9 million and PBT margin of 11.0 per cent was 6.6 per cent higher than the prior comparative period. Gross margins recovered to 2019 levels due to increased average selling prices, improvements in product sourcing costs and favourable foreign exchange.

Online sales increased by 38.1 per cent to $30.2 million. Online sales represented 21 per cent of total Macpac sales and Click & Collect accounted for less than ten per cent of online sales.

Macpac active club membership increased by approximately 6 per cent during the financial year to 0.5 million members. Sales to club members increased to 66 per cent of Macpac sales. Average club member net promotor score (NPS) increased to 68 from 67 in the prior comparative period.

During the 2021 financial year, Macpac opened four stores. As at the end of the financial year, Macpac had 76 stores.

Group Costs

Group costs for the period were $36.5 million (PBT), which was $0.4 million higher than the prior comparative period. A favourable reduction in interest expense of $12.0 million due to lower debt was offset by increased corporate costs. Corporate costs were $7.0 million higher than the prior comparative period reflecting performance rights expenses for both Group and brand participating management, increased investment in corporate areas such as legal, risk & compliance, higher insurance costs and increased professional fees.

The Group recognised an additional $5.4 million of costs in the period due to updated guidance from the International Reporting Interpretations Committee (IFRIC) regarding the treatment of Software as a Service (Saas) costs. Approximately $4.0m of the additional costs related to prior periods.

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DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(c) Financial Position and Cash Flow

	2021 $m	2020 $m
BALANCE SHEET		
Trade and other receivables	**38.4**	26.3
Inventories	**696.4**	502.4
Trade and other payables	**(563.4)**	(442.3)
Current tax assets / (liabilities)	**(69.5)**	(17.1)
Total working capital	**101.9**	69.3
Cash and cash equivalents	**242.3**	285.1
Borrowings	**-**	(247.8)
Lease liabilities	**(989.6)**	(939.3)
Net debt	**(747.3)**	(902.0)
Property, plant and equipment	**219.9**	227.8
Right-of-use assets	**894.3**	848.0
Intangible assets	**866.9**	874.3
Other financial assets	**6.1**	6.3
Derivatives	**3.6**	(1.9)
Provisions	**(123.6)**	(135.4)
Deferred taxes	**4.7**	4.9
NET ASSETS	**1,226.5**	991.3
CASH FLOW		
Net cash inflow from operations	**600.0**	610.7
Net cash (outflow) from investing	**(84.5)**	(67.9)
Net cash (outflow) from financing	**(558.2)**	(264.8)
Net increase / (decrease) in cash	**(42.7)**	278.0
Cash at the beginning of the period	**285.1**	7.5
Effects of exchange rates on cash	**(0.1)**	(0.4)
Cash at the end of the period	**242.3**	285.1

Working capital investment increased by $32.6 million due to the significant increase in inventory of $194.0 million. The increased investment in inventory is to support the elevated sales demand and protect against supply chain delays. Trade and other payables increased by $121.1 reflecting the increased inventory payable position. The tax liability has increased by $52.4 million reflecting the amount payable on the higher profit for the year.

Excluding lease liabilities, the Group was in a net cash position of $242.3 million compared to $37.3 million in the prior year. This position reflects profitable trading.

Net cash inflow from operations has decreased by $10.7 million due to payment terms normalising. Tax payments increased by $34.7 million. The increase in the net cash outflow from financing activities reflects the repayment of borrowings and increased dividend payments of $62.3 million.

Capital expenditure increased by $16.6 million as the liquidity measures relating to capital expenditure investments levels returned to normal.

(d) Dividends

An interim dividend of 33.0 cents was paid. The Directors have resolved to pay a 55.0 cents per share fully franked final dividend for the financial year. The amount of the final dividend represents a dividend payout ratio of 65 per cent of the full year underlying NPAT totalling a cash payment of $124.2 million.

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DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(e) Segment results prior to AASB 16 *Leases*

The segment results below show results by division excluding the impact of AASB16 *Leases*. The segment results on a post AASB16 *Leases* basis are in Financial Statements - Note 4 Segment Information. Every division improved EBIT margin during the period.

For the period ended 26 June 2021	SCA $m	rebel $m	BCF $m	Macpac $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income							
External segment revenue	**1,308.8**	**1,197.0**	**797.7**	**149.6**	**3,453.1**	**-**	**3,453.1**
Inter segment sales	**-**	**-**	**-**	**3.8**	**3.8**	**(3.8)**	**-**
Other income	**-**	**0.1**	**-**	**0.2**	**0.3**	**0.1**	**0.4**
Total segment revenue and other income	**1,308.8**	**1,197.1**	**797.7**	**153.6**	**3,457.2**	**(3.7)**	**3,453.5**
Segment EBITDA	**241.3**	**206.1**	**116.8**	**21.4**	**585.6**	**(28.2)**	**557.4**
Segment depreciation and amortisation	**(48.6)**	**(38.1)**	**(20.9)**	**(4.0)**	**(111.6)**	**(2.5)**	**(114.1)**
Segment EBIT result	**192.7**	**168.0**	**95.9**	**17.4**	**474.0**	**(30.7)**	**443.3**
Net finance costs							**(5.8)**
Total segment NPBT							**437.5**
Segment income tax expense							**(129.5)**
Normalised NPAT							**308.0**
AASB16 *Leases* adjustment							**(1.2)**
Other items not included in the total segment NPAT							**(5.8)**
Profit for the period attributable to:							
Owners of Super Retail Group Limited							**301.0**
Profit for the period							**301.0**

For the period ended 27 June 2020	SCA $m	rebel $m	BCF $m	Macpac $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income							
External segment revenue	1,119.7	1,038.6	535.0	131.9	2,825.2	-	2,825.2
Other income	-	0.1	0.1	-	0.2	-	0.2
Total segment revenue and other income	1,119.7	1,038.7	535.1	131.9	2,825.4	-	2,825.4
Segment EBITDA	174.7	126.6	34.9	10.1	346.3	(18.2)	328.1
Segment depreciation and amortisation	(39.8)	(30.0)	(19.2)	(2.9)	(91.9)	(0.1)	(92.0)
Segment EBIT result	134.9	96.6	15.7	7.2	254.4	(18.3)	236.1
Net finance costs							(17.8)
Total segment NPBT							218.3
Segment income tax expense							(64.2)
Normalised NPAT							154.1
AASB16 *Leases* adjustment							(5.9)
Other items not included in the total segment NPAT							(38.0)
Profit for the period attributable to:							
Owners of Super Retail Group Limited							110.2
Profit for the period							110.2

DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(f) Material Business Risks

The Group is committed to maintaining effective risk management systems to address both financial and non-financial risks. Super Retail Group continues to evolve its approach to risk management to meet the demands of the operating environment, and the expectations of our stakeholders. As we manage the issues arising from the COVID-19 pandemic, we are watchful of the uncertainties ahead. We view the pandemic as a driver of several material risks, including the health and safety of our people and our customers, supply chain risks and economic disruption.

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

Risks	Mitigating Actions (including but not limited to)
Strategy	
Strategy execution Critical shortfall in capability and/or capacity to transition to a new retail business model.	• Investing in portfolio management capability, and program governance. • Investing in talent attraction and retention programs that support our team.
Competition & new entrants Large scale shift in competitive landscape.	• Growing our active club loyalty membership base and retaining our loyal customers through structured customer relationship management. • Growing our four core brands with an improved customer experience instore and online.
Climate change transition Transition to a low carbon economy.	• Continuing to deliver on our 2030 Sustainability Strategy which includes emissions reduction goals, recycling and waste reduction programs, as well as support for environmental protection and restoration programs. This Strategy was put in place a number of years ago and is expected to be refreshed in FY22.
People	
Health & Safety Exposure to hazards at a level that causes harm (arising from SRG operations).	• Focusing on hazard elimination and risk reduction, supported by a robust health and safety management system.
Employment law compliance Serious or systemic breach of employment law.	• Strengthening the use of information technology. • Establishing an Industrial Relations Framework including a wage review schedule, supported by training on correct rostering practices.
Conduct Inappropriate, unethical or unlawful conduct by Officers or Team Members.	• Maintaining a strong culture that engenders doing the right thing, guided by our Group values and Code of Conduct. • Providing mechanisms for reporting wrongdoing and prompt action on misconduct, including a Whistleblower Policy, dedicated reporting line and Anti-Corrupt Practices Policy.
Financial	
Economic disruption Unexpected changes in macro-economic conditions.	• Maintaining a strong financial position backed by a well-executed omni-retail strategy and effective operating model.
Information and technology	
Cyber security Unauthorised access to SRG systems.	• Maintaining an in-depth approach to security defence, supported by training and awareness. • Actively monitoring cyber threats.
Operational	
Responsible sourcing SRG causes or contributes to unethical or dangerous working conditions in its supply chain, including modern slavery.	• Maintaining a Responsible Sourcing Program which includes monitoring, verification, and remediation processes. • Reporting our actions in our annual Modern Slavery Statement.
Demand volatility Demand volatility exceeds SRG's adaptive capacity.	• Expanding our offering to cater for domestic recreation. • Implementing Supply Chain optimisation initiatives, maintaining agility and maintaining a large network of stores.

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DIRECTORS' REPORT (continued)

3. Operating and Financial Review (continued)

3.2 Review of Financial Condition (continued)

(f) Material Business Risks (continued)

Risks	Mitigating Actions (including but not limited to)
Operational (continued)	
Supply Chain Protracted supply chain disruption.	• Building resilience into our supply chain through diversifying transport suppliers.
Product safety A product sold by SRG Brands is unsafe and/or non-compliant with required standards.	• Maintaining a comprehensive product compliance program including training, testing and review. • Designing and sourcing quality products that minimise the likelihood of products being unsafe or non-compliant.
Climate change adaptation Physical impacts of climate change.	• Having in place emergency response and business continuity plans which support business resilience, as well as supply chain and business disruption.
Business disruption Trade is severely restricted or disrupted for an extended period.	• Maintaining, monitoring and, where required, strengthening internal controls designed to reduce the potential impact of business disruption including resilience, response and recovery controls such as business continuity plans.
Legal & regulatory compliance Material breach of law or regulation.	• Promoting accountability and investing in corporate governance, and legal capability.

3.3 Dividends

Dividends paid or resolved to be paid to members since the end of the previous financial year were:

	Cents per share	Total amount $m	Payment date
Paid during the year:			
2020 final fully franked dividend	19.5	44.0	2 October 2020
2021 interim fully franked dividend	33.0	74.5	1 April 2021
Determined after end of year:			
2021 final fully franked dividend	55.0	124.2	7 October 2021

3.4 Significant Changes in the State of Affairs

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

3.5 Matters Subsequent to the End of the Financial Year

Since the end of the financial period the Group does not have any matters subsequent to the end of the financial period to be disclosed.

3.6 Likely Developments and Future Prospects

Information on likely developments in the operations of the Group is set out in this report under the section Review of Financial Condition. Further information on the expected results of operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group. This includes information that is commercially sensitive, confidential, or that could give a third party a commercial advantage such as our internal budgets and forecasts.

3.7 Environmental Regulation

The Group's operations are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group's Sustainability Report provides disclosure around the material sustainability-related issues for the Group's businesses. The Group has not incurred any significant liabilities under any environmental legislation during the financial year.

DIRECTORS' REPORT (continued)

4. Non-Audit Services

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

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

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

During the period the following fees were paid or payable for services provided by the auditor PricewaterhouseCoopers and its network firms for audit and non-audit services provided during the year:

	2021 $	2020 $
Audit Services		
PricewaterhouseCoopers Australian firm:		
Remuneration for audit and review services	**879,240**	855,736
Other assurance	**-**	-
Total remuneration for audit and review services	**879,240**	855,736
Taxation and Other Services		
PricewaterhouseCoopers Australian firm:		
Taxation Services	**163,537**	258,577
Equity raise procedures	**-**	45,900
Network firms of PricewaterhouseCoopers Australia:		
Taxation Services	**47,011**	80,380
Total remuneration for non-audit services	**210,548**	384,857

5. Corporate Governance Statement

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

6. Proceedings on behalf of the Company

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

7. Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 42.

8. Remuneration Report (Audited)

The audited remuneration report is set out on pages 43 to 67.

DIRECTORS' REPORT (continued)

9. Rounding of amounts

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

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

S A Pitkin AO
Chair

A M Heraghty
Group Managing Director and
Chief Executive Officer

Brisbane
18 August 2021

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Auditor's Independence Declaration

As lead auditor for the audit of Super Retail Group Limited for the year ended 26 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

P.J. Carney

Paddy Carney
Partner
PricewaterhouseCoopers

Brisbane
18 August 2021

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Remuneration Report Audited

FOR THE YEAR ENDED 26 JUNE 2021

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

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Introduction

The Directors of Super Retail Group present this Remuneration Report for the 52-week period ended 26 June 2021. The Remuneration Report explains how the Group's performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) and applicable accounting standards. The report also outlines the Group's remuneration philosophy and governance.

SECTION 1

Letter from the Chair of the Human Resources and Remuneration Committee

Dear Shareholders,

On behalf of the Board, I present the Remuneration Report for the financial year ended 26 June 2021. We have changed the structure of the Report this year to enhance readability. The first portion of the Report focuses on FY21 performance and the link to remuneration outcomes. Detail of the remuneration policies and framework is presented in the second half of the report. Statutory tables are incorporated in the relevant sections.

Our Remuneration Report for FY20 received shareholder support at the 2020 Annual General Meeting, with 82.8 per cent of votes in favour of adoption. In presenting the FY21 remuneration outcomes and considering changes for FY22 we have taken into account feedback from shareholders.

The Group's financial results for FY21 were excellent (see Section 3) delivering record sales and earnings, driven by unprecedented consumer demand in the lifestyle and leisure categories. Meeting these elevated volumes of demand in both in-store and online channels required sound execution of omni-retail, investment in supply chain and focus on inventory management. In particular, the Group's omni-retail strategy and digital capability provided the flexibility to pivot to online channels to meet shifts in consumer behaviour during COVID-19 lockdowns.

In light of the strong Group financial results, a decision was taken to repay $1.7 million received in the Australian Government's JobKeeper wage support.

The strong financial results have led to above target Short-Term Incentive (STI) outcomes, and both measures of the FY19 Long-Term Incentive (LTI) exceeded the hurdles required for 100 per cent vesting.

During FY21, the Board established a set of principles to guide the use of discretion regarding the STI to complement the existing principles used in relation to the LTI. These principles are published in this Report in Section 6. In assessing the results and considering any discretion that might apply, the Board had specific regard to the impact of the COVID-19 pandemic. After careful consideration, the Board decided that no significant adjustments to reward outcomes were warranted and that the level of payments appropriately reflected the Group's performance.

REMUNERATION REPORT
(AUDITED)

REPORTING PERIOD
ENDED 26 JUNE 2021

The Board made the decision to amend the LTI grant for FY21 on a one-off basis, aligned to the Group's Medium-Term Business Plan (MTBP). At the 2020 AGM, shareholders approved the FY21 grant to the Group MD and CEO. As such, the LTI grant for FY21 also includes reward for FY22. There will be no separate LTI grant in FY22. For the FY21 award, the performance period is the two-year period of the MTBP, being the combined FY21 and FY22 period. Detail of the plan is shown in Section 6.

There are no changes to the remuneration framework for FY22, noting the absence of the LTI grant.

Deferral of STI into equity was introduced in FY20 and restricted shares were used to deliver the deferred STI component. Restricted shares were used because they are an effective instrument to deliver time-bound equity where performance outcomes have been achieved.

In the context of the market data and continued strong performance, the Board approved Fixed Pay increases for three of the Key Management Personnel (KMP). No adjustments were made to STI or LTI reward targets. The detail is provided in Section 4.

Given the Group's continued strong financial performance, the Board is currently reviewing the Group MD and CEO's remuneration level and target remuneration mix for FY22 and beyond, with reference to external market benchmarks based on similar sized ASX-listed companies and industry peers. The review will take into consideration the performance of both the Group and the Group MD and CEO. The remuneration mix will continue to place significant emphasis on performance-based (or 'at-risk') remuneration and alignment of remuneration opportunity to the Group's business strategy and shareholder returns.

Finally, in terms of remuneration for the Group's Non-Executive Directors, following a review of external market data, the Board considers it appropriate to adjust fees for the Chair, Committee Chairs and Non-Executive Director base fees. Details are provided in Section 4.

On behalf of the Board I'd like to thank and congratulate the entire Super Retail Group team on the strong results they've delivered, both financial and non-financial, and during a particularly challenging year.

We welcome your feedback on our FY21 Remuneration Report.

Yours sincerely,
Peter Everingham
Human Resources & Remuneration Committee Chair

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SECTION 2

Key Management Personnel

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

Name	Position	Term as KMP
Chair		
S A Pitkin AO	Chair and Independent Non-Executive Director	1 July 2010
Non-Executive Directors		
R A Rowe	Non-Executive Director	8 April 2004
H L Mowlem	Independent Non-Executive Director	13 June 2017
P D Everingham	Independent Non-Executive Director	19 December 2017
S A Chaplain AM	Independent Non-Executive Director	31 March 2020
G T Dunne	Independent Non-Executive Director	31 March 2020
Managing Director and Chief Executive Officer		
A M Heraghty	Group Managing Director and Chief Executive Officer (Group MD and CEO)	KMP since 27 April 2015 (Group MD and CEO from 20 Feb 2019)
Executives		
D J Burns	Chief Financial Officer	3 December 2012
G S Williams	Managing Director - rebel	2 April 2019
A Brandon	Chief Executive Officer - Macpac	1 May 2019
B L Ward	Managing Director - Supercheap Auto	1 August 2019
P A Bradshaw	Managing Director - BCF	25 November 2019
Former KMP		
D J Eilert	Former Independent Non-Executive Director	21 October 2015 to 31 January 2021

SECTION 3

FY21 Performance and Remuneration Outcomes

RELATIONSHIP OF REMUNERATION TO GROUP PERFORMANCE

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

The performance of the Group over the past five years is summarised in Table 1.

FINANCIAL PERFORMANCE

Each year, the Board reviews any significant items, positive and negative, and considers their relevance for reward outcomes. The Board may adjust for any significant events and/or items to give a clearer reflection of financial performance from one period to the next. Significant events and/or items are considered unusual by their nature and size and/or not in the ordinary course of the business and have been excluded from the definition of Normalised PBT as detailed in Note 4 in the financial statements. In FY21, there were no other adjustments impacting remuneration. The principles used by the Board in exercising discretion for Short-Term Incentives and for equity-based incentives are outlined in Section 6.

Table 1: Company performance - key metrics used in reward framework

Financial performance	FY17	FY18	FY19	FY20	FY21
Sales ($m)	2,465.8	2,570.4	2,710.4	2,825.2	3,453.1
Normalised profit before tax (NPBT) ($m)	190.5	201.9	206.8	218.3	437.5[1]
Normalised post tax return on capital (ROC) (%)	13.0	13.1	13.3	14.5	28.8[1]
Normalised earnings per share (EPS) (¢)	68.9	73.7	77.3	78.0	136.5[1]
Dividends per share (¢)	46.5	49.0	50.0	19.5	88.0
Closing June share price ($)	8.20	8.10	8.23	8.14	12.95

(1) pre AASB16 – Leases.

