

APPENDIX 4D (Rule 4.2A) HALF-YEAR REPORT FOR THE PERIOD ENDED 29 DECEMBER 2013

Results for announcement to the market

(All comparisons to the period ended 29 December 2013)

Revenue and Profit	29 Dec 2013 \$'000	30 Dec 2012 \$'000	Up/ Down	Move- ment %
Revenues from ordinary activities	30,163	24,152	Up	24.9%
Profit/(loss) after tax attributable to members	5,031	(7)	Up	NA
Profit after tax from continuing operations	5,031	4,607	Up	9.2%

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Final 2013 dividend per share	26 Sep 2013	2.25	2.25	30%
Interim 2014 dividend per share	25 Mar 2014	2.00	2.00	30%

Interim dividend dates

Ex-dividend date	3 March 2014
Record date for determining entitlements to dividend	7 March 2014
Payment date	25 March 2014

RCG's dividend reinvestment plan will not apply to this dividend.

Net tangible assets per share	29 Dec 2013	30 Dec 2012
Net tangible assets per share (cents)	11.5	10.4

Details of entities over which control has been gained or lost during the period

Nil

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report and the notes thereto.

This report is based on the attached Financial Report which has been subject to audit review.



RCG CORPORATION LIMITED

ABN 85 108 096 251

Condensed Consolidated Financial Statements for the half-year ended
29 December 2013

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RCG Corporation Limited

ABN 85 108 096 251

Directors

Ivan Hammerschlag
Hilton Brett
Michael Cooper
David Gordon
Michael Hirschowitz
Stephen Kulmar

Company Secretary

Michael Hirschowitz

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Share Registry

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Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney, NSW 2000

Bankers

Westpac Banking Corporation

Stock Exchange Listing

Australian Securities Exchange
(ASX Code: RCG)

DIRECTORS' REPORT

Your directors submit the condensed consolidated financial statements of RCG Corporation Limited and its controlled entities for the half-year ended 29 December 2013.

Directors

The names of the directors who held office during or since the end of the half-year:

Ivan Hammerschlag

Hilton Brett

Michael Cooper

David Gordon

Michael Hirschowitz

Stephen Kulmar

Company Secretary

Michael Hirschowitz

Principal Activities

RCG Corporation is an investment holding company. It owns The Athlete's Foot Australia Pty Limited, Australia's largest speciality retailer of athletic footwear. The company also owns licences to distribute several brands of footwear including the Merrell, Caterpillar, Cushe, Sperry and Saucony brands. The wholesale and retail distribution activities are managed by RCG Brands Pty Limited, a wholly owned subsidiary of RCG. In addition to its wholesale business, RCG Brands manages thirteen Merrell stores and nine Podium Sports outlet stores.

Operating Results

For the half year ended 29 December 2013 the consolidated entity recorded Net Profit after Tax from Continuing Operations of \$5.03 million an increase of 9.2% on the prior year's \$4.61m. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") were \$7.10 million, an increase of 4.7% on the prior year's \$6.77 million.

Review of Operations

The Athlete's Foot

The Athlete's Foot recorded total group sales of \$94.1 million for the half-year, an increase of 2.0% on the same period in the prior year. Australian store like-for-like sales rose 2.1% to \$91.0 million.

The Athlete's Foot's EBITDA for the half-year was \$5.76 million, an increase of 2.3% on the previous year's \$5.63 million.

A number of major long-term projects were successfully delivered during the half-year. These include:

- The substantial completion of the rollout of Fitzi, TAF's proprietary new fitting technology which is believed to be the most advanced system of its type
- The substantial completion of the rollout of Erply, TAF's new generation point of sale and retail management solution
- The successful implementation of its new, enterprise grade, best-of-breed, customer relationship management and cross-channel marketing platform.
- The successful launch of the "Partnership Program" with four partnership stores now operational
- Continued advancement of, and investment in TAF's online presence as an enabler to get closer to customers, both existing and new, by delivering a fully integrated cross channel experience

RCG Brands

RCG Brands, RCG's wholesale and distribution division, recorded sales of \$20.51 million for the half-year, an increase of 25.3% on the previous year's \$16.38 million. Wholesale sales grew 9.5% to \$15.21 million and retail sales through its own stores grew 113% to \$5.30 million.

