



RETAILFOODGROUP LIMITED

APPENDIX 4D

INTERIM FINANCIAL REPORT

HALF YEAR ENDED – 31 DECEMBER 2013

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

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	REPORTED				
	1H10	1H11	1H12	1H13	1H14
Financial					
Total Revenue ⁽¹⁾	\$61.3m	\$60.3m	\$49.5m	\$60.0m	\$64.6m
EBITDA	\$22.0m	\$22.6m	\$24.4m	\$25.6m	\$28.1m
EBIT	\$21.5m	\$22.2m	\$24.0m	\$25.2m	\$27.4m
NPAT	\$12.5m	\$13.6m	\$14.5m	\$14.6m	\$17.3m
Basic EPS	12.4 cps	12.8 cps	13.4 cps	12.5 cps	12.9 cps
Dividend	5.25 cps	7.0 cps	8.5 cps	9.5 cps	10.75 cps
Operating Performance					
Revenue Growth	(12.1%)	(1.6%)	(17.9%)	21.2%	7.7%
EBITDA Growth	6.8%	2.6%	8.0%	5.0%	9.7%
EBIT Growth	8.6%	3.3%	8.1%	4.9%	8.7%
NPAT Growth	18.3%	8.9%	6.7%	0.7%	18.0%
Basic EPS Growth	15.9%	3.2%	5.3%	(6.7%)	3.2%
Outlets	1,052	1,095	1,126	1,391	1,401

(1) Total Revenue excludes revenue derived from marketing activities (1H14: \$13.5m; 1H13: \$10.8m; 1H12: \$6.8m; 1H11: \$7.1m, 1H10: \$8.1m).

APPENDIX 4D-SECTION A RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period

Current Reporting Period: Half Year Ended 31 December 2013

Previous Corresponding Period: Half Year Ended 31 December 2012

Revenue and Net Profit

Details		Growth PCP %		1H14 \$'000
Revenue from operations	up	10.4%	to	78,167
Profit from ordinary activities after tax attributable to members	up	18.0%	to	17,259
Net profit attributable to members	up	18.0%	to	17,259

Dividends

Details	Cents Per Share	Total Amount \$'000	Franked / Unfranked	Payment Date
Declared and paid during the half-year				
Final FY13 dividend	10.25	13,356	100% Franked	11 October 2013
Declared after the end of the half-year				
Interim FY14 dividend	10.75	15,485	100% Franked	9 April 2014

Record date for determining entitlements to the interim FY14 dividend: 21 March 2014.

Net Tangible Assets Per Security

Details	31 December 2013	30 June 2013
Net tangible assets (liabilities) per security ⁽¹⁾	3.4 cents ⁽²⁾	(43.7 cents) ⁽³⁾

(1) Net tangible assets defined as net assets less intangible assets.

(2) 31 December 2013 calculation based on 144,049,390 shares.

(3) 30 June 2013 calculation based on 130,277,586 shares.

APPENDIX 4D-SECTION B COMMENTARY ON THE RESULTS

For comments on trading performance during the half-year, refer to the 1H14 media release and the Directors' Report.

The interim fully franked dividend of 10.75 cents per share was approved by the Directors on 28 February 2014. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the half-year financial statements. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan ('DRP'). Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted market price for all RFG shares sold on the ASX during the period of 5 trading days immediately preceding and inclusive of, and 5 trading days following, the record date.



RETAILFOODGROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF YEAR ENDED – 31 DECEMBER 2013

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The Directors of Retail Food Group Limited submit herewith the financial report of Retail Food Group Limited (referred to hereafter as the Company) and its subsidiaries (referred to hereafter as the Group) for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information About The Directors

The names of the Directors of the Company during or since the end of the half-year are:

Name	Title
Mr Colin Archer	Independent Non-Executive Chairman
Mr Anthony (Tony) Alford	Managing Director & Chief Executive Officer
Ms Jessica Buchanan	Independent Non-Executive Director
Mr Stephen Lonie	Independent Non-Executive Director

The above named Directors held office during the whole of the half-year.

Principal Activities

The Group's principal activities during the course of the half-year were the:

- intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia & New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems;
- development and management of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems throughout Australia & New Zealand and international licensor throughout the rest of the world for all systems excluding Esquires Coffee Houses; and
- development and management of the Coffee Roasting Facilities and the wholesale supply of certain products to the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems.

Changes In State Of Affairs

No significant changes in the nature of the Group's core business activities occurred during the half-year.