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

Table 2: Key performance metrics compared with variable reward outcomes over time

Table 2a

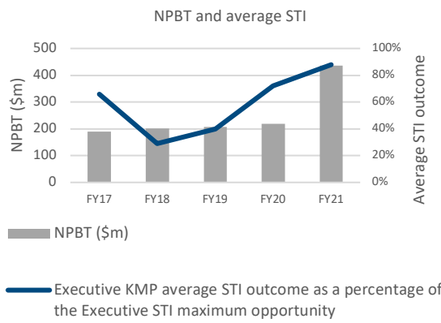

Table 2a shows the average STI outcomes as a percentage of maximum opportunity compared to NPBT, which is the key financial metric in the STI scorecard.

The STI for FY20 was adjusted reflecting a year of floods, bushfires and the outbreak of the COVID-19 pandemic

Table 2b

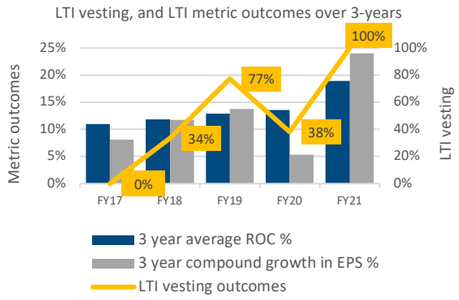

Table 2b shows the LTI vesting outcome (or the percentage of the LTI grant that qualified for vesting over the vesting period) compared to average normalised ROC and normalised EPS compound growth over the three financial years ending on 26 June 2021. The figures in Table 2b include the adjustments made for the underpayment of retail management and Set Up team members and Board discretion in FY20. This impact was detailed in previous reports.

STI OUTCOMES FOR FY21

Short-Term Incentive Scorecard Outcomes for FY21

For the year to 26 June 2021, the target for Normalised Profit Before Tax (NPBT) was set at $260.3 million, 19.2 per cent higher than the NPBT achieved in the period to 27 June 2020 of $218.3 million. The financial gateway for the STI scheme of $234.3 million (90 per cent of target) was exceeded and therefore Executive KMP scorecards were activated.

The individual Key Performance Indicator (KPI) to determine STI awards and the FY21 achievements, referenced by the Board for the Group MD and CEO and other Executive KMP, are detailed in Tables 3 and 4.

Table 3: Group Managing Director and Chief Executive Officer performance

Balanced Scorecard	Measure	Weighting	Actual Performance range	Commentary on Performance
Group Financial Performance	Normalised Profit Before Tax attributable to members	35%	Stretch	The pre-AASB16 NPBT result for the Group is $437.5 million. The Normalised PBT result is an excellent result that captures the benefit of the more sustained COVID-19 related demand than was expected in October when the measure was approved.
	Working Capital Efficiency	15%	Stretch	Working capital efficiency target was exceeded.
Business Improvement	Delivery of FY21 portfolio benefits in accordance with plan	20%	Target to Stretch	Delivery of FY21 portfolio benefits in accordance with plan was achieved.
	Corporate Governance Focus	10%	Target	Deliverables agreed for the Risk Transformation Program and the Health & Safety Maturity Program were met.
Customer	Organic growth through existing customers	10%	Stretch	Organic growth through existing customers target was exceeded.
People/Risk	Safety	10%	Stretch	Total recordable injuries represent a 27% improvement on the baseline, with improvements across all brands.
	Risk Management		Target to stretch	Measured as the increase in risk maturity across the Group, as assessed by the Board.

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Table 4: Other Executive KMP performance

Name	Role	Financial (50%)	Business Improvement (30%)	Customer (10%)	People / Risk (10%)	STI Scorecard Outcome
P A Bradshaw	Managing Director - BCF	Stretch	Target to Stretch	Target to Stretch	Stretch	Target to Stretch
A Brandon	Chief Executive Officer - Macpac	Target to Stretch	Target to Stretch	Target to Stretch	Target	Target to Stretch
D J Burns	Chief Financial Officer	Stretch	Target	Stretch	Stretch	Target to Stretch
B L Ward	Managing Director - Supercheap Auto	Stretch	Target to Stretch	Stretch	Stretch	Target to Stretch
G S Williams	Managing Director - rebel	Stretch	Target to Stretch	Target to Stretch	Stretch	Target to Stretch

SUMMARY

The STI outcomes for Executive KMP are reflected in Table 5.

The STI award for all Executive KMP will be paid 70 per cent cash and 30 per cent restricted shares, of which one half will become unrestricted in September 2022, and the remainder in September 2023. This deferral supports an increase in executive shareholding, enhances risk management and executive retention, and reflects broader market practice.

Table 5: STI outcomes

STI scorecard outcomes	STI assessment per cent of target	Total STI payment $	30% deferral into equity $	STI cash payment $	STI earned per cent of maximum (maximum = 150% of target)	STI unearned (forfeited) per cent of maximum payable
Executive Director						
A M Heraghty	137.8	984,581	295,374	689,207	91.9%	8.1%
Other Executive KMP						
P A Bradshaw	140.8	563,200	168,960	394,240	93.9%	6.1%
A Brandon	124.2	144,553	43,366	101,187	82.8%	17.2%
D J Burns	134.6	673,202	201,961	471,241	89.7%	10.3%
B L Ward	138.3	691,707	207,512	484,195	92.2%	7.8%
G S Williams	135.3	676,703	203,011	473,692	90.2%	9.8%

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LTI OUTCOMES FOR FY21

Long-Term Incentive Outcomes for FY21

The FY19 grant was dependent on performance for the three years ending 26 June 2021.

The performance hurdles for the FY19 LTI grant were met, with 100 per cent of the grant qualifying for vesting over the relevant vesting period. The impact of the capital raising has unfavourably impacted normalised earnings per share, as the net impact of increased shares was only partially offset by lower interest costs. The net effect still exceeded the level required for 100 per cent vesting. The Board approved 100 per cent vesting for the FY19 grant.

In FY20, the Board established a set of principles to be used in exercising discretion. These are outlined in Section 6, along with a detailed outline of the LTI Plan.

As the LTI vests over a period, after the performance hurdle has been tested, the value of LTI shown in the remuneration tables includes a portion of the FY16 grant and all subsequent grants. Table 6 outlines the performance outcomes and the subsequent vesting for each of the LTI performance rights granted and performance tested since FY16. Each grant is subject to equally weighted performance measures being compound average growth rate of normalised earnings per share over three financial years and normalised return on capital averaged over three financial years.

Table 6: Proportion of LTI vesting over the last four years

Grant name	Grant date	Financial results determining vesting [1]	Normalised Earnings Per Share (EPS) three-year compound average growth rate (50% weight)			Normalised Return On Capital (ROC) three-year average (50% weight)		
			Performance outcome %	Qualifying for vesting %	Forfeited %	Performance outcome %	Qualifying for vesting %	Forfeited %
FY16	September 2015	FY16, FY17, FY18	11.7	33.5	16.5	11.9	Nil	50.0
FY17	September 2016	FY17, FY18, FY19	13.8	44.0	6.0	13.0	33.3	16.7
FY18	September 2017	FY18, FY19, FY20	5.3	Nil	50.0	13.6	38.3	11.7
FY19	September 2018	FY19, FY20, FY21	23.8	50.0	Nil	19.0	50.0	Nil

(1) Results are after adjustments for impact of team member underpayments as previously disclosed.

Executive KMP Remuneration Outcomes for FY21

Table 7 details remuneration elements calculated in accordance with accounting standards as required by the Corporations Act 2001 Regulations 2M.3.03. LTI is the fair value, accrued over the performance period, and STI for FY21 is the amount earned for FY21 and to be paid in September 2021 (in FY22).

Table 7: Remuneration for Executive KMP calculated in accordance with accounting standards

[redacted]	Year	Short-term benefits				Post-employment	Share-based		Other	Total
Name		Cash salary $	Cash bonus $	Non-monetary benefits[1] $	Annual leave $	Super-annuation $	Performance Rights (LTI) $	Restricted Shares (Deferred STI) $	Other long-term benefit[2] $	Total $
A M Heraghty[3] [4]	FY21	1,128,305	689,207	-	(9,328)	21,694	1,303,359	209,010	11,227	3,353,474
	FY20	1,065,648	603,000	3,349	(30,943)	21,003	119,350	85,938	11,148	1,878,493
P A Bradshaw[5]	FY21	622,957	394,240	-	8,183	21,694	442,542	92,182	3,521	1,585,319
	FY20	372,560	141,977	-	18,170	15,752	29,235	21,782	599	600,075
A Brandon	FY21	379,232	101,187	-	12,172	11,575	212,053	27,132	(110,565)	632,786
	FY20	379,877	42,600	2,384	61,040	11,396	-	9,063	48,801	555,161
D J Burns	FY21	653,306	471,241	-	16,317	21,694	701,407	144,562	12,515	2,021,042
	FY20	651,297	424,550	2,700	5,563	21,003	177,760	60,412	9,362	1,352,647
B L Ward[6]	FY21	655,207	484,195	44,793	8,208	25,000	494,848	139,157	3,791	1,855,199
	FY20	593,141	612,894	33,625	17,895	21,003	43,982	52,694	993	1,376,227
G S Williams[7]	FY21	703,306	473,692	-	22,667	21,694	497,741	141,463	3,829	1,864,392
	FY20	676,297	503,614	2,700	-	21,003	49,769	56,875	1,736	1,311,994
Former Executive KMP										
C D Wilesmith[8]	FY20	50,077	-	3,692	5,122	5,251	4,882	-	1,165	70,189
Total	**FY21**	**4,142,313**	**2,613,762**	**44,793**	**58,219**	**123,351**	**3,651,950**	**753,506**	**(75,682)**	**11,312,212**
Total	**FY20**	**3,788,897**	**2,328,635**	**48,450**	**76,847**	**116,411**	**424,978**	**286,764**	**73,804**	**7,144,786**

(1) Includes salary-sacrificed items such as novated leases, and car parking, including any FBT payable.

(2) Includes accruals for long service leave entitlements and reversal of accrued long-term retention bonus for A Brandon of $110,565 ($48,801 in 2020 and $61,764 in 2019). During FY21 the Board withdrew the retention bonus, and A Brandon now participates in the same LTI plan as other Executive KMP.

(3) The annual leave accrual in FY20 has been adjusted to reflect the leave that was taken in FY20. A $40,000 car allowance has been classified as cash salary.

(4) A M Heraghty commenced as Group Managing Director and Chief Executive Officer from 20 February 2019. As approved at the Annual General Meeting held on 22 October 2019, A M Heraghty received an LTI grant of 86,294 performance rights and 53,262 performance rights in relation to a one-off co-investment grant.

(5) P A Bradshaw commenced as KMP on 25 November 2019. FY20 STI outcome is pro-rated for length of service.

(6) B L Ward commenced as KMP on 1 August 2019. Included in the FY20 cash bonus total is a sign-on bonus of $250,000 and the FY20 STI outcome is pro-rated for length of service.

(7) G S Williams commenced as KMP on 2 April 2019. Included in the cash bonus is a sign-on bonus for G S Williams of $113,014 in FY20.

(8) C D Wilesmith ceased as KMP on 31 July 2019.

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Table 8 details the remuneration actually received during FY21. As with Table 7, the cash STI amount is that earned in FY21 and to be paid in FY22. The amount shown for value of LTI vesting represents the number of rights converted to ordinary shares during FY21 multiplied by the share price on the date of vesting ($10.85 in the five trading days following results announcement in August 2020). The rights converting to ordinary shares derive from FY16, FY17 and FY18 grants as detailed in Table 13. This value for LTI contrasts with Table 7 that shows the FY21 portion of the fair value of equity grants which are amortised over the relevant performance measurement and vesting periods.

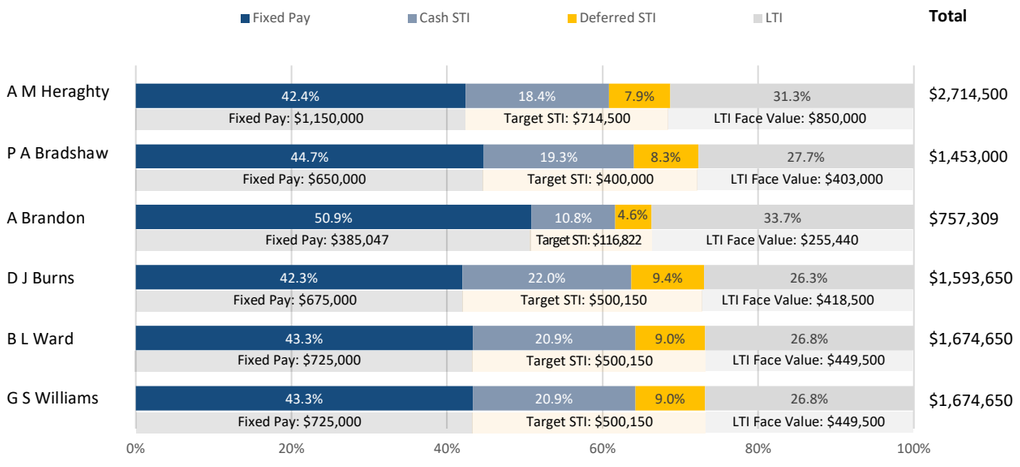
Table 8: Remuneration received

FY21	Cash and non-monetary			Equity		Total
Name	Cash salary $	Cash bonus $	Non-monetary benefits and superannuation[1] $	Value of deferred STI (restricted shares) restrictions expired[2] $	Value of LTI (performance rights) vesting $	Total $
A M Heraghty	1,128,305	689,207	21,694	-	234,566	2,073,772
P A Bradshaw	622,957	394,240	21,694	-	-	1,038,891
A Brandon	379,232	101,187	11,575	-	-	491,994
D J Burns	653,306	471,241	21,694	-	180,251	1,326,492
B L Ward	655,207	484,195	69,793	-	-	1,209,195
G S Williams	703,306	473,692	21,694	-	-	1,198,692

(1) Changes in accruals are not included in this table as they do not affect the amounts received by the individual.
(2) Deferral of STI was introduced in FY20. The first restrictions lift in September 2021, which is FY22.

Table 9 details each of the remuneration elements given to Executive KMP during FY21. This table shows STI at target, LTI at face value, half of the FY21 LTI grant (as the other half relates to FY22) and illustrates the target mix of fixed, short-term and long-term reward.

Table 9: Remuneration granted



(1) The components of the remuneration framework are described in Section 6.
(2) The Maximum STI is 150 per cent of the target STI.

SECTION 4

FY22 Remuneration Matters

The Board does not anticipate any policy changes in relation to remuneration in FY22.

In the context of continuing strong Group financial performance and Super Retail Group's market capitalisation increase from $1.5 billion in 2018 to $2.9 billion at financial year end, the Board initiated a review of the remuneration of the Group MD and CEO for FY22, including the remuneration level and target remuneration mix. The review draws on external benchmarking data from similar sized ASX-listed companies and industry peers. The review will also take into consideration the performance of the Group MD and CEO since his appointment in 2019.

The benchmarking data indicate that Mr Heraghty's fixed remuneration and total target reward, in respect of FY21, significantly lags the external comparator market benchmark. The data also indicate that the remuneration mix reflects a higher weighting of fixed remuneration versus performance-based remuneration, as compared to the comparator groups.

The Board's aim, consistent with the Company's remuneration policy, is to position the Group MD and CEO's Total Target Remuneration in the 75th percentile, and for the remuneration mix to place significant emphasis on performance-based (or 'at-risk') remuneration and alignment of remuneration opportunity to the Group's business strategy and shareholder returns.

For other KMP, based on the market data, there will be fixed pay increases for the MDs of SCA, Rebel and BCF. No other changes are proposed for any element of remuneration for Executive KMP for FY22.

In relation to LTI, a grant will not be made to Executive KMP in FY22, as a combined grant covering FY21 and FY22 was made in FY21.

No increase in the Non-Executive Director fee pool will be sought in FY22.

In relation to Non-Executive Directors, the last increase in base fees was in FY18. The Board has reviewed external benchmarking data, consistent with the comparator groups used for the review of the role of Group MD and CEO, and considered a range of factors, including the time commitment required, effectiveness of the Board and the scale and complexity of the business. There will be an increase in fees in FY22.

Table 10: Non-Executive Director fees FY22

Annual Fees	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee
Chair[1]	$360,000	$45,000	$45,000	Nil
Members	$145,000	$15,000	$15,000	Nil

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

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SECTION 5

Executive Interests in Super Retail Group Securities

MINIMUM SECURITIES HOLDING POLICY

In 2015, to further align the interests of KMP with those of shareholders, the Board introduced a minimum shareholding requirement to be achieved within five years of commencing as a KMP, or within five years of the policy commencing FY15. The requirement is summarised below:

Group MD and CEO	150% x base salary
Other Executive KMP	100% x base salary

KMP HOLDINGS OF EQUITY IN SUPER RETAIL GROUP

The remuneration framework results in three different types of Super Retail Group securities: a) ordinary shares, b) restricted shares and c) performance rights. The plans are outlined in Section 6. Restricted shares were used for the first time in FY21 to deliver the deferred STI.

ORDINARY SHARES OF SUPER RETAIL GROUP HELD BY KMP

Table 11 details the movement during the year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each Executive KMP, including their related parties is detailed below. The table details the number of ordinary shares in the Company received by KMP during the year on exercise of performance rights (see also Table 13) and on lifting of restrictions imposed on deferred STI (see also Table 12).

Table 11: Movement in ordinary shares[1]

FY21	Held at 27 June 2020	Vesting of LTI	Purchases	Entitlement offer	Sales	Held at 26 June 2021
A M Heraghty	59,720	21,619	-	-	(15,101)	66,238
P A Bradshaw	-	-	-	-	-	-
A Brandon	-	-	-	-	-	-
D J Burns	33,637	16,613	-	4,806	-	55,056
B L Ward	-	-	-	-	-	-
G S Williams	-	-	6,957	-	-	6,957

(1) Excluding restricted shares – refer Table 12.

Performance rights for KMP and non-KMP were fulfilled through a combination of on-market share purchases and new share issues. Total performance rights vested were 172,653 (117,855 purchased on market and 54,798 new share issues). Shares were purchased on-market for the dividend re-investment program for the interim dividend for FY20, which was subsequently cancelled. Those shares were used to satisfy shares required for performance rights. The balance of the requirements were satisfied through the issue of new shares. More detail of the relevant tranches vesting in FY21 for KMP is provided in Table 13.

RESTRICTED SHARES HELD BY KMP

Table 12 details the movement during the year in the number of restricted shares in the Company granted to Executive KMP as part of their STI. This is the first year that restricted shares have been used within the remuneration framework. They were introduced to deliver the deferred component of STI because they are an effective instrument to deliver time-bound equity where performance outcomes have been achieved. Restrictions on deferred STI will be lifted by 50 per cent in September 2021, and the remainder in September 2022. Participants are eligible to receive dividends on restricted equity before the restriction is lifted.

As previously disclosed, in relation to FY20 performance the Board determined that a portion of the FY20 STI was forgone and an equal proportion deferred for 12 months into restricted shares, for which the restrictions lift on the whole award in September 2021 (Discretionary deferral of FY20 STI).

Table 12: Movement in restricted shares

FY21	Held at 27 June 2020	Discretionary deferral of FY20 STI	Deferred STI granted during FY21	Restrictions expired during FY21	Held at 26 June 2021	Financial year in which grant is exercisable
A M Heraghty	-	5,184	16,900	-	22,084	FY22, FY23
P A Bradshaw	-	1,567	3,979	-	5,546	FY22, FY23
A Brandon	-	1,036	1,193	-	2,229	FY22, FY23
D J Burns	-	3,629	11,898	-	15,527	FY22, FY23
B L Ward	-	3,339	10,170	-	13,509	FY22, FY23
G S Williams	-	3,629	10,947	-	14,576	FY22, FY23

PERFORMANCE RIGHTS OVER EQUITY INSTRUMENTS OF SUPER RETAIL GROUP

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held (directly, indirectly or beneficially) by each Executive KMP, including their related parties, is detailed in Table 13. The grant made in FY21 was an award for two financial years FY21 and FY22. Performance rights do not carry voting or dividend rights.

