SUPER RETAIL GROUP LIMITED (SUL)
INTERIM REPORT

FOR THE 26 WEEK PERIOD ENDED 28 DECEMBER 2019

SECTION A

APPENDIX 4D
INTERIM REPORT

SUPER RETAIL GROUP LIMITED (SUL)

ABN 81 108 676 204

Statutory Results

Current Reporting Period:	From 30 June to 28 December 2019 (26 weeks)
Previous Reporting Period:	From 1 July to 29 December 2018 (26 weeks)

Results for Announcement to the Market

	Statutory Results $m	Comparison to December 2018 $m
Revenue from ordinary activities	1,443.5	Up 2.9% from 1,403.2
Profit from ordinary activities after tax attributable to members	57.4	Down 19.9% from 71.7
Net profit for the period attributable to members	57.4	Down 19.9% from 71.7

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

This report is based on the consolidated interim financial statements which have been reviewed by the auditor. The review report, which was unqualified, is included within the Company's Interim Financial Report for the 26 weeks ending 28 December 2019 which accompanies this Appendix 4D.

For a brief explanation of the figures above please refer to the Results Announcement for the period ended 28 December 2019 and the Directors' Report, which forms part of the Interim Financial Report.

Dividends – Ordinary Shares

	Amount per share	Franked amount per share
2019 Final dividend	28.5¢	28.5¢
2020 Interim dividend (1)	21.5¢	21.5¢
Record date for determining entitlements to the interim dividend	2 March 2020	

(1)Declared 19 February 2020, payable 2 April 2020.

Net Tangible Assets per Security

	December 2019 Cents	June 2019 Cents
Net tangible assets per security	($0.10)	($0.01)

Foreign Entities

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

Control gained or lost over entities during the period

(a) Names of entities where control was gained in the period
There were no entities over which control was gained during the period.

(b) Names of entities where control was lost in the period
There were no entities over which control was lost during the period.

SECTION B

SUPER RETAIL GROUP LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEK PERIOD ENDED 28 DECEMBER 2019

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DIRECTORS' REPORT

The Directors of Super Retail Group Limited present the Interim Financial Report for the 26 week period ended 28 December 2019.

Directors

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

Directors:
Sally Pitkin
(Independent Non-Executive Chair)
Anthony Heraghty
(Group Managing Director and Chief Executive Officer)
Reginald Rowe
(Non-Executive Director)
Diana Eilert
(Independent Non-Executive)
Howard Mowlem
(Independent Non-Executive)
Peter Everingham
(Independent Non-Executive)
Launa Inman
(Independent Non-Executive) *(retired 22 October 2019)*

Financial and Operational Review

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

(a) Group Results

Sales for the period were $1,443.5 million (2018: $1,403.2 million), an increase of 2.9 per cent.

The reported Net Profit After Tax for the period attributable to Owners of Super Retail Group Limited was $57.4 million (2018: $71.7 million), a decrease of 19.9 per cent.

Normalised Net Profit After Tax for the period was $74.1 million (2018: $81.6 million), a decrease of 9.2 per cent. The new Lease Accounting Standard – AASB 16 – is applicable for the first time. The application of the new standard reduced profit after tax for the period by $4.0 million. Refer to section b) below for further analysis.

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

Financial Performance	**28 December 2019 $m**	**29 December 2018 $m**
Profit for the period attributable to Owners of Super Retail Group Limited	**57.4**	**71.7**
Lease Accounting Standard – AASB 16 adjustment	4.0	-
Pre-AASB 16	**61.4**	**71.7**
Autoguru net loss from associate accounted for using the equity method	0.5	1.3
Reversals of previous provisions after tax	(0.4)	-
Team member underpayment remediation after tax	9.5	6.0
Execution costs to complete the remediation after tax	3.1	2.0
Youcamp net loss on divestment	-	0.6
Normalised net profit after tax	**74.1**	**81.6**

The Group has updated its total estimate for team member back payments from $53.2 million as at 29 December 2018 to $61.2 million as at 28 December 2019, excluding execution costs. A remediation program has been underway and the estimate has been revised each reporting period since the initial recognition as at 30 June 2018.

The estimate increase of $8.0 million since December 2018 has resulted in a $9.5 million after tax expense in the current six month period. The movement in this estimate has two elements. The total amount of retail manager and set-up team member underpayments is lower than initially estimated. Offsetting this decrease is the identification of additional team members also impacted by overtime underpayments.

Costs to execute the remediation of $3.1 million after tax have been incurred in the period. Total costs to execute the remediation including the prior period were $8.6 million after tax. Ongoing remediation execution costs will be expensed as incurred.

Financial and Operational Review (continued)

(a) Group Results (continued)

Store Movements

	Stores 29/06/2019	Opened	Closed	Stores 28/12/2019
Supercheap Auto	323	3	(1)	325
Rebel	161	-	(1)	160
BCF	136	4	(1)	139
Macpac	70	3	-	73
Group	**690**	**10**	**(3)**	**697**

(b) Impact of AASB 16 *Leases*

Given the significance of the impact that the new accounting standard AASB 16 *Leases* has on the half year results and balance sheet at 28 December 2019, the Directors have included the following tables which are considered to provide useful information to the Group's shareholders, and allows a meaningful comparison to the comparative period. This is non-IFRS information.

AASB 16 *Leases* impact on Consolidated Income Statement (Non IFRS)

	28-Dec-19 Statutory $m	28-Dec-19 AASB16 Adjustment $m	28-Dec-19 Pre-AASB16 $m	29-Dec-18 Pre-AASB16 Statutory $m
Revenue from continuing operations	1,443.5	-	1,443.5	1,403.2
Other income from continuing operations	0.1	-	0.1	1.4
Total revenues and other income	1,443.6	-	1,443.6	1,404.6
Expenses				
Cost of sales of goods	(794.0)	-	(794.0)	(773.2)
Other expenses from ordinary activities				
- selling and distribution	(193.3)	-	(193.3)	(187.8)
- marketing	(51.2)	-	(51.2)	(51.7)
- occupancy	(102.0)	(12.7)*	(114.7)	(103.9)
- administration	(192.5)	-	(192.5)	(175.5)
Net finance costs	(27.9)	18.5	(9.4)	(11.0)
Share of net loss of associates and joint ventures	(0.5)	-	(0.5)	(1.4)
Total expenses	**(1,361.4)**	**5.8**	**(1,355.6)**	**(1,304.5)**
Profit before income tax	**82.2**	**5.8**	**88.0**	**100.1**
Income tax expense	(24.8)	(1.8)	(26.6)	(28.4)
Profit for the period	**57.4**	**4.0**	**61.4**	**71.7**

*Occupancy expense movement is a reduction in depreciation and amortisation of $86.8m and an increase in rental expense of $99.5m.