Review Of Operations And Financial Condition

Group Overview

The following table summarises the Group's results for the half years ending 31 December 2013 and 31 December 2012:

Item	1H14	1H13	Change
Total Revenue ⁽¹⁾	\$64.6m	\$60.0m	7.7%
EBIT	\$27.4m	\$25.2m	8.7%
NPAT	\$17.3m	\$14.6m	18.0%
EPS (Basic)	12.9 cps	12.5 cps	3.2%
Interim Dividend per Share (DPS)	10.75 cps	9.5 cps	13.2%
Net Debt	\$49.5m	\$86.7m	(42.9%)

(1) Total Revenue excludes revenue derived from marketing activities (1H14: \$13.5m; 1H13: \$10.8m)

The results for 1H14 reflect a continued solid performance from the Group's cash generating units (CGU's), notwithstanding an uncertain retail environment and the continued restructure of the Michel's CGU.

Growth in earnings was attributable to positive EBIT contributions from 1H13 acquisitions, and resilient earnings from the Brand Systems and coffee roasting activities. Of particular note was the \$7.0 million EBIT contribution from the QSR CGU that now comprises 24.9% of the Group's total EBIT, and the 12.3% increase in EBIT contribution from the Group's coffee assets. This growth was achieved notwithstanding the ongoing financial assistance to Michel's franchisees through product cost subsidisation as the business transitions through the National Bakery Solution, deferral of new outlet sales in certain brands, and an increase in the average number of Company owned outlets operated during the period (Non-voluntary, Project Evo pilot outlets and QSR400 outlets).

The Group issued 13.6 million shares during the period, raising capital of \$58.3 million (before costs) to support organic growth initiatives and small acquisition opportunities. EPS growth on PCP was 3.2% to 12.9 cps reflecting a 10.6% increase in shares on issue to approximately 144 million.

Review Of Operations And Financial Condition (cont.)

Group Overview (cont.)

In recognition of the Company's first half result and the Board's commitment to increase the Company's dividend payout ratio where appropriate, the Directors determined to pay a fully franked interim ordinary dividend of 10.75 cents per share, an increase of 13.2% on the Previous Corresponding Period (PCP). The interim dividend was approved by the Directors subsequent to 31 December 2013 and is, therefore, not provided for in the half-year financial statements.

Earnings Performance

Total Revenue (excluding marketing receipts) for 1H14 was \$64.6 million representing an increase of 7.7%, or \$4.6 million on 1H13.

The increase in revenue is attributable to the following key factors:

- contributions from acquisitions completed during 1H13 (principally Crust Gourmet Pizza Bar);
- an 8.4% increase in Coffee revenues; and
- additional operating revenues from Company owned outlets operated during the period (Non-voluntary, Project Evo pilot outlets and QSR400 outlets).

The Group is organised into two major operating divisions – franchising operations and wholesale / retail operations.

A review of consolidated revenues and results by segment is set out in the following table:

Segment	Segment Revenues		Segment Result	
	1H14 \$'000	1H13 \$'000	1H14 \$'000	1H13 \$'000
Franchising Operations	51,455	45,275	24,545	23,542
Wholesale / Retail Operations	26,492	25,290	3,356	1,856
	77,947	70,565	27,901	25,398
Unallocated	220	247	(3,274)	(4,584)
Profit before tax			24,627	20,814
Income tax expense			(7,368)	(6,188)
Revenue and NPAT for the half-year	78,167	70,812	17,259	14,626

Franchising Operations

Franchising Operations incorporate the development and management of the Group's retail Brand Systems – Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy - and include the following principal activities:

- the establishment and grant of new franchises;
- the administration of royalties collection, supplier licencing, franchisee compliance, franchisee training and administration; and,
- the performance of marketing and promotional activities, brand development and awareness, product research and development.

Segment revenue for 1H14 was \$51.5 million (1H13: \$45.3 million), representing growth of \$6.2 million (or 13.7%). Revenue growth was primarily driven by the additional business attributable to acquisitions completed by the Group during 1H13 (Crust & The Coffee Guy), and an increase in Licence Fee, and Initial Franchise Fee revenues.

Offsetting the revenue growth was the reduction in royalty and other revenue as a consequence of the reduced Average Weekly Sales (AWS) in the Michel's Brand System, an increase in the average number of corporate outlets operated, financial assistance provided to Michel's franchisees consequential to bakery supply issues, and overhead cost increases attributable to the QSR400 growth initiative. Segment revenue includes revenues derived from marketing activities of \$13.5 million (1H13: \$10.8 million).

Wholesale / Retail Operations

Wholesale / Retail Operations incorporate the development and management of the Group's Procurement, Wholesale & Manufacturing divisions (including coffee roasting activities), Non-Voluntary Company Stores (NVCS), Voluntary Company Stores (VCS), and QSR400 outlets.

Review Of Operations And Financial Condition (cont.)

Earnings Performance (cont.)

