RCG CORPORATION LIMITED

ABN 85 108 096 251

APPENDIX 4E (Rule 4.2A) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 29 JUNE 2014

Results for announcement to the market

(All comparisons to the year ended 30 June 2013)

	29 June 2014 $'000	30 June 2013 $'000 *(restated)**	Up/ Down	Move-ment %
Revenues from ordinary activities	81,190	55,530	Up	46.2%
Net profit after tax from continuing operations	11,770	10,515	Up	11.9%
Net Profit after tax attributable to owners of the company	11,696	5,838	Up	100.3%

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Interim dividend per share	25 Mar 2014	2.00	2.00	30%
Final dividend per share	26 Sep 2014	2.50	2.50	30%
Total dividend per share for the year		4.50	4.50	30%

Dividend dates

Ex-dividend date	4 Sep 2014
Record date for determining entitlements to dividend	10 Sep 2014
Payment date	26 Sep 2014

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

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

During the year the Company gained control over TAF Partnership Pty Ltd, TAF Rockhampton Pty Ltd, TAF Eastland Pty Ltd, TAF The Glen Pty Ltd, TAF Hornsby Pty Ltd and TAF Hobart Pty Ltd.

	29 June 2014	30 June 2013
Net tangible assets per share (cents)	11.8	11.3

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

This report is based on the Annual Report which has been audited.

** Refer to changes in Accounting policy in the attached Finanical Report*

RCG CORPORATION

2014 ANNUAL REPORT

RCG CORPORATION

The Athlete's Foot is Australia's leading retailer of performance and lifestyle footwear with over 145 stores across Australia and New Zealand. The brand has built its reputation on its highly compelling, distinctive and award winning all-for-customer philosophy.

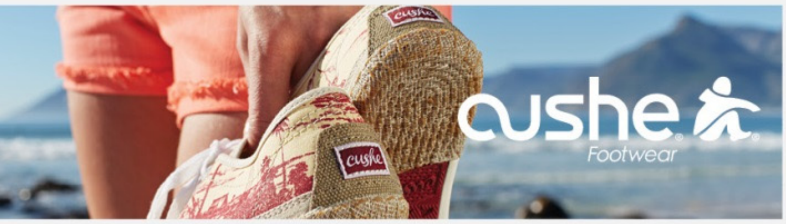
Merrell is the world's leading outdoor performance footwear brand. The brand inspires people to get outside with durable, superb- quality footwear for every hike, run, and ramble. In addition to distributing the brand, RCG operates 15 Merrell retail stores.

Saucony exists for runners. This focus and passion drives Saucony to create the world's best running shoes and apparel. The Saucony brand works tirelessly to inspiring every runner, on every run, on every day.

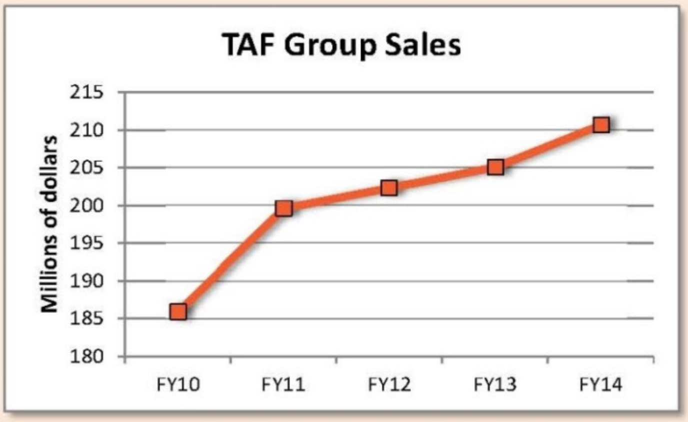
Cat Footwear and apparel has been designed and engineered to live up to the hard-working reputation of the Caterpillar brand. Made with uncompromising toughness and style.

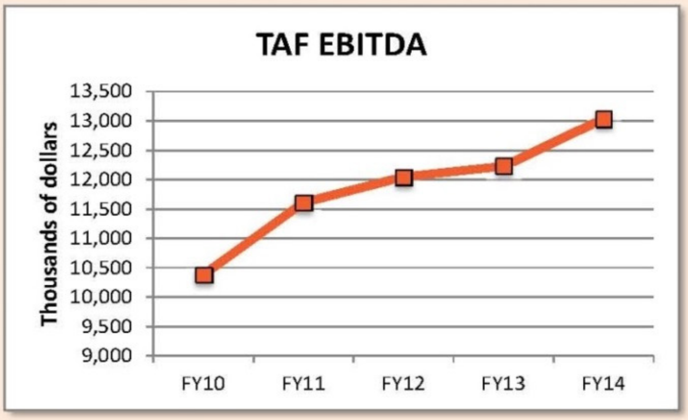
Sperry Top-Sider is the original and authentic boat shoe brand, and is for people drawn to the surf, sun and soul of the ocean.

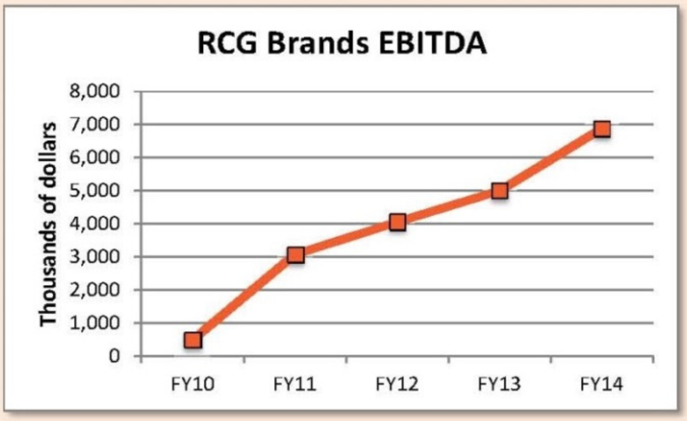
Podium operates nine outlet stores that sell end of line and aged athletic footwear, apparel and accessories.

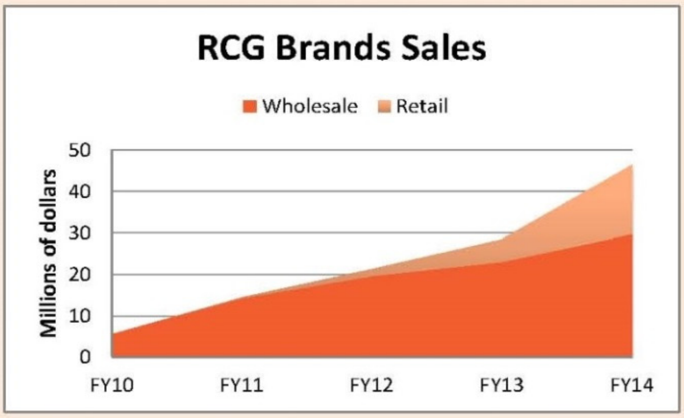


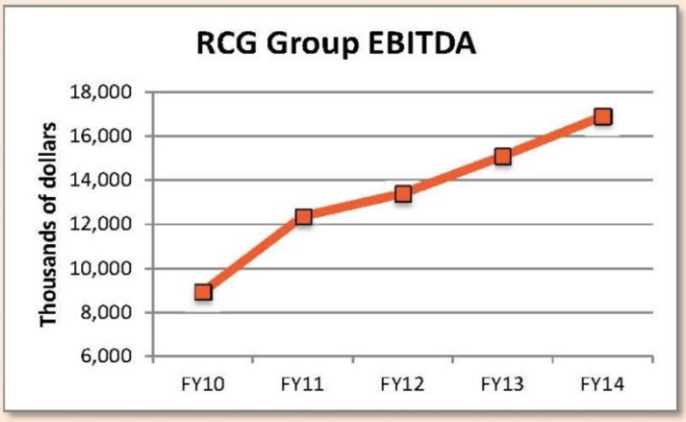
Cushe is a brand of casual shoes for a laid back life. Cushe's aim is to make something a bit different, unique and set apart from the masses, challenging the boundaries of footwear design rather than following trends set by others.

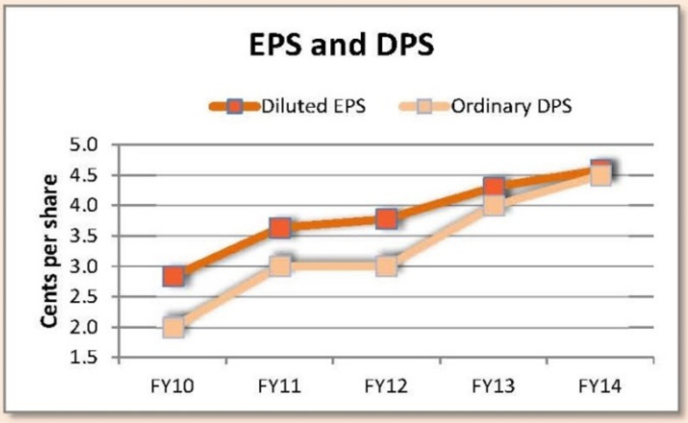


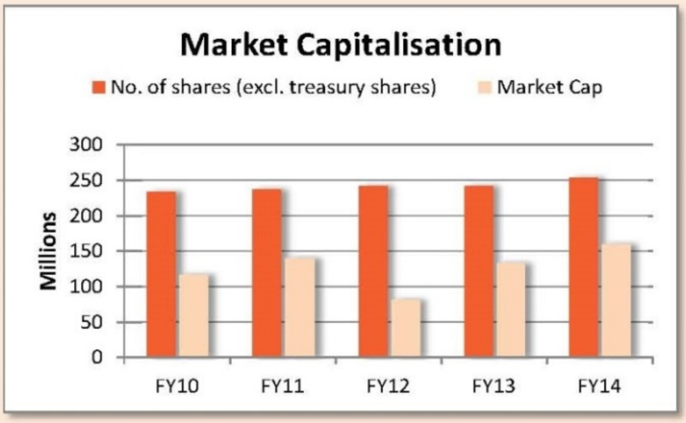












DPS in this chart are shown in the year to which the dividends relate.
This may differ from the year in which the dividends were paid.

RCG CORPORATION LIMITED
ABN 85 108 096 251

Annual Report for the financial year ended 29 June 2014

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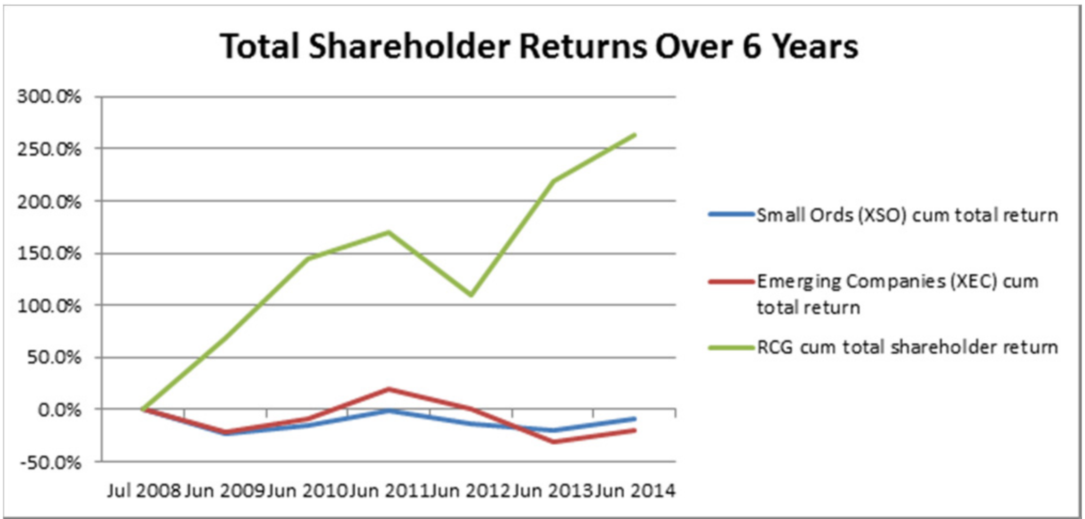
Dear fellow shareholder

We are delighted to report that, despite a very challenging retail climate, RCG has had an excellent year during which the Company not only achieved double digit earnings growth, but also delivered an acquisition, two new distribution licences and the completion of several long term strategic projects that reinforce the business's compelling, differentiated and defensible market position.

RCG delivered consolidated EBITDA of $16.9m in FY2014, an increase of 12.0% on the previous financial year. Net profit after taxation attributable to owners of the company was up 11.2% to $11.7m. Diluted Earnings Per Share increased 6.3% from 4.31 cents to 4.58 cents, after the weighted average number of shares in issue increased 4.5% to 244.1m. We have maintained our policy of paying out a very high proportion of profits as dividends and will pay 4.5 cents per share in fully franked dividends in respect of FY2014, an increase of 12.5% on the prior year.