AASB 16 *Leases* impact on Fixed Charge Cover Ratio (Non IFRS)

	28-Dec-19 Statutory $m	28-Dec-19 AASB16 Adjustment $m	28-Dec-19 Pre-AASB16 $m	29-Dec-18 Pre-AASB16 Statutory $m
Profit attributable to Owners of Super Retail Group	57.4	4.0	61.4	71.7
Add: Taxation expense	24.8	1.8	26.6	28.4
Net finance costs	27.9	(18.5)	9.4	11.0
Depreciation and amortisation	131.2	(86.8)	44.4	41.7
EBITDA	**241.3**	**(99.5)**	**141.8**	**152.8**
Rental expense	26.2	99.5	125.7	113.8
EBITDAR	**267.5**	**-**	**267.5**	**266.6**
Net finance costs	27.9	(18.5)	9.4	11.0
Rental expense	26.2	99.5	125.7	113.8
Fixed charges	**54.1**	**81.0**	**135.1**	**124.8**
Fixed charge cover ratio	**4.94**	**-**	**1.98**	**2.14**
Net Debt to EBITDA ratio	**4.91**	**-**	**1.78**	**1.92**

Financial and Operational Review (continued)

(b) Impact of AASB 16 *Leases* (continued)

AASB 16 *Leases* impact on Consolidated Balance Sheet (Non IFRS)

	28-Dec-19 Statutory $m	28-Dec-19 AASB16 Adjustment $m	28-Dec-19 Pre-AASB16 $m	29-Jun-19 Pre-AASB16 Statutory $m
ASSETS				
Current assets				
Cash and cash equivalents	57.1	-	57.1	7.5
Trade and other receivables	49.5	2.1	51.6	37.6
Inventories	621.1	-	621.1	560.2
Current tax asset	7.4	-	7.4	1.9
Derivative financial instruments	-	-	-	2.8
Total current assets	**735.1**	**2.1**	**737.2**	**610.0**
Non-current assets				
Property, plant and equipment	244.1	5.6	249.7	254.8
Right-of-use assets	847.6	(847.6)	-	-
Intangible assets	891.3	1.1	892.4	894.2
Other financial assets	6.4	-	6.4	6.9
Total non-current assets	**1,989.4**	**(840.9)**	**1,148.5**	**1,155.9**
Total assets	**2,724.5**	**(838.8)**	**1,885.7**	**1,765.9**
LIABILITIES				
Current liabilities				
Trade and other payables	543.2	3.1	546.3	360.0
Borrowings	-	3.4	3.4	3.4
Lease liabilities	191.9	(191.9)	-	-
Provisions	106.7	0.5	107.2	107.3
Derivative financial instruments	5.5	-	5.5	6.2
Total current liabilities	**847.3**	**(184.9)**	**662.4**	**476.9**
Non-current liabilities				
Trade and other payables	-	39.5	39.5	39.1
Borrowings	303.4	2.1	305.5	390.8
Lease liabilities	746.3	(746.3)	-	-
Deferred tax liabilities	7.2	27.5	34.7	23.4
Provisions	24.2	0.6	24.8	19.7
Total non-current liabilities	**1,081.1**	**(676.6)**	**404.5**	**473.0**
Total liabilities	**1,928.4**	**(861.5)**	**1,066.9**	**949.9**
NET ASSETS	**796.1**	**22.7**	**818.8**	**816.0**
EQUITY				
Contributed equity	542.3	-	542.3	542.3
Reserves	5.4	-	5.4	8.2
Retained earnings	248.4	22.7	271.1	265.9
Capital and reserves attributable to owners of Super Retail Group Limited	**796.1**	**22.7**	**818.8**	**816.4**
Non-controlling interests	-	-	-	(0.4)
TOTAL EQUITY	**796.1**	**22.7**	**818.8**	**816.0**

Financial and Operational Review (continued)

(b) Impact of AASB 16 *Leases* (continued)

AASB 16 *Leases* impact on Consolidated Statement of Cash Flows (Non IFRS)

	28-Dec-19 Statutory $m	28-Dec-19 AASB16 Adjustment $m	28-Dec-19 Pre-AASB16 $m	28-Dec-18 Pre-AASB16 Statutory $m
Cash flows from operating activities				
Receipts from customers (inclusive of goods and services tax)	1,572.2	-	1,572.2	1,522.0
Payments to suppliers and employees (inclusive of goods and services tax)	(1,182.4)	-	(1,182.4)	(1,132.6)
Rental payments	(28.4)	(101.5)	(129.9)	(127.0)
Income taxes paid	(20.8)	-	(20.8)	(27.0)
Net cash inflow from operating activities	**340.6**	**(101.5)**	**239.1**	**235.4**
Cash flows from investing activities				
Payments for property, plant and equipment and software	(37.8)	-	(37.8)	(40.4)
Payments for acquisitions of investments in associates/joint ventures	(0.1)	-	(0.1)	(0.4)
Net cash (outflow) from investing activities	**(37.9)**	**-**	**(37.9)**	**(40.8)**
Cash flows from financing activities				
Proceeds from borrowings	396.0	-	396.0	563.0
Repayment of borrowings	(480.0)	-	(480.0)	(641.0)
Lease principal payments	(84.6)	83.0	(1.6)	(1.7)
Borrowing costs paid	-	-	-	(2.3)
Interest paid	(28.5)	18.5	(10.0)	(10.5)
Dividend paid to Company's shareholders	(56.2)	-	(56.2)	(54.3)
Net cash (outflow) from financing activities	**(253.3)**	**101.5**	**(151.8)**	**(146.8)**
Net increase in cash and cash equivalents	**49.4**	**-**	**49.4**	**47.8**
Cash and cash equivalents at the beginning of the period	7.5	-	7.5	15.2
Effects of exchange rate changes on cash and cash equivalents	0.2	-	0.2	0.4
Cash and cash equivalents at the end of the interim period	**57.1**	**-**	**57.1**	**63.4**

(c) Supercheap Auto

The divisional total sales increased by 3.7 per cent to $550.7 million with like for like sales growth of 2.4 per cent, driven by growth in average transaction value. A key contributor to the like for like growth was the digital sales increase of 24.4 per cent on the previous corresponding period.