These pursuits are managed and reported separately to the Franchising Operations segment, and involve the following principal activities:

- the procurement, sale and distribution of bakery and other related items to Michel's Patisserie franchisees;
- the manufacture and sale of roasted coffee and related products to franchisees under the Company's stewardship and external customers;
- the interim operation of NVCS and VCS across each of the Company's Brand Systems; and
- the return of NVCS to franchisee stewardship.

Segment revenue for 1H14 was \$26.5 million (1H13: \$25.3 million), representing an increase of \$1.2 million (or 4.8%) on PCP attributable to:

- an 8.4% increase in coffee revenues over PCP due to new wholesale coffee supply contracts, as well as organic growth in coffee sales within existing Brand Systems;
- an increase in revenues generated from NVCS and VCS due to the increased average number of outlets operated by the Group in 1H14 compared to PCP; and
- a \$2.5 million decrease in revenue arising from the discontinuance of certain Michel's bakery operations during the period.

Offsetting the revenue growth was increased operational costs arising from the increase in NVCS and VCS operated, and in particular, the increased operating expenses from commissioning a record number of VCS under project QSR 400.

Financial Position and Cash Flows

Net Assets of \$302.4 million have increased by \$61.9 million (25.8%) from 30 June 2013 as a result of the Group's 1H14 capital raising, positive operating cash flow and debt management activities. Return on Investment (EBIT/Total Assets) increased 0.1% on PCP to 7.2%, reflecting utilisation of capital raised in the period to reduce debt whilst organic growth opportunities are pursued and other investment opportunities are assessed.

Cash inflows from operating activities for 1H14 remain strong at \$13.5 million (1H13: \$10.3 million), representing a conversion to EBITDA of 88.5% (1H13: 85.5%). The increased conversion to EBITDA margin on PCP is primarily attributable to increased net cash inflows from acquisitions, despite a greater number of NVCS and VCS operated than in 1H13, and increased short-term funding of marketing initiatives undertaken by the respective Brand System marketing funds.

The Group received \$56.4 million (net of costs) in cash arising from the Share Placement in October 2013 and Share Purchase Plan (SPP) completed in December 2013.

The combined proceeds of surplus free cash derived from operations, Share Placement and the SPP funded:

- a net \$46 million voluntary reduction in gross borrowings to \$62.9 million;
- a \$2 million earnout payment to the Crust vendors as a result of the Brand System achieving its acquisition earnings performance targets;
- the \$7.5 million investment in VCS, property, plant and equipment including:
 - Fit out and commissioning of the Octal Street, Yatala (QLD) property, providing mixed use coffee roasting, freezer and bakery distribution facility;
 - Fit out of Commercial Drive, Ashmore (QLD) property, providing additional corporate office and franchise training capability;
 - Continued roll out of Project Evo outlets within Michel's Patisserie, Donut King and Brumby's Bakery; and
 - An increase in VCS QSR400 related outlet construction across the Crust and Pizza Capers networks; and
- an increased dividend payout ratio to 80.9% of FY13 reported NPAT.

Working capital increases since 30 June 2013 are attributable to seasonal increases in revenues, increased short-term funding of marketing pursuits and funding initiatives offered to franchisees in respect of new outlet openings and franchise renewal.

Debt Structure

As at 31 December 2013, the Group's total gross debt reduced to \$62.9 million subsequent to the aforementioned net \$46 million voluntary debt repayment. This amount is presented as a non-current liability in the Statement of Financial Position, reflecting its maturity date of 30 March 2016.

On 18 December 2013, the Group completed an amendment to the existing facility, effecting removal of an amortising repayment condition on borrowings above \$120 million. Subsequent to the amendment, the entire \$135 million facility is on interest only payment terms until maturity date, which has now been extended to March 2016.

The Group's leverage ratio (net debt / trailing EBITDA) of 0.98 times and gearing ratio (net debt / (net debt + equity)) of 14.1%⁽¹⁾ remain comfortably within current banking covenants.

⁽¹⁾ 15.5% for bank covenant testing, calculated in accordance with NAB senior facility agreement.

Review Of Operations And Financial Condition (cont.)

As at 31 December 2013, 80% (\$50 million) of the Group's gross debt was subject to fixed interest rates, with the remaining 20% (\$12.9 million) subject to variable interest rates. The Group's weighted average interest rate as at 25 February 2014 was 5.65%. At the conclusion of 1H14, the Group's gross debt was \$62.9 million with cash reserves and facility headroom of \$85.5 million.

Performance Indicators:

New outlet growth for 1H14 totalled 79 outlets and was derived from growth in QSR outlets (49 outlets) and non-QSR Brand Systems (30 outlets).

Net outlet growth for 1H14 was 27, comprising:

- 79 commissionings by organic growth; and
- 52 closures of existing outlets.