Moreover, notwithstanding this generous payout ratio and significant capital investments in respect of both the acquisitions made, and the ongoing store rollout, our balance sheet remains extremely strong with $11.8m of net cash on hand at the end of June.

It is a great testament to the strength of our organisational structure and the quality of our management team that we have been able to consistently deliver outstanding results over an extended period of years, and RCG continues to be defined by the exceptional returns it delivers on shareholders' funds, its outstanding operating cashflow, and its strong, ungeared balance sheet. The chart below shows that over six years RCG has delivered a total cumulative return to shareholders of 263%, which equates to a Compound Annual Growth Rate (CAGR) of 24%. By way of comparison, the Emerging Companies Accumulation Index has returned a cumulative return of negative 21%, or CAGR of negative 4% and the Small Ordinaries Accumulation Index has returned a cumulative return of negative 9% or CAGR of negative 2% over the same time period.



To shed more light on the past year in more detail, let us deal with each business unit individually.

The Athlete's Foot

The Athlete's Foot delivered EBITDA of $13.0m an increase of 6.6% on the prior year, on the back of full-year like-for-like sales growth of 2.7% in FY2014. Total group sales were up 3% to $210.7m.

The business's uncompromising focus on service and the customer experience provides it with a clearly differentiated and defensible market position that sets it apart from all other market participants. As a consequence, it has been able to maintain its position as a premium retailer and the stores have maintained their gross profit margins even during a time of unprecedented price driven activity in its sector. The business has not succumbed to the frenzied, increasingly frequent and deep price-driven promotional activity engaged in by some market participants in a "race to the bottom" in order to grow sales. This resilience will be an important factor in continuing to drive TAF forward in what is clearly a very challenging outlook for retail.

During FY2014 the TAF business successfully completed a number of key long-term projects designed to significantly enhance its highly compelling, distinctive and defensible consumer offer built around customer service and experience.

The first of these is the 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 system is designed to deliver an unparalleled in-store customer experience and reinforce TAF's expertise in service and fit. Fitzi has now been successfully rolled out to every TAF store in Australia.

The second key project is the completion of the rollout of Erply, TAF's new generation point of sale and retail management system. Real-time access to performance metrics, both at store and group level, is already beginning to drive insights in the ongoing quest to deliver on the all- for-customer objective.

TAF has also now completed the full implementation and deployment of Adobe Campaign, one of the world's leading customer relationship management and cross-channel marketing platforms, providing even greater insights into customer behaviours across all channels and enabling more targeted and customised consumer messaging.

A fourth key project has been the successful launch of the "Partnership Program", with six partnership stores now operational. This program is designed to add energy and renewal to the franchise network through partnering with outstanding new franchisees.

Finally, there is the continued advancement of, and investment in, the leveraging off the digital space as an enabler to get closer to customers, both existing and new, by delivering a fully integrated cross channel experience.

These initiatives are core to our philosophy of continual business improvement and are designed to support and enhance TAF's distinctive, compelling and defensible consumer offer and market position. This, together with TAF's proven resilience, give us great confidence that the business will continue to grow and thrive over the course of the upcoming year and into the future.

RCG Brands

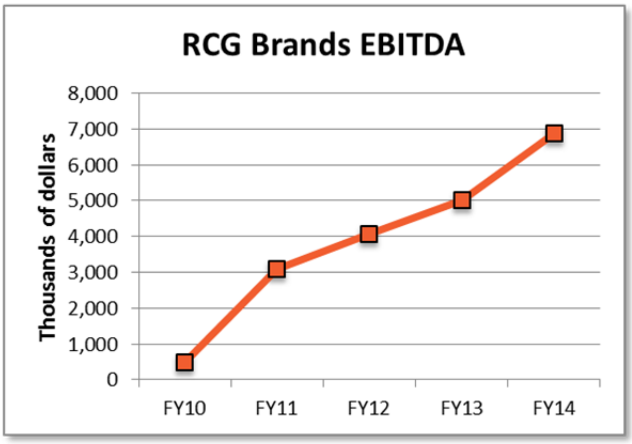
RCG Brands (RCGB) is RCG's wholesale, distribution and integrated retail division. FY2014 was another excellent year for the division as it continues to grow and thrive with its complementary and growing stable of quality international brands. EBITDA grew by 37.7% to $6.9m.

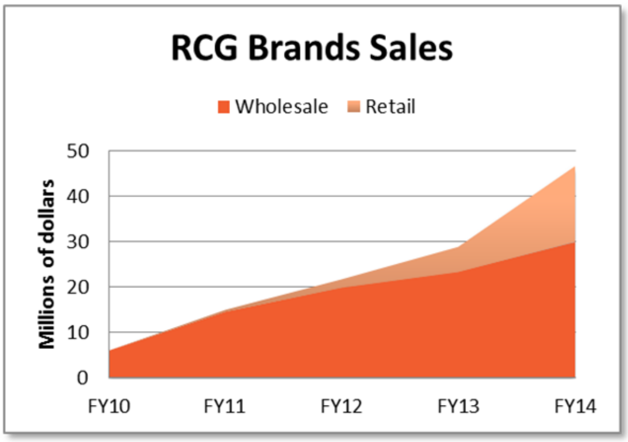
Sales grew by 62% to $46.6m. Wholesale sales grew 29% to $29.8m.This is as a result of growth in all of RCG's key brands. Established brands CAT and Merrell delivered double digit sales growth and continue to gather strength and momentum as brand recognition grows in the Australian market place. In addition to these brands, RCGB became the distributor for Sperry Top-Sider in January 2014 and has just begun delivering its first full season of product. Orders and support for the brand are in line with expectations.

RCGB also added significantly to its stable of complementary brands when it acquired the Saucony distribution business in December 2013. Under RCG's stewardship the brand is well positioned to achieve growth in the premium performance running category, and we are extremely pleased with the progress of the brand and the support of its key customers, including The Athlete's Foot since its acquisition.

Retail sales through RCGB's own stores grew 200% to $16.8. Sales through its Merrell stores grew 78.5%, with like-for-like sales growing by 5.8%. As part of the Saucony acquisition, RCGB also acquired the nine store Podium Sports business in December 2013, which contributed to the sales growth. RCGB opened seven new Merrell retail stores during the financial year, including three clearance stores. This takes the total number of Merrell stores to 15.

The charts below show how the RCGB business has performed since its inception in January 2010.





By any measure, the performance and growth of the division over the four and a half years since it began has been outstanding. We are delighted with its performance and have every expectation of it continuing to grow over the coming year and into the future.

<u>Dividends</u>

RCG will pay a 2.50 cent fully franked final dividend in respect of FY2014, taking the total dividends in respect of the year to 4.5 cents, an increase of 12.5% on the prior year.

The company is committed to continue to delivering exceptional returns on shareholders funds. Its strong balance sheet and cash flows will continue to allow RCG to pay out a very high proportion of its after tax profits as dividends until it identifies investment opportunities which provide better returns to shareholders

<u>Outlook</u>

Market conditions have been, and continue to be, volatile and unpredictable. These conditions prevent us from providing guidance for the year ahead.

Conclusion

RCG has had another excellent financial year in what can only be described as very difficult trading conditions. The efforts of the staff, management and franchisees of all of our business have been extraordinary and the results are reflective of both their skill and their dedication – they cannot be praised highly enough.

Despite the uncertain and challenging outlook for the year ahead, we are confident that the business is extremely well placed to ride out the storm. Our management team has developed and implemented processes, structures and plans ideally suited to countering the threats and capitalising on the opportunities that we expect to face over the next 12 months.

Ivan Hammerschlag
Chairman

Hilton Brett
CEO

26 August 2014

This Corporate Governance Statement outlines the Company's main corporate governance practices as at 26 August 2014.

This Corporate Governance Statement also indicates the Company's conformance with the "Corporate Governance Principles and Recommendations 2nd Edition with 2010 Amendments" issued by the ASX Corporate Governance Council.

The Company has posted copies of its corporate governance practices to its website in accordance with the ASX Corporate Governance Council's recommendations.

THE BOARD

Responsibilities

The Board is accountable to the Company's shareholders. It has overall responsibility for the performance of the Company, the execution of the Company's strategy, and the implementation of sound corporate governance policies and practices. The Company has adopted a Board Charter which formally sets out the functions and responsibilities of the Board. This enables the Board to perform its role more effectively and creates a system of checks and balances to provide a balance of authority.

The Board has the following specific responsibilities:

Governance

- Oversight of the Company, including its control and accountability systems
- Reviewing, ratifying and monitoring systems of risk management, internal control, and legal compliance
- Ensuring the Company's Code of Conduct is implemented and observed by all employees, contractors and professionals who have a business association with the Company
- Reviewing safety and environment issues
- Reviewing industrial relations issues and quality assurance

Stakeholders

- Driving corporate performance and delivering shareholder value
- Authorising the release to the ASX of interim and final results
- Authorising the release to the ASX of other significant information

Management

- Appointing and removing the CEO
- Approving remuneration of the CEO including the setting of performance targets
- Approving the Company's remuneration policy
- Ratifying the appointment and removal of senior executives
- Monitoring performance by executive management and the achievement of business objectives and financial performance
- Ensuring that appropriate resources are available to management to discharge its duties

Strategy and financial management

- Approving the strategic direction and related objectives of the Company

- Approving the annual business plan and budgets
- Approving and monitoring the progress of major capital expenditure
- Approving acquisitions or disposals of major assets or businesses
- Approving and monitoring capital management strategies including the payment of dividends and issuing of any securities or options
- Monitoring the financial operations and solvency of the Company

ASX Corporate Governance Recommendation 1.1

Composition of the Board

The names of the Directors of the Company in office at the date of this statement are set out in the Directors' Report together with information regarding:

- The Directors' relevant skills and experience.
- The names of the Directors considered to be independent Directors and
- The term of office held by each Director.

ASX Corporate Governance Recommendation 2.6

The number of Directors as specified in the Company's constitution is a minimum of three. At no relevant time has the Company had less than this number. The current number of Directors is six.

Independence

Throughout the financial year and to the date of this report, the Board has been comprised of six directors. Three of the Directors are full-time executives of the Company and therefore do not meet the Independence definition. The Chairman of the Board, Ivan Hammerschlag provides ongoing consulting services to the Company and is therefore not Independent either. David Gordon and Stephen Kulmar are currently independent Directors.

Whilst the current structure does not comply with ASX Corporate Governance Recommendation 2.1, the composition of the Board has been determined having regard to the nature and size of the Company's operations, the skill set of the Directors both individually and collectively, the independence of Directors and the best interests of Shareholders. The Board is comprised of members with strong retailing, financial and corporate experience and is considered to be appropriate given the size and nature of activities of the Company.

In addition, in order to facilitate independent judgement in decision making, each Director has the right to seek independent professional advice at the Company's expense.

Using the information provided in the ASX Corporate Governance Principles and Recommendations as a guide, the Board regularly assesses whether or not each non-executive Director is independent. If a Director's independence status changes, this is disclosed to the market in a timely manner.

ASX Corporate Governance Recommendation 2.1

Chairman

The Board Charter requires the Chairman of the Board to be elected on his merits with reference to his experience, track record and the needs of the Company. The Charter does not require the Chairman to be an independent Director. As explained above, the Chairman of the Board is not an independent Director. Whilst this does not comply with ASX Corporate Governance

Recommendation 2.2, the use of Mr Hammerschlag, who has considerable and relevant skills in retail and business strategy, as a consultant, is considered to be in the best interests of the Company given the size of the Company and the nature of its activities.

ASX Corporate Governance Recommendation 2.2

<u>Day to day management</u>
The CEO oversees the day to day management of the business. He holds regular meetings with all his direct reports on both a formal and informal basis and tracks progress against budgets. He also has responsibility for developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives.

ASX Corporate Governance Recommendation 1.1 and 2.3

Appointment, removal and remuneration of Directors
The rules governing the appointment, removal and remuneration of Directors are provided for in the Company's Constitution and the *Corporations Act*. Notwithstanding these rules, the following principles have been adopted:

- The Directors may agree between them to appoint a new Director. The appointment must be ratified by the shareholders at a general meeting.
- The principal criterion for the appointment of a new Director is that such person is able to add significant value to the group and its business through having relevant skills and experience.
- The Board also recognises the benefits of diversity in driving business results and setting business strategy and will take this into account in its appointment of new Directors. The Board will comprise Directors with complementary and appropriate skills necessary to discharge the duties of the Board in accordance with the Charter.
- The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution and the *Corporations Act* as applicable. The apportionment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Group of the respective contributions by each non-executive Director. The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company (e.g. perform the role of Chairman of the Board or a Board Committee).