Like for like sales growth was achieved in all categories except for Tools and Outdoors which continues to experience strong competition. Auto Maintenance category delivered the strongest growth, supported by strong marketing campaigns.

Segment EBIT grew by 0.4 per cent to $57.3 million and was impacted by higher store labour costs and wage investment.

Customer engagement with the SCA Club Plus has been strong with total active Club Plus members growing to 1.7 million in the period.

Financial and Operational Review (continued)

(d) Rebel

Total divisional sales increased by 3.6 per cent to $542.8 million. Like for like sales growth of 3.3 per cent was driven by growth in all key metrics of units, transactions and average transaction value. The major categories experienced like for like growth with Footwear and Hardgoods being the strongest. A key contributor to the like for like growth was the digital sales increase of 20.6 per cent on the previous corresponding period.

Segment EBIT declined by 1.3 per cent to $53.7 million. The segment EBIT margin of 9.9 per cent was impacted by higher store labour costs and wage investment.

(e) BCF

Total divisional sales increased by 0.7 per cent to $283.5 million. Like for like sales of negative 0.5 per cent was driven by store performance in regions impacted by fire and drought. More than 50 BCF stores have been directly impacted by fire and/or drought. The bushfires and associated smoke haze coincided with BCF's peak holiday trading period. This led to a downturn in customer demand for outdoor products, particularly in the camping category. In addition, the bushfires forced the temporary closure of BCF stores and disrupted trading hours and team member availability. BCF stores not impacted by fire/drought delivered 3.0 per cent like for like sales growth for the 26 week period.

Digital sales increased 22.4 per cent on the previous corresponding period.

Segment EBIT declined by 21.4 per cent to $12.1 million reflecting the decrease in like for like sales reducing gross profit and high store-based labour costs.

(f) Macpac

Total divisional sales decreased by 0.9 per cent to $66.5 million. Like for like sales were negative 7.0 per cent. Like for like sales declined by 9.5 per cent in Australia with NSW and Victoria heavily impacted. New Zealand like for like sales fell by 2.9 per cent. Macpac Adventure Hub stores, which have a more extensive camping offering, experienced a higher like for like sales decline.

Segment EBIT declined to $2.3 million. Gross margin was negatively impacted by a delay in price increases for the peak winter promotion period. Eventual price increases offset currency impact and normalised gross margins in the second quarter.

(g) Group and Unallocated

Group costs at $10.0 million were $0.1 million higher than the prior comparative period. Group costs include corporate activities, un-utilised Distribution Centre (DC) space and investment in the Group's digital and technology initiatives.

(h) Operating Margin

Higher levels of promotional activities in the first quarter successfully generated top line growth but adversely impacted gross margins. The second quarter achieved stronger gross margin delivery than the prior comparative period.

First half EBIT margins were impacted by higher labour costs and reduced operating leverage. Store-based wages increased due to new stores, additional wage investment to improve customer experience and increased wage costs. Higher depreciation charges reflected the on-going investment in omni-retail.

Cost of doing business reduction initiatives offset rent increases which were primarily driven by the transition to new support offices in Sydney and Brisbane. Technology and procurement led business simplification projects delivered major cost savings and supply chain costs per unit have decreased year on year.

(i) Cash Flow and Net Debt

The Group has delivered strong operating cash flows of $340.6 million ($239.1 million pre-AASB 16). This has funded capital investment of $37.9 million in general capital expenditure projects, with major investments in information technology to support omni-retailing projects.

Inventory investment marginally increased by 0.5 per cent compared to December 2018, reflecting strong inventory management in a period where BCF and Macpac experienced softer sales performance.

Pre-AASB 16 closing net debt of $251.8 million as at December 2019 was $42.2 million lower than December 2018 at $294.0 million, as the Group continues positive cash generation.

The Group Strategy and Material Business Risks remain consistent with those disclosed in the 2019 Annual Report, though the Group is considering current emerging risks such as the impact of significant weather events including drought and bushfires and the impact this has on trading results as well as the potential impacts of the coronavirus (COVID-19) and how this may influence supply chain and inventory levels.

Dividends

On 19 February 2020, the Directors declared a dividend of 21.5 cents fully franked. The dividend will be paid on 2 April 2020.

Rounding of Amounts

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included at page 9 of this report.

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

On behalf of the Directors:

S A Pitkin
Chair

A M Heraghty
Group Managing Director and Chief Executive Officer

Brisbane
19 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Super Retail Group Limited for the period from 30 June 2019 to 28 December 2019, 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 review; and

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

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

Paddy Carney
Partner
PricewaterhouseCoopers

Brisbane
19 February 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks period ended 28 December 2019

	Notes	28 December 2019 $m	29 December 2018 $m
Revenue from continuing operations		**1,443.5**	1,403.2
Other income from continuing operations		**0.1**	1.4
Total revenues and other income		**1,443.6**	1,404.6
Expenses			
Cost of sales of goods		**(794.0)**	(773.2)
Other expenses from ordinary activities			
- selling and distribution		**(193.3)**	(187.8)
- marketing		**(51.2)**	(51.7)
- occupancy		**(102.0)**	(103.9)
- administration		**(192.5)**	(175.5)
Net finance costs	4	**(27.9)**	(11.0)
Share of net loss of associates and joint ventures	4	**(0.5)**	(1.4)
Total expenses		**(1,361.4)**	(1,304.5)
Profit before income tax		**82.2**	100.1
Income tax expense	5	**(24.8)**	(28.4)
Profit for the period		**57.4**	71.7
Profit for the period is attributable to:			
Owners of Super Retail Group Limited		**57.4**	71.7
Non-controlling interests		**-**	-
		57.4	71.7
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(1.5)**	(1.7)
Exchange differences on translation of foreign operations		**(0.2)**	2.9
Other comprehensive income for the period, net of tax		**(1.7)**	1.2
Total comprehensive income for the period		**55.7**	72.9
Total comprehensive income for the period is attributable to:			
Owners of Super Retail Group Limited		**55.7**	72.9
Non-controlling interests		**-**	-
		55.7	72.9
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		**29.1**	36.3
Diluted earnings per share		**28.8**	36.0