Whilst reduced premium site opportunities, tight lending requirements among financiers and a cautious franchisee market continued to impact organic non-QSR Brand System outlet growth of 30, the Group intentionally deferred new outlet openings of the Brumby's, Michel's Patisserie and Esquires Brand Systems in 1H14 due to the imminent commissioning of "Project Evo" outlet platforms, with the Michel's Patisserie Evo outlet opening in July 2013 followed by the Brumby's Evo outlet opening in December 2013. The "Project Evo" concept includes substantial outlet redesign and operational enhancements, thus necessitating the deferral of new outlet commissionings until completion of the new "Project Evo" outlet format and operational testing phase for each of the Brumby's, Michel's Patisserie and Esquires Brand Systems.

Outlet closures were predominantly a factor of the Group's rejection of sites, attributable to unacceptable lease renewal terms and/or an inability of the existing site to appropriately accommodate a "Project Evo" format refurbishment.

Brand System	Details
Crust Gourmet Pizza Bar	<p>There have been 25 new outlet commissionings and 2 outlet closures.</p> <p>As at 31 December 2013 there were 156 Crust outlets in Australia and 8 Crust outlets located internationally.</p>
Pizza Capers Gourmet Kitchen	<p>24 new outlet commissionings (1H13: 8) and 5 outlet closures (1H13: 2).</p> <p>As at 31 December 2013 there were 148 Pizza Capers outlets located in Australia.</p>
Donut King	<p>10 new outlet commissionings (1H13: 14) and 13 outlet closures (1H13: 12).</p> <p>As at 31 December 2013 there were 332 Donut King outlets in Australia and 10 Donut King outlets located internationally.</p>
Brumby's Bakery	<p>4 new outlet commissionings (1H13: 4) and 14 outlet closures (1H13: 12).</p> <p>As at 31 December 2013 there were 275 Brumby's Bakery outlets in Australia and 11 Brumby's Bakery outlets located internationally.</p>
Michel's Patisserie	<p>8 new outlet commissionings (1H13: 5) and 11 outlet closures (1H13: 7).</p> <p>As at 31 December 2013 there were 311 Michel's Patisserie outlets in Australia and 3 Michel's Patisserie outlets located internationally.</p>
Esquires Coffee Houses (including bb's Café)	<p>1 new outlet commissioning (1H13: 5) and 6 outlet closures (1H13: 5).</p> <p>As at 31 December 2013 there were 34 Esquires Coffee Houses outlets in Australia and 51 Esquires Coffee Houses outlets located in New Zealand.</p>
The Coffee Guy	<p>There have been 7 new outlet commissionings and 1 outlet closure.</p> <p>As at 31 December 2013 there were 7 The Coffee Guy outlets in Australia and 55 The Coffee Guy outlets located in New Zealand.</p>

Review Of Operations And Financial Condition (cont.)

Performance Indicators (cont.)

Compared to 1H13, the Group's Brand Systems exhibited positive:

- weighted average weekly sales (AWS) growth of 0.8%; and
- weighted average transaction value (ATV) growth of 3.0%.

Outlet Average Weekly Sales (AWS) & Average Transaction Values (ATV)

Brand System (Australia Only)	Average Weekly Sales (AWS) growth		Average Transaction Value (ATV) growth	
	1H14 %	1H13 %	1H14 %	1H13 %
Donut King	2.0%	4.8%	4.6%	5.9%
Brumby's Bakery	1.6%	(1.1%)	3.7%	4.4%
Michel's Patisserie	(0.8%)	(1.7%)	0.9%	1.5%
Esquires Coffee Houses (including bb's café)	2.0%	(0.6%)	3.6%	2.6%
OSR (Pizza Capers & Crust)	0.3%	-	2.9%	-

Donut King outlet AWS growth of 2.0% was underpinned by increased product bundling menu offerings and seasonal campaigns, together with a continuing growth in coffee sales. The increase in ATV provides positive confirmation of the Project Evo concept, with ATV increases supporting growth where there is continuing evidence that customer counts are moderating across the broader retail landscape.

Brumby's Bakery outlet AWS growth of 1.6% was aided by tactical promotional activities including those featuring Australian sporting hero and lifestyle cooking personality Matthew Hayden as the brand's Bread Ambassador, resulting in bread category sales increasing 4.2% compared to PCP.

Michel's Patisserie outlet AWS decline of (0.8%) was attributable to range rationalisation activities consistent with the National Bakery Supply Solution, and reduced shopping centre performance resulting in lower shopping centre foot traffic in flagship locations. The Brand System's Project Evo outlets continue to gain traction within the network, trending double digit AWS growth and increased ATV growth when compared to the traditional outlet averages. The early stage results from Project Evo are encouraging and consistent with those results being achieved in RFG's other Brand Systems.

Esquires Coffee Houses outlet AWS growth for Australian outlets was 2.0% on 1H13, with strong 'bundled' summer offer promotions also driving increased ATV growth. Category sales reflect a continuing increase in customer recognition of the brand's quality coffee offer.