Having regard to the small number of Directors, the relative stability of the Board and the size of the Company, the Board has not established a Nominations Committee. The functions of the Nominations Committee are carried out by the Remuneration Committee or the Board, as is appropriate.

ASX Corporate Governance Recommendation 2.4

Performance of the Board
The members of the Board, actively led by the Chairman with the input and support of the CEO and Company Secretary, evaluate the performance and efficient functioning of the Board, its Committees and its members on an ongoing basis. The following protocols are in place to ensure that the Board is able to perform appropiately and discharge its duties efficiently:

- New Directors are fully briefed on the business, its financial position, any material risks, the structure and functions of the Board and the structure of Management and are provided with a copy of the Company's Corporate Governance documentation
- Directors are given direct access to Management and the Company Secretary. These individuals are to provide Directors with any and all information reasonably requested of them in a timely and comprehensive fashion
- Directors are given the opportunity to seek reasonable independent, external advice at the Company's expense if circumstances warrant such advice
- The Chairman and CEO have regular contact with the Company's major shareholders and take on board feedback concerning the performance of the Board and its members

ASX Corporate Governance Recommendation 2.5

Establishment of Committees

The Board has established the following committees:

- Audit Committee – to protect the integrity of financial statements (further details of which are discussed below)
- Remuneration Committee - to ensure that the Company remunerates fairly and responsibly (further details of which are discussed below)

ASX Corporate Governance Recommendation 4.1 and 8.1

SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

Audit Committee

Overview

An independent Audit Committee has been established by the Board to protect the integrity of financial reports as well as to monitor and review the effectiveness of the Company's structures in the areas of operational risk and legal and regulatory compliance. The importance of an Audit Committee is universally recognised in the practice of good corporate governance and plays a key role in focusing the Board on matters relevant to the integrity of financial reporting.

ASX Corporate Governance Recommendation 4.1

Roles and responsibilities

The Audit Committee has adopted an Audit Committee Charter which sets out the roles and responsibilities as well as the structure and composition of the Audit Committee. According to the Charter, which is available to view on the Company's website, the role of the Audit Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to:

- The reliability and integrity of information for inclusion in the Company's financial statements
- Enterprise-wide risk management
- Compliance with legal and regulatory obligations including audit, accounting, tax and financial reporting obligations
- The integrity of the Company's internal control framework
- Safeguarding the independence of the external auditors

ASX Corporate Governance Recommendation 4.3 and 4.4

Membership

The Committee is appointed by the Board in accordance with the Company's Constitution. Given the size and composition of the Board, it is not possible for all the members of the Audit Committee to be non-executive Directors. For the same reason, it is not possible for the majority of the members to be Independent Directors. However, the Audit Committee Charter requires all members to bring independent judgement to bear in respect of the discharge of their duties.

The following rules apply to the membership of the Audit Committee:

- There will be at least three members
- All members will be financially literate
- At least one member must be a qualified and experienced financial expert (such as a Chartered Accountant)
- The Chairman of the Audit Committee must be a non-executive Director who is not also Chairman of the Board

The table below shows the names of the members of the Audit Committee as at the date of this report and
throughout the financial year, together with their qualifications and the number of meetings each member attended:

Name	Qualifications	No of meetings	
		Eligible to attend	Attended
David Gordon (Chairman)	BCom, LLB.	3	3
Michael Hirschowitz	BCom, BAcc.	3	3
Hilton Brett	BCom, PGDA.	3	3

ASX Corporate Governance Recommendation 4.2 and 4.4

External Auditors

The appointment of, and dealings with, the Company's external auditors has been delegated to the Audit Committee by the Board. This includes:

- Recommending to the Board the appointment, reappointment or replacement of the external auditor
- Agreeing to the fees to be paid to the auditor
- Reviewing and approving the audit plans of the auditor
- Reviewing the overall scope of the audit, including identified risk areas and any additional agreed-upon procedures
- Considering the overall effectiveness and independence of the auditor
- Resolving any disagreements between Management and the auditor regarding financial reporting.
- Monitoring and noting compliance by the auditor of the independence requirements imposed by the *Corporations Act*

ASX Corporate Governance Recommendation 4.4

RECOGNISING AND MANAGING RISK

Overview

In order to recognise and manage risk the Company has established an internal compliance system allowing risks to be identified, assessed, monitored and managed. The Board and/or Audit Committee oversee the establishment and implementation of the risk management system.

All material risks affecting the Company, including both financial and non-financial matters, are discussed at each Board meeting and each meeting of the senior executive of the business. All Directors and senior management are encouraged to review the business for risk on an ongoing basis and to raise at each Board meeting any risk issues of concern. These protocols form the basis for the risk management system.

The Company has implemented controls at the Company and operating group levels that are designed to safeguard the Company's interests and ensure the integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal policies and procedures, which are directed at ensuring the Company fully complies with all regulatory requirements and community standards.

Comprehensive practices are in place such that:

- Capital expenditure and revenue commitments above a certain size obtain the correct approval;
- Financial exposures are controlled;
- Safety, health and environment standards and management systems are monitored and reviewed to achieve high standards of performance and compliance; and
- Business transactions are properly authorised and executed.

The effectiveness of the risk management system is reviewed by the Board on an ongoing basis. The Board and Audit Committee are responsible for ensuring that the appropriate senior managers have established and implemented a risk management system throughout the organisation.

ASX Corporate Governance Recommendation 7.1

Management of risk

The Board requires that management design and implement the risk management and internal control systems of the Company. At each Board meeting, the Finance Director is required to give a full report on any material risk items identified since the last Board meeting and a comprehensive review of the steps taken to mitigate or remove material risk items identified in previous Board meetings. All risk items, including any identified weaknesses in internal controls, are thoroughly discussed at each Board meeting and the Board provides the necessary guidance and authority to the relevant personnel to attend to the risk item.

In addition to the above, the Company's external auditors provide the Audit Committee with a report detailing any identified risk items at the completion of each half-year and full-year review. The report is discussed by the Audit Committee together with the auditors and any material items are referred to the Board.

Given the nature and size of the business and the relative frequency with which the non-executive Directors interact with all levels of management, an internal audit function has not been established. For the same reasons a Risk Committee has also not been established. However, the Audit Committee carries out the functions normally reserved for a Risk Committee.

ASX Corporate Governance Recommendation 7.2 and 7.4

CEO & CFO Assurances
In order to create an environment for identifying and capitalising on opportunities, the Board has established a sound system of risk oversight and management. To encourage management accountability in this area both the CEO and CFO (in this case the Finance Director) are required to provide written assurances to the Board, at each meeting of the Board, that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects and that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

ASX Corporate Governance Recommendations 7.3 and 7.4

REMUNERATION AND PERFORMANCE

The Remuneration Committee

Overview
The Company has established a Remuneration Committee which is responsible for regularly evaluating the performance of the executive Directors and other senior managers. The evaluation is based on specific criteria including the Company's business performance, short and long term strategic objectives and the achievement of personal objectives by the executive Directors and other senior managers.

The Remuneration Committee has adopted a Remuneration Committee Charter. A copy of the Charter can be found on the Company's website.

ASX Corporate Governance Recommendation 8.1

Composition
The Committee is appointed by the Board in accordance with the Company's Constitution. All the members of the Remuneration Committee are non-executive Directors and a majority of members are independent directors. The Chairman of the remuneration committee is an independent director.

The following rules apply to the membership of the Remuneration Committee:
- All members must be non-executive Directors
- Where possible, there must be at least three members
- The Chairman of the Remuneration Committee must be a non-executive Director who is not also Chairman of the Board

The table below shows the names of the members of the Remuneration Committee as at the date of this report and throughout the financial year and the number of meetings each member attended:

Name	No of meetings	
	Eligible to attend	Attended
David Gordon (Chairman)	3	3
Ivan Hammerschlag	3	3
Stephen Kulmar	3	3

ASX Corporate Governance Recommendation 8.2 and 8.3

Responsibilities of the Remuneration Committee

The role of the Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to:

- The Company's remuneration, recruitment, retention and termination policies for senior executives including the CEO, CFO and other senior executives
- Remuneration policies for Non-Executive Directors
- Executive equity grants

ASX Corporate Governance Recommendation 8.1

Remuneration Policy

The Company's Remuneration Policy is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. The Company's policies are designed to attract and maintain talented and motivated employees as well as raising the level of performance of the Company.

ASX Corporate Governance Recommendation 8.1

Remuneration of executives

RCG's remuneration policy is designed to attract, motivate and retain employees, including senior executives, and ensure that the interests of the employees are aligned with those of the shareholders. In discharging its duties, the Committee reviews and makes recommendations to the Board on the remuneration of the CEO, CFO, executive Directors and other senior managers, including:

- Short and long-term remuneration, including both fixed remuneration and performance-based remuneration
- Any termination payments
- Appropriate grants of securities under the Employee Option Plan and Employee Share Scheme

In making its recommendations, the Committee ensures that:

- Remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for experience, productivity and ability
- Remuneration packages are designed to motivate senior executives to pursue the long-term growth and success of the Company
- A clear relationship exists between performance and remuneration

ASX Corporate Governance Recommendation 8.1 and 8.3

Remuneration Policies for Non-Executive Directors

Non-executive Directors are remunerated by way of fees which are set with reference to the prevailing market rates. They do not participate in the schemes designed for the remuneration of executives, nor do they receive bonus payments or any retirement benefits other than statutory superannuation. A Director Option Plan has been established in which non-executive Directors are entitled to participate, but any issue of options under that Plan must first be approved by shareholders.

ASX Corporate Governance Recommendation 8.3 and 8.4

Performance measurement for the CEO, CFO, Executive Directors and senior managers
The Remuneration Committee is responsible for setting the performance criteria for Executive Directors and senior managers, communicating those criteria to the executives and for assessing their performance against those criteria. In setting and measuring Executive performance, the Remuneration Committee:

- Ensures that the interests of the employee and the shareholders are aligned
- Ensures that performance hurdles, targets and KPI's are set so as to motivate the executives to achieve measurable outcomes that progress the long term objectives of the Company.
- Conducts a performance review with the CEO and each of his direct reports at least once per annum during the course of which at least the following topics are covered:
    - The Executive's performance relative to the KPI's set at the previous review
    - Any development objectives for the Executive flowing out of the review
    - Revised or updated KPI's for the next review period
    - The amount of, and basis for, any increase in base remuneration
    - The amount of, and basis for, any incentive or bonus awards

The aforementioned assessment was carried out for each of the executive Directors and each of the senior managers during the financial year.

ASX Corporate Governance Recommendation 1.2 and 1.3

PROMOTING ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The RCG Code of Conduct ("Code") is the RCG Group's principal corporate governance policy. The Code governs the conduct of RCG and its subsidiaries and its directors, employees, consultants and all other people when they represent the Company. A copy of the Code has been posted on the Company's website.

A summary of the key provisions of the Code is as follows:

- The Company, its employees and associates must comply, at all times, with all laws governing the Company's operations. They must also conduct the Company's operations in keeping with the highest legal, moral and ethical standards.
- All Employees must conduct the business of the Group with the highest level of ethics and integrity.
- Any breach of applicable laws, prevailing business ethics or other aspects of this Code will result in disciplinary action.
- All Employees must report immediately any circumstances which may involve deviation from this Code.
- Any Employee who deals with agents, contractors or consultants who represent the Group must make them aware of this Code and that RCG expects them to conduct their business in accordance with this Code.