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

CONSOLIDATED BALANCE SHEET

As at 28 December 2019

	Notes	28 December 2019 $m	29 June 2019 $m
ASSETS			
Current assets			
Cash and cash equivalents		**57.1**	7.5
Trade and other receivables	6	**49.5**	37.6
Inventories		**621.1**	560.2
Current tax asset		**7.4**	1.9
Derivative financial instruments		**-**	2.8
Total current assets		**735.1**	610.0
Non-current assets			
Property, plant and equipment	7	**244.1**	254.8
Right-of-use assets	18	**847.6**	-
Intangible assets	8	**891.3**	894.2
Other financial assets		**6.4**	6.9
Total non-current assets		**1,989.4**	1,155.9
Total assets		**2,724.5**	1,765.9
LIABILITIES			
Current liabilities			
Trade and other payables	9	**543.2**	360.0
Borrowings	10	**-**	3.4
Lease liabilities	18	**191.9**	-
Provisions	11	**106.7**	107.3
Derivative financial instruments		**5.5**	6.2
Total current liabilities		**847.3**	476.9
Non-current liabilities			
Trade and other payables	9	**-**	39.1
Borrowings	10	**303.4**	390.8
Lease liabilities	18	**746.3**	-
Deferred tax liabilities		**7.2**	23.4
Provisions	11	**24.2**	19.7
Total non-current liabilities		**1,081.1**	473.0
Total liabilities		**1,928.4**	949.9
NET ASSETS		**796.1**	816.0
EQUITY			
Contributed equity	12	**542.3**	542.3
Reserves		**5.4**	8.2
Retained earnings		**248.4**	265.9
Capital and reserves attributable to owners of Super Retail Group Limited		**796.1**	816.4
Non-controlling interests		**-**	(0.4)
TOTAL EQUITY		**796.1**	816.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 28 December 2019

	Notes	Contributed Equity $m	Reserves $m	Retained Earnings Restated* $m	Total Restated* $m	Non-Controlling Interests $m	Total Equity Restated* $m
Balance at 30 June 2018		542.3	10.3	247.3	799.9	(0.7)	799.2
Correction of prior period error (net of tax)		-	-	(24.0)	(24.0)	-	(24.0)
Restated total equity at the beginning of the financial period		542.3	10.3	223.3	775.9	(0.7)	775.2
Profit for the period		-	-	71.7	71.7	-	71.7
Other comprehensive income for the period		-	1.2	-	1.2	-	1.2
Total comprehensive income for the period		-	1.2	71.7	72.9	-	72.9
Transactions with owners in their capacity as owners							
Dividends provided for or paid		-	-	(54.2)	(54.2)	-	(54.2)
Employee performance rights		-	1.2	-	1.2	-	1.2
Transactions with non-controlling interests	15(a)	-	0.2	-	0.2	0.4	0.6
		-	1.4	(54.2)	(52.8)	0.4	(52.4)
Balance at 29 December 2018		542.3	12.9	240.8	796.0	(0.3)	795.7
Balance at 29 June 2019		**542.3**	**8.2**	**265.9**	**816.4**	**(0.4)**	**816.0**
Change in accounting policy – AASB 16		**-**	**-**	**(18.7)**	**(18.7)**	**-**	**(18.7)**
Restated total equity at 29 June 2019		**542.3**	**8.2**	**247.2**	**797.7**	**(0.4)**	**797.3**
Profit for the period		**-**	**-**	**57.4**	**57.4**	**-**	**57.4**
Other comprehensive income for the period		**-**	**(1.7)**	**-**	**(1.7)**	**-**	**(1.7)**
Total comprehensive income for the period		**-**	**(1.7)**	**57.4**	**55.7**	**-**	**55.7**
Transactions with owners in their capacity as owners							
Dividends provided for or paid		**-**	**-**	**(56.2)**	**(56.2)**	**-**	**(56.2)**
Employee performance rights		**-**	**(0.7)**	**-**	**(0.7)**	**-**	**(0.7)**
Change in ownership interest in controlled entities	15(a)	**-**	**(0.4)**	**-**	**(0.4)**	**0.4**	**-**
		-	**(1.1)**	**(56.2)**	**(57.3)**	**0.4**	**(56.9)**
Balance at 28 December 2019		**542.3**	**5.4**	**248.4**	**796.1**	**-**	**796.1**

* Refer note 2(b) for details regarding the restatement as a result of a prior period error and note 18 for details on change in accounting policy.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 28 December 2019

	28 December 2019 $m	29 December 2018 $m
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**1,572.2**	1,522.0
Payments to suppliers and employees (inclusive of goods and services tax)	**(1,182.4)**	(1,132.6)
Rental payments	**(28.4)**	(127.0)
Income taxes paid	**(20.8)**	(27.0)
Net cash inflow from operating activities	**340.6**	235.4
Cash flows from investing activities		
Payments for property, plant and equipment and software	**(37.8)**	(40.4)
Payments for acquisitions of investments in associates/joint ventures	**(0.1)**	(0.4)
Net cash (outflow) from investing activities	**(37.9)**	(40.8)
Cash flows from financing activities		
Proceeds from borrowings	**396.0**	563.0
Repayment of borrowings	**(480.0)**	(641.0)
Lease principal payments	**(84.6)**	(1.7)
Borrowing costs paid	**-**	(2.3)
Interest paid	**(28.5)**	(10.5)
Dividend paid to Company's shareholders	**(56.2)**	(54.3)
Net cash (outflow) from financing activities	**(253.3)**	(146.8)
Net increase in cash and cash equivalents	**49.4**	47.8
Cash and cash equivalents at the beginning of the period	**7.5**	15.2
Effects of exchange rate changes on cash and cash equivalents	**0.2**	0.4
Cash and cash equivalents at the end of the interim period	**57.1**	63.4

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

1. Reporting entity

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

The condensed consolidated interim financial report of the Company as at and for the period ended 28 December 2019 comprises: the Company and its subsidiaries (together referred to as the Group, and individually as Group entities).

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

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

2. Basis of preparation of interim financial report

This condensed consolidated interim financial report for the 26 week period ended 28 December 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard *AASB 134: Interim Financial Reporting.*

The condensed consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the period ended 29 June 2019 and any public announcements made by Super Retail Group Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated below. Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the consolidated financial statements.

(a) 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 16 Leases

The Group had to change its accounting policies and make retrospective adjustments as at 30 June 2019 as a result of adopting AASB 16 *Leases*. The impact of adoption of the leasing standard and the new accounting policies are disclosed in Note 18 – Changes in Accounting Policies.