OSR weighted Outlet Sales and ATV increases were fortified by menu enhancement and seasonal offerings including the Upper Crust and Pizza Capers Summer Collection menu ranges, and growth in online sales within the respective OSR brands on an increasing outlet number base. The blended AWS growth figure of 0.3% is reflective of OSR's continued expansion into regional areas trading on lower AWS than predominant metro locations, and should be read in context of the aforementioned increasing contribution to Group earnings from OSR Brand Systems.

Significant Events After The Balance Date

Interim Dividend

On 28 February 2014, the Board of Directors determined to pay an interim dividend in respect of profits of the financial year ending 30 June 2014. The interim dividend of 10.75 cents per share (based on 144,049,390 shares on issue as at 28 February 2014), franked to 100% at 30% corporate income tax rate will be paid on 9 April 2014. The interim dividend was approved by the Directors following the conclusion of 1H14 and therefore was not provided for in the half-year financial report. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan ('DRP'). Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted market price for all RFG shares sold on the ASX during the period of 5 trading days immediately preceding and inclusive of, and 5 trading days following, the record date.

Dividends

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

Dividend Details	Cents Per Share	Total Amount \$'000	Franked / Unfranked	Payment Date
Declared and paid during the half-year				
Final FY13 dividend	10.25	13,356	100% Franked	11 October 2013
Declared after the end of the half-year				
Interim FY14 dividend	10.75	15,485	100% Franked	9 April 2014

In respect of profits of the financial year ended 30 June 2013, a final dividend of 10.25 cents per share (based on 130,301,190 shares on issue at 13 September 2013), franked to 100% at 30% corporate income tax rate was paid on 11 October 2013. The final dividend was approved by the Directors on 29 August 2013. It was resolved that the final FY13 dividend would not constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan.

In respect of profits of the financial year ending 30 June 2014, an interim dividend of 10.75 cents per share (based on 144,049,390 shares on issue as at 28 February 2014), franked to 100% at 30% corporate income tax rate will be paid on 9 April 2014. The interim dividend was approved by the Directors following the conclusion of 1H14 and therefore was not provided for in the half-year financial report. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan ('DRP'). Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted market price for all RFG shares sold on the ASX during the period of 5 trading days immediately preceding and inclusive of, and 5 trading days following, the record date.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 11 of the half-year financial 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 Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

RETAIL FOOD GROUP LIMITED



A J (TONY) ALFORD
 Managing Director and CEO
 Southport, 28 February 2014

AUDITOR`S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
Retail Food Group Limited
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28 February 2014

Dear Board Members

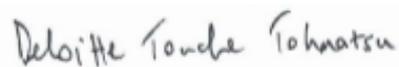
Retail Food Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Retail Food Group Limited.

As lead audit partner for the review of the financial statements of Retail Food Group Limited for the half-year ended 31 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 sincerely


DELOITTE TOUCHE TOHMATSU



Tendai Mkwanzu
Partner
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



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Independent Auditor's Review Report to the Members of Retail Food Group Limited

We have reviewed the accompanying half-year financial report of Retail Food Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 14 to 24.

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 31 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 Retail Food Group 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF RETAIL FOOD GROUP LIMITED



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 Retail Food Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Retail Food Group 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 31 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

Tendai Mkwanzu
Partner
Chartered Accountants
Brisbane, 28 February 2014

DIRECTORS' DECLARATION

The Directors declare that:

- (i) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (ii) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

RETAIL FOOD GROUP LIMITED



A J (TONY) ALFORD
Managing Director and CEO
Southport, 28 February 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Consolidated	Note	1H14 \$'000	1H13 \$'000
Continuing operations			
Revenue from sale of goods	4	26,492	25,290
Cost of sales	5	(11,329)	(14,165)
Gross profit		15,163	11,125
Other revenue	4	51,675	45,522
Other gains and losses		-	(11)
Selling expenses		(9,771)	(6,854)
Marketing expenses		(13,819)	(10,834)
Occupancy expenses		(892)	(1,618)
Administration expenses		(3,553)	(2,868)
Operating expenses		(9,809)	(7,602)
Finance costs		(2,746)	(4,378)
Other expenses		(1,621)	(1,668)
Profit before tax		24,627	20,814
Income tax expense		(7,368)	(6,188)
Profit for the period from continuing operations		17,259	14,626
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Net gain on cash flow hedges		-	851
Net gain/(loss) on net investment hedge		326	109
Other comprehensive income for the year, net of tax		326	960
Total comprehensive income for the period		17,585	15,586
Profit attributable to:			
Equity holders of the parent		17,259	14,626
Total comprehensive income attributable to:			
Equity holders of the parent		17,585	15,586
Earnings per share			
From continuing operations:			
Basic (cents per share)		12.9	12.5
Diluted (cents per share)		12.9	12.5