- Senior Management and all Directors will be required to personally certify compliance with this Code on an annual basis.
- All Employees are to be provided with a safe work environment that complies with the relevant Occupational Health and Safety laws.
- Employees should not be placed in unnecessary danger nor be asked to carry out potentially dangerous tasks for which they have not been properly trained.
- Employees are not to be discriminated against on the basis of their race, beliefs or gender.
- Employees are not to be harassed, bullied or enticed in an inappropriate, unethical or unlawful manner.
- All Employees are entitled to fair and reasonable treatment by their supervisors and all other Employees.
- Bribes, kickbacks, inducements or similar payments must not be made.
- Employees must not seek or accept any type of compensation, fee, commission or gratuity from a third party in connection with the operations of the Group.
- Employees must not give, seek or accept any gift, entertainment or other personal favour or assistance which goes beyond common courtesies associated with accepted ethical and general commercial practice.
- Employees are responsible for taking all prudent steps to ensure the protection of Group assets and resources.
- Employees must ensure that Group assets and resources are used only for the purposes of the Company and in accordance any appropriate authorisations.
- Employees must not, without authority, directly or indirectly state that they are representing RCG or its public position in respect of any matter.
- Employees must not directly or indirectly engage in any activity which could by association cause the Group public embarrassment or other damage.
- Employees must not use their position for personal benefit independent from the business of the Company.
- Employees must not take advantage of any property or information belonging to RCG.
- No Employee, or any family member or companion over which the Employee has influence, may directly or indirectly have any equity interest in, or have a significant beneficial connection with, any business or individual which competes with, is a supplier, customer or franchisee of the RCG Group without the prior written consent of the Chairman or his nominee. Passive shareholdings in listed companies of not more than 5% are excluded from this provision.
- Employees must not engage directly or indirectly in any outside business activity involving commercial contact with, or work for the benefit of, Group customers, franchisees, suppliers or competitors without the prior written consent of the Chairman or his nominee.
- Employees have a duty to notify the Company Secretary of any actual or potential conflicts of interest.
- Employees must not disclose confidential RCG Group information to any third party without the prior consent of a Director.
- Employees must maintain the confidentiality of all Company documents and must not disclose any information contained within the documents to any third party without the prior consent of a Director.
- Employees must not use Group information for the purpose of directly or indirectly obtaining personal gain.
- Employees must abide by the "RCG Share Trading Policy" which forms part of these Corporate Governance Principles and Practices.

ASX Corporate Governance Recommendation 3.1 and 3.5

Diversity

The Company has established a Diversity Policy, a copy of which is posted on its website. The Diversity Policy must be adhered to under the Code of Conduct.

Diversity includes differences that relate to gender, age, ethnicity, disability, sexual orientation and cultural background. It also encompasses differences in background, life experience, style, skills, formal training and education and functional expertise. The Company is committed to establishing and actively encouraging diversity in its workforce. It recognises the benefits of a diverse workforce which brings together a range of skills, perspectives, talents and experience. The Company further recognises the importance of diversity at all levels of management in:

- driving business results;
- creating, implementing and refining business strategy; and
- attracting and protecting the Company's most important asset, it's people.

Our diversity policy is based on the following core principles:

- Meritocracy - decisions about recruitment, development, promotion and remuneration are based on performance and capabilities, and will be made fairly and transparently.
- Diversity - a focused effort on promoting diversity is not inconsistent with a system based on meritocracy. Diversity, if implemented correctly stands to enhance performance and capabilities of the Company.
- Safety and support - as a Company we do not tolerate unlawful discrimination, bullying or harassment and seek to provide a safe work environment by taking action against individuals that engage in, or practices which promote, those behaviours.
- Work/life balance - the Company recognises the need for flexibility in the workplace to accommodate the diverse needs of its workforce and their families and will consider practices such as flexible working hours and leave policies.
- Business objectives - our commitment to diversity is an integral part of our ambitions for the Company and its commercial success, by attracting and retaining exceptional individuals and developing those individuals into leaders within the business.

The Company is committed to creating a culture within the workplace that reflects the core principles of this diversity policy. Everyone within the Company has a responsibility to embrace the diversity principles within their own sphere of responsibility. Ideally, the standard of behaviour expected from the Board, Senior Management and the Company's employees is as follows:

- the Board will endeavour to promote and drive diversity across the whole of business;
- the Senior Management will implement the diversity principles at a team level, and provide a work environment where bullying, harassment and discrimination are not tolerated; and
- the employees are expected to work collaboratively and to treat their colleagues and customers with respect, and at all times to be aware of the Company's policies regarding diversity and to comply with those policies.

A matter of central importance in the Company's diversity policy is enhancing the gender balance at all levels of the Company. In particular, the Company will endeavour to:

- actively encourage women to apply for vacant positions;
- provide flexible working arrangements subject to operational requirements; and
- promote opportunities for selection and promotion in a manner designed to attract qualified women.

ASX Corporate Governance Recommendation 3.2

As at end of the financial year, the total number of employees and the proportion of employees who were women are as follows:

Level	Total employees	% of women
Board	6	0%
Senior Management	11	18%
Other employees	334	52%
Total	351	50%

ASX Corporate Governance Recommendation 3.4

The Company does not have the resources or infrastructure to set, monitor or report on measurable objectives for achieving gender diversity, and as such does not comply with ASX Corporate Governance Recommendation 3.3. However, at each Board meeting, the Directors review a gender diversity report in order to ensure that the policy is being effectively implemented in order to ensure gender diversity across the business.

ASX Corporate Governance Recommendation 3.3 & 3.5

Share Trading Policy

The Company has established a Share Trading Policy for Dealing in Securities, a copy of which is posted on its website. The Share Trading Policy must be adhered to under the Code of Conduct.

The purpose of the Share Trading Policy is to:

- Explain the types of conduct in dealing in securities that are prohibited under the *Corporations Act 2001*. Such prohibitions apply to all directors and employees of RCG and its related bodies corporate as defined in the *Corporations Act* (collectively the Group); and
- Establish a best practice procedure for the buying and selling of securities that protects the Company and directors and employees against the misuse of unpublished information which could materially affect the value of securities.

The Share Trading Policy applies to all Relevant Persons. These are:

- All Directors and officers of RCG and its subsidiaries
- All employees with access to price sensitive information (Designated Officers)
- All employees of the group
- All persons defined as Connected Persons in relation to any of the above

The following restrictions are placed on dealing in the Company's securities:

- A Relevant Person may not deal in the Company's securities if they are in possession of price sensitive information or if the Company is in possession of price sensitive information and has notified a Relevant Person that they may not deal in the Company's securities
- Directors and Designated Officers may not deal in the Company's securities during a blackout period (the close of trade on the last day of each half and full year until the second day after the announcement of results), unless permission is granted under the exceptional circumstances provisions of the Policy

- Relevant Persons must not deal in the Company's securities on a short term trading basis. Short term trading includes buying and selling securities within a 3 month period, and entering into other short term dealings

Directors and Designated Officers may deal in securities of the Company if:
- Doing so would not contravene the provisions of any blackout as period described above;
- They have given written advice to the Chairman (in the case of directors) or the Company Secretary (in the case of all other Designated Officers) of their intention to do so;
- The Chairman or the Company Secretary (as the case may be) has given written approval to deal; and
- The securities are dealt with within 10 business days of the approval being granted.

Hedging of Company securities by a Relevant Person is subject to the following overriding prohibitions:
- the hedge transaction must not be entered into, renewed, altered or closed out when the Relevant Person is in possession of inside information;
- Company securities must never be hedged prior to the vesting of those Company securities; and
- Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of an employee share plan operated by the Company.

Relevant Persons are otherwise permitted to hedge their Company securities on basis that the hedge transaction is treated as dealing in Company securities for the purposes of this policy, and all the aforementioned restrictions and permissions apply.

MAKING TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure Policy

The Company has established a Continuous Disclosure Policy, a copy of which is posted on its website. The objective of this policy is to ensure that the management and delivery of price sensitive information by RCG is done in a comprehensive and efficient manner that complies with the continuous disclosure obligations of the ASX Listing Rules and the *Corporations Act*.

The overarching principle of this Policy is governed by Listing Rule 7.1 which requires the Company to immediately notify ASX of any information that a reasonable person would expect to have a material effect on the price or value of RCG's quoted securities, provided that the information does not fall within the exception to disclosure under the Listing Rules. The Policy provides for the exceptions to Listing Rule 7.1 as outlined in Listing Rule 3.1A.

The Board is responsible for ensuring that RCG complies with its continuous disclosure obligations. To this end, the Board is responsible for implementing and overseeing compliance with the Continuous Disclosure Policy. In practice, the Board delegates responsibility for making "routine" continuous disclosure to a Disclosure Sub-Committee. The Disclosure Sub-Committee comprises the Chairman, the CEO and the Company Secretary. Where disclosure is not "routine", the input from all relevant board members is sought before disclosure is made. The Disclosure Sub-Committee can and does seek outside expert advice in relation to disclosure matters from time to time.

The Company Secretary is appointed and removed by the Board and is responsible for:

- Ensuring that RCG complies with the continuous disclosure obligations;
- Communicating with ASX in relation to Listing Rule matters;
- Overseeing and co-ordinating disclosure of information to ASX;
- Together with the CEO, co-ordinating the disclosure of information to analysts, brokers, shareholders, the media and the public; and
- Educating directors, officers and employees on RCG disclosure obligations, by reference to the listing Rules and this Policy.

ASX Corporate Governance Recommendation 5.1 and 5.2

RESPECTING THE RIGHTS OF SHAREHOLDERS

Shareholder Communication Policy

The Company has established a Shareholder Communication Policy, a copy of which is posted on its website. The purpose of the Shareholder Communication Policy is to promote effective communication with shareholders and encourage effective participation at General Meetings.

The Company is committed to maintaining direct, open and timely communications with all shareholders. The Board's policy is that shareholders are informed of all material developments that impact on the Company. Information is communicated to shareholders by the Company through:

- The publication of the annual and interim financial reports;
- Disclosures to the ASX and ASIC;
- Notices and explanatory memoranda of general meetings;
- Updates and announcements to inform shareholders of key matters of interest issued on a needs basis;
- Presentations to analysts; and
- The Annual General Meeting.

The Company posts all the announcements it makes to the ASX on its website and makes them available for viewing for at least three years from the date of the announcement.

ASX Corporate Governance Recommendations 6.1 and 6.2

The Directors submit their report together with the financial statements of the consolidated entity, RCG Corporation Limited, being the Company and its controlled entities, for the financial year ended 29 June 2014, together with the auditors' report thereon.

DIRECTORS

The names of the Company's Directors in office who held office during the year and up to the date of this report are as below:

Ivan Hammerschlag
BCom, CTA
Non-Executive Chairman, Member of Remuneration Committee
Ivan has had over 30 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its IPO, growing the business from a small group of stores to a national chain. Ivan is also the Non-Executive Chairman of Smartpay (Ltd) which is listed on both the New Zealand and Australian Securities Exchange. Smartpay offers advanced payment and data management solutions for retail, business payment and transactional processing. Ivan has also chaired, managed and invested in a number of other successful retail and other businesses.

Hilton Brett
BCom, PGDA
Chief Executive Officer, Member of Audit Committee
Hilton has extensive retailing and franchising experience and proven skills in maximizing opportunities in acquiring, growing, re-engineering and selling businesses. Hilton was the former Chief Executive Officer of Vivien's Jewellers and has managed and invested in a number of other successful businesses. Hilton, who has been an Executive director of RCG since 2006, was appointed CEO on 25 July 2012.

Michael Hirschowitz
BCom, BAcc, GAICD
Finance Director & Company Secretary, Member of Audit Committee
Michael joined The Athlete's Foot in 1996 and worked in various capacities becoming Commercial Director in 2002. On the formation of RCG Corporation he became Chief Financial Officer. After filling several roles within the group since that time, Michael was appointed Finance Director on 1 July 2006 and was appointed as the Company Secretary on 14 March 2008.

Michael Cooper
MBA, GAICD
Executive Director, Managing Director of The Athlete's Foot
Michael has been with The Athlete's Foot since 1988, fulfilling a number of operational roles including management of store operations and the merchandising function. Michael was appointed Managing Director of The Athlete's Foot in March 2002. He has overall responsibility for the day to day operations of all of RCG's retail businesses.

David Gordon
BCom, LLB
Non-Executive Director, Chairman of Audit Committee and Remuneration Committee
David was formerly a partner at Freehills law firm and is the principal of Lexicon Partners, a boutique advisory and investment business. David was appointed a Director of Ten Network

Holdings Limited in April 2010. David has had over 25 years experience advising companies, funds and high net worth individuals on complex corporate and commercial transactions.

Stephen Kulmar
Non-Executive Director, Member of Remuneration Committee
Steve is the former CEO and Chairman of IdeaWorks and is currently the CEO of Retail Oasis, a boutique retail marketing services company. Steve has over 30 years experience in advertising and has extensive experience in retail strategy, brand strategy, channel to market strategy, business re-engineering and new retail business development.

COMPANY SECRETARY

Michael Hirschowitz

DIRECTORS' MEETINGS

The number of meetings of the Company's board of directors and of each board committee held during the year, and the number of meetings attended by each Director were:

Name	Full Board		Audit Committee		Rem. Committee	
	Eligible to attend	No. Attended	Eligible to attend	No. Attended	Eligible to attend	No. Attended
Ivan Hammerschlag	4	4	-	-	3	3
David Gordon	4	4	3	3	3	3
Hilton Brett	4	4	3	3	-	-
Michael Cooper	4	4	-	-	-	-
Michael Hirschowitz	4	4	3	3	-	-
Stephen Kulmar	4	4	-	-	3	3

PRINCIPAL ACTIVITIES

RCG Corporation is an investment holding company. It owns and operates The Athlete's Foot Australia Pty Limited, Australia's largest speciality retailer of athletic footwear and RCG Brands Pty limited, a wholesale and distribution company. RCG Brands has licences to distribute the Merrell, Cushe, CAT, Saucony and Sperry brands of footwear and apparel.