(b) 2018 Interim Reporting Period - Correction of prior period error

During the 2018 interim reporting period, the Group completed a comprehensive review of employment arrangements across the business. This review identified an underpayment of overtime and some allowances to retail managers. This underpayment was in addition to the discovery of a related underpayment of overtime and allowances for team members involved in store set-up activities identified and recognised in the previous financial year.

An estimate completed for the period between financial years 2013 to 2018 totalled $30.0 million after tax. The annual amounts were not material to profit for any of the individual years to which they related. A total of $24.0 million after tax was included in the restatement of retained earnings as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* In addition, $6.0 million after tax of compensatory interest was recognised in the 2018 period.

2. Basis of preparation of interim financial report (continued)

(b) 2018 Interim Reporting Period - Correction of prior period error (continued)

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet (extract)	As previously stated 30 June 2018 $m	Increase/ (decrease) 30 June 2018 $m	Restated 30 June 2018 $m	As previously stated 2 July 2017 $m	Increase/ (decrease) 2 July 2017 $m	Restated 2 July 2017 $m
Provisions – current	71.0	34.0	105.0	62.3	34.0	96.3
Deferred tax liabilities	30.1	(10.0)	20.1	17.1	(10.0)	7.1
Net assets	799.2	(24.0)	775.2	754.6	(24.0)	730.6
Retained earnings	247.3	(24.0)	223.3	210.7	(24.0)	186.7
Total equity	799.2	(24.0)	775.2	754.6	(24.0)	730.6

There was no profit and loss impact for the half year ended 30 December 2017, and no impact on basic or diluted earnings per share.

3. Segment information

(a) Description of segments

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

- 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) are one-off charges relating to business restructuring, non-continuing operations and other costs not considered part of normal operations. Normalised NPAT also excludes the impact of the new leasing standard (AASB 16 – *Leases*) applied for the first time in the half year results to 28 December 2019.

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).

3. Segment information (continued)

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

For the period ended 28 December 2019	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	550.7	542.8	283.5	66.5	1,443.5	-	1,443.5
Other income	-	0.1	-	-	0.1	-	0.1
Total segment revenue and other income	550.7	542.9	283.5	66.5	1,443.6	-	1,443.6
Segment EBITDA[1]	75.5	68.4	22.1	3.7	169.7	(9.9)	159.8
Segment depreciation and amortisation[2]	(18.2)	(14.7)	(10.0)	(1.4)	(44.3)	(0.1)	(44.4)
Segment EBIT result	57.3	53.7	12.1	2.3	125.4	(10.0)	115.4
Net finance costs[3]							(9.4)
Total segment NPBT							106.0
Segment income tax expense[4]							(31.9)
Normalised NPAT							74.1
AASB16 adjustment							(4.0)
Other items not included in the total segment NPAT[5]							(12.7)
Profit for the period							57.4
Profit for the period attributable to:							
Owners of Super Retail Group Limited							57.4
Non-controlling interests							-
Profit for the period							57.4

[1] Adjusted for $13.5 million of team member underpayment remediation, $4.5 million remediation costs, $0.5 million of equity accounted Autoguru losses and provision reversals of $0.5 million.

[2] Adjusted for $86.8 million of depreciation on right-of-use property assets as a result of applying AASB 16 *Leases*.

[3] Adjusted for $18.5 million of interest charges on right-of-use property assets as a result of applying AASB 16 *Leases*.

[4] Segment income tax expense of $31.9 million excludes $4.0 million relating to the tax effect of team member underpayment remediation, $1.4 million relating to the tax effect of remediation costs, $0.1 million related to the tax effect of provision reversals and $1.8 million relating to the tax effect of the impact of applying AASB 16 *Leases*.

[5] Includes $13.5 million of team member underpayment remediation, $4.5 million of remediation costs, $0.5 million of equity accounted Autoguru losses and provision reversals of $0.5 million and the related income tax effect of $5.3 million.

Other items not included in total segment NPAT – 2019

Autoguru
During the 2018 financial year, the Group ceased to control Autoguru and now accounts for its share in this associate using the equity method. Equity accounted losses relating to Autoguru amount to $0.5 million during the period and have been excluded from normalised NPAT.

Team member underpayment remediation
The Group has updated its total estimate for team member back payments from $53.2 million as at 29 December 2018 to $61.2 million as at 28 December 2019, excluding execution costs. A remediation program has been underway and the estimate has been revised each reporting period since the initial recognition as at 30 June 2018.

The estimate increase of $8.0 million since December 2018 has resulted in a $9.5 million after tax expense in the current six month period. The movement in this estimate has two elements. The total amount of retail manager and set-up team member underpayments is lower than initially estimated. Offsetting this decrease is the identification of additional team members also impacted by overtime underpayments.

Execution costs to complete remediation
During the period the Group has incurred costs associated with the continuing remediation of team members that should have received additional amounts to the amounts paid. Remediation costs incurred during the period were $4.5 million before tax ($1.4 million tax). Ongoing remediation execution costs will be expensed as incurred.

Provision reversal
The Group has de-recognised $0.5 million before tax ($0.4 million after tax) of restructure costs recognised in previous years.

3. Segment information (continued)

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

For the period ended 29 December 2018	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]	530.8	523.9	281.4	67.1	1,403.2	-	1,403.2
Other income	0.1	1.1	0.1	-	1.3	0.1	1.4
Total segment revenue and other income	530.9	525.0	281.5	67.1	1,404.5	0.1	1,404.6
Segment EBITDA[2]	74.3	68.2	24.8	8.7	176.0	(9.8)	166.2
Segment depreciation and amortisation	(17.2)	(13.8)	(9.4)	(1.2)	(41.6)	(0.1)	(41.7)
Segment EBIT result	57.1	54.4	15.4	7.5	134.4	(9.9)	124.5
Net finance costs							(11.0)
Total segment NPBT							113.5
Segment income tax expense[3]							(31.9)
Normalised NPAT							81.6
Other items not included in the total segment NPAT[4]							(9.9)
Profit for the period							71.7
Profit for the period attributable to:							
Owners of Super Retail Group Limited							71.7
Non-controlling interests							-
Profit for the period							71.7

[1] Includes non-controlling interest (NCI) revenue of nil.
[2] Adjusted for $11.5 million of compensatory interest and remediation costs associated with prior years' wages underpayment, $1.3 million of equity accounted Autoguru losses and net loss on divestment of Youcamp $0.6 million.
[3] Segment income tax expense of $31.9 million excludes $3.5 million relating to the tax effect of compensatory interest and remediation costs associated with prior years' wages underpayment.
[4] Includes $8.6 million of compensatory interest, $2.9 million of remediation costs associated with set up team's wages underpayment, $1.3 million of equity accounted Autoguru losses and net loss on divestment of Youcamp $0.6 million and the related income tax effect of $3.5 million.