Notes to the condensed consolidated financial statements are included on pages 19 to 24.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

Consolidated	Note	1H14 \$'000	FY13 \$'000
Current assets			
Cash and cash equivalents		13,416	16,822
Trade and other receivables		20,233	18,602
Other financial assets		4,282	5,707
Inventories		5,493	5,180
Other		741	236
Total current assets		44,165	46,547
Non-current assets			
Trade and other receivables		838	444
Other financial assets		12,322	6,965
Property, plant and equipment		25,562	18,719
Deferred tax assets		1,886	1,310
Intangible assets	6	297,449	297,425
Total non-current assets		338,057	324,863
Total assets		382,222	371,410
Current liabilities			
Trade and other payables		7,957	9,977
Current tax liabilities		4,172	4,793
Provisions		1,601	1,607
Other		2,935	3,507
Total current liabilities		16,665	19,884
Non-current liabilities			
Borrowings	7	62,938	108,897
Provisions		242	373
Other		-	1,797
Total non-current liabilities		63,180	111,067
Total liabilities		79,845	130,951
Net assets		302,377	240,459
Equity			
Issued capital	8	218,206	160,469
Reserves	9	316	38
Retained earnings	10	83,855	79,952
Total equity		302,377	240,459

Notes to the condensed consolidated financial statements are included on pages 19 to 24.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Consolidated	Fully Paid Ordinary Shares	Equity Settled Employee Benefits Reserve	Hedging Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2012	99,876	379	(693)	70,120	169,682
Profit for the year	-	-	-	14,626	14,626
Other comprehensive income	-	-	960	-	960
Total comprehensive income	-	-	960	14,626	15,586
Share issue costs	(1,784)	-	-	-	(1,784)
Related income tax	535	-	-	-	535
Issue of ordinary shares	60,540	-	-	-	60,540
Issue of shares under executive share option plan	585	-	-	-	585
Transfer from equity-settled employee benefits reserve	218	(218)	-	-	-
Payment of dividends	-	-	-	(9,802)	(9,802)
Balance as at 31 December 2012	159,970	161	267	74,944	235,342
Balance as at 1 July 2013	160,469	62	(24)	79,952	240,459
Profit for the year	-	-	-	17,259	17,259
Other comprehensive income	-	-	326	-	326
Total comprehensive income	-	-	326	17,259	17,585
Share issue costs	(1,909)	-	-	-	(1,909)
Related income tax	573	-	-	-	573
Issue of ordinary shares	58,774	-	-	-	58,774
Issue of shares under executive share option plan	251	-	-	-	251
Transfer from equity-settled employee benefits reserve	48	(48)	-	-	-
Payment of dividends	-	-	-	(13,356)	(13,356)
Balance as at 31 December 2013	218,206	14	302	83,855	302,377

Notes to the condensed consolidated financial statements are included on pages 19 to 24.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Consolidated	Note	1H14 \$'000	1H13 \$'000
Cash flows from operating activities			
Receipts from customers		82,863	71,801
Payments to suppliers and employees		(57,964)	(49,898)
Interest and other costs of finance paid		(3,310)	(3,554)
Income taxes paid		(8,137)	(8,064)
Net cash provided by operating activities		13,452	10,285
Cash flows from investing activities			
Interest received		211	247
Proceeds from repayment of related party loans		2	4
Amounts advanced to other entities		(5,334)	(1,059)
Proceeds from other entities		523	-
Payments for property, plant and equipment		(7,546)	(2,327)
Payment for intangible assets		(24)	(101)
Payment for business		(2,000)	(38,193)
Net cash used in investing activities		(14,168)	(41,429)
Cash flows from financing activities			
Proceeds from issues of equity securities		58,575	54,126
Payment for share issue costs		(1,909)	(1,784)
Proceeds from borrowings		9,000	-
Repayment of borrowings		(55,000)	(11,000)
Dividends paid		(13,356)	(9,802)
Net cash used in financing activities		(2,690)	31,540
Net (decrease) / increase in cash and cash equivalents		(3,406)	396
Cash and cash equivalents at the beginning of the half year		16,822	12,785
Cash and cash equivalents at the end of the half year		13,416	13,181

Notes to the condensed consolidated financial statements are included on pages 19 to 24.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Retail Food Group Limited (the Company) is a public company listed on the Australian Securities Exchange (ASX: RFG), incorporated in Australia and operating in Australia and New Zealand. Retail Food Group Limited's registered office and its principal place of business are as follows:

Registered Office	Principal Administration Office
RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215

The principal activities of the Company and its subsidiaries (the Group) during the course of the half-year were the:

- intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia and New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems;
- development and management of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems throughout Australia and New Zealand, and international licensor throughout the rest of world for all systems excluding Esquires Coffee Houses; and
- development and management of the Coffee Roasting Facilities and the wholesale supply of certain products to the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy Brand Systems.