EBITDA for the half-year was \$2.85 million, an increase of 17.9% on the previous year's \$2.42 million.

RCG Brands opened five new Merrell stores in the first half of the financial year taking the total number of such stores to thirteen. It expects to open two more stores before the end of the financial year.

The acquisition of the Saucony and Podium Sports business was completed in December 2013. The Saucony business has been completely integrated into the RCG business without any disruption. The Podium Sports business continues to be managed in conjunction with the former owners to ensure a smooth integration and transition before the end of the financial year.

In addition, during the half-year RCG Brands was awarded the Sperry Top-Sider distribution licence for Australia and New Zealand and became the official licensee on 1 January 2014.

Dividends

On 21 August 2013, the Company declared an ordinary fully franked dividend of 2.25 cents per share amounting to \$5.67 million. The dividend was paid on 26 September 2013. On 25 February 2014 the Company declared an interim dividend of 2.0 cents per share to be paid on 25 March 2014 to shareholders registered on the 7 March 2014 record date. RCG's dividend reinvestment plan will not apply to this dividend.

Auditor's Independence Declaration

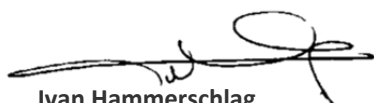
The auditor's independence declaration has been received and can be found on page 5 of the half-year report.

Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the half-year financial report and in the financial statements are rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of directors made pursuant to s306 (3) of the Corporations Act 2001.

On behalf of the Directors



Ivan Hammerschlag
Chairman



Hilton Brett
CEO

Sydney, 24 February 2014

Deloitte.

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The Board of Directors
RCG Corporation Limited
719 Elizabeth Street
Waterloo NSW 2017

24 February 2014

Dear Board Members

RCG Corporation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of RCG Corporation Limited.

As lead audit partner for the review of the financial statements of RCG Corporation Limited for the financial half-year ended 29 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of comprehensive income
For the half-year ended 29 December 2013

	Note	Consolidated	
		Dec 2013 \$'000	Dec 2012 \$'000
Continuing operations			
Revenue	2	30,163	24,152
Finished goods used		(12,275)	(3,154)
Changes in merchandise inventories		2,205	(4,007)
Employee benefits expense		(6,053)	(4,792)
Rental expenses on operating leases		(1,823)	(1,090)
Advertising and promotion expenses		(914)	(774)
Travel and telecommunications expenses		(509)	(491)
Warehouse and freight expenses		(1,108)	(1,094)
Depreciation and amortisation expense		(522)	(416)
Provision for doubtful debts		(18)	(24)
Finance costs		(81)	(101)
Other expenses		(2,041)	(1,503)
Profit before income tax		7,024	6,706
Income tax expense		(1,993)	(2,099)
Profit for the half-year from continuing operations		5,031	4,607
Discontinued operations			
Loss from discontinued operations	17	-	(4,614)
Profit attributable to the members of the company		5,031	(7)
Other comprehensive income for the half-year net of tax			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		42	16
Net gain on foreign exchange hedges		269	(61)
Total comprehensive income for the half-year		5,342	(52)
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share (cents per share)	13	2.06	(0.00)
Diluted earnings per share (cents per share)	13	2.00	(0.00)
From continuing operations:			
Basic earnings per share (cents per share)	13	2.06	1.90
Diluted earnings per share (cents per share)	13	2.00	1.89

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of financial position
As at 29 December 2013