OPERATING RESULTS

The net profit for the financial year ended 29 June 2014 of the consolidated entity after providing for income tax was $11.8 million.

DIVIDENDS

On 26 August 2014 the Company declared an ordinary fully franked dividend final dividend of 2.50 cents per share to be payable on 26 September 2014 to shareholders registered on the record date of 10 September 2014. On 25 March 2014, the Company paid an ordinary fully franked interim dividend of 2.00 cents per share.

REVIEW OF OPERATIONS

An overview of the operations of the Group is provided in the Chairman and CEO's Review on page 2 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company acquired the Saucony and Podium Sports business in December 2013. There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 26 August 2014 the Company declared an ordinary fully franked final dividend of 2.50 cents per share to be paid on 26 September 2014 to shareholders registered on the record date of 10 September 2014.

ENVIRONMENTAL ISSUES

The Company and its subsidiaries operate primarily within the retail and wholesale sectors and conduct their business activities with respect for the environment while continuing to meet the expectations of shareholders, customers, employees and suppliers.

During the year under review, the Directors are not aware of any particular or significant environmental issues which have been raised in relation to the consolidated entity's operations.

FUTURE DEVELOPMENTS

All relevant future developments are outlined in the Chairman and CEO's review on page 2.

REMUNERATION REPORT

Remuneration policy

Remuneration policy is determined and executed on behalf of the board by the Remuneration Committee. The Remuneration Committee consists of David Gordon (Chairman), Stephen Kulmar and Ivan Hammerschlag, all non-executive Directors. The Remuneration Committee makes recommendations to the Board on matters relating to remuneration for the entities within the consolidated group. The Remuneration Committee considers recruitment, retention and termination policies and procedures; non-executive Directors' remuneration; executive Directors and senior managements' remuneration and incentive policy and awards; and contractual arrangements with senior managers and executives. More detail on the Company's remuneration policy is provided in the Corporate Governance section on Page 12 of the Annual Report.

The Group's remuneration reviews take place at the end of the first quarter of each financial year. Prior to these reviews, the CEO makes recommendations to the Remuneration Committee regarding the remuneration of each of his direct reports and the overall remuneration framework for all employees. The Remuneration Committee and subsequently the Board, while all executive Directors are absent, meets to discuss the remuneration of the executive Directors.

RCG Corporation's remuneration policy is designed to attract, motivate and retain employees, while ensuring that the interests of employees are in line with the interests of shareholders. The Board recognises that the success of the Company hinges on the performance and abilities of its employees. Therefore, as a matter of policy, employees of the Group are remunerated on the following basis:

Base remuneration
Base remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for the experience, ability and productivity of the individual employee. Base remuneration provides fixed remuneration on a total cost-to-company basis, which includes any fringe benefits to the employee as well as superannuation at 9.25% of the base remuneration up to the statutory cap. Salary packaging options are available for some employees.

Short Term Incentives (STI)
The Board believes that well designed short term incentive plans are essential elements of remuneration as they provide tangible incentives for employees to strive for excellence. All employees are eligible to earn STI's if they attain or exceed predetermined key performance indicators (KPI's) specific to the roles they perform. The STI's for all non-store employees are linked to base remuneration and the maximum amount that can be earned is a fixed percentage of that base remuneration. Executive Directors and other senior management personnel are eligible for bonuses based on KPI's set annually by the Remuneration Committee. The KPI's are weighted for relative importance and then scored on a matrix of achievement. The resultant weighted score determines the extent to which each staff member becomes entitled to receive a bonus.

Senior executives including the Executive Directors have a significant proportion of their STI tied directly to the achievement of pre-determined profit targets, either for the Group as a whole or the relevant business unit or both as the case may be. During FY2014 the percentage of STI tied directly to these profit targets ranged between 40% and 45%. The remainder of the available STI is dependent on the relative score arising from achieving individual KPI's relevant to each individual's role. These KPI's are a blend of quantitative and qualitative measures. The final scores for the quantitative measures are presented to the Remuneration Committee for sign off. The scores for the qualitative measures are assessed by the CEO and Finance Director and presented to the Remuneration Committee for review and sign off. Once the scores have been signed off by the Remuneration Committee they are fed into the performance matrix for each individual and are used as the basis for a performance review which takes place for all employees during the first quarter of each financial year.

Long Term Incentives (LTI)
The Company has implemented an LTI under the Employee Option Plan (EOP) and Employee Share Scheme (ESS). The purpose of these plans is to encourage employees to share in the ownership of the Company in order to promote the long-term success of the Company as a goal shared by the employees and to align employees' interest to that of shareholders.

The EOP, which was implemented during the 2007 financial year, operates under the rules approved by shareholders at the 19 December 2006 Extraordinary General Meeting. A list of the options together with the exercise price and the vesting dates is provided in "Options held by Key Management Personnel" section of this remuneration report. There are currently 10,450,000 outstanding options issued under the Employee Option Plan. The ESS, which was implemented during the 2013 financial year, is a part of the Company's long-term retention and corporate alignment strategy. Details of the shares issued are provided in Note 28. There are currently 6,715,000 shares issued under the Employees Share Scheme.

Remuneration of non-executive Directors

On an annual basis the Remuneration Committee considers the fees payable to non-executive Directors. When considering the level of fees, the Committee undertakes a survey of the market and accesses independent advice as well as drawing on the knowledge and experience of its members. The remuneration committee makes recommendations on non-executive Director fees to the Board. Non-executive Directors can choose, subject to certain restrictions, the amount of their fees allotted to Superannuation.

The Board believes that the remuneration policies in place align the interests of all employees with those of the Company's shareholders while at the same time enabling the group to retain a high quality team of executives.

Remuneration of Key Management Personnel

The following table sets out the details of the remuneration of Key Management Personnel of the Company:

2014

Names of Key Management Personnel	Short-term benefits				Post-employment benefits		Share based payments	Total Remun-eration	% of total made as share based payments
	Cash, salary and fees	Cash Bonus [a]	Proportion of cash bonus paid	Other Monetary Benefits	Super-annuation	Retirement Benefits	Issue of Shares/ Options		
	$	$	%	$	$	$	$	$	
Ivan Hammerschlag	180,000	-	-	-	-	-	-	180,000	-
David Gordon	65,000	-	-	-	6,013	-	-	71,013	-
Stephen Kulmar	45,000	-	-	-	4,163	-	-	49,163	-
Michael Cooper	327,134	39,968	55%	16,000	22,817	-	-	405,919	0.0%
Michael Hirschowitz	316,210	34,700	50%	16,000	23,000	-	-	389,910	0.0%
Hilton Brett	404,231	50,000	50%	10,000	26,891	-	-	491,122	0.0%
Total	**1,337,575**	**124,668**		**42,000**	**82,884**	-	-	**1,587,127**	

a) *Cash bonus relates to the performance in the 2013 financial year. The unpaid portion of the cash bonus is forfeited due to hurdles not being met.*

2013

Names of Key Management Personnel	Short-term benefits				Post-employment benefits		Share based payments	Total Remun-eration	% of total made as share based payments
	Cash, salary and fees	Cash Bonus [a]	Proportion of cash bonus paid	Other Monetary Benefits	Super-annuation	Retirement Benefits	Issue of Shares/ Options		
	$	$	%	$	$	$	$	$	
Ivan Hammerschlag	220,000	-	-	-	-	-	-	220,000	-
David Gordon	65,000	-	-	-	5,850	-	-	70,850	-
Stephen Kulmar	45,000	-	-	-	4,050	-	-	49,050	-
Michael Cooper	322,289	17,325	25%	10,000	25,000	-	-	374,614	0.0%
Michael Hirschowitz	305,788	23,500	35%	16,000	25,000	-	-	370,288	0.0%
Hilton Brett	363,971	40,000	58%	10,000	25,000	-	36,000	474,971	7.6%
Total	**1,322,048**	**80,825**		**36,000**	**84,900**	-	**36,000**	**1,559,773**	

a) *Cash bonus relates to the performance in the 2012 financial year. The unpaid portion of the cash bonus is forfeited due to hurdles not being met.*

Shares held by Key Management Personnel

The number of shares in which the key management personnel of the Company hold a relevant interest is set out in the following table.

2014

Key Management Personnel	Opening Balance 1 July 2013	Exercise of options	Purchase/ (sale) of shares	Closing Balance on 29 June 2014	Value of options on exercise date ($)
Ivan Hammerschlag	19,326,395	-	(6,442,132)	12,884,263	-
David Gordon	18,887,301	-	(6,295,767)	12,591,534	-
Stephen Kulmar	2,400,000	-	(800,000)	1,600,000	-
Michael Cooper	15,729,313	-	(5,243,104)	10,486,209	-
Michael Hirschowitz	13,829,313	-	(4,609,772)	9,219,541	-
Hilton Brett	11,466,666	-	(3,822,222)	7,644,444	-
Total	**81,638,988**	**-**	**(27,212,997)**	**54,425,991**	**-**

2013

Key Management Personnel	Opening Balance 1 July 2012	Exercise of options	Purchase/ (sale) of shares	Closing Balance on 30 June 2013	Value of options on exercise date ($)
Ivan Hammerschlag	19,326,395	-	-	19,326,395	-
David Gordon	18,887,301	-	-	18,887,301	-
Stephen Kulmar	2,400,000	-	-	2,400,000	-
Michael Cooper	15,729,313	-	-	15,729,313	-
Michael Hirschowitz	13,829,313	-	-	13,829,313	-
Hilton Brett	8,466,666	3,000,000	-	11,466,666	36,000
Total	**78,638,988**	**3,000,000**	**-**	**81,638,988**	**36,000**

Table of Employee Options and shares under Employee Share Scheme

The number of employee options and shares under the Employee Share Scheme (ESS) in which the key management personnel and other employees held a relevant interest on 29 June 2014, is set out in the following table.

Name	Issue date	Vesting date	Exercise date No. of years from issue	Exercise Price and option fee $	Number of Options/ shares Outstanding		Number of Options Vested		Options exercised/ cancelled in 2014	Number of options/ shares outstanding on 26 Aug 2014
					2014	2013	2014	2013		
Hilton Brett	28/03/13	28/03/13	3 years	0.345	**3,000,000**	3,000,000	**3,000,000**	3,000,000	-	3,000,000
Total held by key management personnel					**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**	**-**	**3,000,000**
Other employees	28/05/09	Various	5 years	0.307	**-**	1,000,000	**-**	-	1,000,000	-
Other employees	4/01/10	Various	5 years	0.452	**4,500,000**	6,500,000	**3,200,000**	-	2,000,000	4,500,000
Other employees	23/08/10	Various	5 years	0.589	**2,100,000**	2,600,000	**600,000**	-	500,000	2,100,000
Other employees	24/08/11	Various	5 years	0.570	**2,350,000**	2,550,000	**-**	-	200,000	2,350,000
Share Sale options	14/12/10	30/06/15	6 years	0.660	**1,500,000**	1,500,000	**-**	-	-	1,500,000
Other employees	28/02/13	Various	5 years	0.490	**6,265,000**	6,265,000	**-**	-	-	6,265,000
Other employees	3/12/13	Various	5 years	0.690	**450,000**	-				450,000
Total					**20,165,000**	**23,415,000**	**6,800,000**	**3,000,000**	**3,700,000**	**20,165,000**

a) During the financial year, 3,100,000 options were exercised for a total consideration of $1.13 million.

b) During the financial year, 600,000 options were cancelled.

c) *The aggregate amount receivable by the Company should all remaining options and shares be exercised and paid for is $9.54 million.*

Fair value of options/shares issued during the year

During the year 450,000 shares were issued under the ESS to employees and are held in escrow until certain vesting conditions are met. The shares were issued at market value at the date of the offer and the Company provided employees with a limited recourse loan to acquire the shares. Interest on the loan is equivalent to the value of franked dividends paid in respect of the shares.

Name	Issue date	Shares issued (No.)	Fair value on issue date ($)	Total fair value on issue date ($)
Other employees	3/12/13	450,000	0.29	129,434
Total		**450,000**		**129,434**

Employment Contracts for Key Management Personnel

None of the Key Management Personnel is employed under an employment contract.

Relationship between the remuneration policy and company performance

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price and market capitalisation at the end of the respective financial years.