2. Significant Accounting Policies

2.1 Statement Of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The half-year financial report was authorised for issue by the Directors on 28 February 2014.

2.2 Basis Of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those policies and methods adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the mandatory new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- amendments to AASB 10, 13, 119, 2011-9 and 2012-5.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

3. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Information (cont.)

3.1 Products And Services From Which Reportable Segments Derive Their Results

For management purposes, the Group is organised into two major operating divisions – franchising operations and wholesale / retail operations. These divisions are the basis on which the Group reports its primary segment information. The Group's reportable segments under AASB 8, and the principal products and services of each, are as follows:

Segment	Description
Franchising Operations	<p>Franchising Operations incorporate the development and management of the Group's retail Brand Systems – Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and The Coffee Guy – and involves the following principal activities:</p> <ul style="list-style-type: none"> ▪ the establishment and grant of new franchises; ▪ the administration of royalties collection, supplier licencing, franchise compliance, franchisee training and administration; and ▪ the performance of marketing and promotional activities, brand development and awareness, and product research and development.
Wholesale / Retail Operations	<p>Wholesale / Retail Operations incorporate the development and management of the Group's Procurement, Wholesale & Manufacturing division, Non-Voluntary Company Store (NVCS) and Voluntary Company Stores (VCS), being Project Evo pilot outlets and QSR400 outlets. These pursuits are managed and reported separately to the Franchising Operations segment, and involve the following principal activities:</p> <ul style="list-style-type: none"> ▪ the procurement, sale and distribution of bakery and other related items to Michel's Patisserie franchisees; ▪ the manufacture and sale of roasted coffee and related products to franchisees and external customers; ▪ the interim operation of NVCS and VCS across each of the Brand Systems; and ▪ the return of NVCS to franchisee stewardship.

3.2 Segment Revenues And Results

The following table presents an analysis of the Group's revenue and results from continuing operations by reportable segment:

Segment	Segment Revenues		Segment Profit	
	1H14 \$'000	1H13 \$'000	1H14 \$'000	1H13 \$'000
Franchising Operations	51,455	45,275	24,545	23,542
Wholesale / Retail Operations	26,492	25,290	3,356	1,856
	77,947	70,565	27,901	25,398
Other gains and losses			-	(11)
Interest revenue	211	247	211	247
Finance costs			(2,746)	(4,378)
Unallocated	9	-	(739)	(442)
Profit before tax			24,627	20,814
Income tax expense			(7,368)	(6,188)
Revenue and profit for the period	78,167	70,812	17,259	14,626

Revenue reported represents revenue generated from external customers. Revenue from franchising operations includes marketing revenue of \$13.5 million (1H13: \$10.8 million).

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit represents the profit earned by each segment without allocation of gains derived / losses incurred from derivative financial instruments, interest revenue, finance costs, depreciation, corporate expenses and income tax expense. This measure is reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Information (cont.)

3.3 Geographical Information

An insignificant portion of the Group's activities are located outside of Australia, and hence no geographical information has been disclosed.

4. Revenue

An analysis of the Group's revenue for the half-year, from continuing operations, is as follows:

Consolidated	1H14 \$'000	1H13 \$'000
Revenue from the sale of goods	26,492	25,290
Revenue from the rendering of services	51,455	45,275
	77,947	70,565
Interest revenue:		
Bank deposits	148	238
Other loans and receivables	63	9
	211	247
Rental Revenue	9	-
Total	78,167	70,812

5. Profit For The Half-Year From Continuing Operations

Profit for the half-year from continuing operations has been arrived at after charging (crediting):

Consolidated	1H14 \$'000	1H13 \$'000
Cost of sales	11,329	14,165
Inventory write-down/(write-back) of inventory to net realisable value	(1)	51
Impairment of trade receivables	979	1,011
Depreciation of property, plant and equipment	747	442
Employee benefits expenses:		
Post employment benefits (defined contribution plans)	1,394	1,071
Other employee benefits (wages and salaries)	18,983	16,160
Total	20,377	17,231

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible Assets

Consolidated	Goodwill	Indefinite Life		Finite Life	Total
		Brand Networks	Intellectual Property Rights	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount					
Balance as at 1 July 2012	27,993	215,013	5,233	231	248,470
Additions	-	300	104	-	404
Acquisitions through business combinations	2,300	46,446	-	-	48,746
Effect of foreign currency exchange differences	52	(226)	-	-	(174)
Balance as at 30 June 2013	30,345	261,533	5,337	231	297,446
Additions	-	24	-	-	24
Acquisitions through business combinations	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	-
Balance as at 31 December 2013	30,345	261,557	5,337	231	297,470
Accumulated amortisation					
Balance as at 1 July 2012	-	-	-	(21)	(21)
Balance as at 30 June 2013	-	-	-	(21)	(21)
Balance as at 31 December 2013	-	-	-	(21)	(21)
Net book value					
As at 30 June 2013	30,345	261,533	5,337	210	297,425
As at 31 December 2013	30,345	261,557	5,337	210	297,449