		Consolidated	
		Dec 2013	June 2013
	Note	\$'000	\$'000
Current Assets			
Cash and cash equivalents		13,641	14,785
Trade and other receivables	4	11,142	9,016
Inventories	5	10,660	8,455
Financial assets	11	877	493
Other current assets		218	1,336
Total current assets		36,538	34,085
Non-current Assets			
Property, plant and equipment	6	5,642	4,202
Intangible assets	7	22,919	17,495
Deferred tax assets		733	937
Trade and other receivables	4	433	-
Total non-current assets		29,727	22,634
TOTAL ASSETS		66,265	56,719
Current Liabilities			
Trade and other payables	8	8,390	6,656
Borrowings	9	2,868	2,066
Current tax liabilities		1,150	1,323
Short-term provisions	10	1,322	1,159
Other liabilities	12	231	231
Total current liabilities		13,961	11,435
Non-current Liabilities			
Long-term provisions	10	266	184
Other liabilities	12	135	175
Total non-current liabilities		401	359
TOTAL LIABILITIES		14,362	11,794
NET ASSETS		51,903	44,925
Equity			
Issued capital		70,254	63,637
Non-controlling interests		504	-
Reserves		3,586	3,095
Accumulated losses		(22,441)	(21,807)
TOTAL EQUITY		51,903	44,925

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year ended 29 December 2013

	Issued Capital No. in 000	Issued Capital \$'000	Foreign Currency Reserves \$'000	Share Plan Reserve \$'000	Hedge Reserve \$'000	Accum- ulated Losses \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 July 2012	242,078	63,468	(96)	2,548	(35)	(19,003)	-	46,882
Shares issued during the year							-	
Exercise of options	200	24	-	-	-	-	-	24
Directors and Employees Options Plan	-	-	-	82	-	-	-	82
Profit for the year	-	-	-	-	-	(7)	-	(7)
Other Comprehensive Income for the year net of tax	-	-	16	-	(61)	-	-	(45)
Total Comprehensive Income	-	-	16	-	(61)	(7)	-	(52)
Dividends paid or provided for	-	-	-	-	-	(4,240)	-	(4,240)
Balance at 30 December 2012	242,278	63,492	(80)	2,630	(96)	(23,250)	-	42,697
Balance at 01 July 2013	242,278	63,637	(23)	2,773	345	(21,807)	-	44,925
Shares issued during the year							-	
Exercise of options ^(a)	1,600	664	-	-	-	-	-	664
Issue of shares for acquisition	8,715	5,953	-	-	-	-	-	5,953
Issue under Employee Share Scheme	450	-	-	-	-	-	-	-
Treasury shares	(450)	-	-	-	-	-	-	-
Directors and Employees Options Plan	-	-	-	180	-	-	-	180
Profit for the year	-	-	-	-	-	5,031	-	5,031
Issue of shares in subsidiary company	-	-	-	-	-	-	504	504
Other Comprehensive Income for the year net of tax	-	-	42	-	269	-	-	311
Total Comprehensive Income	-	-	42	-	269	5,031	504	5,846
Dividends paid or provided for ^(b)	-	-	-	-	-	(5,665)	-	(5,665)
Balance at 29 December 2013	252,593	70,254	19	2,953	614	(22,441)	504	51,903

(a) 250,000 options were exercised in September 2013 and 1,350,000 options were exercised in November 2013.

(b) The Company declared an ordinary fully franked dividend of 2.25 cents per share on 21 August 2013.

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 29 December 2013

	Consolidated	
	Dec 2013	Dec 2012
Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and franchisees	32,038	26,308
Interest received	628	284
Payments to suppliers and employees	(19,432)	(22,326)
Payments for operating leases	(1,833)	(1,199)
Net income tax paid	(2,073)	(2,028)
Net cash provided by operating activities	9,328	1,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in TAF Partnership stores	(1,623)	-
Loans to outside shareholders of TAF Partnership stores	(433)	-
Investment in acquiring Saucony business and Podium stores	(2,982)	-
Payment for property, plant and equipment	(1,850)	(1,289)
Net cash used in investing activities	(6,888)	(1,289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Trade finance facility	802	(166)
Net proceeds from issue of shares	664	24
Repayment of loans from option recipients	615	-
Dividends paid	(5,665)	(4,240)
Net cash used in financing activities	(3,584)	(4,382)
Net increase/(decrease) in cash held	(1,144)	(4,632)
Cash at beginning of the period	14,785	14,176
Cash at end of the period	13,641	9,544

Non-cash transactions

During the half-year, RCG issued 8,715,418 shares at a value of \$5,953,000 as part-settlement of the acquisition of the Saucony business and Podium stores. Further details are set out in Note 16. This non-cash investing activity is not reflected in the condensed consolidated statement of cash flows.