Table 13: Movement in performance rights

	Held at 27 June 2020	Granted[1]	Vested	Lapsed or forfeited	Held at 26 June 2021	Financial year in which grant is exercisable
A M Heraghty						
2016	1,411	-	(1,411)	-	-	FY19, FY20, FY21
2017	17,619	-	(8,809)	-	8,810	FY20, FY21, FY22
2018	59,526	-	(11,399)	(36,728)	11,399	FY21, FY22, FY23
2019[2]	50,200	-	-	-	50,200	FY22, FY23, FY24
2020[3]	139,556	-	-	-	139,556	FY23, FY24
2021	-	190,583	-	-	190,583	FY23, FY24, FY25
P A Bradshaw						
2020	40,913	-	-	-	40,913	FY23, FY24
2021	-	90,358	-	-	90,358	FY23, FY24, FY25
A Brandon						
2021	-	57,273	-	-	57,273	FY23, FY24, FY25
D J Burns						
2016	944	-	(944)	-	-	FY19, FY20, FY21
2017	11,860	-	(5,930)	-	5,930	FY20, FY21, FY22
2018	50,860	-	(9,739)	(31,381)	9,740	FY21, FY22, FY23
2019[2]	44,006	-	-	-	44,006	FY22, FY23, FY24
2020	44,060	-	-	-	44,060	FY23, FY24
2021	-	93,834	-	-	93,834	FY23, FY24, FY25
B L Ward						
2020	44,060	-	-	-	44,060	FY23, FY24
2021	-	100,784	-	-	100,784	FY23, FY24, FY25
G S Williams						
2020	44,060	-	-	-	44,060	FY23, FY24
2021	-	100,784	-	-	100,784	FY23, FY24, FY25

(1) Performance rights provided as remuneration to each of the Executive KMP of the Group during the financial year. The grant made in FY21 was an award for two financial years FY21 and FY22 and is described in more detail in Section 6.
(2) These performance rights will partially vest with the announcement of the FY21 results.
(3) As approved at the Annual General Meeting held on 22 October 2019, A M Heraghty received a Long-Term Incentive grant of 86,294 performance rights and 53,262 performance rights in relation to a one-off co-investment grant. The co-investment grant vests 50 per cent in February 2022, 25 per cent in February 2023 and 25 per cent in February 2024.
(4) The maximum possible total financial value in future years is dependent on the Group share price at any time after the exercise date, the minimum possible total value is nil.
(5) All vested performance rights are exercisable.

The performance rights granted in FY21 were valued for the purpose of the financial statements using a fair value of $9.47 (refer Table 14), which is based on the share price at the accounting grant date of 30 December 2020. In February 2021, the Board withdrew the retention arrangement that had previously been reported for A Brandon, and he was granted performance rights under the Performance Rights Plan. As they were granted at a later date, the fair value of Mr Brandon's performance rights was determined to be $10.15.

The performance rights are expensed over their vesting period in line with the vesting conditions. Refer to Section 6 for details of these vesting conditions.

OPTIONS

There are no option plans in operation and hence no options were granted or vested during the financial year and no amounts unpaid on shares issued as a result of the exercise of the options in FY21.

UNISSUED SHARES UNDER PERFORMANCE RIGHTS PLANS

Unissued ordinary shares of Super Retail Group Limited under the Performance Rights Plan at the date of this report are detailed in Table 14.

Table 14: Number of performance rights

Grant	Grant date	VWAP used for grant	Fair value per performance right at grant date	Financial year in which grant is exercisable	Number of performance rights at 26 June 2021
FY16	1 September 2015	$8.93	$8.17	2019, 2020, 2021	-
FY17	1 September 2016	$10.51	$7.99	2020, 2021, 2022	73,546
FY18	1 September 2017	$8.02	$6.38	2021, 2022, 2023	89,240
FY19	1 September 2018	$9.51	$7.65	2022, 2023, 2024	336,944
FY20	1 September 2019	$9.85	$7.72(1)	2023, 2024	656,963
FY21 & FY22	1 November 2020	$8.92(2)	$9.47(3)	2023, 2024, 2025	1,116,783
	Total				**2,273,476**

(1) The performance rights value for the 1 September 2019 grant was $7.72, with the exception of A M Heraghty who received a long-term incentive grant of 86,294 performance rights and 53,262 performance rights in relation to a one-off co-investment grant with these grants averaging a value of $7.21.
(2) The number of performance rights granted in FY21 (and covering FY22) is based on the average volume-weighted share price in the five days following the announcement of 31 July 2020 ($8.92).
(3) Performance rights were granted to Mr Brandon in February 2021. Although the terms and conditions are the same as for other executives, the later grant date results in a fair value of $10.15.
(4) Refer to Section 6 for details of vesting conditions.
(5) Performance rights lapse seven years after the grant date.

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SECTION 6
Executive Remuneration Framework

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

The key elements are:

Market competitive › Aligned to shareholders' sustainable value › Pay-for-performance environment - specific and measurable › Equitable and consistent across the Group › Recognise performance and experience › Aligned to values and prudent risk management

EXECUTIVE REMUNERATION OBJECTIVES

The Group MD and CEO, together with other Executive KMP, are remunerated under a Total Reward Framework. The Total Reward Framework is designed to appropriately reward executives for their contribution to the success of the Group by aligning all remuneration elements to the delivery of both short-term milestones and long-term sustainable value to the Group's shareholders. The target pay mix is set out in Table 9.

Our Remuneration Objectives	Attract, motivate and retain executive talent.	Differentiate reward to drive performance, including values and behaviours.	Alignment to shareholder interests and value creation through equity components granted as part of long-term incentives or through the deferral of cash-based short-term incentives into equity.	An appropriate balance of fixed and 'at-risk' components focused on long-term strategy and short-term milestones.

ALIGNMENT OF OBJECTIVES TO OUR REMUNERATION FRAMEWORK

	Fixed Pay / Base Salary Package	Short-Term Incentive (STI)	Long-Term Incentive (LTI)	Remuneration Mix
Strategic Intent and Market Positioning	Positioned at the median compared to relevant market-based data (similarly sized S&P/ ASX200 companies), taking into consideration expertise and performance in the role.	To achieve Board approved targets, in support of the execution of the Group's strategy. Total target cash, (base salary package and STI combined) is intended to be positioned within the third quartile of relevant benchmark comparisons.	To reward Executive KMP for sustainable long-term growth aligned to shareholders' interests.	'At-risk' remuneration consistent with the broader market. Deferral of STI into equity extends the timeframe for receipt of variable reward outcomes. Combined, base salary package, STI and LTI are intended to be positioned within the third quartile of relevant benchmark comparisons.

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FIXED PAY/BASE SALARY

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

No guaranteed base salary increases are included in any KMP's service agreement.

VARIABLE OR 'AT-RISK' REMUNERATION

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

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

SHORT TERM INCENTIVE REWARD

Consistent with prior years, the FY21 STI scheme (the scheme) for Executive Leadership Team, including Executive KMP, is based on a balanced scorecard. Taking a scorecard approach allows executive performance to be assessed in a holistic way against four key drivers of performance, outlined in Table 15. Deferral of a portion of STI into equity was introduced in FY20 using restricted shares to meet the deferred STI component.

Table 15: Key aspects of the FY21 STI scheme

Scheme	STI awards are made under the Super Retail Group Short-Term Incentive scheme (the scheme).
Participation	The scheme allows for the invitation to participate to Executive KMP and other executives.
Purpose	The scheme rewards a combination of Board-approved financial and non-financial performance measures that are aligned to the execution of the Group's strategy, and which articulate performance expectations at both target and over-achievement levels.
Performance Period	The performance period is the 12 months ending 26 June 2021.
Financial Gateway	A minimum Group NPBT of at least 90 per cent of target must be met before any Short-Term Incentives are payable. If this level is not reached, any payment made to Executive KMP will be at the Board's discretion.
Performance Targets	The achievement of individual KPI targets (once the financial gateway has been achieved) determines the proportion of the potential bonus entitlement that will be granted. For FY21, the following primary performance goals and weightings were selected. These goals are aligned to the Group's strategic plan. The significant weighting of financial outcomes, at 50 per cent, maintains a strong link between financial performance and incentive paid.

Measures	Category	Weighting (% of STI)	Performance Goals
Financial	Financial	50	• Normalised Profit Before Tax (NPBT) • Working Capital Efficiency
Non-Financial	Business Improvement	20	• Delivery of Strategic Potfolio
	Customer	20	• Active Customer Revenue • Net Promotor Score (NPS)
	People and Risk	10	• Total Recorded Injuries • Risk Management

FY21 Target, Maximum (Stretch) Opportunity, and Minimum	For KMP, the target STI opportunity is 100 per cent, and the maximum stretch STI opportunity is 150 per cent of target. For each measure, a threshold level of performance is set. This level must be met to achieve any payment; hence the minimum is zero. In setting this threshold, consideration is given to prior year performance and target.
Payment Vehicle: Restricted Shares	FY21 STI awards are delivered as 70 per cent cash and 30 per cent deferral to equity, with half becoming unrestricted in year two and the remainder becoming unrestricted in year three. To meet this delivery, the Board determined that restricted shares were the most efficient vehicle. For FY20, the Board exercised discretion to reduce the amount of STI. The reduction resulted in a portion foregone. The Board also determined a portion would be deferred into restricted shares for one year. Restricted shares receive dividends and have voting rights. They may not be traded until the restriction is lifted.
Payment Frequency	STI awards are paid annually. Payments are made in September following the end of the performance period.

The Human Resources and Remuneration Committee recommends the design of the STI scheme, KPI and target setting, and the Board holds approval and discretion over the outcomes. During the year the Board established principles for use in considering discretion for STI reward.

PRINCIPLES FOR BOARD DISCRETION ON STI

The Board has discretion to moderate outcomes under the STI scheme. At the conclusion of each performance period, and informed by the audited financial results and other relevant information, the Board will review the reward outcomes arising from the assessment against the performance metrics, and consider whether any adjustments to outcomes are appropriate, having regard to the following principles:

- Preserving the purpose and integrity of the remuneration framework and short-term remuneration target.
- Consistency with general market/security-holder expectations, particularly for the alignment of performance-based remuneration with the interests of shareholders.
- Exercising discretion only for events or items over the performance period that have a material impact on the outcome.
- Maintaining affordability of the STI scheme.
- Sustaining desired impact against subsequent year strategic and business objectives.
- Exercising any discretion fairly and consistently, considering:
    - any actions taken which have optimised long and/or short-term value creation at the expense of an "in year" outcome measured in the scorecard;
    - whether performance measures capture the impacts of unforeseen events on the business and creation of sustainable shareholder value; and
    - the impacts of a team member's actions on the outcome as assessed against the performance metric.

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LONG-TERM INCENTIVE REWARD

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

Historically the LTI plan has used a combination of two metrics being compound average growth in normalised earnings per share over three financial years and normalised return on capital (ROC) average over three financial years, which the Board determined are appropriate measures of sustainable shareholder returns. In the context of COVID-19 and the challenges of forecasting the impact on the business, the Board established a two-year Medium-Term Business Plan (MTBP), with targets for normalised ROC and Normalised Profit Before Tax (NPBT). The grant in FY21 covered LTI reward for both FY21 and FY22, and is based on performance over the two-year period of the MTBP. It is intended that grants from FY23 revert to the previous plan structure with a three-year performance period.

Table 16: Key aspects of the LTI plan

Plan	LTI awards are granted under the Super Retail Group Employee Performance Rights Plan (the plan).
Participation	The plan allows for the annual grant of Performance Rights to Executive KMP and other executives. The grant for FY21 includes the FY22 opportunity. There will be no grant in FY22. The FY21 grant is outlined in Table 18.
LTI Instrument	Performance rights are granted by the Group for nil consideration. Each performance right is a right to receive a fully paid ordinary share at no cost if service-based and performance-based vesting conditions are met.
Allocation Methodology	The number of performance rights granted to each Executive KMP is determined in accordance with the Executive Remuneration Framework and has a value of between 50 per cent and 100 per cent of their base salary package. The notional value of performance rights granted to Executive KMP and other executives is determined on a face value basis using a volume-weighted average price for Super Retail Group shares traded on the ASX over a period of five trading days following the release of the Group's results for the preceding reporting period. The value of performance rights for grant purposes may differ from the accounting valuation shown in the financial statements, which considers probability of vesting and other factors.
Performance Period	Three financial years commencing July in the year the award is made.
Performance Hurdles	Equity grants to Executive KMP and other executives are in two equal tranches, half relating to the compound annual growth rate in normalised EPS over the performance period and the remainder relating to normalised ROC averaged over the performance period.
Vesting Schedule	The performance conditions for performance rights granted in FY20 were: **Measures** **Normalised earnings per share compound average growth rate over the performance period** / **Normalised return on capital average over the performance period** **Weight:** 50% / 50% Proportion that qualifies for delivery in accordance with the vesting period outlined below: **Below threshold:** 0% of this portion **Threshold:** 30% of this portion **Midpoint:** 50% of this portion **Maximum:** 100% of this portion **Straight-line vesting:** Between threshold and target and then between target and maximum The Threshold, Target and Maximum for the grants since FY17 are shown in Table 17

Significant Items	Each year, the Board reviews any significant items, positive and negative, and considers their relevance for reward outcomes. The Board may adjust for any significant events/items to give a clearer reflection of financial performance from one period to the next. Significant events/items are considered unusual by their nature and size and/or not in the ordinary course of the business and have been excluded from the definition of Normalised PBT as detailed in Note 4 in the financial statements. In FY21, there were no other adjustments impacting remuneration.
Vesting Period	If the performance conditions are satisfied within the performance period, the performance rights will vest over the subsequent years in accordance with the following schedule: **Time after grant of performance rights:** / **Percentage of performance rights that vest:** Three years: 50 Four years: 50 Note that for grants prior to FY20, qualified performance rights vest 50 per cent after three years, 25 per cent after four years and 25 per cent after five years.
Testing and Time Restrictions	At the end of the performance period, equity grants are tested against the performance hurdles set. Awards will only vest once the Board, in its discretion, determines that relevant conditions have been satisfied. If the performance hurdles are not met at the vesting date, the performance rights will lapse. There is no retesting of performance hurdles under the plan. The Board has discretion to determine that an Award vests prior to the end of the relevant period and retains a discretion to adjust performance-related outcomes.
Dividends and Voting Rights	Performance rights do not carry voting or dividend rights.
Termination Provisions	Executive KMP must be employed at the time of vesting to receive the allotment of shares. The Board has discretion to amend the employment requirement based on the circumstances associated with the Executive KMP and other executives leaving.
Change of Control Provisions	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.
Principles for Board discretion on equity-based incentive plans	• Preserve the purpose and integrity of the LTI plan. • Maintain the integrity of each year's remuneration as awarded. • Maintain the level of performance expected when the original targets were set. • Be consistent with general market/security-holder expectations, particularly for the alignment of performance-based remuneration with the interests of shareholders. • Be able to be implemented without requiring special approvals, for example from the ASX or security-holders. • Not hinder the success of any transaction (such as a significant acquisition) given that executives do not otherwise receive incentive type payments for merger and acquisition activity. • Discretion should only be exercised for events or items over the performance period that have a material impact on the outcome. • Adjustments (positive and negative) are made at the time of vesting (there may be more than one relevant event during the performance period).

Table 17: Threshold, Target and Maximum for LTI Plans FY17 to FY20

Grant	Performance Condition for Normalised Earnings Per Share compound average growthover the performance period			Performance Condition for Normalised Return On Capital average over the performance period		
	Threshold (zero below this, 30% at this point)	Midpoint (50% reward achieved)	Maximum (100%)	Threshold (zero below this, 30% at this point)	Midpoint (50% reward achieved)	Maximum (100%)
FY17	Nil below 10%	10%	15%	10%	12%	15%
FY18	Nil below 10%	10%	15%	10%	12%	15%
FY19	8%	10%	13%	10%	12%	15%
FY20	8%	10%	13%	10%	12%	15%

The Super Retail Group Employee Performance Rights Plan rules are available on the Group's website. The Human Resources and Remuneration Committee recommends the design of the LTI plan, metrics and target setting, and the Board holds approval and discretion over the outcomes.

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Table 18: Key aspects of the LTI plan modifications for the FY21 grant

Financial Years Applicable	The grant for FY21 includes the FY22 opportunity. There will be no grant in FY22.
Allocation Methodology	The notional value of performance rights granted to Executive KMP and other executives is determined on a face value basis using a volume-weighted average price for Super Retail Group shares traded on the ASX over a period of five trading days. Usually, the five-day period starts from the day following the release of the Group's results for the preceding reporting period. Following discussions with shareholders, the Board determined that the FY21 grant, should be based on the average over the five trading days following the trading update on 31 July 2020.
Performance Period	For the FY21 grant, the performance period is the two-year period of the Medium-Term Business Plan i.e. the combined FY21 and FY22 period.
Performance Hurdles	The FY21 LTI grants are in two equal tranches, half measured against Normalised Profit Before Tax (NPBT) over the performance period and the remainder measured against normalised Return on Capital (ROC) averaged over the performance period. Due to the market sensitive nature of the targets, the Board will disclose the minimum and maximum performance targets at the end of the performance period, once the outcome has been finalised. For the FY21 grant, 50 per cent of rights vest at the minimum (target) performance level and 100 per cent of rights vest at the maximum performance target, with vesting between these points on a pro-rata basis.
Vesting Schedule	a) NPBT (50 per cent of the Performance Rights) The percentage of Performance Rights attributed to the NPBT hurdle that is available to vest, if any, will be determined with reference to the Company's NPBT performance over the performance period (from 1 July 2020 to 30 June 2022) as set out in the table below.

NPBT	Percentage of Performance Rights attributed to NPBT hurdle that become 'Qualified Performance Rights' and are available to vest
Below minimum performance	0%
At minimum performance	50%
Between minimum and maximum performance	On a pro-rata basis
At maximum performance	100%

b) ROC (50 per cent of the Performance Rights)
The percentage of Performance Rights attributed to the ROC hurdle that is available to vest, if any, will be determined with reference to the Company's ROC performance over the performance period (from 1 July 2020 to 30 June 2022) as set out in the table below.

ROC	Percentage of Performance Rights attributed to ROC hurdle that become 'Qualified Performance Rights' and are available to vest
Below minimum performance	0%
At minimum performance	50%
Between minimum and maximum performance	On a pro-rata basis
At maximum performance	100%

Vesting Period	For the FY21 grant, 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:** — **Proportion of performance rights that vest:** Two years — 1/3rd of performance rights Three years — 1/3rd of performance rights Four years — 1/3rd of performance rights
Testing	There is no retesting of performance hurdles under the plan.
Dividends and Voting Rights	Performance rights do not carry voting or dividend rights.

RETENTION ARRANGEMENTS

There are no retention arrangements in place for KMP other than the normal operation of the remuneration framework outlined above.

SERVICE AGREEMENTS

Remuneration and other terms of employment for ongoing Executive KMP are formalised in service agreements. Each of these agreements provides for participation in STI and LTI arrangements. All service agreements with Executive KMP may be terminated by either party as shown in Table 19.