	2009	2010	2011	2012	2013	2014
Revenue (A$'000)	21,997	30,445	42,339	43,135	55,530	81,190
Net profit from continuing operations (A$'000)	5,258	6,865	8,937	9,528	10,515	11,770
Net profit attributable to owners of the company (A$'000)	5,258	6,865	8,937	9,188	5,838	11,696
Dividends (A$'000)	8,682	1,760	8,339	7,311	8,642	10,942
Share price at year-end (cents per share)	37.0	50.0	53.0	37.0	57.5	63.0
Number of shares on issue ('000)	190,829	234,648	238,248	242,078	242,278	254,093
Market capitalisation (A$'000)	70,607	117,324	126,271	89,569	139,310	160,079

The table above shows that there has been a general trend of increasing net profit from continuing operations. The share price is subject to share market volatility and is beyond the control of the Company.

The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that it has contributed in increasing shareholder wealth over the past five years.

Share Trading Policy

The Company has established a Share Trading Policy, a copy of which is posted on its website. The Share Trading Policy must be adhered to under the Code of Conduct.

The purpose of the Share Trading Policy is to:

- Explain the types of conduct in dealing in securities that are prohibited under the *Corporations Act 2001*. Such prohibitions apply to all directors and employees of RCG and its related bodies corporate as defined in the *Corporations Act* (collectively the Group); and

- Establish a best practice procedure for the buying and selling of securities that protects the Company and directors and employees against the misuse of unpublished information which could materially affect the value of securities.

The Share Trading Policy applies to all Relevant Persons. These are:
- All Directors and officers of RCG and its subsidiaries
- All employees with access to price sensitive information (Designated Officers)
- All employees of the group
- All persons defined as Connected Persons in relation to any of the above

The following restrictions are placed on dealing in the Company's securities:
- A Relevant Person may not deal in the Company's securities if they are in possession of price sensitive information or if the Company is in possession of price sensitive information and has notified a Relevant Person that they may not deal in the Company's securities
- Directors and Designated Officers may not deal in the Company's securities during a blackout period (the close of trade on the last day of each half and full year until the second day after the announcement of results), unless permission is granted under the exceptional circumstances provisions of the Policy
- Relevant Persons must not deal in the Company's securities on a short term trading basis. Short term trading includes buying and selling securities within a 3 month period, and entering into other short term dealings

Directors and Designated Officers may deal in securities of the Company if:
- Doing so would not contravene the provisions of any blackout as period described above;
- They have given written advice to the Chairman (in the case of directors) or the Company Secretary (in the case of all other Designated Officers) of their intention to do so;
- The Chairman or the Company Secretary (as the case may be) has given written approval to deal; and
- The securities are dealt with within 10 business days of the approval being granted.

Hedging of Company securities by a Relevant Person is subject to the following overriding prohibitions:
- the hedge transaction must not be entered into, renewed, altered or closed out when the Relevant Person is in possession of inside information;
- Company securities must never be hedged prior to the vesting of those Company securities; and
- Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of an employee share plan operated by the Company.

Relevant Persons are otherwise permitted to hedge their Company securities on basis that the hedge transaction is treated as dealing in Company securities for the purposes of this policy, and all the aforementioned restrictions and permissions apply.

Other transactions with specified employees and personally related entities
Transactions, if any, with specified employees and their personally related entities are conducted on arm's length terms and conditions. There are also transactions which are deemed trivial or domestic in nature being in the nature of shopping in our company stores.

INSURANCE OF OFFICERS AND AUDITORS

During the financial year the company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the company and any related body corporate, against a liability incurred as such a director, company secretary and executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor or any related entity against a liability incurred by the auditor.

During the financial year the Company has not paid a premium in respect of a contract to insure the auditor of the Company or a related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under S237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

During the year no proceedings were brought or intervened in on behalf of the Company with leave of the Court under S237 of the *Corporations Act 2001.*

NON-AUDIT SERVICES

The Company may employ its auditors to conduct assignments that are in addition to their statutory audit duties where the auditors' expertise and knowledge of the Consolidated Entity is relevant. The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services by Deloitte Touche Tohmatsu during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of these services did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence as set out in *APES 110: Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

Amounts paid or accrued for non-audit services during the year were $14,550 (2013: $11,100). These amounts are in respect of accounting and other advisory services.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is set out on page 30.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of RCG Corporation Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is set out on pages 6 to 19.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, and in accordance with that Class Order amounts in the directors' 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 for and on behalf of the Directors by:

Ivan Hammerschlag
Chairman
26 August 2014

Hilton Brett
CEO
26 August 2014

Deloitte.

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

26 August 2014

Dear Board Members

Re: 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 audit of the financial statements of RCG Corporation Limited for the financial year ended 29 June 2014, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Deloitte Touche Tohmatsu

	Note	2014 $'000	2013 $'000 *(restated)*
Continuing operations			
Revenue	4	81,190	55,530
Finished goods used		(33,576)	(13,773)
Changes in merchandise inventories		4,766	(1,415)
Employee benefits expense		(14,659)	(10,334)
Rental expenses on operating leases	5	(5,124)	(2,414)
Advertising and promotion expenses		(6,452)	(5,593)
Travel and telecommunications expenses		(1,078)	(946)
Warehouse and freight expenses		(2,710)	(2,100)
Depreciation and amortisation expense	5	(1,147)	(900)
Provision for doubtful debts		(50)	(66)
Finance costs		(178)	(198)
Other expenses		(4,359)	(2,758)
Profit before income tax		16,623	15,033
Income tax expense	6	(4,853)	(4,518)
Profit for the year from continuing operations	5	11,770	10,515
Discontinued operations			
Loss for the year from discontinued operations	34	-	(4,677)
Profit for the year		11,770	5,838
Other comprehensive income for the year net of tax			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		7	73
Net (loss)/gain on foreign exchange hedges		(935)	380
Total comprehensive income for the year		10,842	6,291
Profit for the year attributable to:			
Owners of the Company		11,696	5,838
Non-controlling interests		74	-
		11,770	5,838
Total comprehensive income attributable to:			
Owners of the Company		10,768	6,291
Non-controlling interests		74	-
		10,842	6,291

	Note	2014 $'000	2013 $'000
Earnings per share			*(restated)*
From continuing and discontinued operations			
Basic earnings per share (cents per share)	26	**4.72**	2.41
Diluted earnings per share (cents per share)	26	**4.58**	2.39
From continuing operations:			
Basic earnings per share (cents per share)	26	**4.72**	4.34
Diluted earnings per share (cents per share)	26	**4.58**	4.31
Dividends paid			
Dividends (cents per shares)	24	**4.25**	3.50

On 1 July 2013, RCG Corporation Limited adopted AASB10 Consolidated and Separate Financial Statements, resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2013. Refer to Changes in Accounting Policies.

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

Consolidated statement of financial position
as at 29 June 2014

	Note	2014 $'000	2013 $'000 *(restated)*
Current Assets			
Cash and cash equivalents	7	**16,079**	15,105
Trade and other receivables	8	**11,576**	10,342
Inventories	9	**13,221**	8,455
Financial assets	19	**-**	493
Other current assets	10	**1,449**	1,269
Total current assets		**42,325**	35,664
Non-current Assets			
Trade and other receivables	8	**506**	-
Property, plant and equipment	12	**6,694**	4,202
Intangible assets	13	**22,896**	17,495
Deferred tax assets	14	**1,429**	937
Total non-current assets		**31,525**	22,634
TOTAL ASSETS		**73,850**	58,298
Current Liabilities			
Trade and other payables	15	**12,231**	8,235
Borrowings	16	**4,306**	2,066
Current tax liabilities	17	**1,492**	1,323
Short-term provisions	18	**1,352**	1,159
Financial liabilities	19	**842**	-
Other liabilities	20	**210**	231
Total current liabilities		**20,433**	13,014
Non-current Liabilities			
Long-term provisions	18	**427**	184
Other liabilities	20	**-**	175
Total non-current liabilities		**427**	359
TOTAL LIABILITIES		**20,860**	13,373
NET ASSETS		**52,990**	44,925

	Note	2014 $'000	2013 $'000 *(restated)*
Equity			
Issued capital	22	70,860	63,637
Reserves	21	2,532	3,095
Accumulated losses		(21,053)	(21,807)
Equity attributable to the owners of the company		52,339	44,925
Non-controlling interest	23	651	-
TOTAL EQUITY		52,990	44,925

On 1 July 2013, RCG Corporation Limited adopted AASB10 Consolidated and Separate Financial Statements, resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2013. Refer to Changes in Accounting Policies.

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

	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 01 July 2012	242,078	63,468	(96)	2,548	(35)	(19,003)	-	46,882
Shares issued during the year								
Exercise of options	3,200	24	-	-	-	-	-	24
Capitalised option fees	-	145	-	-	-	-	-	145
Issue under Employee Share Scheme	6,265	-	-	-	-	-	-	-
Treasury shares	(9,265)	-	-	-	-	-	-	-
Share based payment	-	-	-	225	-	-	-	225
Profit for the year	-	-	-	-	-	5,838	-	5,838
Other Comprehensive Income for the year net of tax	-	-	73	-	380	-	-	453
Total Comprehensive Income	-	-	73	-	380	5,838	-	6,291
Dividends paid or provided for	-	-	-	-	-	(8,642)	-	(8,642)
Balance at 30 June 2013	**242,278**	**63,637**	**(23)**	**2,773**	**345**	**(21,807)**	**-**	**44,925**
Balance at 30 June 2013	242,278	63,637	(23)	2,773	345	(21,807)	-	44,925
Shares issued during the year								
Exercise of options [a]	3,100	1,132	-	-	-	-	-	1,132
Issue of shares for acquisition [e]	8,715	5,953	-	-	-	-	-	5,953
Capitalised option fees [b]	-	138	-	-	-	-	-	138
Issue under Employee Share Scheme [c]	450	-	-	-	-	-	-	-
Treasury shares [e]	(450)	-	-	-	-	-	-	-
Payment for ELTIP shares	-	-	-	-	-	-	-	-
Share based payment	-	-	-	365	-	-	-	365
Non controlling interest	-	-	-	-	-	-	577	577
Profit for the year	-	-	-	-	-	11,696	74	11,770
Other Comprehensive Income for the year net of tax	-	-	7	-	(935)	-	-	(928)
Total Comprehensive Income	-	-	7	-	(935)	11,696	74	10,842
Dividends paid or provided for [f]	-	-	-	-	-	(10,942)	-	(10,942)
Balance at 29 June 2014	**254,093**	**70,860**	**(16)**	**3,138**	**(590)**	**(21,053)**	**651**	**52,990**

a) 250,000 options were exercised in September 2013, 1,350,000 options were exercised in November 2013 and 1,500,000 options were exercised in February 2014.

b) Under the option plans approved by the shareholders at the Extraordinary General Meeting held on 19 December 2006, the company provided loans to option recipients in respect of the option fees payable for the right to acquire the options. Under the accounting standards both the loans and the corresponding movement in equity are only recognised in the financial statements when the options are exercised. During the period a number of employees exercised vested options and the increase in equity in respect of the relevant option fees has been recognised.

c) On 3 December 2013, 450,000 shares were issued to employees under the Employee Share Scheme. The shares were issued at market value at the date of the offer and the Company provided employees with a limited recourse loan to acquire the shares. Interest on the loan is equivalent to the value of dividends paid in respect of the shares. The shares are treated as in substance options.

d) The shares in point (c) above are held in escrow until certain conditions are met and are treated as treasury shares.

e) On 3 December 2013, the Company issued 8,715,418 shares as part settlement for the acquisition of the Saucony and Podium Sports business.

f) The Company declared an ordinary fully franked dividend of 2.25 cents per share on 21 August 2013. This was paid on 26 September 2013. On 24 February 2014, the Company declared an ordinary fully franked interim dividend of 2.00 cents per share paid on 25 March 2014.

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

	Note	2014 $'000	2013 $'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and franchisees		89,073	59,312
Interest received		991	784
Payments to suppliers and employees		(63,226)	(42,505)
Payments for operating leases		(5,636)	(2,655)
Net income tax paid		(4,773)	(3,936)
Net cash provided by operating activities	31	16,429	11,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in TAF Partnership stores		(1,914)	-
Loans to outside shareholders of TAF Partnership stores		(506)	-
Investment in acquiring Saucony and Podium Sports business	33	(2,981)	-
Net cash outflow from discontinued operation		-	(610)
Payment for property, plant and equipment		(3,236)	(1,987)
Net cash used in investing activities		(8,637)	(2,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		2,240	712
Net proceeds from issue of shares		1,269	168
Repayment of loans from option recipients		615	-
Dividends paid		(10,942)	(8,642)
Net cash used in financing activities		(6,818)	(7,762)
Net increase/(decrease) in cash held		974	641
Cash at beginning of the period		15,105	14,464
Cash at end of the period		16,079	15,105

Non-cash transactions

During the financial year, RCG issued 8,715,418 shares at a value of $5,953,000 as part-settlement of the acquisition of the Saucony and Podium Sports business. Further details are set out in Note 33. This non-cash investing activity is not reflected in the consolidated statement of cash flows.