Other items not included in total segment NPAT – 2018

Autoguru
During the 2018 financial year, the Group ceased to control Autoguru and now accounts for its share in this associate using the equity method. Equity accounted losses relating to Autoguru amount to $1.3 million during the period and have been excluded from normalised NPAT.

Loss on divestment – Youcamp
During the period the Group sold its shares in Youcamp – refer note 15 (a). The net loss on divestment was $0.6 million before tax (nil tax) and has been excluded from normalised NPAT.

Set-up team wages remediation
During the period the Group has incurred costs associated with the continuing remediation of team members that should have received additional amounts to the amounts paid. Remediation costs incurred during the period were $2.9 million before tax ($0.9 million tax).

Retail managers wages remediation
The Group has recognised $8.6 million before tax ($2.6 million tax) of compensatory interest related to prior years' wages underpayments – refer note 2(b).

	28 December 2019 $m	29 December 2018 $m

4. Expenses from continuing operations

Profit before income tax includes the following specific gains and expenses:

	28 December 2019 $m	29 December 2018 $m
Expenses		
Share of net loss from associates and joint ventures accounted for using the equity method	**0.5**	1.4
Depreciation		
Right-of-use assets	**88.2**	-
Plant and equipment	**20.4**	19.9
Computer equipment	**6.9**	7.5
Total depreciation[1]	**115.5**	27.4

[1] The impact of applying AASB16 was an increase of $86.8 million in depreciation to December 2019

	28 December 2019 $m	29 December 2018 $m
Amortisation and impairment charge		
Computer software	**15.7**	14.3
Total amortisation and impairment charge	**15.7**	14.3
Net finance costs		
Interest and finance charges	**27.9**	11.0
Net finance costs[2]	**27.9**	11.0

[2] The impact of applying AASB16 was an increase of $18.5 million in Net finance costs to December 2019

	28 December 2019 $m	29 December 2018 $m
Employee benefits expense		
Superannuation	**20.0**	18.8
Salaries and wages	**278.1**	259.2
Total employee benefits expense	**298.1**	278.0
Rental expense relating to operating leases		
Lease expenses	**24.6**	112.1
Equipment hire	**1.6**	1.7
Total rental expense relating to operating leases[3]	**26.2**	113.8

[3] The impact of applying AASB16 was a decrease of $99.5 million in Rental Expense to December 2019

	28 December 2019 $m	29 December 2018 $m
Foreign exchange gains and losses		
Net foreign exchange (gain)/loss	**(4.8)**	0.5

5. Income tax

Income tax expense

	28 December 2019 $m	29 December 2018 $m
Current tax expense	**15.0**	29.4
Deferred tax expense/(revenue)	**10.0**	(1.2)
Adjustments to tax expense of prior periods	**(0.2)**	0.2
Total income tax expense	**24.8**	28.4
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**10.1**	(2.0)
(Decrease)/increase in deferred tax liabilities	**(0.1)**	0.8
	10.0	(1.2)

5. Income Tax (continued)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 28 December 2019 is 30.2%, compared to 28.4% for the six months ended 29 December 2018. The lower tax rate in the prior year was the result of the recognition of previously unrecognised tax losses.

	28 December 2019 $m	29 June 2019 $m
6. Trade and other receivables		
Current		
Trade receivables	**15.6**	16.0
Provision for impairment of receivables	**(0.4)**	(0.3)
Net trade receivables	**15.2**	15.7
Other receivables	**24.7**	14.2
Prepayments	**9.6**	7.7
Net current trade and other receivables	**49.5**	37.6

7. Property, plant and equipment

Plant and equipment, at cost	**433.9**	422.1
Less accumulated depreciation	**(223.6)**	(208.0)
Net plant and equipment	**210.3**	214.1
Motor vehicles, at cost	**0.6**	0.6
Less accumulated depreciation	**(0.5)**	(0.5)
Net motor vehicles	**0.1**	0.1
Computer equipment, at cost	**99.3**	106.8
Less accumulated depreciation	**(65.6)**	(66.2)
Net computer equipment	**33.7**	40.6
Total net property, plant and equipment	**244.1**	254.8

8. Intangible assets

Goodwill, at cost	**528.6**	528.6
Less accumulated impairment charge	**(2.1)**	(2.1)
Net goodwill	**526.5**	526.5
Computer software, at cost	**250.0**	240.7
Less accumulated amortisation	**(138.5)**	(126.3)
Net computer software	**111.5**	114.4
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	**891.3**	894.2

8. Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to the group of assets based on acquisition. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Following a lower than expected earnings result for the Macpac and BCF segments, management has recalculated the recoverable amount of both the Macpac and BCF CGU's as at 28 December 2019. As per the table below, the recoverable amounts of the Macpac CGU and the BCF CGU, as at 28 December 2019, exceeded their carrying amounts and therefore no impairment was required for either CGU.

28 December 2019	Recoverable amount $m	Excess over carrying amount $m
Macpac	**207.9**	**31.4**
BCF	**352.9**	**193.2**

The recoverable amount of the CGU's was determined based on value-in-use calculations, consistent with the methods used as at 29 June 2019. The value-in-use calculations do not include future store growth. For details refer to note 10 (b) of the Group's Annual report. The following table sets out key assumptions for the two CGU's where the impairment calculations were updated as at 28 December 2019:

	28 December 2019	
	Macpac	BCF
Sales (% annual growth rate)	**6.2%**	**3.1%**
Terminal growth rate (%)	**3.0%**	**3.0%**
Pre-tax discount rate (%)	**12.4%**	**12.4%**

The recoverable amount of the Macpac CGU would equal its carrying amount if any one of the key assumptions in isolation were to change as follows:

	28 December 2019	
	From	To
Sales (% annual growth rate)	**6.2%**	**2.8%**
Terminal growth rate (%)	**3.0%**	**0.7%**
Pre-tax discount rate (%)	**12.4%**	**14.1%**

No reasonably possible change to any of the assumptions used for the BCF CGU would cause its carrying amount to exceed its recoverable amount.