Table 19: Key terms of Executive KMP Service Agreements

Name	Term of agreement	Agreement commencement date[1]	Notice period if Company terminates	Notice period if executive terminates	Commencement date with Super Retail Group
A M Heraghty	Ongoing	20 February 2019	12 months	9 months	27 April 2015
P A Bradshaw	Ongoing	25 November 2019	6 months	6 months	25 November 2019
A Brandon	Ongoing	31 March 2018	6 months	6 months	31 March 2018
D J Burns	Ongoing	3 October 2018	6 months	3 months	3 December 2012
B L Ward	Ongoing	1 August 2019	6 months	3 months	29 July 2019
G S Williams	Ongoing	2 April 2019	6 months	3 months	2 April 2019

(1) Commencement date of KMP service agreement.

Service agreements do not provide for termination payments. However, service agreements specify the notice period required and notes that the executive may be required to work some or all of the notice period, and the Company reserves the right to pay in lieu of notice. Hence maximum termination benefit, other than for cause, is equal to the base salary for the Company notice period detailed in Table 19.

PERIOD OF RESTRAINT

Executive KMP have post-employment restraints within their service agreements. After cessation of employment for any reason, the employee must not compete with the Company's relevant specialty 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. The restraint period is 12 months for all Executive KMP.

SECURITIES TRADING POLICY/HEDGING

Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of performance rights.

CLAWBACK POLICY

There is a Clawback Policy within all Executive Incentive plans. The Board may determine any treatment in relation to an Award, both vested and unvested, without limitation, in certain circumstances such as fraud, dishonesty, or breach of obligations (including, without limitation, a material misstatement of financial information). The plan document is available on the Group's website.

GENDER PAY EQUITY

The Group is committed to remunerating all team members fairly and equitably.

In support of gender pay equity, the Group conducts annual gender pay equity reviews. As a result of this review, we are satisfied no systemic issues exist regarding gender pay equity. In addition, the organisation is monitoring recruitment, performance and reward processes to ensure we deliver on our commitment to provide equitable, fair and consistent pay arrangements to team members.

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SECTION 7

Non-Executive Director Remuneration

NON-EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

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

The Nominations Committee reviews the level of fees annually. Under the current fee framework, Non-Executive Directors are remunerated by way of a base fee, with additional fees paid to the Chairs and members of Committees; namely, the Audit and Risk, and the Human Resources and Remuneration Committees. This reflects the additional time commitment required by the Chairs and members of these Committees.

The Board Chair receives an all-inclusive fee and no other fees (e.g. Committee fees) are received.

Fees are inclusive of superannuation contributions required by the Superannuation Guarantee legislation.

Non-Executive Directors may opt each year to receive a proportion of their remuneration in Super Retail Group shares, which would be acquired on market.

NON-EXECUTIVE DIRECTOR FEES

The fees paid to Non-Executive Directors are set out in Table 20 and are annual fees, inclusive of superannuation, unless otherwise stated.

NON-EXECUTIVE DIRECTOR REMUNERATION CHANGES IN FY21

There has not been an increase to the base fee for Non-Executive Directors since 2018. At the 2020 AGM, shareholders approved an increase in the fee pool from $1.2 million to $1.5 million. The Board determined that an increase in Committee fees was appropriate effective 28 October 2020 in line with independent market data.

Table 20: Effective 28 October 2020

Annual Fees	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee
Chair[1]	$313,650	$35,000	$35,000	Nil
Members	$141,143	$15,000	$15,000	Nil

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

Details of the remuneration of the Non-Executive Directors of the Group are set out in Table 21.

Table 21: Non-Executive Directors Remuneration calculated in accordance with accounting standards

		Short-term benefits			Post- employment	Total
Name		Cash salary and fees $	Cash bonus $	Non- monetary benefits $	Superannuation $	Total $
S A Pitkin	FY21	313,650	–	–	–	313,650
	FY20	313,650	–	–	–	313,650
S A Chaplain[1]	FY21	141,127	–	–	13,407	154,534
	FY20	32,720	–	–	3,108	35,828
G T Dunne[1]	FY21	141,127	–	–	13,407	154,534
	FY20	32,720	–	–	3,108	35,828
P D Everingham[2]	FY21	165,744	–	–	15,746	181,490
	FY20	147,163	–	–	13,980	161,143
H L Mowlem	FY21	170,152	–	–	16,164	186,316
	FY20	151,729	–	–	14,414	166,143
R A Rowe	FY21	128,898	–	–	12,245	141,143
	FY20	128,898	–	–	12,245	141,143
Former Non-Executive Directors						
D J Eilert[3]	FY21	86,120	–	–	8,181	94,301
	FY20	156,716	–	–	14,888	171,604
L K Inman[4]	FY20	51,550	–	–	-	51,550
Total	**FY21**	**1,146,818**	**–**	**–**	**79,150**	**1,225,968**
Total	**FY20**	**1,015,146**	**–**	**–**	**61,743**	**1,076,889**

(1) S A Chaplain and G T Dunne commenced as KMP on 31 March 2020.
(2) P D Everingham commenced as Chair of the Human Resources & Remuneration Committee from 28 October 2020.
(3) D J Eilert commenced as Chair of the Human Resources & Remuneration Committee from 22 October 2019, ceased in the role as Chair of the Human Resources and Remuneration Committee with effect from 28 October 2020 and ceased to be a KMP with effect from 31 January 2021.
(4) L K Inman ceased to be a KMP with effect from 22 October 2019.

Table 22: Non-Executive Director share holding

FY21	Held at 27 June 2020	Purchases	Entitlement Offer	In lieu of dividends[1]	Other changes	Held at 26 June 2021
Non-Executive Directors						
S A Pitkin	52,153	-	7,452	-	-	59,605
R A Rowe	68,179,269	-	326,980	11,474	-	68,517,723
H L Mowlem	30,000	-	4,286	-	-	34,286
P D Everingham	40,000	-	-	-	-	40,000
S A Chaplain	-	5,000	-	-	-	5,000
G T Dunne	-	8	-	-	-	8
D J Eilert[2]	15,500	-	2,215	-	(17,715)	-

(1) Shareholders are eligible to receive dividends in cash or choose to participate in the dividend reinvestment plan.
(2) D J Eilert ceased as KMP therefore shares disclosed as KMP become nil.

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MINIMUM SECURITIES HOLDING POLICY

The Minimum Securities Holding Policy is available on the Group's website. Non-Executive Directors are required to acquire within five years of their appointment, and hold thereafter, securities to the value of their base fee.

NO PERFORMANCE BASED FEES

Non-Executive Directors do not receive performance-related remuneration.

NO TERMINATION PAYMENTS

Non-Executive Directors are not eligible for termination payments on resignation or retirement from the Board or to receive retirement benefits other than legislated requirements such as the Superannuation Guarantee in Australia.

RETIREMENT BENEFITS

Retirement benefits for Non-Executive Directors are provided only to the extent required by legislation.

LOANS TO KMP AND THEIR RELATED PARTIES

There are no loans to KMP and their related parties as at 26 June 2021 and no loans were made during the financial year.

OTHER TRANSACTIONS WITH KMP

Dividends paid to KMP as shareholders in the reporting period amounted to $36,125,381 (FY20: $17,135,677). Other payments made to Non-Executive Director R A Rowe in the form of store lease payments during the reporting period amounted to $9,553,918 (FY20: $9,611,168). Rent payable at year-end was nil (FY20: $750,802). Rent on properties is negotiated on an arm's length basis. There were no other transactions with KMP during the reporting period. No other KMP held positions in other companies that transacted with the Group in the reporting period.

INSURANCE OF OFFICERS

During the financial year, the Group has paid premiums to ensure the directors, officers, and certain managers of the Group as permitted by its Constitution and the Corporations Act 2001. The policy prohibits disclosure of details of the insurance cover and the premiums paid.

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 willful 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.

Consistent with the provisions of the Constitution, the Group has also entered into deeds of access, indemnity and insurance with all directors, officers, and certain managers of the Group which provide indemnities against the full amount of any liabilities, costs and expenses (including legal fees) incurred in their roles, subject to certain exclusions, including to the extent that such indemnity is prohibited by the Corporates Act 2001 or other applicable law.

REMUNERATION REPORT
(AUDITED)

REPORTING PERIOD
ENDED 26 JUNE 2021

SECTION 8

Remuneration Governance

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

The Board is supported through three standing Board Committees, specifically the Audit and Risk Committee, the Nomination Committee and the Human Resources and Remuneration Committee.

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

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

The Corporate Governance Statement (available on the Group's website) provides further information about the role of the Human Resources and Remuneration Committee (the Committee). The membership of the Committee is noted in Section 1 of the Directors' report, as is the number of meetings and individual attendance during the period ended 26 June 2021.

The Board Charter, and the Charters for each Board Committee are also available in the Corporate Governance section of the Group's website. The Charter for the Human Resources and Remuneration Committee includes the objectives of the Remuneration framework.

Table 23: Governance framework

Board	Human Resources and Remuneration Committee	Remuneration Advisors
The Board approves the company-wide remuneration strategy, policy and framework. The Board must satisfy itself that these arrangements are consistent with the Company's purpose, statement of values, code of conduct, strategic objectives and Board's Risk Appetite Statement. The Board reviews and approves (as appropriate) the Human Resources and Remuneration Committee recommendations. The Board is responsible for evaluating the performance and determining the remuneration of the Group MD and CEO and senior executives.	The Human Resources and Remuneration Committee reviews and makes recommendations to the Board in relation to the overall human resources and remuneration practices of the Group. This includes, but is not limited to, supporting and advising the Board in relation to the Group's human resources strategy including human resources policies; remuneration policies; health and safety; talent management; and otherwise assisting the Board to comply with legal and statutory requirements in respect of human resources and remuneration matters.	The Human Resources and Remuneraiton Committee operates independently of senior executives and engages directly with remuneration advisors. The requirements for external advisors' services are assessed annually in the context of remuneration matters that the Committee is required to address. During FY21, the Board received market benchmark data from external remuneration advisers but did not receive remuneration recommendations as defined in the Corporations Act.

Financial Report

FOR THE YEAR ENDED
26 JUNE 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 26 June 2021

	Notes	2021 $m	2020 $m
CONTINUING OPERATIONS			
Revenue from continuing operations		**3,453.1**	2,825.2
Other income from continuing operations		**0.4**	0.2
Total revenues and other income	5	**3,453.5**	2,825.4
Expenses			
Cost of sales of goods		**(1,797.2)**	(1,555.1)
Other expenses from ordinary activities			
- selling and distribution		**(438.7)**	(371.2)
- marketing		**(102.5)**	(79.1)
- occupancy		**(213.3)**	(204.9)
- administration		**(433.0)**	(403.6)
Net finance costs	6	**(41.0)**	(55.1)
Share of net loss of associates and joint ventures	6	**(0.2)**	(0.6)
Total expenses		**(3,025.9)**	(2,669.6)
Profit before income tax		**427.6**	155.8
Income tax expense	14	**(126.6)**	(45.6)
Profit for the period		**301.0**	110.2
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		**301.0**	110.2
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Gains / (losses) on cash flow hedges	19	**2.5**	(1.3)
Hedging losses reclassified to profit or loss	19	**1.3**	2.3
Exchange differences on translation of foreign operations	19	**(0.3)**	(1.5)
Other comprehensive income for the period, net of tax		**3.5**	(0.5)
Total comprehensive income for the period		**304.5**	109.7
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		**304.5**	109.7
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	17	**133.4**	55.8
Diluted earnings per share	17	**132.1**	55.3

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

CONSOLIDATED BALANCE SHEET

As at 26 June 2021

	Notes	2021 $m	2020 $m
ASSETS			
Current assets			
Cash and cash equivalents		**242.3**	285.1
Trade and other receivables	7	**38.4**	26.3
Inventories	8	**696.4**	502.4
Derivative financial instruments	16	**3.6**	-
Total current assets		**980.7**	813.8
Non-current assets			
Property, plant and equipment	9	**219.9**	227.8
Intangible assets	10	**866.9**	874.3
Right-of-use assets	11	**894.3**	848.0
Deferred tax assets	14	**4.7**	4.9
Other financial assets	24(b)	**6.1**	6.3
Total non-current assets		**1,991.9**	1,961.3
Total assets		**2,972.6**	2,775.1
LIABILITIES			
Current liabilities			
Trade and other payables	12	**563.4**	442.3
Lease liabilities	11	**193.9**	178.4
Current tax liabilities	14	**69.5**	17.1
Provisions	15	**97.0**	111.1
Derivative financial instruments	16	**-**	1.9
Total current liabilities		**923.8**	750.8
Non-current liabilities			
Borrowings	13	**-**	247.8
Lease liabilities	11	**795.7**	760.9
Provisions	15	**26.6**	24.3
Total non-current liabilities		**822.3**	1,033.0
Total liabilities		**1,746.1**	1,783.8
NET ASSETS		**1,226.5**	991.3
EQUITY			
Contributed equity	18	**740.7**	698.1
Reserves	19	**17.6**	7.5
Retained earnings	19	**468.2**	285.7
TOTAL EQUITY		**1,226.5**	991.3

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 26 June 2021

	Notes	Contributed Equity $m	Reserves $m	Retained Earnings $m	Total $m	Non-Controlling Interests $m	Total Equity $m
Balance at 29 June 2019		542.3	8.2	265.9	816.4	(0.4)	816.0
Change in accounting policy – AASB 16		-	-	(34.2)	(34.2)	-	(34.2)
Restated total equity at 29 June 2019		542.3	8.2	231.7	782.2	(0.4)	781.8
Profit for the period		-	-	110.2	110.2	-	110.2
Other comprehensive loss for the period		-	(0.5)	-	(0.5)	-	(0.5)
Total comprehensive income for the period		-	(0.5)	110.2	109.7	-	109.7
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	18	155.8	-	-	155.8	-	155.8
Dividends provided for or paid	22	-	-	(56.2)	(56.2)	-	(56.2)
Employee performance rights	19	-	0.2	-	0.2	-	0.2
Change in ownership interest in controlled entities	24(a)	-	(0.4)	-	(0.4)	0.4	-
		155.8	(0.2)	(56.2)	99.4	0.4	99.8
Balance at 27 June 2020		**698.1**	**7.5**	**285.7**	**991.3**	**-**	**991.3**
Profit for the period		**-**	**-**	**301.0**	**301.0**	**-**	**301.0**
Other comprehensive loss for the period		**-**	**3.5**	**-**	**3.5**	**-**	**3.5**
Total comprehensive income for the period		**-**	**3.5**	**301.0**	**304.5**	**-**	**304.5**
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	18	**42.6**	**-**	**-**	**42.6**	**-**	**42.6**
Dividends provided for or paid	22	**-**	**-**	**(118.5)**	**(118.5)**	**-**	**(118.5)**
Employee performance rights	19	**-**	**6.6**	**-**	**6.6**	**-**	**6.6**
		42.6	**6.6**	**(118.5)**	**(69.3)**	**-**	**(69.3)**
Balance at 26 June 2021		**740.7**	**17.6**	**468.2**	**1,226.5**	**-**	**1,226.5**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 26 June 2021

	Notes	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,823.9**	3,139.0
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,101.8)**	(2,436.6)
Rental payments		**(46.8)**	(51.1)
Income taxes paid		**(75.3)**	(40.6)
Net cash inflow from operating activities	20	**600.0**	610.7
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		**(85.0)**	(68.4)
Proceeds from sale of property, plant and equipment		**0.5**	0.6
Acquisition of subsidiary, net of cash acquired	24(a)	**-**	(0.1)
Net cash (outflow) from investing activities		**(84.5)**	(67.9)
Cash flows from financing activities			
Proceeds from borrowings		**-**	963.0
Repayment of borrowings		**(250.0)**	(1,103.0)
Lease principal payments		**(188.1)**	(171.8)
Borrowing costs paid		**(1.1)**	(0.2)
Interest paid		**(41.9)**	(53.6)
Proceeds from issue of shares, net of transaction costs		**41.4**	157.0
Dividends paid to Company's shareholders	22	**(118.5)**	(56.2)
Net cash (outflow) from financing activities		**(558.2)**	(264.8)
Net increase / (decrease) in cash and cash equivalents		**(42.7)**	278.0
Cash and cash equivalents at the beginning of the period		**285.1**	7.5
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	(0.4)
Cash and cash equivalents at end of the period		**242.3**	285.1

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 26 June 2021

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

1. Reporting entity

Super Retail Group Limited (the Company or parent entity) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is 6 Coulthards Avenue, Strathpine, Queensland.

The consolidated annual financial report of the Company as at and for the period ended 26 June 2021 comprises: the Company and its subsidiaries (together referred to as the Group, and individually as Group entities).

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Super Retail Group Limited as at 26 June 2021 and the results of its controlled entities for the period then ended. The effects of all transactions between entities in the consolidated Group are fully eliminated.

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

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

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

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

(iii) Business combinations
The acquisition method of accounting is used to account for all business combinations (refer Note 24 - 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iii) Business combinations (continued)
The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, 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) Investments in associates and joint ventures
Associates and joint ventures are entities over which the Group has significant influence or joint control but not control. They are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated balance sheet.

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

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

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

(vi) Changes in ownership interests
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.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

(c) Foreign currency translation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)
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 fair value through other comprehensive income, are included in the fair value reserve in other comprehensive income.

(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 in other comprehensive income.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of goods and services tax incurred is not recoverable. In these circumstances the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of goods and services tax.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

(e) Rounding of amounts

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

(f) Financial year

As allowed under Section 323D(2) of the *Corporations Act 2001*, the Directors have determined the financial year to be a fixed period of 52 calendar or 53 calendar weeks. For the period to 26 June 2021, the Group is reporting on the 52 week period that began 28 June 2020 and ended 26 June 2021. For the period to 27 June 2020, the Group is reporting on the 52 week period that began 30 June 2019 and ended 27 June 2020.

(g) New and amended standards adopted by the Group

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

AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]*
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]*
AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]*
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]*
Conceptual Framework for Financial Reporting and AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Change in accounting policy
The Group previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the renewable term of the arrangements. Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

2. Summary of significant accounting policies (continued)

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

As a result of this change in accounting policy, the Group has determined that costs totalling $5.4 million relating to the implementation of SaaS arrangements should have been expensed when they were incurred, as the amounts were paid to the suppliers of the SaaS arrangements, other third parties, or employees who did not create separate intangible assets controlled by the Group, or were paid to the suppliers of the SaaS arrangements who did not significantly customise the cloud-based software for the Group. In addition, the Group also reclassified costs of $1.3 million paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, from intangible assets to prepayments.

The reclassification of costs has been recorded during the current period ended 26 June 2021 with $5.4 million recognised in the consolidated statement of comprehensive income and $1.3 million reclassified to prepayments. Included in the costs totalling $5.4 million is an amount of $4.0 million relating to prior years, the tax effect of which is $1.2 million. The costs in relation to the prior period were individually and in aggregate not material from a quantitative and qualitative perspective.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 26 June 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

- Note 7 – Trade and other receivables;
- Note 8 – Inventories;
- Note 9 – Property, plant and equipment;
- Note 10 – Intangible assets;
- Note 11 – Leases;
- Note 12 – Trade and other payables;
- Note 15 – Provisions;
- Note 24 – Business combinations;
- Note 29 – Share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

4. Segment information

(a) Description of segments

Management have 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:

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

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

Detailed below is the information provided to the Group Managing Director and Chief Executive Officer for reportable segments. Items not included in Normalised Net Profit After Tax (Normalised NPAT), and excluded from the calculation of Segment EBITDA and Segment EBIT, are one-off charges relating to business restructuring, non-continuing operations and other costs not considered part of normal operations.