On 1 July 2013, RCG Corporation Limited adopted AASB10 Consolidated and Separate Financial Statements, resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2013. Refer to Changes in Accounting Policies.

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

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of RCG Corporation Limited covering the period from 1 July 2013 to 29 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2014.

RCG Corporation Limited is an investment holding company. It currently owns The Athlete's Foot, a well established mid-sized specialty retailer, which has a distinctive position and competitive advantage in its market; and RCG Brands, which manages the distribution of Merrell, Cushe, Caterpillar, Sperry and Saucony brand of outdoor, comfort, active lifestyle, performance footwear, work footwear, and apparel. The company also owns RCG Retail, which manages retail stores for the Merrell brand and Podium Sports.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The financial statements comply with Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety ensuring that the financial statements and notes also comply with the International Financial Reporting Standards.

The financial statements cover the consolidated entity of RCG Corporation Limited. RCG Corporation Limited is a listed public company incorporated and domiciled in Australia. For the purposes of preparing the consolidated financial statement, the Company is a for- profit- entity.

The financial statements have been prepared on an accrual basis and are 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.

Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control is achieved when the Company:

- has the power over the investee;
- is expected or has rights to variable returns from its involvement with the investees; and
- has the ability to use its power to affect its returns.

The consolidated entity comprises the Company and its controlled entities. A list of controlled entities is contained in Note 11 of the financial statements. Subsidiaries are included in the consolidated entity from the date that control commences until the date control ceases.

All intercompany balances and transactions between the entities in the consolidated entity, including any unrealised profits or losses have been eliminated on consolidation. All subsidiaries have the same year end.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are initially recognised at fair value on the Statement of Financial Position when the consolidated entity becomes party to the contractual provisions of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Available-for-sale financial assets include other financial assets, not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities comprise trade and other payables and borrowings and are measured at amortised cost using the effective interest method.

Trade accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or doubtful collections.

Inventories

Finished goods and raw materials are stated at lower of cost and net realisable value. Costs are calculated on "first-in first-out" or "weighted average" basis and include duty and other inward charges.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

Property, plant and equipment

Property, plant and equipment is recorded at cost, less any accumulated depreciation or impairment loss.

The profit or loss on disposal of all property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds thereof and is included in the profit before income tax in the Statement of profit or loss and other comprehensive income in the year of disposal.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation
Items of property, plant and equipment are depreciated at rates based upon their expected economic life using the straight line method. The depreciation or amortisation rates used for each class of assets are as follows:

Plant and equipment	12.5%-20%

Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Where substantially all the risks and benefits incidental to the ownership of a leased fixed asset, but not the legal ownership, are transferred to the consolidated entity, these leases are classified as finance leases. Finance leases are capitalised as an asset and a liability at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the lease interest expense for the period and the reduction of the lease liability.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on straight line basis.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

Foreign Currency Translation
Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is RCG Corporation Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are converted at the rates of exchange ruling at that date.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

Income Tax

Deferred tax is based upon temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;

- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The charge for current income tax expenses is based on the profit for the year adjusted for any non- assessable or disallowed items. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Tax consolidated legislation
RCG Corporation Limited and its wholly owned Australian controlled entities have implemented tax consolidated legislations.

The head entity, RCG Corporation Ltd and the controlled entities in the tax consolidated group, account for their own current and deferred amounts.

These are measured as if each entity continued to be a standalone taxpayer in its own right.

Employee Entitlements
Provision has been made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at amounts expected to be paid when the liability crystallises plus related on-costs. Other employee entitlements including long service leave payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made to an employee superannuation fund and are charged as expenses when incurred.

Impairment of assets
At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable value is expensed to profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Intangibles

Goodwill

Goodwill and goodwill on consolidation, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, as it has an indefinite useful life, but tested for impairment annually. Wherever there is an indication that the goodwill may be impaired any impairment is recognised immediately in profit or loss.

Trademarks

Trademarks are recognised at cost of acquisition. Trademarks have an infinite life and are carried at cost less any accumulated impairment loss. Trademarks are tested for impairment annually and wherever there is an indication that it may be impaired, any impairment is recognised immediately in profit or loss.

TAF License Fee

The TAF Licence Fee intangible arose on the acquisition of a 249 year royalty-free licence for the use of the TAF branding and trademarks. This intangible is being amortised on a straight line basis over the license term. This intangible is tested for impairment annually and wherever there is an indication that it may be impaired, any impairment is recognised immediately in profit or loss.

Other intangible assets

Other intangible assets include amounts pertaining to the development of the larger format TAF stores. Other intangible assets also include amounts relating to the setup of the Merrell brand. These intangibles are projected to have a useful life of 5 years and are amortised on a straight line basis over this period. These intangibles are tested for impairment annually and wherever there is an indication that they may be impaired, any impairment is recognised immediately in the profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in banks and money market investments convertible readily to cash within two working days, net of outstanding bank overdrafts.

Dividends

Dividends payable are recognised at the reporting date where the dividends are declared, determined or publicly recommended prior to the reporting date.

Revenue

Sale of Goods

This comprises revenue earned from sale of goods to customers, net of actual returns, and is recognised when control of the goods passes to the customer. Lay-by sales are recognised after the final payment is received from the customer.

Franchise Royalty Income

Franchise royalty income is recognised as income in the period the sales are recorded by the franchisees.

Franchise Fees
Franchise fees are recognised as income in the period when all services are completed and the franchise store opens.

Marketing levies
Marketing levies are recognised in the period the sales are recorded by the TAF Stores. Marketing levies are collected by the Group for specific use within the TAF Marketing Fund, which is operated on behalf of the TAF Stores. As all the contributions are designated for specific purposes and do not result in a profit or loss for the Group. The surplus held in relation to the Marketing Fund is included under Other Payables.

Supplier Rebate
Supplier rebates, on the purchases made by franchisees, are accounted for on an accrual basis and are recognised as income in the same period as the supplier invoices to which they relate.

Finance Income
Interest earned on term deposits is accounted for on an accrual basis.

All revenue is stated net of the amount of goods and service tax.

Contributed Equity
Issued and paid up capital is recognised at the fair value of consideration received by the Company and classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received, net of any tax effects.

Receivables
Receivable amounts include sales/royalty receipts not yet collected from customers and purchase rebates due from suppliers, which remain unpaid at reporting date, and are carried at the nominal amount. Amounts outstanding are generally recovered within sixty days of invoicing and the collectability of unpaid amounts is assessed at reporting date to determine whether a provision for doubtful debts is required. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

Payables
Liabilities for trade creditors and other amounts are recognised at cost, which is the fair value of the consideration to be paid in the future for the inventories and other goods or services received, whether or not billed to the consolidated entity at reporting date. Trade accounts payable are non-interest bearing and are normally settled on due dates.

Earnings per share (EPS)
Basic EPS is calculated as net profit attributable to members of the Company, divided by the weighted average number of ordinary shares adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the Company, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

- other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Business Combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquired. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of:
- 12 months from the date of the acquisition; or
- when the acquirer receives all the information possible to determine fair value.

Share-Based Payments

Share-based payments are provided to directors and employees through issue of shares and options.

Issue of Shares

Share-based compensation benefits are provided to employees via the RCG Employee Share Scheme which are treated as in substance options.

Issue of options

The fair value of options is recognised as a benefit to directors/employees. The fair value is measured at the grant date and recognised over the period during which the options vest to the directors/employees.

The fair value at the grant date is determined using the Black-Scholes binomial convergence model for the employee's options. This model takes into account the exercise price, the life of the option, the current price of the underlying share, the expected volatility of the share price, dividends expected on the share and the risk-free interest rate for the life of the option.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from tax authorities. In these circumstances, the GST is recognised as part of the acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the tax authorities is included as a current asset or a liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, and or payable to, the tax authorities are classified as operating cash flows.

Hedge Accounting

The Group designates certain hedging instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Statement of Profit or Loss and Other Comprehensive Income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share Plan Reserve

The share plan reserve arises through the recognition of the expenses relating to share options and in-substance options.

Rounding 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 in the financial statements are rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined, however goodwill is tested annually for impairment. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

2. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risk and ageing analysis for credit risk.

Risk management is carried out by the finance department under general guidelines set down by the Board. The Board provides overall direction for risk management, as well as guidance covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk and investment of excess liquidity.

The consolidated entity holds the following financial assets and liabilities:

	Note	2014 $'000	2013 $'000 *(restated)*
Financial Assets			
Cash and cash equivalents	7	16,079	15,105
Trade and other receivables	8	12,082	10,342
Financial assets - derivatives	19	-	493
Other	10	68	56
		28,229	25,996
Financial Liabilities			
Trade and other payables	15	12,231	8,235
Borrowings	16	4,306	2,066
Financial liabilities - derivatives	19	842	-
Deferred consideration	20	210	406
		17,379	10,301

Market risk

Foreign exchange risk

The consolidated entity is exposed to foreign exchange risk arising from forecast inventory purchases which are normally denoted in US dollars. Foreign currency exposure is limited by the application of the Group's hedging policy as detailed in page 44.

The Athlete's Foot Australia Pty Limited and RCG Brands Pty Limited, both subsidiary entities, operate in Australia and New Zealand and are exposed to foreign exchange risk arising from currency exposures, primarily with respect to the New Zealand dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The consolidated entity's exposure to foreign currency risk in relation to assets and liabilities in currency different from the functional currencies of the entities which had these assets and liabilities, at the reporting date was as follows:

	2014 NZD $'000	2013 NZD $'000
Cash and cash equivalents	694	294
Trade and other receivables	415	113
Trade and other payables	(26)	(8)

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

	Ave exchange rate		US Dollars		Notional Value AUD		Fair Value	
	2014	2013	2014	2013	2014	2013	2014	2013
	USD/AUD	USD/AUD	$'000	$'000	$'000	$'000	$'000	$'000
Cash flow Hedge								
Buy USD								
Less than 3 month	0.90	1.00	4,197	2,063	4,653	2,061	(185)	172
3 to 6 month	0.91	1.00	5,500	2,130	6,064	2,121	(176)	194
6 to 12 month	0.89	0.93	11,000	6,200	12,349	6,686	(481)	127
Total							(842)	493

Sensitivity analysis

The consolidated entity is mainly exposed to the US Dollar and New Zealand Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in profit and other equity and a negative number represents a decrease in profits and other equity.

	US Dollars		NZ Dollars	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Increase of 10%				
Profit or loss	-	-	(18)	(9)
Equity	(1,571)	(1,068)	14	6
Decrease of 10%				
Profit or loss	-	-	22	11
Equity	1,484	1,178	(18)	(7)

Price risk

The consolidated entity is not exposed to any material equity securities or commodity price risk.

Cash flow and fair value interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted Average Interest Rate	Floating Interest Rate $'000	Maturing in: One Year or Less $'000	Maturing in: One to Five Years $'000	Non-Interest Bearing $'000	Total $'000
As at 29 June 2014							
Financial Assets							
Cash and cash equivalents	7	3.0%	-	16,079	-	-	16,079
Trade and other receivables	8	-	-	-	-	11,576	11,576
Other	10	-	-	-	-	68	68
				16,079	-	11,644	27,723
Financial Liabilities							
Trade finance facility	16	-	2.89%	3,122	-	-	3,122
Bank bill facility	16	-	4.86%	1,184	-	-	1,184
Trade and other payables	15	-	-	-	-	12,231	12,231
Deferred consideration	20	12%	-	210	-	-	210
				4,516	-	12,231	16,747

	Note	Weighted Average Interest Rate	Floating Interest Rate $'000	Maturing in: One Year or Less $'000	Maturing in: One to Five Years $'000	Non-Interest Bearing $'000	Total $'000
As at 30 June 2013 *(restated)*							
Financial Assets							
Cash and cash equivalents	7	4.4%	-	15,105	-	-	15,105
Trade and other Receivables	8	-	-	-	-	10,342	10,342
Other	10	-	-	-	-	56	56
				15,105	-	10,398	25,503
Financial Liabilities							
Trade finance facility	16	-	2.92%	2,066	-	-	2,066
Trade and other payables	15	-	-	-	-	8,235	8,235
Deferred consideration	20	12%	-	231	175	-	406
				2,297	175	8,235	10,707

The consolidated entity invests surplus cash with AA rated banks in term deposits for periods ranging between 30-180 days. This investment policy is adopted to mitigate risks and enhance returns.