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year condensed consolidated financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year condensed consolidated financial statements do not include notes of the type normally included in an annual report and are to be read in conjunction with the most recent annual consolidated financial statements and any public announcements made by RCG during the interim reporting period in accordance with the continuous reporting requirements of the Corporations Act 2001.

Basis of Preparation

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report covers the consolidated entity of RCG Corporation Limited and controlled entities. RCG Corporation Limited is a listed public company incorporated and domiciled in Australia.

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

Critical accounting estimates

The preparation of the half-year condensed consolidated financial statement requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year condensed consolidated financial statement, the judgements made by management in applying the consolidated entities accounting policies and the key source of estimation uncertainty were the same as those applied to the consolidated financial report as at the end of 30 June 2013.

New or revised Standards and Interpretations that are first effective in the current reporting period

RCG has adopted all amendments to Australian Accounting Standards which became applicable from 1 July 2013 that are relevant to their operations and effective for the current period. New and revised Standards and amendments thereof effective for the current half year that are relevant to RCG include:

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 29 December 2013

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group. The adoption of AASB 10 did not have any impact on the disclosures or on the amounts recognised in the half-year report.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. The adoption of AASB 12 did not have any impact on the disclosures or on the amounts recognised in the half-year report.

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the comparative period, and the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time. The application of AASB 119 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 127, 2012-5 and 2012-10

The Group has applied the above standards and amendments for the first time in the current year. The adoption of these standards and amendments did not have any impact on the disclosures or on the amounts recognised in the half-year report.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

	Consolidated	
	Dec 2013 \$'000	Dec 2012 \$'000
2. REVENUE		
Sales to customers	21,804	16,161
Royalties and other franchise related income	7,483	7,214
Interest received	451	345
Other revenue	425	432
Total Revenue	30,163	24,152
3. EXPENSES		
Profit from continuing operations before income tax includes the following specific expenses		
Depreciation and amortisation expense		
Property, plant and equipment	469	363
Amortisation expense	53	53
	522	416
External Finance costs		
Interest on deferred consideration	23	33
Other finance costs	58	68
	81	101
Rental expense relating to operating leases		
Minimum lease payments	1,823	1,090
	Dec 2013 \$'000	June 2013 \$'000
4. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	10,954	8,296
Other receivables	639	1,182
Provision for doubtful debts	(451)	(462)
	11,142	9,016
Non-current		
Loans to outside shareholders in TAF Partnership stores ^(a)	433	-
	433	-

a) Secured over the minority shareholders' share in the underlying TAF Partnership store entities.

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 29 December 2013

	Consolidated	
	Dec 2013	June 2013
	\$'000	\$'000
7. INTANGIBLE ASSETS		
a. Trademark		
Trademark - The Athlete's Foot - at cost	3,466	3,466
b. Goodwill		
Goodwill - The Athlete's Foot - at cost	6,101	6,101
Goodwill - The Athlete's Foot Partnership stores - at cost	1,187	-
Goodwill - Saucony and Podium - at cost	4,290	-
Other Goodwill - at cost	94	94
	11,672	6,195
c. Licence fee		
Licence fee - The Athlete's Foot - at cost	7,832	7,832
Amortisation	(126)	(110)
	7,706	7,722
d. Other intangible assets		
Other intangible assets - The Athlete's Foot - at cost	175	175
Amortisation	(140)	(123)
	35	52
Other intangible assets - RCG Brands - at cost	200	200
Amortisation	(160)	(140)
	40	60
Total other intangible assets	75	112
Total Intangibles	22,919	17,495
8. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors and accruals	8,390	6,656