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

For the period ended 26 June 2021	SCA $m	rebel $m	BCF $m	Macpac $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income							
External segment revenue	**1,308.8**	**1,197.0**	**797.7**	**149.6**	**3,453.1**	**-**	**3,453.1**
Inter segment sales	**-**	**-**	**-**	**3.8**	**3.8**	**(3.8)**	**-**
Other income	**-**	**0.1**	**-**	**0.2**	**0.3**	**0.1**	**0.4**
Total segment revenue and other income	**1,308.8**	**1,197.1**	**797.7**	**153.6**	**3,457.2**	**(3.7)**	**3,453.5**
Segment EBITDA[1]	**315.7**	**285.9**	**167.1**	**35.7**	**804.4**	**(28.2)**	**776.2**
Segment depreciation and amortisation[2]	**(111.5)**	**(105.9)**	**(61.9)**	**(17.6)**	**(296.9)**	**(2.5)**	**(299.4)**
Segment EBIT result	**204.2**	**180.0**	**105.2**	**18.1**	**507.5**	**(30.7)**	**476.8**
Net finance costs	**(11.9)**	**(13.3)**	**(8.8)**	**(1.2)**	**(35.2)**	**(5.8)**	**(41.0)**
Total segment NPBT	**192.3**	**166.7**	**96.4**	**16.9**	**472.3**	**(36.5)**	**435.8**
Segment income tax expense[3]							**(129.0)**
Normalised NPAT							**306.8**
Other items not included in the total segment NPAT[4]							**(5.8)**
Profit for the period attributable to:							
Owners of Super Retail Group Limited							**301.0**
Profit for the period							**301.0**
Segment Assets and Liabilities							
Inventory	**276.2**	**191.4**	**186.9**	**42.4**	**696.9**	**(0.5)**	**696.4**
Trade payables	**(219.3)**	**(96.3)**	**(68.4)**	**(5.7)**	**(389.7)**	**(59.2)**	**(448.9)**
Net inventory investment	**56.9**	**95.1**	**118.5**	**36.7**	**307.2**	**(59.7)**	**247.5**

Footnote item	[1] Segment EBITDA adjusted for $m	[2] Segment D&A adjusted for $m	[3] Segment income tax adjusted for $m	[4] Other items not included in total segment NPAT $m
Execution costs to complete remediation	8.8	-	2.6	6.2
Equity accounted losses – Autoguru	0.2	-	-	0.2
Provision reversals from previous years	(0.8)	-	(0.2)	(0.6)
	8.2	**-**	**2.4**	**5.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

4. Segment information (continued)

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

For the period ended 27 June 2020	SCA $m	rebel $m	BCF $m	Macpac $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income							
External segment revenue	1,119.7	1,038.6	535.0	131.9	2,825.2	-	2,825.2
Other income	-	0.1	0.1	-	0.2	-	0.2
Total segment revenue and other income	1,119.7	1,038.7	535.1	131.9	2,825.4	-	2,825.4
Segment EBITDA[1]	242.0	205.1	79.3	25.0	551.4	(18.2)	533.2
Segment depreciation and amortisation[2]	(100.4)	(94.5)	(55.9)	(17.3)	(268.1)	(0.1)	(268.2)
Segment EBIT result	141.6	110.6	23.4	7.7	283.3	(18.3)	265.0
Net finance costs	(12.4)	(14.6)	(8.4)	(1.9)	(37.3)	(17.8)	(55.1)
Total segment NPBT	129.2	96.0	15.0	5.8	246.0	(36.1)	209.9
Segment income tax expense[3]							(61.7)
Normalised NPAT							148.2
Other items not included in the total segment NPAT[4]							(38.0)
Profit for the period attributable to:							
Owners of Super Retail Group Limited							110.2
Profit for the period							110.2
Segment Assets and Liabilities							
Inventory	189.8	140.1	128.9	43.6	502.4	-	502.4
Trade payables	(177.0)	(68.8)	(55.7)	(5.7)	(307.2)	(28.0)	(335.2)
Net inventory investment	12.8	71.3	73.2	37.9	195.2	(28.0)	167.2

Footnote item	[1] Segment EBITDA adjusted for $m	[2] Segment D&A adjusted for $m	[3] Segment income tax adjusted for $m	[4] Other items not included in total segment NPAT $m
Team member underpayment remediation	14.7	-	4.4	10.3
Execution costs to complete remediation	9.7	-	2.9	6.8
Accelerated asset amortisation to support information technology move to cloud	13.7	13.7	4.1	9.6
Support office restructure costs	7.9	-	2.4	5.5
Interest rate swaps early termination	6.0	-	1.8	4.2
Closure costs of non-core businesses – Infinite Retail and Autocrew	2.8	0.3	0.8	2.0
Equity accounted losses – Autoguru	0.6	-	-	0.6
Provision reversals from previous years	(1.3)	-	(0.3)	(1.0)
	54.1	**14.0**	**16.1**	**38.0**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

4. Segment information (continued)

(c) Other information

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

Australia (the home country of the parent entity)
Supercheap Auto (SCA): retailing of auto parts and accessories, tools and equipment;
rebel: retailing of sporting equipment and apparel;
BCF: retailing of boating, camping, outdoor equipment, fishing equipment and apparel; and
Macpac: retailing of apparel, camping and outdoor equipment.

New Zealand
Supercheap Auto (SCA): retailing of auto parts and accessories, tools and equipment; and
Macpac: retailing of apparel, camping and outdoor equipment.

	2021 $m	2020 $m
(i) Total revenue and other income from continuing operations		
Australia	**3,234.6**	2,644.7
New Zealand	**218.9**	180.7
	3,453.5	2,825.4
(ii) Total non-current assets		
Australia	**1,791.1**	1,765.0
New Zealand	**200.8**	196.3
	1,991.9	1,961.3

Significant Accounting Policies

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

5. Revenue and other income from continuing operations

	2021 $m	2020 $m
Revenue from the sale of goods	**3,453.1**	2,825.2
Other income		
Sundry	**0.4**	0.2
Total revenues and other income	**3,453.5**	2,825.4

Significant Accounting Policies

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

Sale of goods – retail
Revenue associated with the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customer, which occurs at the point of sale when the goods are collected or delivered.

Gift cards are considered a prepayment for goods and services to be delivered in the future. The Group has an obligation to transfer the goods or services in the future, creating a performance obligation. The Group recognises deferred revenue for the amount of the prepayment and recognises revenue when the customer redeems the gift card and the Group fulfils the performance obligation related to the transaction or likelihood of the gift card being redeemed by the customer is deemed remote.

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

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

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

6. Expenses from continuing operations

	2021 $m	2020 $m
Profit before income tax includes the following specific gains and expenses:		
Expenses/(gains)		
Net (gain) / loss on disposal of property, plant and equipment	**(0.2)**	(0.6)
Share of net loss from associates and joint ventures	**0.2**	0.6
Depreciation		
Right-of-use assets	**191.9**	180.2
Plant and equipment	**54.1**	41.9
Motor vehicles	**0.0**	0.1
Computer equipment	**15.4**	13.9
Total depreciation	**261.4**	236.1
Amortisation and impairment		
Computer software amortisation	**38.0**	46.1
Right-of-use asset impairment	**0.9**	-
Total amortisation and impairment	**38.9**	46.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

6. Expenses from continuing operations (continued)

	2021 $m	2020 $m
Profit before income tax includes the following specific gains and expenses:		
Net finance costs		
Interest and finance charges on bank facilities	**5.8**	15.8
Interest on lease liabilities	**35.2**	37.3
Net finance costs	**41.0**	55.1
Employee benefits expense		
Superannuation	**43.3**	39.3
Salaries and wages[1]	**603.7**	544.4
Total employee benefits expense	**647.0**	583.7
Government grant received		
Australian JobKeeper for Macpac Retail Pty Ltd	**-**	(1.6)
New Zealand wage subsidy for Super Cheap Auto (New Zealand) Pty Limited and Macpac New Zealand Limited	**-**	(4.9)
Total government grant revenue	**-**	(6.5)
Rental expense relating to leases		
Lease expenses	**41.3**	47.3
Equipment hire	**3.6**	3.2
Total rental expense relating to leases[2]	**44.9**	50.5
Foreign exchange gains and losses		
Net foreign exchange (gain)	**(5.1)**	(7.7)

[1] Excludes impact of government grant received disclosed below.

[2] The impact of applying AASB 16 *Leases* was a decrease of $218.5 million in rental expense to 26 June 2021 (2020: $204.5 million).

Significant Accounting Policies

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

Finance costs
Finance costs are recognised in the period in which these are incurred and are expensed in the period to which the costs relate. Generally costs such as discounts and premiums incurred in raising borrowings are amortised on an effective yield basis over the period of the borrowing. Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- interest revenue.

Employee benefits
Refer to Note 15 for details on employee provisions and superannuation.

Leases
Refer to Note 11 for details on leases.

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

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

7. Trade and other receivables

	2021 $m	2020 $m
Current		
Trade receivables	**15.0**	10.9
Loss allowance	**(0.4)**	(0.5)
Net trade receivables	**14.6**	10.4
Other receivables	**9.9**	7.7
Prepayments	**13.9**	8.2
Net current trade and other receivables	**38.4**	26.3

(a) Impaired trade receivables

As at 26 June 2021 current trade receivables of the Group with a nominal value of $0.4 million (2020: $0.5 million) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers with whom the Group no longer trades.

(b) Past due but not impaired

As at 26 June 2021, trade receivables of $3.9 million (2020: $4.4 million) were past their payment terms 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:

	2021 $m	2020 $m
30 to 60 days	**2.2**	1.6
60 to 90 days	**0.8**	0.2
90 days and over	**0.9**	2.6
	3.9	4.4

Significant Accounting Policies

Trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. This is a minor portion of the Group's revenue. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 16.

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

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

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

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

Prepayments
Costs paid to suppliers of SaaS arrangements to significantly customise cloud-based software are recorded as a prepayment for services and are amortised over the expected renewable term of the arrangement.

Critical accounting estimates and assumptions

Prepayments
The Group uses judgement to determine whether costs paid to suppliers of SaaS arrangements relate to significant customisation of the cloud-based software.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

8. Inventories

	2021 $m	2020 $m
Finished goods, at lower of cost or net realisable value	**696.4**	502.4

(a) Inventory expense

Inventories recognised as expense during the period ended 26 June 2021 amounted to $1,710.8 million (2020: $1,475.0 million).

Write-downs of inventories to net realisable value recognised as an expense during the period ended 26 June 2021 amounted to $1.3 million (2020: $10.2 million).

Significant Accounting Policies

Inventories
Inventories are measured at the lower of cost and net realisable value. Costs comprise direct purchase costs and an appropriate proportion of supply chain variable and fixed overhead expenditure in bringing them to their existing location and condition. Costs are assigned to individual items of stock on the basis of weighted average costs.

Critical accounting estimates and assumptions

Net realisable value
Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

9. Property, plant and equipment

	2021 $m	2020 $m
Plant and equipment, at cost	**444.4**	421.5
Less accumulated depreciation	**(257.0)**	(223.3)
Net plant and equipment	**187.4**	197.2
Computer equipment, at cost	**87.4**	100.6
Less accumulated depreciation	**(54.9)**	(70.0)
Net computer equipment	**32.5**	30.6
Total net property, plant and equipment	**219.9**	227.8

(a) Reconciliations

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

2021	Plant and equipment $m	Computer equipment $m	Total $m
Carrying amounts at 27 June 2020	**197.2**	**30.6**	**227.8**
Additions	**44.7**	**17.3**	**62.0**
Depreciation	**(54.1)**	**(15.4)**	**(69.5)**
Disposals	**(0.4)**	**-**	**(0.4)**
Carrying amounts at 26 June 2021	**187.4**	**32.5**	**219.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

9. Property, plant and equipment (continued)

2020	Plant and equipment $m	Computer equipment $m	Total $m
Carrying amounts at 29 June 2019	227.3	40.6	267.9
Additions	29.7	10.9	40.6
Depreciation	(42.0)	(13.9)	(55.9)
Disposals	(0.6)	(0.3)	(0.9)
Change in accounting policy – AASB 16	(17.4)	(6.7)	(24.1)
Foreign currency exchange differences	0.2	-	0.2
Carrying amounts at 27 June 2020	**197.2**	**30.6**	**227.8**

Significant Accounting Policies

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation and amortisation of property, plant and equipment
Depreciation and amortisation are calculated on a straight-line basis for accounting and on a diminishing value basis for tax. Depreciation and amortisation allocates the cost of an item of property, plant and equipment net of residual values over the expected useful life of each asset to the Group. 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	6.7% – 25%
Computer equipment	20% – 33.3%

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
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. 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.

Critical accounting estimates and assumptions

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

10. Intangible assets

	2021 $m	2020 $m
Goodwill, at cost	**528.7**	528.7
Less accumulated impairment charge	**(2.1)**	(2.1)
Net goodwill	**526.6**	526.6
Computer software, at cost	**221.4**	262.8
Less accumulated amortisation	**(134.4)**	(168.4)
Net computer software	**87.0**	94.4
Brand names, at cost	**311.8**	311.8
Less accumulated amortisation and impairment charge	**(58.5)**	(58.5)
Net brand names	**253.3**	253.3
Total net intangible assets	**866.9**	874.3

(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	Total $m
2021				
Carrying amounts at 27 June 2020	**526.6**	**94.4**	**253.3**	**874.3**
Additions	**-**	**35.0**	**-**	**35.0**
Disposals	**-**	**(0.1)**	**-**	**(0.1)**
Amortisation charge	**-**	**(38.0)**	**-**	**(38.0)**
Change in accounting policy – Cloud computing arrangements	**-**	**(4.3)**	**-**	**(4.3)**
Carrying amounts at 26 June 2021	**526.6**	**87.0**	**253.3**	**866.9**
2020				
Carrying amounts at 29 June 2019	526.5	114.4	253.3	894.2
Additions	0.1	27.5	-	27.6
Amortisation charge[1]	-	(46.1)	-	(46.1)
Change in accounting policy – AASB 16	-	(1.4)	-	(1.4)
Carrying amounts at 27 June 2020	526.6	94.4	253.3	874.3

[1] Includes $13.7m of accelerated amortisation on software intangibles as a result of change in useful life assumptions.

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the group of assets at the time of acquisition. A CGU level summary of the goodwill allocation is presented below:

CGU	2021 $m	2020 $m
Supercheap Auto	**45.3**	45.3
rebel	**376.6**	376.6
BCF	**25.1**	25.1
Macpac	**79.6**	79.6
Total	**526.6**	526.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

10. Intangible assets (continued)

(b) Impairment tests for goodwill (continued)

The Group tests for goodwill impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use (VIU) calculations which require the use of assumptions. These calculations use cash flow projections based on business plans covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The terminal growth rate does not exceed the historical long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations

The key assumptions used in the VIU calculations across each business segment CGU include sales growth, EBITDA margin, long-term growth rate and the discount rate. A pre-tax discount rate of 11.7 per cent (2020: 11.7 per cent) and terminal growth rate of 2.5 per cent (2020: 2.5 per cent) have been assumed. Projected sales are based on the business plans described above. Budgeted EBITDA margin is determined based on past performance and expectations for the future.

The VIU model assumes that the positive COVID-19 trading impact experienced in 2021 will continue for a portion of 2022 and then previously experienced revenue and growth will return.

The Group believes that the assumptions used in the VIU model reflect a combination of the Group's past experience and the trading performance uncertainty associated with COVID-19. While temporary store closures may impact short term results, these are not expected to impact the long-term performance of the Group's businesses.

The recoverable amounts of each CGU are estimated to exceed their carrying amounts as at 26 June 2021. Management do not consider that a reasonably possible change in any of the key assumptions for any of the CGUs, would cause their carrying amounts to exceed their recoverable amounts.

Macpac

Macpac last year suffered a 35.3 per cent decline in Segment EBITDA (pre-AASB 16). This was due to the impact of summer bushfires on peak trading, a change in promotional strategy generating a delay in price increases and the impact of COVID-19. The New Zealand mandatory store closures drove a 17.5 per cent like-for-like sales decline in the last 14 weeks of the last financial year. While not impaired, Macpac was sensitive to reasonably possible changes in key assumptions in the prior financial year.

During the current financial year, Macpac has achieved a 42.8 per cent increase in Segment EBITDA compared to the prior comparative period. EBITDA margin has increased 4.2 percentage points to 23.2 per cent. This growth exceeds assumptions used in impairment calculations performed last financial year. Key assumptions used in the VIU calculations this financial year include sales growth (% compound annual growth rate over five years) of 7.3 per cent (2020: 7.4 per cent) and pre-AASB 16 Segment EBITDA margin increase of 1.9 percentage points (2020: 5.6 percentage points). If the sales compound growth rate were to decline to 3.4 per cent this would cause the carrying amount of the Macpac CGU to exceed its recoverable amount, and if the EBITDA margin rate expansion were to decline 0.6 percentage points, instead of increase 1.9 percentage points, then this would also cause the carrying amount of the Macpac CGU to exceed its recoverable amount.

(c) Impairment tests for the useful life for brands

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

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

- the strong recognition of brands; and
- the absence of legal, technical or commercial factors indicating that the life should be considered limited.

The carrying values of the purchased brand names are:

Brand	2021 $m	2020 $m
rebel	**209.0**	209.0
Macpac	**44.3**	44.3
Total	**253.3**	253.3

Key assumptions used for value-in-use calculations

Management have applied two key assumptions in the VIU analysis across each business segment CGU, a pre-tax discount rate of 11.7 per cent (2020: 11.7 per cent) and terminal growth rate of 2.5 per cent (2020: 2.5 per cent). Budgeted gross margin is determined based on past performance and expectations for the future.

The recoverable amount of the brand names currently exceed their carrying values. Management do not consider that a reasonably possible change in any of the key assumptions would cause the carrying value of any of the brand names to exceed their recoverable amounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

10. Intangible assets (continued)

Significant Accounting Policies

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, it is tested for impairment annually, or more frequently if events or changes in circumstances indicate 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.

Other intangible assets
Amortisation is calculated on a straight-line basis. Estimates of remaining useful lives and residual values are reviewed and adjusted, if appropriate, at each statement of financial position date. The amortisation rates used for each class of intangible assets are as follows:

Computer software	10% – 33.3%
Brand names	Nil

Computer software
Costs incurred in developing products or systems and costs incurred in acquiring software and licences 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, direct employee costs and an appropriate portion of relevant overheads. IT development costs include only those costs directly attributable to the development phase and are recognised only following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Costs incurred in configuring or customising SaaS arrangements can be recognised only as intangible assets if the implementation activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

Brand names
Brand names that are acquired as part of a business combination are recognised separately from goodwill. These assets are carried at their fair value at the date of acquisition less impairment losses. Brand names are valued using the relief from royalty method. Brand names are determined to have indefinite useful lives and therefore do not attract amortisation.

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

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.

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

Critical accounting estimates and assumptions

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

Capitalised software and SaaS arrangements
The Group uses judgement to determine whether implementation activities of SaaS arrangements create an intangible asset that the Group controls.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

10. Intangible assets (continued)

Critical accounting estimates and assumptions (continued)

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

11. Leases

	2021	2020
Right-of-use assets	**$m**	**$m**
Properties	**893.8**	842.0
Computer equipment	**0.5**	6.0
Total right-of-use assets	**894.3**	848.0
Lease liabilities		
Current	**193.9**	178.4
Non-current	**795.7**	760.9
Total lease liabilities	**989.6**	939.3

Additions to the right-of-use assets during the year were $269.0 million (2020: $194.0 million).