7. Borrowings

Consolidated	1H14 \$'000	FY13 \$'000
Secured at amortised cost		
Non-current		
Bank loans	62,938	108,897
	62,938	108,897

On 7 November 2013, the Group attended a capital raising to facilitate and support organic growth initiatives and acquisition opportunity. Of the proceeds (and pending utilisation), the Group reduced its drawn debt by \$46 million (net).

8. Issued Capital

Consolidated	1H14 \$'000	FY13 \$'000
144,049,390 fully paid ordinary shares (FY13: 130,277,856)	218,206	160,469
	218,206	160,469

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Issued Capital (Cont.)

	1H14		FY13	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares ⁽¹⁾				
Balance at beginning of period	130,278	160,469	108,423	99,876
Issue of ordinary shares ⁽²⁾	13,668	58,774	21,144	60,540
Share issue costs	-	(1,909)	-	(1,809)
Related income tax	-	573	-	543
Issue of shares under executive share option plan ⁽³⁾	103	251	711	1,002
Transfer from equity-settled employee benefits reserve	-	48	-	317
Balance at end of period	144,049	218,206	130,278	160,469

(1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(2) During the period, a total of 13,668,200 ordinary shares were issued as follows:

- a. 12,325,582 shares issued on 7 November 2013 in respect of a capital raising from institutional and sophisticated investors;
- b. 1,238,210 shares issued on 20 December 2013 in respect of a Share Purchase Plan (SPP) offered to shareholders on the shareholder register as at 7 p.m. on 30 October 2013; and
- c. 104,408 shares issued on 23 December 2013 to the Managing Director in respect of FY13 performance in accordance with the resolution approved by shareholders at the Company's Annual General Meeting held on 29 November 2013.

(3) During the period, a total of 103,334 shares were issued following the exercise of options.

9. Reserves

Consolidated	1H14 \$'000	FY13 \$'000
Equity-settled employee benefits reserve	14	62
Hedging reserve	302	(24)
	316	38

Equity-settled employee benefits reserve	1H14 \$'000	FY13 \$'000
Balance at beginning of period	62	379
Transfer to share capital	(48)	(317)
Balance at end of period	14	62

Hedging reserve	1H14 \$'000	FY13 \$'000
Balance at beginning of period	(24)	(693)
Gain / (loss) recognised on:		
Changes in fair value of cash flow hedges (interest rate swaps)	-	1,211
Net investment hedge	326	(182)
Income tax related to amounts recognised in equity	-	(360)
Balance at end of period	302	(24)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Retained Earnings

Consolidated	1H14 \$'000	FY13 \$'000
Balance at beginning of period	79,952	70,120
Net profit attributable to members of the parent entity	17,259	32,006
Dividends provided for or paid	(13,356)	(22,174)
Balance at end of period	83,855	79,952

11. Dividends

Company	1H14		1H13	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend – fully franked at 30% tax rate	10.25	13,356	9.000	9,802
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Interim dividend – fully franked at 30% tax rate ⁽¹⁾	10.75	15,485	9.500	12,358

In respect of profits of the financial year ending 30 June 2014, an interim dividend of 10.75 cents per share (based on 144,049,390 shares on issue as at 28 February 2014), franked to 100% at 30% corporate income tax rate, will be paid on 9 April 2014. The interim dividend was approved by the Directors following the conclusion of 1H14 and, therefore, was not provided for in the half-year financial report. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan ('DRP'). Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted market price for all RFG shares sold on the ASX during the period of 5 trading days immediately preceding and inclusive of, and 5 trading days following, the record date.

12. Events After The Reporting Period

Interim Dividend

On 28 February 2014, the Board of Directors determined to pay an interim dividend in respect of profits of the financial year ending 30 June 2014. The interim dividend of 10.75 cents per share (based on 144,049,390 shares on issue as at 28 February 2014), franked to 100% at 30% corporate income tax rate, will be paid on 9 April 2014. The interim dividend was approved by the Directors following the conclusion of 1H14 and, therefore, was not provided for in the half-year financial report. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan ('DRP'). Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted market price for all RFG shares sold on the ASX during the period of 5 trading days immediately preceding and inclusive of, and 5 trading days following, the record date.



Company Secretary	Registered Office	Principal Administration Office	Share Registry
Mr Anthony Mark Connors RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	Computershare Investor Services 117 Victoria Street West End QLD 4000