As there were no indicators of impairment for any of the other CGU's, management has not updated any of the other impairment calculations.

(b) Impairment tests for the useful life for brands

The carrying value of brand names represents purchased brand names for Rebel and Macpac.

No amortisation is provided against the carrying value of the 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
- there are currently no legal, technical or commercial factors indicating that the life should be considered limited.

9. Trade and other payables

	28 December 2019 $m	29 June 2019 $m
Current		
Trade payables	**425.1**	274.8
Other payables	**118.1**	82.5
Straight line lease adjustment[1]	**-**	2.7
Total current trade and other payables[2]	**543.2**	360.0
Non-current		
Straight line lease adjustment[1]	**-**	39.1
Total non-current trade and other payables	**-**	39.1

[1] The impact of applying AASB16 was to adjust straight line lease balances to nil as at 30 June 2019.
[2] Current trade and other payables at 29 December 2018 was $526.8 million. The trade payables balance is impacted by the increase in inventory purchases required for the peak December sales. In addition, working capital initiatives such as timing the inventory build closer to December has resulted in a higher payables balance.

10. Borrowings

	28 December 2019 $m	29 June 2019 $m
Current		
Finance leases – secured by leased asset	**-**	3.4
Total current borrowings	**-**	3.4
Non-current		
Finance leases - secured by leased asset	**-**	3.8
Bank debt funding facility - unsecured[1]	**303.4**	387.0
Total non-current borrowings	**303.4**	390.8

[1] Net of borrowing costs capitalised of $2.6 million (June 2019: $3.0 million).

(a) Reconciliation of liabilities arising from financing activities

	29 June 2019 $m	Cash flows $m	Non-cash – Amortisation and additions $m	28 December 2019 $m
Bank debt funding facility[1]	**387.0**	**(84.0)**	**0.4**	**303.4**
Total	**387.0**	**(84.0)**	**0.4**	**303.4**

	30 June 2018 $m	Cash flows $m	Non-cash – Amortisation and additions $m	29 December 2018 $m
Finance leases	9.5	(1.7)	1.0	8.8
Bank debt funding facility[1]	428.6	(80.3)	0.3	348.6
Total	438.1	(82.0)	1.3	357.4

[1] Net of borrowing costs paid.

11. Provisions

	28 December 2019 $m	29 June 2019 $m
Current		
Employee benefits[a]	**101.4**	97.8
Onerous contracts	**0.5**	2.5
Make good provision	**3.3**	5.8
Other provisions	**1.5**	1.2
Total current provisions	**106.7**	107.3
Non-current		
Employee benefits[a]	**11.1**	9.5
Onerous contracts	**0.5**	1.1
Make good provision	**12.6**	9.1
Total non-current provisions	**24.2**	19.7

(a) Employee Benefits

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

In addition the Group has identified that certain team members should have received additional amounts to the amounts paid. A remediation program is underway. At 28 December 2019 there is a provision to recognise the amount the Group expects to incur for additional overtime and allowances to current and former team members of an estimated $51.7 million (29 June 2019: $44.3 million).

The movement in the underpayments provision (included in Employee benefits) is set out below:

28 December 2019	Team Member Underpayment Remediation $m
Opening balance as at 29 December 2018	**53.2**
Increase to provision	**8.0**
Provision used	**(9.5)**
Closing balance as at 28 December 2019	**51.7**

Critical accounting estimates and assumptions

Employee benefits
The Group has undertaken an extensive exercise to identify and estimate the quantum of wage underpayments since 2013. The provision is management's best estimate of the amount it expects will be incurred to remediate the underpayment issue. The Group has made an estimate of entitlements based on its interpretation of the appropriate awards and enterprise agreements, seeking legal advice. Payroll records have been utilised as the basis for the calculation and there are a number of judgements which have been made that contain estimation uncertainty and as detailed calculations are performed through the remediation process, this may change the estimate in future periods.

12. Contributed equity

(a) Share Capital

	28 December 2019 $m	29 June 2019 $m
Ordinary shares fully paid (197,544,719 ordinary shares as at 28 December 2019)	**542.3**	542.3

(b) Movement in ordinary share capital

	Number of Shares	Issue Price	$m
Balance 30 June 2018	197,240,020		542.3
Shares issued under performance rights	143,731	-	-
Balance 29 June 2019	197,383,751		542.3
Shares issued under performance rights	160,968	-	-
Closing balance 28 December 2019	**197,544,719**		**542.3**

13. Dividends

	28 December 2019 $m	29 December 2018 $m
Ordinary Shares		
Dividends paid by Super Retail Group Limited during the interim period	**56.2**	54.2
Dividends not recognised at the end of the interim period		
Subsequent to the end of the interim period, the Directors have declared the payment of an interim dividend of 21.5 cents (2018: 21.5 cents) per ordinary share fully franked based on tax paid at 30%. The aggregate amount of the interim dividend expected to be paid on 2 April 2020 (2018: 28 March 2019), out of retained profits at 28 December 2019, but not recognised as a liability at the end of the interim period is	**42.5**	42.4

14. Financial assets and financial liabilities

(a) Financial instruments

The Group holds the following financial instruments:

28 December 2019	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		-	**57.1**	**57.1**
Trade and other receivables	6	-	**49.5**	**49.5**
Derivative financial instruments		-	-	-
Total		-	**106.6**	**106.6**
Financial liabilities				
Trade and other payables	9	-	**543.2**	**543.2**
Borrowings	10	-	**303.4**	**303.4**
Lease liabilities	18	-	**938.2**	**938.2**
Derivative financial instruments		**5.5**	-	**5.5**
Total		**5.5**	**1,784.8**	**1,790.3**

14. Financial assets and financial liabilities (continued)

(a) Financial instruments (continued)

29 June 2019	Notes	Derivatives used for hedging $m	Financial assets and liabilities at amortised cost $m	Total $m
Financial assets				
Cash and cash equivalents		-	7.5	7.5
Trade and other receivables	6	-	37.6	37.6
Derivative financial instruments		2.8	-	2.8
Total		2.8	45.1	47.9
Financial liabilities				
Trade and other payables	9	-	399.1	399.1
Borrowings	10	-	387.0	387.0
Finance leases	10	-	7.2	7.2
Derivative financial instruments		6.2	-	6.2
Total		6.2	793.3	799.5

The Group's exposure to various risks associated with the financial instruments is discussed in note 15 of the Group's 2019 Annual Report. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(b) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is outlined below.