At 26 June 2021, the Group had committed to leases that had not yet commenced. The Group has estimated that the potential future lease payments would result in an increase in undiscounted lease liabilities of $80.5 million.

	2021	2020
Depreciation charge on right-of-use assets	**$m**	**$m**
Properties	**186.4**	177.3
Computer equipment	**5.5**	2.9
Total depreciation charge on right-of-use assets	**191.9**	180.2
Interest expenses (included in Net finance costs)	**35.2**	37.3
Expense relating to short-term leases (included in Occupancy expenses)	**12.8**	20.0
Expense relating to leases of low-value assets (included in Cost of sales of goods and Administrative expenses)	**3.6**	3.2
Expense relating to variable lease payments not included in lease liabilities (included in Occupancy expenses)	**29.7**	28.4

The total cash outflow for leases during the year were $223.3 million (2020: $209.1 million).

Impact of COVID-19
In 2020 the Group adopted the practical expedient as permitted in paragraph 46A of AASB 16 *Leases* and elected not to account for any rent concessions granted as a result of the COVID-19 pandemic as a lease modification. The amount recognised in profit or loss due to changes in lease payments arising from such concessions was nil during the current period (2020: $2.4 million).

Significant Accounting Policies

Leases
The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

11. Leases (continued)

Significant Accounting Policies (continued)

Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture, and other immaterial assets.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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 as part of the right-of-use asset at that time. Expected future payments are discounted using appropriate market yields at reporting date.

Critical accounting estimates and assumptions

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are included in the lease term only if the lease is reasonably certain to be extended (or not terminated).

Given the uncertainties that exist within the retail market, management currently considers leases with more than three years to expiry as not reasonably certain to be extended. A strategic store network review approved by the Board, was performed during the year, delivering higher confidence over network plans covering the next three years, resulting in option assumptions being revised for 160 leases. This had the impact of increasing lease liabilities and the corresponding right-of-use assets by $135.7 million. Of the Group's lease portfolio 64% (2020: 65%) of leases contain option renewals. The lease liability currently includes extension options in the calculation of lease term for 25% (2020: 14%) of leases with those options.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

12. Trade and other payables

	2021	2020
Current	**$m**	**$m**
Trade payables	**448.9**	335.2
Gift card deferred revenue	**42.5**	31.4
Other payables	**72.0**	75.7
Total current trade and other payables	**563.4**	442.3

Significant Accounting Policies

Trade and other payables

Trade and other payables are payables for goods and services provided to the Group prior to the end of the financial year 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. Refer Note 5 – Revenue and other income from continuing operations for the Group's policy on Gift Cards.

The Group participates in a supply chain finance program (SCF) under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The supplier engages directly with the bank. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date. The Group does not control which suppliers elect to enter into the arrangement, as this is at the sole discretion of the supplier.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor was the original liability substantially modified on entering into the arrangement. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables. The payments to the bank are included within operating cash flows.

13. Borrowings

	2021	2020
Non-current	**$m**	**$m**
Bank debt funding facility - unsecured[1]	**-**	247.8
Total non-current borrowings	**-**	247.8

[1]Net of borrowing costs capitalised of $2.2 million at 27 June 2020. Capitalised borrowing costs of $2.0 million as at 26 June 2021 are presented in Trade and other receivables as a prepayment (refer note 7).

(a) Reconciliation of liabilities arising from financing activities

	27 June 2020 $m	Cash flows $m	Non-cash Amortisation $m	Reclassed to Trade and Other Receivables $m	26 June 2021 $m
Bank debt funding facility	**250.0**	**(250.0)**	**-**	**-**	**-**
Capitalised borrowing costs	**(2.2)**	**(1.1)**	**1.3**	**2.0**	**-**
Total	**247.8**	**(251.1)**	**1.3**	**2.0**	**-**

	29 June 2019 $m	Cash flows $m	Non-cash Amortisation $m	Reclassed to Trade and Other Receivables $m	27 June 2020 $m
Bank debt funding facility	390.0	(140.0)	-	**-**	250.0
Capitalised borrowing costs	(3.0)	(0.2)	1.0	**-**	(2.2)
Total	387.0	(140.2)	1.0	**-**	247.8

Significant Accounting Policies

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

14. Income taxes

	2021 $m	2020 $m
(a) Income tax expense		
Current tax expense	**127.8**	60.9
Deferred tax (benefit)	**(1.4)**	(14.2)
Adjustments to tax expense of prior periods	**0.2**	(1.1)
	126.6	45.6
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) in deferred tax assets (Note 14(e))	**(14.5)**	(13.7)
Increase / (decrease) in deferred tax liabilities (Note 14(e))	**13.1**	(0.5)
	(1.4)	(14.2)
(b) Reconciliation between tax expense and pre-tax profit		
Profit before income tax from continuing operations	**427.6**	155.8
Tax at the Australian tax rate of 30% (2020: 30%)	**128.3**	46.7
Tax effect of amounts not (taxable) / deductible in calculating taxable income:		
Sundry items	**(1.2)**	0.2
	127.1	46.9
Difference in overseas tax rates	**(0.3)**	(0.3)
Derecognition of tax losses and deferred tax assets	**(0.1)**	0.3
Previously unrecognised tax losses and deferred tax assets	**(0.3)**	(0.2)
Adjustments to tax expense of prior periods	**0.2**	(1.1)
Income tax expense	**126.6**	45.6
Effective tax rate:		
Australia	**29.7%**	29.4%
Consolidated group	**29.6%**	29.3%
(c) Reconciliation of income tax expense to income tax payable		
Income tax (expense)	**(126.6)**	(45.6)
Tax effect of timing differences:		
Depreciation	**2.2**	(9.2)
Provisions	**(2.3)**	(1.3)
Accruals and prepayments	**(0.8)**	(3.7)
Leased assets	**15.6**	0.3
Lease liabilities	**(16.1)**	(2.9)
Tax losses	**2.5**	0.7
Sundry temporary differences	**(2.7)**	2.2
Current tax payable	**(128.2)**	(59.5)
Income tax instalments paid during the year	**58.7**	42.4
Income tax (payable)	**(69.5)**	(17.1)
(d) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax charged / (credited) directly to equity (Note 14(e))	**1.6**	(14.1)
	1.6	(14.1)
Tax expense relating to items of other comprehensive income		
Cash flow hedges	**1.6**	0.4
Lease accounting on adoption of AASB 16 *Leases*	**-**	(25.9)
Provisions – change in accounting policy AASB 16 *Leases*	**-**	11.4
	1.6	(14.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

14. Income taxes (continued)

	2021 $m	2020 $m
(e) Deferred tax assets and liabilities		
Assets		
Provisions	**29.0**	26.5
Accruals and prepayments	**13.6**	13.0
Depreciation	**15.6**	21.2
Lease liabilities	**295.4**	278.1
Tax losses	**0.4**	3.1
Sundry temporary differences	**4.0**	1.6
	358.0	343.5
Amounts recognised directly in equity		
Cash flow hedges	**-**	0.6
	358.0	344.1
Set off with deferred tax liabilities	**(353.3)**	(339.2)
Net deferred tax assets	**4.7**	4.9
Liabilities		
Brand values	**75.3**	75.3
Depreciation	**10.6**	14.0
Right-of-use assets	**265.4**	248.7
Sundry temporary differences	**1.0**	1.2
	352.3	339.2
Amounts recognised directly in equity		
Cash flow hedges	**1.0**	-
	353.3	339.2
Set-off of deferred tax assets	**(353.3)**	(339.2)
Net deferred tax liabilities	**-**	-
Net deferred tax assets	**4.7**	4.9
Movements in deferred tax assets:		
Opening balance	**344.1**	67.1
Credited to the income statement	**14.5**	13.7
(Charged) / credited to equity	**(0.6)**	263.3
Closing balance	**358.0**	344.1
Deferred tax assets to be recovered after more than 12 months	**265.6**	311.3
Deferred tax assets to be recovered within 12 months	**92.4**	32.8
	358.0	344.1
Movements in deferred tax liabilities:		
Opening balance	**339.2**	90.5
Charged / (credited) to the income statement	**13.1**	(0.5)
Charged to equity	**1.0**	249.2
Closing balance	**353.3**	339.2
Deferred tax liabilities to be settled after more than 12 months	**353.3**	339.2
Deferred tax liabilities to be settled within 12 months	**-**	-
	353.3	339.2
(f) Unrecognised deferred tax assets		
Tax losses	**7.7**	7.5

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

14. Income taxes (continued)

(g) Tax transparency report

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

Currently the Code is voluntary. Super Retail Group supports the concept of voluntary tax transparency as an important measure for all large companies to provide assurance to the Australian community that their tax obligations are being met. Super Retail Group's success is dependent on the wellbeing of the economies and communities where the businesses operate and our conservative approach to tax strategy is one of the many ways the Group acts to ensure sustainability of our operations.

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

(i) Part A:

- Effective company tax rates for our Australian and global operations (Note 14 (b))
- A reconciliation of accounting profit to tax expense and to income tax payable (Note 14 (c))
- Identification of material temporary (Note 14 (c)) and non-temporary differences (Note 14 (b))

(ii) Part B:

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

Part B discloses the Australian income tax paid by the Group in the 2021 and 2020 financial years and provides qualitative information about our approach to tax risk and international related party dealings.

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

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

The Group's international related party dealings are summarised below:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

14. Income taxes (continued)

(g) Tax transparency report (continued)

Other jurisdictions
The Group includes subsidiary companies that are incorporated in jurisdictions outside Australia as summarised in the table below:

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

[1] These companies are subject to the Australian Controlled Foreign Company rules. Under these rules profits generated by these subsidiaries from trading with Super Retail Group are taxable in Australia at the 30 per cent Australian corporate tax rate. For the 2021 year, the gross value of international related party transactions in and out of Australia represented less than 1.0 per cent of revenue.

Australian income taxes paid
Super Retail Group is a large taxpayer and paid corporate income tax of $72.4 million in 2021 and $42.3 million in 2020.

Significant Accounting Policies

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

Deferred tax assets and liabilities
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arise in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

15. Provisions

	2021	2020
Current	**$m**	**$m**
Employee benefits[a]	**88.6**	103.3
Make-good provision[b]	**4.5**	3.0
Onerous contracts[c]	**0.3**	2.6
Other provisions[d]	**3.6**	2.2
Total current provisions	**97.0**	111.1
Non-current		
Employee benefits[a]	**9.9**	9.6
Make-good provision[b]	**16.7**	14.7
Total non-current provisions	**26.6**	24.3

(a) Employee benefits

Provisions for employee benefits includes accrued annual leave, long service leave and accrued bonuses. It also includes $0.6 million (2020: $6.7 million) provided as redundancy costs relating to support office restructures.

A remediation program in relation to payments owed to team members as first identified in the 2018 financial period continues, with substantial payments made during the current financial period. As at 26 June 2021 there is a provision to recognise payments for additional overtime and allowances to current and former team members and associated taxes of $6.9 million (2020: $32.4 million).

(b) 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 right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets.

(c) Onerous contracts

Onerous contracts includes the provision for certain obligations related to some surrendered lease arrangements. As at 26 June 2021 $0.3 million is provided for these obligations (2020: $1.8 million).

In the prior year, onerous contracts also included the provision for loss-making contracts relating to Infinite Retail which represented the present value of the forecast loss. As at 26 June 2021 there is Nil provided for loss-making contracts related to Infinite Retail (2020: $0.8 million).

(d) Other provisions

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

(e) Movement in provisions

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

	Employee benefits	Make-good	Onerous contracts	Total
2021	**$m**	**$m**	**$m**	**$m**
Opening balance as at 27 June 2020	**112.9**	**17.7**	**2.6**	**133.2**
Provisions made	**78.7**	**0.8**	**-**	**79.5**
Indexing of provisions	**-**	**3.7**	**-**	**3.7**
Provisions used	**(93.1)**	**(1.0)**	**(2.3)**	**(96.4)**
Closing balance as at 26 June 2021	**98.5**	**21.2**	**0.3**	**120.0**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

15. Provisions (continued)

Significant Accounting Policies

Provisions
Provisions for legal claims, service warranties and make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

Employee benefits – long-term obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

Retirement benefit obligations
Contributions are made by the Group to an employee superannuation fund and are charged as expenses when incurred.

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

Make-good requirements in relation to leased premises
Refer to Note 11 for details on make-good requirements in relation to leased premises.

Critical accounting estimates and assumptions

Estimated value of make-good provision
The Group has estimated the present value of the expenditure required to remove any leasehold improvements and return leased 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 right-of-use asset.

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

Onerous contracts
For loss-making revenue contracts, the Group estimates a range of potential financial outcomes for each contract based on forecast scenarios. It then records a liability for the present value of the resulting forecasted loss of each contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

16. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

2021	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		-	**242.3**	**242.3**
Trade and other receivables	7	-	**38.4**	**38.4**
Derivative financial instruments	21	**3.6**	-	**3.6**
Total		**3.6**	**280.7**	**284.3**
Financial liabilities				
Trade and other payables	12	-	**563.4**	**563.4**
Borrowings	13	-	-	-
Lease liabilities	11	-	**989.6**	**989.6**
Derivative financial instruments	21	-	-	-
Total		-	**1,553.0**	**1,553.0**

2020	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		-	285.1	285.1
Trade and other receivables	7	-	26.3	26.3
Derivative financial instruments	21	-	-	-
Total		-	311.4	311.4
Financial liabilities				
Trade and other payables	12	-	442.3	442.3
Borrowings	13	-	247.8	247.8
Lease liabilities	11	-	939.3	939.3
Derivative financial instruments	21	1.9	-	1.9
Total		1.9	1,629.4	1,631.3

The Group's exposure to various risks associated with the financial instruments is discussed in Note 21 – 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 of 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 below the table.

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

The carrying value less impairment provision of trade receivables and payables is 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

16. Financial assets and financial liabilities (continued)

(b) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

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

2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivatives used for hedging – forward foreign exchange contracts	-	**3.6**	-	**3.6**
Total	-	**3.6**	-	**3.6**
Financial liabilities				
Derivatives used for hedging	-	-	-	-
Total	-	-	-	-

2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivatives used for hedging	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Derivatives used for hedging – forward foreign exchange contracts	-	1.9	-	1.9
Total	-	1.9	-	1.9

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

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

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

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

(ii) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

16. Financial assets and financial liabilities (continued)

Significant Accounting Policies

Financial assets classification
The Group classifies its financial assets in the following measurement categories:

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

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

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

16. Financial assets and financial liabilities (continued)

Significant Accounting Policies (continued)

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

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

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled in profit or loss in the income periods when the hedged item will affect profit or loss (for instance when the forecast payment that is hedged takes place). 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 profit or loss. As soon as a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to profit or loss.

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 in profit or loss.

17. Earnings per share

	2021	2020
(a) Basic earnings per share	**Cents**	**Cents**
Total basic earnings per share attributable to the ordinary equity holders of the company	**133.4**	55.8
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	**132.1**	55.3
(c) Normalised earnings per share (non-IFRS measure)[1]		
From continuing operations attributable to the ordinary equity holders of the company	**136.0**	75.0

[1] Normalised profit attributable to ordinary equity holders is $306.8 million (2020: $148.2 million) – Note 4(b).

	2021	2020
(d) Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of shares used as the denominator in calculating basic EPS	**225,577,445**	197,610,979
Adjustments for calculation of diluted earnings per share – performance rights	**2,273,476**	1,663,059
Weighted average potential ordinary shares used as the denominator in calculating diluted earnings per share	**227,850,921**	199,274,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

17. Earnings per share (continued)

(e) Reconciliations of earnings used in calculating earnings per share	2021 $m	2020 $m
Basic earnings and diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in EPS	**301.0**	110.2

(f) Information concerning the classification of securities

Options and Performance Rights

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

Significant Accounting Policies

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

18. Contributed equity

(a) Share capital

	2021 $m	2020 $m
Ordinary shares fully paid (225,826,500 ordinary shares as at 26 June 2021)	**740.7**	698.1

(i) *Movement in ordinary share capital*	Number of Shares	Issue Price	$m
Balance 29 June 2019	197,383,751		542.3
Shares issued under performance rights	160,968	-	-
Shares issued from equity raise – Institutional Entitlement	22,152,988	$7.19	159.3
Less: Transaction costs arising on share issue	-	-	(3.5)
Balance 27 June 2020	219,697,707		698.1
Shares issued under performance rights[1]	**54,798**	**-**	**-**
Shares issued from equity raise – Retail Entitlement	**6,073,995**	**$7.19**	**43.7**
Less: Transaction costs arising on share issue	**-**	**-**	**(1.1)**
Balance 26 June 2021	**225,826,500**		**740.7**

[1] Performance rights were fulfilled through a combination of on-market share purchases and new share issues. Performance rights vested were 172,653 (117,855 purchased on market and 54,798 new share issues).

On 15 June 2020, the Group announced an underwritten one for seven accelerated pro rata non-renounceable entitlement offer to raise equity of approximately $202.9 million at a fixed price of $7.19 per share. The equity raising comprised an institutional entitlement offer which settled on 24 June 2020 and a retail entitlement offer which settled on 9 July 2020. The issue of shares represent fully paid ordinary shares in Super Retail Group Limited.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

18. Contributed equity (continued)

(a) Share capital (continued)

Performance rights over 1,121,283 (2020: 727,470) ordinary shares were issued during the period with 172,653 (2020: 160,968) performance rights vesting during the period. Under the share option plan, no ordinary shares were issued during the period (2020: nil). Information relating to performance rights and options outstanding at the end of the financial year are set out in Note 29 – Share-based payments.