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

		Consolidated	
		Dec 2013	June 2013
		\$'000	\$'000
9. BORROWINGS			
Secured, at amortised cost			
Current			
Trade finance facility		2,868	2,066
Total Borrowings		<u>2,868</u>	<u>2,066</u>
10. PROVISIONS			
Current			
Employee benefits		1,288	1,125
Lease incentive		34	34
		<u>1,322</u>	<u>1,159</u>
Non-current			
Employee benefits		163	64
Lease incentive		103	120
		<u>266</u>	<u>184</u>
11. DERIVATIVE INSTRUMENTS			
a. Financial assets - Current			
Derivatives designated and effective as hedging			
instruments carried at fair value			
Foreign currency forward contracts		877	493
		<u>877</u>	<u>493</u>
12. OTHER LIABILITIES			
Current			
Deferred consideration		231	231
		<u>231</u>	<u>231</u>
Non-current			
Deferred consideration		135	175
		<u>135</u>	<u>175</u>

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

		Consolidated	
		Dec 2013	Dec 2012
		\$'000	\$'000
13. EARNINGS PER SHARE			
Earnings used for calculation of basic and diluted earnings per share			
Profit from operations after tax from continuing operations		<u>5,031</u>	<u>4,607</u>
Profit from operations after tax from continuing operations and discontinued operations		<u>5,031</u>	<u>(7)</u>
		Number of shares	
		'000	'000
Weighted average number of shares			
Weighted average number of shares used in the calculation of basic EPS		<u>243,813</u>	<u>242,244</u>
Weighted average number of options and ESS on issue		<u>7,326</u>	<u>938</u>
Weighted average number of shares used in the calculation of diluted EPS		<u>251,139</u>	<u>243,182</u>
Earnings per share		Cents per share	
From continuing and discontinued operations			
Basic earnings per share attributable to the ordinary equity holders of the company		2.06	(0.00)
Diluted earnings per share attributable to the ordinary equity holders of the company		2.00	(0.00)
From continuing operations			
Basic earnings per share attributable to the ordinary equity holders of the company		2.06	1.90
Diluted earnings per share attributable to the ordinary equity holders of the company		2.00	1.89

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 29 December 2013

		Consolidated	
		Dec 2013	June 2013
		\$'000	\$'000
14. COMMITMENTS			
a. Capital Expenditure Commitments			
Estimated capital expenditure at reporting date, not provided for in the financial statements pertaining to plant and equipment			
- not later than one year		<u>500</u>	<u>600</u>
b. Operating Lease Commitments			
Future operating lease rentals (minimum lease payments) of premises, plant and equipment not provided for in the financial statements and payable under non-cancellable operating leases.			
- not later than one year		5,546	2,727
- later than one year but not later than five years		17,019	8,934
- later than five years		<u>2,391</u>	<u>1,789</u>
		<u>24,956</u>	<u>13,450</u>

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 29 December 2013

15. SEGMENT INFORMATION

Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Whilst most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income tax balances.

Business Segments

The operating segments are those that are considered by the chief operating decision makers, being the senior management team and the Board, in monitoring the performance of, and making strategic decisions in relation to, the business. The segments are based on the main business units operational in the business and are as follows:

- The Athlete's Foot – Franchisor and Retailer of general sports footwear.
- RCG Brands - Wholesalers and Retailer of Merrell, CAT, Saucony, Sperry and other footwear/apparel in Australia and New Zealand.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