The Group recognises and measures derivatives used for hedging at their fair values classified as a level 2 financial instrument. At 28 December 2019 the Group had no derivative financial assets (29 June 2019: $2.8 million) and financial liabilities totalling $5.5 million (29 June 2019: $6.2 million).

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

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

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

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

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

14. Financial assets and financial liabilities (continued)

(b) Recognised fair value measurements (continued)

(ii) Valuation techniques used to determine fair value

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

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

15. Investments in subsidiaries and other entities

(a) Subsidiaries

The Group's subsidiaries at 28 December 2019 are as detailed in note 26 of the Group's 2019 Annual Report. With the exception of changes to the Group's ownership interest in Infinite Retail Pty Ltd, detailed below, there were no other changes to the Group's ownership interest in these entities.

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% 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.

Youcamp Pty Ltd – December 2018
On 7 December 2018, the Group entered into an agreement with James Woodford Pty Ltd to sell all of its shares in Youcamp Pty Ltd for a total consideration of $850,000. As a result the Group no longer has an ownership interest in Youcamp and the entity has been deconsolidated from December 2018. On divestment the Group has deconsolidated Youcamp by derecognising the assets and liabilities resulting in a loss on divestment of $0.6 million which has been recognised in the Group's consolidated statement of comprehensive income.

(b) Associates and joint ventures

The Group's investments in associates and joint ventures are as disclosed in note 23(b) of the Group's 2019 Annual Report. There has been no change to the Group's ownership interests in these entities during the current reporting period.

16. Contingencies

	28 December 2019 $m	29 June 2019 $m
Guarantees		
Guarantees issued by the bankers of the Group in support of various rental arrangements.		
The maximum future rental payments guaranteed amount to:	**6.3**	5.2

The Group continues to work with the Fair Work Ombudsman as the underpayment of store based team members is remediated. This may result in further amounts being payable.

From time to time the Group is subject to legal claims as a result of its operations. A contingent liability may exist for any exposure over and above current provisioning levels however these are unknown.

17. Commitments

Commitments payable for the acquisition of plant and equipment and computer software, contracted for at the reporting date but not recognised as liabilities payable, total $7.7 million as at 28 December 2019 (29 June 2019: $0.9 million).

18. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 30 June 2019.

The Group has adopted AASB 16 retrospectively from 30 June 2019, but has not restated comparatives for the 29 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 30 June 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 30 June 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 30 June 2019 was 4.2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. No measurement adjustments were required immediately after the date of initial application.

	30 June 2019 $m
Operating lease commitments disclosed as at 29 June 2019	970.3
Less: leases not yet commenced	(21.1)
Less: discounting using the lessee's incremental borrowing rate at the date of initial application	(120.9)
Less: short-term leases recognised on a straight-line basis as expense	(21.8)
Less: low-value leases recognised on a straight-line basis as expense	(1.1)
Add: adjustments as a result of a different treatment of extension options	117.5
Add: finance lease liabilities recognised as at 29 June 2019	7.2
Lease liability recognised as at 30 June 2019	930.1

Lease liabilities recognised are classified as follows:

	28 December 2019 $m	30 June 2019 $m
Current lease liabilities	**191.9**	184.3
Non-current lease liabilities	**746.3**	745.8
Total lease liabilities	**938.2**	930.1

The associated right-of-use assets for certain property leases were measured on a retrospective basis as if the new rules had always been applied. All other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 29 June 2019. The existence of some onerous lease contracts resulted in an adjustment to the right-of-use assets at the date of initial application of $1.6 million.

The recognised right-of-use assets relate to the following types of assets:

	28 December 2019 $m	30 June 2019 $m
Properties	**840.9**	835.3
Computer equipment	**6.7**	8.1
Total right-of-use assets	**847.6**	843.4

18. Changes in accounting policies (continued)

(a) Adjustments recognised on adoption of AASB 16 (continued)

The change in accounting policy affected the following items in the balance sheet on 30 June 2019:
- Property, plant and equipment – decrease $6.7 million
- Intangibles – decrease $1.4 million
- Right-of-use assets – increase $843.4 million
- Deferred tax assets – increase $25.7 million
- Prepayments – decrease by $0.7 million
- Straight-line lease adjustment – decrease by $42.3 million
- Onerous lease provision – decrease by $1.6 million
- Borrowings – decrease by $7.2 million
- Lease liabilities – increase by $930.1 million

The net impact on retained earnings on 30 June 2019 was a decrease of $18.7 million.

Earnings per share decreased by 2.0c per share for the 26 weeks ended 28 December 2019 as a result of the adoption of AASB 16.

Applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 29 June 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of a low value as low-value leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

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.

Until 29 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 30 June 2019, 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.

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.

18. Changes in accounting policies (continued)

(b) The Group's leasing activities and how these are accounted for (continued)

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.

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 only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Given the uncertainties that exist within the Retail Market, management considers leases with more than 2 years to expiry as not reasonably certain to be extended. Of the Group's lease portfolio 67% of leases contain option renewals. The lease liability currently includes extension options in the calculation of lease term for 8% 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.

19. Related party transactions

The nature of related party transactions is consistent with those in the previous financial year. The Group's transactions with related parties are disclosed in note 22 of the Group's 2019 Annual Report. Transactions with related parties are at arm's length unless otherwise stated. Store lease payments made to related parties for the period ended 28 December 2019 are $5,730,442 (29 December 2018: $6,007,523).

20. Events occurring after reporting date

No matter or circumstance has arisen since 28 December 2019 that has significantly affected, or may significantly affect:

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the consolidated interim financial statements and notes set out on pages 2 to 28, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of Group's financial position as at 28 December 2019 and of its performance, for the period ended on that date;

  (ii) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that Super Retail Group Limited will be able to pay its debts as and when they become due and payable.

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

S A Pitkin
Chair

A M Heraghty
Group Managing Director and Chief Executive Officer

Brisbane
19 February 2020

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

Report on the interim financial report

We have reviewed the accompanying interim financial report of Super Retail Group Limited (the Company) and the entities it controlled during the period from 30 June 2019 to 28 December 2019 (half-year) (together the Group), which comprises the consolidated balance sheet as at 28 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 28 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Super Retail Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

1. giving a true and fair view of the Group's financial position as at 28 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Brisbane
19 February 2020