Dividend reinvestment plan

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

Significant Accounting Policies

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

19. Reserves and retained earnings

	2021 $m	2020 $m
(a) Reserves		
Foreign currency translation reserve	**3.4**	3.7
Share-based payments reserve	**19.7**	13.1
Hedging reserve	**2.5**	(1.3)
NCI equity reserve	**(8.0)**	(8.0)
Total	**17.6**	7.5

(i) Movements

Foreign currency translation reserve		
Balance at the beginning of the financial period	**3.7**	5.2
Net exchange difference on translation of foreign controlled entities	**(0.3)**	(1.5)
Balance at the end of the financial period	**3.4**	3.7

Share-based payments reserve		
Balance at the beginning of the financial period	**13.1**	12.9
Value of equity purchased for performance rights and restricted shares	**(1.1)**	-
Performance rights expense	**7.7**	0.2
Balance at the end of the financial period	**19.7**	13.1

Hedging reserve		
Balance at the beginning of the financial period	**(1.3)**	(2.3)
Revaluation – gross	**5.4**	1.4
Deferred tax	**(1.6)**	(0.4)
Balance at the end of the financial period	**2.5**	(1.3)

NCI equity reserve		
Balance at the beginning of the financial period	**(8.0)**	(7.6)
Change in ownership interest in controlled entities	**-**	(0.4)
Balance at the end of the financial period	**(8.0)**	(8.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

19. Reserves and retained earnings (continued)

(a) Reserves (continued)

(ii) Nature and purpose of reserves

Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 16 – Financial assets and financial liabilities. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

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

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

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

(b) Retained earnings

	2021 $m	2020 $m
Balance at the beginning of the financial period	**285.7**	265.9
Change in accounting policy – AASB 16 *Leases*	**-**	(34.2)
Restated balance at the beginning of the financial period	**285.7**	231.7
Net profit for the period attributable to owners of Super Retail Group Limited	**301.0**	110.2
Dividends paid	**(118.5)**	(56.2)
Retained profits at the end of the financial period	**468.2**	285.7

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

	2021 $m	2020 $m
Profit from ordinary activities after related income tax	**301.0**	110.2
Depreciation and amortisation	**299.4**	282.2
Impairment of right-of-use assets	**0.9**	-
Change in accounting policy – Cloud computing arrangements	**3.0**	-
Net (gain) on disposal of non-current assets	**(0.2)**	(0.6)
Non-cash employee benefits expense/share-based payments	**7.7**	0.2
Equity accounting loss	**0.2**	0.6
Net finance costs	**41.0**	55.1
Change in operating assets and liabilities, net of effects from the purchase of controlled entities		
- (increase)/ decrease in receivables	**(8.8)**	10.6
- increase in net current tax liability	**52.4**	19.0
- (increase) / decrease in inventories	**(194.0)**	57.8
- increase in payables	**111.2**	84.1
- (decrease) / increase in provisions	**(12.3)**	5.9
- (increase) in deferred taxes	**(1.5)**	(14.4)
Net cash inflow from operating activities	**600.0**	610.7

Significant Accounting Policies

Cash and cash equivalents
For the purposes of the cash flow statement, cash includes cash on hand, cash at bank and at call deposits with banks or financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. 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 or 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	Ageing analysis Credit ratings	Credit limits and retention of title over goods sold
Management	Forward foreign exchange contracts	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. The finance department identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The Board approves a formal policy 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 used only for economic hedging purposes and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	2021 $m	2020 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	**3.6**	-
Total current derivative financial instrument assets	**3.6**	-
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**-**	1.9
Total current derivative financial instrument liabilities	**-**	1.9

(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 cash flow hedges is set out in Note 16 – Financial assets and financial liabilities. For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurement
For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 16 – Financial assets and financial liabilities.

(b) Market risk

(i) Foreign exchange risk
Group companies are required to hedge their foreign exchange risk exposure using forward contracts transacted by the finance department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. 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 per cent and 75 per cent of anticipated foreign currency purchases for the subsequent four months and up to 50 per cent of anticipated foreign currency purchases for the following five to 12 month period.

Instruments used by the Group

The Group retails products including some that have been imported, with contract pricing denominated in USD or CNY. In order to protect against exchange rate movements, the Group has entered into forward exchange rate contracts to purchase USD. The contracts are timed to mature in line with forecast 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:

	2021 USD $m	2020 USD $m
Trade receivables	**1.5**	3.5
Trade payables	**46.1**	30.2
Forward exchange contract - notional amount in foreign currency (cash flow hedges)		
Buy United States dollars and sell Australian/New Zealand dollars with maturity		
- 0 to 4 months	**63.8**	55.3
- 5 to 12 months	**69.5**	30.7
	133.3	86.0

The weighted average hedge rate of the forward exchange contracts as at 26 June 2021 is 0.7671 (2020: 0.6753)

	2021 CNY m	2020 CNY m
Trade receivables	**1.5**	0.2
Trade payables	**61.4**	23.8

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 26 June 2021, no hedges were designated as ineffective (2020: 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:

	2021 $m	2020 $m
- unrealised gains / (losses) on USD foreign exchange contracts	**3.6**	(1.9)
Total unrealised gains / (losses)	**3.6**	(1.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Group sensitivity

Based on the financial instruments held at 26 June 2021, had the Australian dollar weakened/strengthened by 10 per cent 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 not material.

Equity would have been $11.1 million lower/$13.5 million higher (2020: $8.1 million lower/$9.9 million higher) had the Australian dollar weakened/strengthened by 10 per cent 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 is not material.

A sensitivity of 10 per cent was selected following review of historic trends.

(ii) Cashflow and fair value interest rate risk

Instruments used by the Group - interest rate swap contracts

An assessment of the forecast core debt requirements subsequent to the equity raising announced on 15 June 2020 indicated that core debt was minimal. In accordance with the treasury policy, all interest rate swaps were terminated prior to the end of the 2020 financial year. No new interest rate swap contracts have been entered into as core debt remains at nil. Therefore current interest expense is subject to variable rates only.

Interest rate risk exposures

The Group'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
2021							
Financial assets							
Cash and cash equivalents		**240.6**	**-**	**-**	**-**	**1.7**	**242.3**
Trade and other receivables	7	**-**	**-**	**-**	**-**	**38.4**	**38.4**
Total financial assets		**240.6**	**-**	**-**	**-**	**40.1**	**280.7**
Weighted average rate of interest		***0.00%***					
Financial liabilities							
Lease liabilities	11	**-**	**193.6**	**562.8**	**233.2**	**-**	**989.6**
Trade and other payables	12	**-**	**-**	**-**	**-**	**563.4**	**563.4**
Borrowings	13	**-**	**-**	**-**	**-**	**-**	**-**
Provisions (employee benefits)	15	**-**	**-**	**-**	**-**	**98.5**	**98.5**
Total financial liabilities		**-**	**193.6**	**562.8**	**233.2**	**661.9**	**1,651.5**
Weighted average rate of interest		***n/a***					
Net financial (liabilities) / assets		**240.6**	**(193.6)**	**(562.8)**	**(233.2)**	**(621.8)**	**(1,370.8)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. 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	Fixed interest maturing in: Over 1 to 5 years $m	Fixed interest maturing in: More than 5 years $m	Non-interest bearing $m	Total $m
2020							
Financial assets							
Cash and cash equivalents		283.5	-	-	-	1.6	285.1
Trade and other receivables	7	-	-	-	-	26.3	26.3
Total financial assets		283.5	-	-	-	27.9	311.4
Weighted average rate of interest		*0.25%*					
Financial liabilities							
Lease liabilities	11	-	177.8	556.7	204.8	-	939.3
Trade and other payables	12	-	-	-	-	442.3	442.3
Borrowings	13	247.8	-	-	-	-	247.8
Provisions (employee benefits)	15	-	-	-	-	112.9	112.9
Total financial liabilities		247.8	177.8	556.7	204.8	555.2	1,742.3
Weighted average rate of interest		*2.15%*					
Net financial (liabilities) / assets		35.7	(177.8)	(556.7)	(204.8)	(527.3)	(1,430.9)

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 2021 and 2020 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 outstanding:

	2021 $m	2020 $m
Bank overdrafts and bank loans	-	250.0

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

The Group risk management policy is to maintain fixed interest rate hedges of approximately 40 per cent of anticipated core debt levels over a 3 year period. The Group utilises interest rate swaps to hedge its interest rate exposure on borrowings but as disclosed above all interest rate swaps were terminated prior to the end of the 2020 financial year as core debt was significantly reduced.

As at 26 June 2021, 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 unchanged (2020: $1.7 million lower/higher), mainly as a result of no drawn debt.

(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 credit 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 management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. Financial risk management (continued)

(c) Credit risk (continued)

(i) Risk management (continued)

Sales to retail customers are required to be settled in cash, using major credit cards or buy-now-pay-later solutions, 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. As a result of the dynamic nature of the underlying businesses, the 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:	2021 $m	2020 $m
Total facilities		
- bank debt funding facility	**635.0**	635.0
- bilateral liquidity facility with ANZ	**-**	100.0
- multi-option facility (including indemnity/guarantee)	**16.0**	20.0
Total	**651.0**	755.0
Facilities used at balance date		
- bank debt funding facility[1]	**-**	250.0
- bilateral liquidity facility with ANZ	**-**	-
- multi-option facility (including indemnity/guarantee)	**3.5**	3.5
Total	**3.5**	253.5
Unused balance of facilities at balance date		
- bank debt funding facility	**635.0**	385.0
- bilateral liquidity facility with ANZ	**-**	100.0
- multi-option facility (including indemnity/guarantee)	**12.5**	16.5
Total	**647.5**	501.5

[1] As at 26 June 2021, NIL (2020: nil) of the overdraft facility has been drawn and in accordance with financing arrangements this is offset by cash funds in transit.

Bank debt funding is split as $200 million expiring December 2022, $200 million expiring December 2023 and $200 million expiring December 2024. Bank debt and multi-option funding facilities totalling $51 million expire December 2021. Drawdown of debt facilities can occur with 48 hours notice.

Current interest rates which would apply on bank loans of the Group if drawn down are 1.37% - 1.62% (2020: 2.13% - 2.16%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

21. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of financial liabilities

The following tables present 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.

2021	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	**563.4**	-	-	-	-	**563.4**	**563.4**
Borrowings	-	-	-	-	-	-	-
Lease liabilities	**108.3**	**103.7**	**198.1**	**458.3**	**255.2**	**1,123.6**	**989.6**
Total non-derivatives	**671.7**	**103.7**	**198.1**	**458.3**	**255.2**	**1,687.0**	**1,553.0**
Derivatives							
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	**(121.6)**	**(54.0)**	-	-	-	**(175.6)**	**(3.6)**
- outflow	**121.3**	**52.4**	-	-	-	**173.7**	-
Total derivatives	**(0.3)**	**(1.6)**	-	-	-	**(1.9)**	**(3.6)**

2020	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	442.3	-	-	-	-	442.3	442.3
Borrowings	2.7	2.7	5.4	252.6	-	263.4	250.0
Lease liabilities	107.0	106.5	198.2	437.6	228.0	1,077.3	939.3
Total non-derivatives	552.0	109.2	203.6	690.2	228.0	1,783.0	1,631.6
Derivatives							
Forward exchange contracts used for hedging:							
Gross settled							
- (inflow)	(99.6)	(25.5)	-	-	-	(125.1)	-
- outflow	101.0	26.4	-	-	-	127.4	1.9
Total derivatives	1.4	0.9	-	-	-	2.3	1.9

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

22. Capital management

(a) Risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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 2021 the Group's strategy was to ensure that it held a strong liquidity position focused on net cash and committed debt facilities sufficient to support a period disrupted by COVID-19. The gearing ratios at 26 June 2021 and 27 June 2020 were as follows:

	2021 $m	2020 $m
Total borrowings	-	247.8
Total lease liabilities	**989.6**	939.3
Less: Cash & cash equivalents	**(242.3)**	(285.1)
Net Debt	**747.3**	902.0
Total Equity	**1,226.5**	991.3
Total Capital	**1,973.9**	1,893.3
Gearing Ratio	**37.9%**	47.6%

The Group also monitors ongoing capital on the basis of the fixed charge cover ratio (FCCR). The ratio is calculated as earnings before net finance costs, income tax, depreciation, amortisation and rental expense (EBITDAR) divided by fixed charge obligations (being finance costs rental expenses).

For the purposes of capital management FCCR is utilised on a pre-AASB 16 *Leases* basis. The FCCR and net debt to EBITDA ratios at 26 June 2021 and 27 June 2020 were as follows:

	2021 $m	2020 $m
Normalised net profit after tax (pre-AASB 16 *Leases*)	**308.0**	154.1
Add: Taxation expense	**129.5**	64.2
Net finance costs	**5.8**	17.8
Depreciation and amortisation (excludes impairment)	**114.1**	92.0
EBITDA	**557.4**	328.1
Rental expense	**263.4**	255.1
EBITDAR	**820.8**	583.2
Net finance costs	**5.8**	17.8
Rental expense	**263.4**	255.1
Fixed charges	**269.2**	272.9
Fixed charge cover ratio	**3.05**	2.14
Net debt to EBITDA ratio[1]	**(0.43)**	(0.10)

[1] Normalised net debt (pre-AASB 16 *Leases*) is positive $241.4m (2020: positive $32.6m).

(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 2021 and 2020 financial years. There are no assets pledged as security in relation to the unsecured debt in the 2021 financial year (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

22. Capital management (continued)

(b) Dividends

	2021 $m	2020 $m
Ordinary shares		
Dividends paid by Super Retail Group Limited during the financial year were as follows:		
Final dividend for the period ended 27 June 2020 of 19.5 cents per share (2019: 28.5 cents per share) paid on 2 October 2020. Fully franked based on tax paid at 30%	**44.0**	56.2
Interim dividend for the period ended 26 December 2020 of 33.0 cents (2019: cancelled) paid on 1 April 2021. Fully franked based on tax paid at 30%	**74.5**	-
Total dividends provided and paid	**118.5**	56.2
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
- paid in cash	**116.3**	54.5
- satisfied by issue of shares purchased on market	**2.2**	1.7
	118.5	56.2
Dividends not recognised at year end		
Subsequent to year end, the Directors have resolved to pay a final dividend of 55.0 cents per ordinary share (2020: 19.5 cents per ordinary share), fully franked based on tax paid at 30%.		
Aggregate amount of the dividend expected to be paid on 7 October 2021, out of retained profits as at 26 June 2021, but not recognised as a liability at year end	**124.2**	44.0
Franking credits		
The franked portions of dividends paid after 26 June 2021 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 26 June 2021.		
Franking credits remaining at balance date available for dividends resolved to be paid after the current balance date based on a tax rate of 30%	**231.2**	157.2

The above amounts represent the balance of the franking account as at the end of the financial year, 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 of $53.2 million (2020: $18.9 million). The recommended dividend has not been recognised as a liability at year end.

Significant Accounting Policies

Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

23. Related party transactions

Transactions with related parties are at arm's length unless otherwise stated.

(a) Parent entities

The parent entity within the Group is Super Retail Group Limited, which is the ultimate Australian parent.

(b) Subsidiaries, associates and joint ventures

Interests in subsidiaries are set out in Note 27 – Investments in controlled entities. Details on associates and joint ventures can be found at Note 24(b) – Business combinations.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 28 – Key management personnel disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

23. Related party transactions (continued)

(d) Directors

The names of the persons who were Directors of Super Retail Group Limited during the financial year are S A Pitkin AO, R A Rowe, D J Eilert, H L Mowlem, P D Everingham, S A Chaplain AM, G T Dunne and A M Heraghty.

(e) Amounts due from related parties

There are no amounts due from Directors of the consolidated Group and their director-related entities (2020: nil).

(f) Transactions with other related parties

	2021 $	2020 $
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:		
Store lease payment[1]	**9,553,918**	9,611,168

[1] Rent on properties, with rates which are deemed to be on an arm's-length basis. Rent payable at year-end was Nil (2020: $750,802).

24. Business combinations

(a) Subsidiaries

2021

The Group's subsidiaries at 26 June 2021 are as detailed in Note 27 - Investments in controlled entities. There were no changes to the Group's ownership interest in these entities.

2020

Infinite Retail Pty Ltd – October 2019

On the 23 October 2019, the Group entered into an agreement with Mulawa Pty Ltd to purchase the last 5 per cent ownership interest in Infinite Retail Pty Ltd for $75,000. As a result Infinite Retail Pty Ltd is now a wholly-owned subsidiary of the Group.

(b) Associates and joint ventures

2021

There were no changes to the Group's associates or joint ventures during 2021.

2020

Autoguru Australia Pty Ltd – February 2020

On 13 February 2020, shares in Autoguru Australia Pty Ltd were issued to the management of Autoguru. As a result Super Retail Group's ownership interest in Autoguru reduced from 49.52 per cent to 38.29 per cent.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

25. Deed of cross guarantee

Super Retail Group Limited, A-Mart All Sports Pty Ltd, Auto Trade Direct Pty Ltd, Coyote Retail Pty Limited, Foghorn Holdings Pty Ltd, Goldcross Cycles Pty Ltd, Infinite Retail Pty Ltd, Macpac Holdings Pty Ltd, Macpac Retail Pty Ltd, Mouton Noir Management Pty Ltd, MP Finco Pty Limited, Macpac Group Holdings Pty Limited, Oceania Bicycles Pty Ltd, Ray's Outdoors Pty Ltd, Rebel Pty Ltd, Rebel Group Limited, Rebel Management Services Pty Limited, Rebel Sport Limited, Rebel Wholesale Pty Limited, Rebelsport.com Pty Limited, SRG Equity Plan Pty Ltd, SRG Leisure Retail Pty Ltd, SRGS Pty Ltd, Supercheap Auto Pty Ltd, Super Retail Commercial Pty Ltd, Super Retail Group Services Pty Ltd and Workout World Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

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

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

Set out below is a consolidated comprehensive income statement and a summary of movements in consolidated retained earnings for the period ended 26 June 2021 of the Closed Group.

Consolidated Comprehensive Income Statement	**2021 $m**	**2020 $m**
Revenue from continuing operations	**3,235.1**	2,644.9
Other income from continuing operations	**0.3**	28.5
Total revenues and other income	**3,235.4**	2,673.4
Cost of sales of goods	**(1,686.2)**	(1,458.4)
Other expenses from ordinary activities		
- selling and distribution	**(415.0)**	(352.4)
- marketing	**(95.2)**	(74.4)
- occupancy	**(199.0)**	(191.5)
- administration	**(392.0)**	(369.2)
Net finance costs	**(39.4)**	(53.5)
Share of net loss of associates and joint ventures	**(0.2)**	(0.6)
Total expenses	**(2,827.0)**	(2,500.0)
Profit before income tax	**408.4**	173.4
Income tax expense	**(120.8)**	(42.6)
Profit for the period	**287.6**	130.8

Statement of comprehensive income	**$m**	**$m**
Profit for the period	**287.6**	130.8
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**3.8**	1.0
Other comprehensive income for the period, net of tax	**3.8**	1.0
Total comprehensive income for the period	**291.4**	131.8

Summary of movements in consolidated retained earnings	**$m**	**$m**
Retained profits at the beginning of the financial period	**368.9**	245.5
Change in accounting policy – AASB 16 *Leases*	**-**	(33.4)
Change in Closed Group	**(0.6)**	82.2
Restated balance at the beginning of the financial period	**368.3**	294.3
Profit for the period	**287.6**	130.8
Dividends paid	**(118.5)**	(56.2)
Retained profits at the end of the financial period	**537.4**	368.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

25. Deed of cross guarantee (continued)

(b) Consolidated Balance Sheet

Set out below is a consolidated balance sheet as at 26 June 2021 of the Closed Group.

ASSETS	**2021 $m**	**2020 $m**
Current assets		
Cash and cash equivalents	**196.4**	260.9
Trade and other receivables	**48.1**	36.1
Inventories	**642.4**	451.3
Derivative financial instruments	**3.6**	-
Total current assets	**890.5**	748.3
Non-current assets		
Other financial assets	**196.5**	196.7
Deferred tax assets	**14.2**	11.6
Property, plant and equipment	**205.4**	219.6
Right-of-use assets	**837.4**	789.0
Intangible assets	**799.1**	806.9
Total non-current assets	**2,052.6**	2,023.8
Total assets	**2,943.1**	2,772.1
LIABILITIES		
Current liabilities		
Trade and other payables	**533.2**	419.7
Lease liabilities	**181.1**	166.6
Current tax liabilities	**68.9**	17.2
Derivative financial instruments	**-**	1.9
Provisions	**93.3**	107.8
Total current liabilities	**876.5**	713.2
Non-current liabilities		
Borrowings	**-**	247.8
Lease liabilities	**749.0**	717.4
Provisions	**25.8**	23.4
Total non-current liabilities	**774.8**	988.6
Total liabilities	**1,651.3**	1,701.8
NET ASSETS	**1,291.8**	1,070.3
EQUITY		
Contributed equity	**740.7**	698.1
Reserves	**13.7**	3.3
Retained profits	**537.4**	368.9
TOTAL EQUITY	**1,291.8**	1,070.3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

26. Parent entity financial information

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

	2021 $m	2020 $m
Balance Sheet		
Current assets	**316.5**	325.9
Total assets	**1,123.6**	1,134.3
Current liabilities	**71.7**	30.6
Total liabilities	**71.9**	279.4
NET ASSETS	**1,051.7**	854.9
Contributed equity	**740.7**	698.1
Reserves		
- share-based payments	**19.7**	13.1
Retained earnings	**291.3**	143.7
Total Equity	**1,051.7**	854.9
Profit after tax for the period	**266.1**	102.2
Total comprehensive income	**266.1**	106.5

Significant Accounting Policies

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

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

Tax consolidation legislation
Super Retail Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Super Retail Group Limited, and the controlled entities in the tax consolidated group account for current and deferred tax amounts under the "separate taxpayer within group' approach in accordance with *AASB Interpretation 1052, Tax Consolidation Accounting*.