15. SEGMENT INFORMATION (Continued)

	The Athlete's Foot		RCG Brands		Unallocated		Intercompany Eliminations		Total	
	Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
	Dec 13	Dec 12	Dec 13	Dec 12	Dec 13	Dec 12	Dec 13	Dec 12	Dec 13	Dec 12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate & Partnership Stores (No.)	9	3	22	6	-	-	-	-	31	9
Online Stores (No)	1	1	-	-	-	-	-	-	1	1
Franchise Stores (No.)	136	143	-	-	-	-	-	-	136	143
Total (No.)	146	147	22	6	-	-	-	-	168	153
Total Group Sales (including franchised stores)	94,261	92,417	20,505	16,374	-	-	-	-	114,766	108,791
Corporate & Partnership Store Sales	4,077	2,361	5,296	2,488	-	-	-	-	9,373	4,849
Wholesale Sales	-	-	15,209	13,886	-	-	(2,778)	(2,574)	12,431	11,312
Sales to Customers	4,077	2,361	20,505	16,374	-	-	(2,778)	(2,574)	21,804	16,161
Net Revenue from Franchising activity	7,483	7,214	-	-	-	-	-	-	7,483	7,214
Other Income	399	413	26	19	-	-	-	-	425	432
Total Revenue ^(a)	11,959	9,988	20,531	16,393	-	-	(2,778)	(2,574)	29,712	23,807
Less: Employee benefits expense	2,413	1,890	2,743	2,226	897	676	-	-	6,053	4,792
Less: Rental expenses on operating leases	687	434	1,046	609	90	47	-	-	1,823	1,090
Less: Total Other Expenses	3,100	2,035	13,889	11,138	403	353	(2,651)	(2,378)	14,741	11,148
EBITDA from continuing operations	5,759	5,629	2,853	2,420	(1,390)	(1,076)	(127)	(196)	7,095	6,777
Less: Depreciation and Amortisation	347	286	119	72	56	58	-	-	522	416
EBIT from continuing operations	5,412	5,343	2,734	2,348	(1,446)	(1,134)	(127)	(196)	6,573	6,361
Interest received	49	68	-	-	402	277	-	-	451	345
Segment profit before tax from continuing operations	5,461	5,411	2,734	2,348	(1,044)	(857)	(127)	(196)	7,024	6,706
Segment Assets	25,341	18,652	26,479	15,034	20,929	21,723	(6,484)	(2,791)	66,265	52,618
Segment Liabilities	4,397	2,840	7,891	3,702	3,648	3,097	(1,575)	282	14,361	9,921

Unallocated segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relations services.

Segment Revenue reconciles with Note 2 as follows:

	Total	
	2013	2012
	\$'000	\$'000
Revenue as per Note 2	30,163	24,152
Interest received	(451)	(345)
Total Revenue per segment accounts above	29,712	23,807

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 29 December 2013

16. BUSINESS COMBINATION

a. Saucony business and Podium Stores

On 2 December 2013, the Company acquired both the Saucony wholesale and distribution businesses in Australia and New Zealand, and the Podium Sports retail business from Authentics Australia Pty Ltd. RCG has also secured a new five year, exclusive Saucony distribution licence from Wolverine Worldwide, Inc.

Details of net assets acquired and goodwill are as follows:

	Dec 2013 \$'000
Purchase consideration	
Cash paid	3,000
Issue of shares	5,953
Total purchase consideration	<u>8,953</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair Value \$'000
Cash on hand	19
Inventory	4,624
Fixed assets	97
Employee benefit liabilities	(77)
Net identifiable assets acquired	4,663
Add: Goodwill	4,290
	<u>8,953</u>

	\$'000
Cash flow information	
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	3,000
Less: cash acquired	(19)
Net outflow of cash	<u>2,982</u>

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

b. TAF Partnership stores

During the course of the half-year, through its subsidiary TAF Partnership Pty Ltd, RCG acquired controlling interest in four The Athlete's Foot stores which have been incorporated in four individual companies.