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

27. Investments in controlled entities

The Group's subsidiaries at 26 June 2021 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.

			Equity Holding	
Name of Entity	Country of Incorporation	Principal Activities	2021 %	2020 %
A-Mart All Sports Pty Ltd[1]	Australia	Sports retail	100	100
Auto Trade Direct (NZ) Limited	New Zealand	Auto retail	100	100
Auto Trade Direct Pty Ltd[1]	Australia	Auto retail	100	100
BCF New Zealand Limited	New Zealand	Outdoor retail	100	100
Coyote Retail Pty Limited[1]	Australia	Sports retail	100	100
Foghorn Holdings Pty Ltd[1]	Australia	Sports retail	100	100
Goldcross Cycles Pty Ltd[1]	Australia	Sports retail	100	100
Infinite Retail Pty Ltd[1]	Australia	Sports retail	100	100
Infinite Retail UK Limited[2]	United Kingdom	Sports retail	100	100
Macpac Enterprise	New Zealand	Outdoor retail	100	100
Macpac Group Holdings Pty Limited[1] [4]	Australia	Outdoor retail	100	100
Macpac Holdings Pty Ltd[1]	Australia	Outdoor retail	100	100
Macpac Limited	New Zealand	Outdoor retail	100	100
Macpac New Zealand Limited	New Zealand	Outdoor retail	100	100
Macpac Retail Pty Ltd[1]	Australia	Outdoor retail	100	100
MP Finco Pty Limited[1] [4]	Australia	Outdoor retail	100	100
Mouton NOIR IP Limited	New Zealand	Outdoor retail	100	100
Mouton Noir Management Pty Ltd[1]	Australia	Outdoor retail	100	100
Oceania Bicycles Pty Ltd[1]	Australia	Sports retail	100	100
Oceania Bicycles Limited[3]	New Zealand	Sports retail	100	100
Ray's Outdoors New Zealand Limited	New Zealand	Outdoor retail	100	100
Ray's Outdoors Pty Ltd[1]	Australia	Outdoor retail	100	100
Rebelsport.com Pty Limited[1]	Australia	Sports retail	100	100
Rebel Group Limited[1]	Australia	Sports retail	100	100
Rebel Management Services Pty Limited[1]	Australia	Sports retail	100	100
Rebel Pty Ltd[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
SRG Equity Plan Pty Ltd[1]	Australia	Investments	100	100
SRG Leisure Retail Pty Ltd[1]	Australia	Outdoor retail	100	100
SRGS (New Zealand) Limited	New Zealand	Product acquisition and distribution	100	100
SRGS Pty Ltd[1]	Australia	Product acquisition and distribution	100	100
Super Cheap Auto (New Zealand) Pty Limited	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
VBM Retail (HK) Limited[2]	Hong Kong	Sports retail	100	100
VBM Retail NZ Limited[2]	New Zealand	Sports retail	100	100
Workout World Pty Limited[1]	Australia	Sports retail	100	100

[1] These controlled entities have been granted relief from the requirement to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.
[2] Investment is held directly by Infinite Retail Pty Ltd.
[3] Investment is held directly by Oceania Bicycles Pty Ltd.
[4] Previously incorporated in New Zealand. Re-domiciled during the financial year ended 27 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

28. Key Management Personnel disclosures

(a) Key Management Personnel compensation

	2021 $	2020 $
Short-term employee benefits	**7,895,340**	7,257,972
Long-term employee benefits	**788,389**	360,570
Post-employment benefits	**202,501**	178,154
Share-based payments	**3,651,950**	424,979
	12,538,180	8,221,675

The key management personnel remuneration in some instances has been paid by a subsidiary.

Loans to key management personnel
There were no loans to individuals at any time.

Other transactions with key management personnel
Aggregate amounts of each of the above types of other transactions with key management personnel of Super Retail Group Limited:

Amounts paid to key management personnel as shareholders	2021 $	2020 $
Dividends[1]	**36,125,381**	17,135,677

[1] Dividends paid to KMP shareholders was lower in the prior year due to the cancellation of the 2020 interim dividend.

29. Share-based payments

(a) Executive Performance Rights

The Company has established the Super Retail Group Executive Performance Rights Plan ("the plan") 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 Plan, 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 plan.

The vesting conditions are based on Board approved measures of sustainable shareholder returns such as Earnings Per Share (EPS) and Return on Capital (ROC). Historically the Long-Term Incentive (LTI) Plan has used a combination of EPS and ROC which the Board determined are appropriate measures of sustainable shareholder returns. In the context of COVID-19 and the challenges of forecasting the impact on the business, the Board established a two-year Medium Term Business Plan (MTBP), with targets for ROC and Normalised Profit Before Tax (NPBT). The grant in the 2021 financial year covered LTI reward for both the 2021 and 2022 financial years and is based on performance over the two-year period of the MTBP. For the Performance Rights granted on 1 September 2019, these are tested based on the June 2022 results and will vest over the two years from the year of testing at 50 per cent per year. For the Performance Rights granted on 1 November 2020, these are also tested based on the June 2022 results and vest from the year of testing over three years at one-third per year.

Subject to any adjustment in the event of a bonus issue, each right is an entitlement 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)[1]
2021					
1 September 2015	**9,952**	**-**	**(9,952)**	**-**	**-**
1 September 2016	**147,054**	**-**	**(73,508)**	**-**	**73,546**
1 September 2017	**465,885**	**-**	**(89,193)**	**(287,452)**	**89,240**
1 September 2018	**344,698**	**-**	**-**	**(7,754)**	**336,944**
1 September 2019	**695,470**	**-**	**-**	**(38,507)**	**656,963**
1 November 2020	**-**	**1,121,283**	**-**	**(4,500)**	**1,116,783**
	1,663,059	**1,121,283**	**(172,653)**	**(338,213)**	**2,273,476**
2020					
1 September 2015	136,707	-	(10,089)	(116,666)	9,952
1 September 2016	453,535	-	(150,879)	(155,602)	147,054
1 September 2017	633,916	-	-	(168,031)	465,885
1 September 2018	592,684	-	-	(247,986)	344,698
1 September 2019	-	727,470	-	(32,000)	695,470
	1,816,842	727,470	(160,968)	(720,285)	1,663,059

[1] All Performance Rights as at the end of the year are unvested and the exercise price for all grants is nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

29. Share-based payments (continued)

(a) Executive Performance Rights (continued)

The weighted average remaining contractual life of Performance Rights outstanding as at the end of the period was 1.8 years (2020: 1.8 years).

Fair value of Performance Rights granted

For Performance Rights, the fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the Performance Rights, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Performance Rights. The fair values and model inputs for Performance Rights granted during the period included:

	2021 Performance Rights
Fair value of Performance Rights granted	$9.47
Grant date (accounting valuation)[1]	30 December 2020
Expiry dates	1 Nov 2022, 1 Nov 2023, 1 Nov 2024
Share price at grant date	$10.87
Expected price volatility of the Group's shares	1.0%
Expected dividend yield	4.6%
Risk-free interest rate	0.22%

[1] Grant date for accounting valuation is the date team members became aware of the terms and conditions of the offer which for the 2021 Performance Rights was 30 December 2020. The grant date as outlined in the terms and conditions of the offer is 1 November 2020.

Expenses arising from share-based payments transactions:	2021 $m	2020 $m
Executive Performance Rights	**7.7**	0.2

Significant Accounting Policies

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

The fair value of performance rights granted under the plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights.

The fair value of the performance rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of the performance rights, the balance of the share-based payments reserve relating to those performance rights remains in the share-based payments reserve.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

30. 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.

	2021 $	2020 $
(a) PricewaterhouseCoopers Australia		
(i) Assurance services		
Audit and review of financial statements	**879,240**	855,736
Other assurance	**-**	-
Total remuneration for audit and other assurance services	**879,240**	855,736
(ii) Taxation services		
Tax compliance services, including review of Company income tax returns	**163,537**	258,577
Total remuneration for taxation services	**163,537**	258,577
(iii) Other services		
Advisory services	**-**	45,900
Total remuneration for advisory services	**-**	45,900
Total remuneration of PricewaterhouseCoopers Australia	**1,042,777**	1,160,213
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Taxation services		
Tax compliance services, including review of Company income tax returns	**47,011**	80,380
Total remuneration of network firms of PricewaterhouseCoopers Australia	**47,011**	80,380
Total auditors' remuneration	**1,089,788**	1,240,593

The Group's auditor is PricewaterhouseCoopers. The Group may 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, or where the auditor is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects. The Board has considered the non-audit services provided during the year by the auditor, and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

31. Contingencies

	2021 $m	2020 $m
Guarantees		
Guarantees issued by the bankers of the Group in support of various rental arrangements.		
The maximum future rental payments guaranteed amount to:	**4.7**	4.9

Other Contingencies

The Group continues to work with the Fair Work Ombudsman in relation to the underpayment of team members. This may result in undertakings required by the regulator, or the commencement of legal proceedings. Further amounts may become payable at the direction of the regulator or as a result of legal proceedings. Future professional advisory fees will be incurred to finalise remediation outcomes.

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.

32. Commitments

Commitments payable for the acquisition of plant and equipment and computer software, contracted for at the reporting date but not recognised as liabilities payable, total $5.4 million as at 26 June 2021 (27 June 2020: $2.6 million).

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases. These leases have varying terms, escalation clauses and renewal rights. The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Refer Note 11 - Leases for details of Property right-of-use assets and Note 21 – Financial risk management for details of the contractual maturities of the lease liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 26 June 2021

33. Net tangible asset backing

	2021 Cents	2020 Cents
Net tangible asset per ordinary share	**$1.93**	$0.88

Net tangible asset per ordinary share (NTA) is calculated based on Net Assets of $1,226.5 million (2020: $991.3 million) less intangible assets of $866.9 million (2020: $874.3 million) adjusted for the associated deferred tax liability of $75.3 million (2020: $75.3 million). The number of shares used in the calculation was 225,826,500 (2020: 219,697,707).

The NTA calculation includes the right-of-use assets in respect of property, plant and equipment leases of $894.3 million (2020: $848.0 million), and the lease liabilities recognised under AASB 16 Leases of $989.6 million (2020: $939.3 million). If the right-of-use assets and associated deferred tax liability were excluded from the calculation, the NTA would have been negative $0.86 per ordinary share (2020: negative $1.85).

34. Events occurring after balance date

No matters or circumstance have arisen since 26 June 2021 that have significantly affected, or may significantly affect:

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

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 69 to 121 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 26 June 2021 and of its performance for the financial year 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 25 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 25.

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

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

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

S A Pitkin AO
Director

A M Heraghty
Director

Brisbane
18 August 2021

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Independent auditor's report

To the members of Super Retail Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Super Retail Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 26 June 2021 and of its financial performance for the period 28 June 2020 to 26 June 2021 (the year)

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 26 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $17.1 million, which represents approximately 4% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 4% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of Goodwill and Brand names *(Refer to note 10) Goodwill $526.6m ; Brand names : $253.3m* Goodwill is allocated to the Group's cash generating units (CGUs) which are consistent with the Group's segments. During the annual review for impairment, the Group determined the recoverable amount for each CGU using discounted cash flow valuation models (valuation models) which relied on significant assumptions and estimates of future trading performance. The carrying value of goodwill and brand names was a key audit matter due to its size and the judgements involved in estimating the cash flow forecasts, including consideration of the assumed economic recovery in relation to COVID-19 applied to the forecasts.	Our audit procedures included the following: ● Developing an understanding of and evaluating the Group's processes and controls related to annual impairment assessments of the CGUs in light of the requirements of Australian Accounting Standards. ● Comparing actual results with historical forecasts to assess the reliability of the forecasts used in the cash flow models. ● Evaluating how the Group considered the ongoing impact of COVID-19 in the future cash flow forecasts. ● Together with PwC valuation experts, assessing the valuation methodology and mathematical accuracy of the models and comparing the discount rate and growth rate assumptions to historical company data and market observable inputs. ● Evaluating the Group's assessment that the indefinite life assumption for brand names remains appropriate at period end. ● Evaluating the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.

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Key audit matter	*How our audit addressed the key audit matter*
Lease accounting *(Refer to note 11) Right of Use assets : $894.3m, Lease Liabilities $989.6m* The Group adopted Australian Accounting Standard AASB 16 Leases (AASB 16) in the prior period. As a result, Right of Use assets and Lease Liabilities are recognised on the balance sheet. This was a key audit matter due to the: ● Financial significance of the balances included in the financial report ● The critical judgements used in determining the lease term assumptions in the lease calculations	Our audit procedures included the following: ● Assessing the Group's accounting policies against the requirements of AASB 16. ● For a sample of lease agreements: • Evaluating the lease calculations against the terms of the lease agreement and the requirements of Australian Accounting Standards • Testing the mathematical accuracy of the lease calculations • Evaluating the evidence for critical judgements made over lease term assumptions. ● Evaluating the adequacy of the disclosures made in Note 11 in light of the requirements of Australian Accounting Standards.
Computer software *(Refer to note 10) Net computer software $87.0m, Note 2 (g)* During the period, the Group changed its accounting policy on accounting for Configuration or Customisation Costs for Software-as-a-Service (SaaS) arrangements as intangible assets in line with the accounting treatment set out in the IFRS Interpretation Committee agenda decision in March 2021 and AASB 138 Intangible Assets (AASB 138). This was a key audit matter due to the: ● Financial significance of the intangible assets balance included in the financial report ● Judgement involved to determine whether implementation activities of SaaS arrangements create an intangible asset that the Group controls.	Our audit procedures included the following: ● Assessing the Group's accounting policies against the requirements of AASB 138 and the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs for Software-as-a-Service (SaaS) arrangements. For a sample of intangible assets, we performed the following procedures, amongst others: ● Assessing the nature of the costs capitalised against the requirements of Australian Accounting Standards. ● Obtaining evidence supporting the Group's classification of costs in relation to SaaS arrangements. ● Evaluating the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Inventory valuation *(Refer to note 8) $696.4m* The valuation of inventory was a key audit matter because of the judgements involved in: ● Estimating the net realisable value (NRV) of inventory. ● Capitalising attributable overheads and adjusting inventory cost for rebates received.	Our audit procedures included the following: ● Assessing the Group's accounting policies against the requirements of Australian Accounting Standards. ● For a sample of inventory items, agreeing movements between stocktake date and year end to supporting documentation. ● Testing the mathematical accuracy of the stock loss provision. ● Assessing the NRV provision, using data analysis techniques to compare the carrying value to the most recent sales price for each item. ● Evaluating the Group's methodology for capitalising overheads and rebates to inventory against the requirements of the Australian Accounting Standards. ● Evaluating the nature of a sample of the costs capitalised during the year, in light of the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 26 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 43 to 67 of the directors' report for the year ended 26 June 2021.

In our opinion, the remuneration report of Super Retail Group Limited for the year ended 26 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Paddy Carney
Partner

Brisbane
18 August 2021

SHAREHOLDER INFORMATION

For the period ended 26 June 2021

The shareholder information set out below was applicable as at 11 August 2021.

Number of Shareholders
There were 16,446 shareholders, holding 225,826,500 fully paid ordinary shares.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Ordinary Shareholders	Percentage of Shareholders	Performance Rights holders	Percentage of Rights holders
1-1000	9,578	58.2%	1	1.0%
1,001-5,000	5,635	34.3%	22	22.4%
5,001-10,000	805	4.9%	27	27.6%
10,001-100,000	380	2.3%	43	43.9%
100,001 and over	48	0.3%	5	5.1%
Total	16,446	100.0%	93	100.0%

There were 571 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	61,490,627	27.23%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	48,295,364	21.39%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	25,601,136	11.34%
CITICORP NOMINEES PTY LIMITED	21,953,405	9.72%
NATIONAL NOMINEES LIMITED	10,450,277	4.63%
BNP PARIBAS NOMS PTY LTD	4,850,793	2.15%
BNP PARIBAS NOMINEES PTY LTD	4,085,151	1.81%
RE-GROW FUTURES PTY LTD	3,167,000	1.40%
CITICORP NOMINEES PTY LIMITED	2,920,596	1.29%
SCCASP HOLDINGS PTY LTD	1,232,804	0.55%
SANTOS L HELPER PTY LTD	904,246	0.40%
MR KENNETH JOSEPH HALL	777,143	0.34%
EQUITAS NOMINEES PTY LIMITED	717,328	0.32%
EQUITAS NOMINEES PTY LIMITED	648,346	0.29%
EQUITAS NOMINEES PTY LIMITED	625,298	0.28%
EQUITAS NOMINEES PTY LIMITED	611,876	0.27%
PACIFIC CUSTODIANS PTY LIMITED	555,774	0.25%
AMP LIFE LIMITED	530,013	0.23%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	453,586	0.20%
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	430,826	0.19%
	190,301,589	**84.28%**

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SHAREHOLDER INFORMATION (continued)

For the period ended 26 June 2021

C. Substantial shareholdings

As at 11 August 2021, 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
REGINALD ALLEN ROWE	65,890,431	29.18%	29/06/2020
CHALLENGER LIMITED	16,421,526	7.27%	12/07/2021
ALPHINITY INVESTMENT MANAGEMENT PTY LTD	11,362,765	5.03%	21/09/2020

D. Unquoted equity securities

As at 18 August 2021, there were 2,273,476 unlisted performance rights, granted to 93 holders, over unissued ordinary shares in the Company.

E. Voting rights

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

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

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

F. Market buy-back

There is currently no on market buy-back.

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Corporate Directory

Name of Entity
SUPER RETAIL GROUP LIMITED

ABN
81 108 676 204

Company Secretary
Rebecca Farrell

Principal Registered Office
6 Coulthards Avenue
STRATHPINE QLD 4500 Australia
Telephone: +61 7 3482 7900
Facsimile: +61 7 3205 8522

Website Address
www.superretailgroup.com.au

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

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

Telephone:
1300 554 474
+61 2 8280 7100
www.linkmarketservices.com.au

Auditors
PricewaterhouseCoopers

Financial Calendar

Key dates for shareholders[1]

Annual General Meeting [2]
20 October 2021

Final Dividend Ex-Date
23 August 2021

Final Dividend Record Date
24 August 2021

Full Year DRP Election Date
25 August 2021

Full Year Dividend Payment Date
7 October 2021

Interim Results Announcement
21 February 2022

Interim Dividend Ex-Date
24 February 2022

Interim Dividend Record Date
25 February 2022

Interim DRP Election Date
28 February 2022

Interim Dividend Payment Date
4 April 2022

(1) All 2022 dates are subject to Board approval. If there are changes to any other dates, the Australian Securities Exchange will be notified as required.

(2) The 2021 Annual General Meeting of the Shareholders of Super Retail Group Limited will be held as a hybrid meeting, which will permit shareholders to attend in person or online. Further details will be available on the ASX and our website.

Notes

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