	RCG's Interest (%)	
	Dec 2013	June 2013
TAF Rockhampton Pty Ltd	80%	-
TAF Eastland Pty Ltd	80%	-
TAF The Glen Pty Ltd	60%	-
TAF Hornsby Pty Ltd	80%	-

Details of net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	1,624
Issue of shares	-
Total purchase consideration	<u>1,624</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair Value \$'000
Cash on hand	1
Inventory	708
Fixed assets	294
Payables	(34)
Employee benefit liabilities	(28)
Net identifiable assets acquired	<u>941</u>
Add: Goodwill	<u>1,187</u>
	2,128
Less: Non-controlling interests	<u>(504)</u>
	<u>1,624</u>

	\$'000
Cash flow information	
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	1,624
Less: cash acquired	<u>(1)</u>
Net outflow of cash	<u>1,623</u>

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

17. LOSS FROM DISCONTINUED OPERATIONS

On 20 February 2013, Shoe Superstore Group Pty Ltd was placed into Voluntary Administration. The loss from discontinued operations relates to this business.

	Dec 2013 \$'000	Dec 2012 \$'000
Impairment of assets	-	(5,353)
Loss for the half-year	-	(834)
Attributable income tax benefit	-	1,573
	-	<u>(4,614)</u>

18. NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 29 December 2013				
Financial assets				
Derivatives in a hedging relationship	-	877	-	877
Derivatives not designated in a relationship	-	-	-	-
Financial liabilities				
Derivatives in a hedging relationship	-	-	-	-
Derivatives not designated in a relationship	-	-	-	-

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013

18. NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2013				
Financial assets				
Derivatives in a hedging relationship	-	493	-	493
Derivatives not designated in a relationship	-	-	-	-
Financial liabilities				
Derivatives in a hedging relationship	-	-	-	-
Derivatives not designated in a relationship	-	-	-	-

19. DIVIDENDS

On 21 August 2013, the Company declared an ordinary fully franked dividend of 2.25 cents per share amounting to \$5.67 million. The dividend was paid on 26 September 2013. On 25 February 2014 the Company declared an interim dividend of 2.0 cents per share to be paid on 25 March 2014 to shareholders registered on the 7 March 2014 record date. RCG's dividend reinvestment plan will not apply to this dividend.

20. SUBSEQUENT EVENTS

The Company is not aware of any subsequent event that has occurred since balance date that could materially affect these financial statements.

21. CONTINGENT LIABILITIES

- Bank guarantees outstanding as of 29 December 2013 amounted to approximately \$0.52 million (\$0.60 million in December 2012)
- RCG has guaranteed a loan provided to the TAF Marketing Fund of \$1.5 million.
- The Athlete's Foot has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by its franchisees. However, its franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. In addition, some franchisees have provided bank guarantees (generally for a maximum period of three months' rent) and in some instances personal guarantees to the landlords of the properties. The company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be \$62.6 million (less than one year \$17.7 million; between one and five years \$42.6 million; and \$2.3 million over five years). This would arise only in the event that all franchisees defaulted at the same time.



RCG Corporation Limited and its controlled entities

**Notes to the condensed consolidated financial statements for the half-year ended
29 December 2013**

22. COMPANY DETAILS

The registered office and principal place of business is:

RCG Corporation Limited
719 Elizabeth Street, Waterloo
NSW 2017, AUSTRALIA

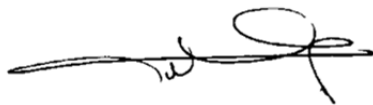
DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes to RCG Corporation Limited (consolidated entity), as set out on pages 6 to 25, are in accordance with the Corporations Act 2001; including that they:
 - a. comply with Australian Accounting Standards AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the financial position as at 29 December 2013 and performance for the half-year ended on that date of the consolidated entity.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Ivan Hammerschlag
Chairman



Hilton Brett
CEO

Sydney, 24 February 2014

Independent Auditor's Review Report to the Members of RCG Corporation Limited

We have reviewed the accompanying half-year financial report of RCG Corporation Limited, which comprises the condensed statement of financial position as at 29 December 2013, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 25.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 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 RCG Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RCG Corporation Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Limited liability by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Deloitte

Page 2

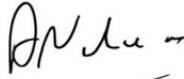
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RCG Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants
Sydney, 24 February 2014