Sensitivity analysis

If the cash and other equivalents at the year end had been constant during the year and interest rates had changed by -/+ 50 basis points from the year end rates with all variables held constant, post-tax profit for the year would have been $56,300 lower/higher (2013: $73,900 lower/higher). If the interest on Trade finance and bill facilities had changed by -/+ 50 basis points from the year end rates with all variables held constant, post-tax profit for the year would have been $15,000 lower/higher (2013: $10,300)

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to franchisees and suppliers, including outstanding receivables and committed transactions. For cash deposits, only independently rated banks with a rating of 'AA' are considered. Receivables from franchisees, suppliers and customers are based on the continuing relationship existing with them. The consolidated entity has a prudent policy of creating a provision for overdue trade receivables.

For some trade receivables the consolidated entity may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The analysis for trade receivables is as follows:

	Note	Less than 30 days $'000	Between 30 and 90 days $'000	Over 90 days $'000	Total $'000
As at 29 June 2014					
Trade receivables	8	9,225	1,848	339	11,412
Provision for doubtful debts	8	-	(202)	(339)	(541)
As at 30 June 2013 *(restated)*					
Trade receivables	8	8,358	1,092	172	9,622
Provision for doubtful debts	8	-	(290)	(172)	(462)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally invested in bank deposits.

Financing arrangements

The consolidated entity had access to the following borrowing facilities at the reporting date:

	Note	2014 $'000	2013 $'000
Floating rate			
Renewable within one year (Bank overdraft)	16	**5,100**	5,100
Trade finance facility	16	**7,450**	7,450
Bank Bill Finance facility	16	**2,400**	-

The flexible options finance facilities (Bank overdraft) are currently undrawn but may be drawn at any time and may be terminated by the bank without notice. The trade finance facility is repayable on demand. The Bank Bill facility is specifically for providing working capital funds for the TAF Marketing fund and is for a period of 2 years. All the facilities are reviewed by the Bank annually.

Maturities of financial liabilities
The tables below analyse the consolidated entity's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Note	Less than 3 months $'000	3 - 12 months $'000	Over 1 year $'000	Total contractual cash flows $'000	Carrying amounts $'000
As at 29 June 2014						
Trade creditors	15	5,437	19	-	5,456	5,456
Other creditors and accruals	15	6,775	-	-	6,775	6,775
Derivative instruments	19	185	176	481	842	842
Trade finance facility	16	3,122	-	-	3,122	3,122
Bank bill facility	16	-	1,184	-	1,184	1,184
Deferred consideration	20	53	157	-	210	210
Total financial liablities		15,572	1,536	481	17,589	17,589
As at 30 June 2013 *(restated)*						
Trade creditors	15	2,598	19	-	2,617	2,617
Other creditors and accruals	15	5,618	-	-	5,618	5,618
Trade finance facility	16	2,066	-		2,066	2,066
Deferred consideration	20	58	173	175	406	406
Total financial liablities		10,340	192	175	10,707	10,707

Capital management

The Consolidated entity manages its capital to ensure that all the entities are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, trade and other receivables, inventories, intangibles and net working capital. The equity attributable to equity holders of the parent entity comprises issued capital (disclosed in note 22), reserves (disclosed in note 21) and accumulated losses.

Directors effectively manage the Group's capital by assessing the Group's financial risks and adjusting the Group's capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

On 21 August 2013, the Company paid an ordinary fully franked final dividend of 2.25 cents per share. On 25 February 2014, the Company paid an ordinary fully franked interim dividend of 2.00 cents per share.

None of the Group entities are subject to externally-imposed capital requirements.

The capital management policy has not changed since the prior year.

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 June 2014				
Financial assets				
Derivatives in a hedging relationship	-	-		-
Derivatives not designated in a relationship	-	-	-	-
Financial liabilities				
Derivatives in a hedging relationship	-	842	-	842
Derivatives not designated in a relationship	-	-	-	-
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	-	-	-	-

Other than the above, the carrying amount of the consolidated entity's identified financial assets and liabilities represents materially their net fair value.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

3.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The Company has adopted all amendments to Australian Accounting Standards which became applicable from 1 July 2013. The Company applies, for the first time, certain standards and amendments that apply retrospectively and require restatement of previous financial statements.

3.2 Changes in accounting policies

Consolidations

AASB10 Consolidated Financial Statements, replaces the parts of AASB127: Consolidated and Separate Financial Statements that deal with consolidated financial statements, and Interpretation 112: Consolidation – Special Purpose Entities. AASB10 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 investees; and c) it has the ability to use its powers to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Additional guidance has been included in AASB10 to explain when an investor has control over an investee. As a result of the changes in definition of control, the Board has concluded that the TAF Marketing & Co-operative Fund should be consolidated.

The effect of the restatement is as follows:

Impact on assets and liabilities	As at 30 June 2013 $'000	AASB 10 Adjustment $'000	As at 30 June 2013 (restated) $'000
Cash and cash equivalents	14,785	320	15,105
Trade and other receivables	9,016	1,326	10,342
Other current assets	1,336	(67)	1,269
Trade and other payables	(6,656)	(1,579)	(8,235)
	18,481	-	18,481

Impact on profit for the year ended 30 June 2013	AASB 10 Adjustment $'000
Increase in other revenue	4,017
Increase in advertising and promotion expenses	(4,017)
Increase on profit before tax	-

Impact on cash fows for the year ended 30 June 2013	AASB 10 Adjustment $'000
Net cash inflow from operating activities	320
Net cash inflow	320

Third Statement of financial position

Australian Accounting Standards require a Group to present a third statement of financial position as at the beginning of the preceding period when applying an accounting policy retrospectively or making a retrospective restatement of items in financial statements , or when reclassifying items in financial statements that have a material effect on the information. RCG is of the view that the retrospective application has not had a material effect and accordingly, a third statement of financial position is not required to be presented.

3.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations has not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1-Jan-18	30-Jun-18
AASB 1031 'Materiality' (2013)	1-Jan-14	30-Jun-15
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1-Jan-14	30-Jun-15
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1-Jan-14	30-Jun-15
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1-Jan-14	30-Jun-15
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1-Jan-14	30-Jun-15
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1-Jan-14	30-Jun-15
INT 21 'Levies'	1-Jan-14	30-Jun-15
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) - Part C: 'Materiality'	1-Jul-14	30-Jun-15
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1-Jan-16	30-Jun-17
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1-Jan-15	30-Jun-16
AASB 14 'Regulatory Deferral Accounts'	1-Jan-16	30-Jun-17
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1-Jan-16	30-Jun-17
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1-Jan-16	30-Jun-17
IFRS 15 'Revenue from Contracts with Customers'	1-Jan-17	30-Jun-18
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1-Jan-16	30-Jun-17
IFRS 9 'Financial Instrument'	1-Jan-18	30-Jun-19
Equity method in Separate Financial Statements (Amendment to IAS 27)	1-Jan-16	30-Jun-17

	2014 $'000	2013 $'000 (restated)
4. REVENUE		
a) Revenue		
Sales to customers	58,937	34,144
Royalties and other franchise related income	16,344	15,779
	75,281	49,923
b) Other income		
Marketing levies received from TAF stores [a]	4,148	4,017
Interest received	881	848
Other revenue	880	742
Total Revenue	81,190	55,530

a) Marketing levies are recognised in the period the sales are recorded by the TAF stores. Marketing levies are collected by the Group for specific use within the TAF Marketing Fund, which is operated on behalf of TAF stores. As all the contributions are designated for specific purposes and do not result in a profit or loss for the Group.

5. EXPENSES

Profit from continuing operations before income tax includes the following specific expenses

	2014 $'000	2013 $'000
Depreciation and amortisation expense		
Property, plant and equipment	1,041	794
Amortisation expense	106	106
	1,147	900
External Finance costs		
Interest on deferred consideration	35	62
Other finance costs	143	136
	178	198
Rental expense relating to operating leases		
Minimum lease payments	5,124	2,414
Others		
Defined contribution - Superannuation plan expense	1,110	748

	2014 $'000	2013 $'000
6. INCOME TAX		
Major components of income tax expense		
Current income tax expense	5,512	4,542
Deferred income tax expense	(398)	36
Overprovision in respect of prior years	(261)	(60)
	4,853	4,518
Reconciliation between income tax expense and prima facie tax on accounting profit from continuing operations		
Prima facie income tax payable on profit from continuing before income tax at 30% (2013: 30%)	4,987	4,510
Add/ (less) income tax effect of:		
Non-deductible items		
Share option expense	109	67
Entertainment	6	11
Interest on deferred consideration	11	18
Other assessable items	74	27
Net Allowable items		
Losses not previously recognised	(73)	(55)
Others	-	-
Over provision from previous year	(261)	(60)
Income tax expense attributable to entity	4,853	4,518
Weighted Average Tax Rate (%)	29.2%	30.1%

Applicable Tax rate

The applicable tax rate is the national tax rate in Australia of 30%

	2014	2013
Analysis of deferred tax assets:		
Provision for doubtful debts	162	139
Provision for shrinkage & stock obsolescence	389	208
Provision for employee entitlements	669	388
Other Provisions	126	150
Accruals	99	167
Difference in accounting and tax depreciation	(368)	33
Listing expenses	-	1
Landlord and supplier contribution	99	-
Hedge Reserve	253	(149)
	1,429	937

	2014 $'000	2013 $'000
Income tax recognised in other comprehensive income		
Deferred tax	-	-
Fair value remeasurement of cash flow hedges	253	(149)

The movement above in deferred tax assets and liabilities for each temporary difference during the year is debited/credited to the Statement of Profit or Loss and Other Comprehensive Income.

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur, are as follows:

Tax losses:		
Operating losses	-	-
Capital losses	7,406	7,178
	7,406	7,178

7. CASH AND CASH EQUIVALENTS

Cash on hand	30	13
Cash in bank	16,049	15,092
	16,079	15,105

8. TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	11,412	9,622
Other receivables	705	1,182
Provision for doubtful debts	(541)	(462)
	11,576	10,342
NON-CURRENT		
Loans to outside shareholders in TAF Partnership stores [a]	506	-
	506	-

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

9. CURRENT ASSETS - INVENTORIES

Finished goods at cost, less provision for obsolescence	13,221	8,455

	2014 $'000	2013 $'000
10. OTHER CURRENT ASSETS		
Security deposits	68	56
Prepayments	662	207
Other	719	1,006
	1,449	1,269

11. CONTROLLED ENTITIES

The ultimate parent entity, RCG Corporation Limited, holds the following investments in subsidiaries all of which are incorporated in Australia.

	Ownership Interest 2014	Ownership Interest 2013
The Athlete's Foot Australia Pty Limited	100%	100%
TAF Constructions Pty Limited	100%	100%
A.C.N. 114 805 480 Pty Limited (Administrators appointed)	100%	100%
RCG Brands Pty Limited	100%	100%
RCG Retail Pty Limited	100%	100%
TAF eStore Pty Limited	100%	100%
TAF Partnership Pty Ltd	100%	-
TAF Rockhampton Pty Ltd [a]	80%	-
TAF Eastland Pty Ltd [a]	80%	-
TAF The Glen Pty Ltd [a]	60%	-
TAF Hornsby Pty Ltd [a]	80%	-
TAF Hobart Pty Ltd [a]	80%	-

a) Indirectly

	2014 $'000	2013 $'000
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost	9,768	7,222
Less: Accumulated depreciation	(4,201)	(3,158)
	5,567	4,064
Assets under construction	1,127	138
	6,694	4,202
Movements in carrying amounts		
Property, plant and equipment - at cost		
At cost		
Balance at beginning of year	7,222	7,576
Impairment of assets in discontinued operation	-	(2,244)
Additions	2,546	1,890
	9,768	7,222
Accumulated depreciation		
Balance at beginning of year	3,158	2,777
Depreciation expense	1,041	794
Depreciation expense from discontinued operation	-	170
Accumulated depreciation on impaired assets in discontinued operation	-	(593)
Rounding Adjustments	2	10
	4,201	3,158
	5,567	4,064
Assets under construction	1,127	138
Net book value	6,694	4,202

	2014 $'000	2013 $'000
13. 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 [a]	1,218	-
Goodwill - Saucony and Podium - at cost [b]	4,290	-
Other Goodwill - at cost	94	94
	11,703	6,195
c. Licence fee		
Licence fee - The Athlete's Foot - at cost [c]	7,832	7,832
Amortisation	(142)	(110)
	7,690	7,722
d. Other intangible assets		
Other intangible assets - The Athlete's Foot - at cost [d]	175	175
Amortisation	(158)	(123)
	17	52
Other intangible assets - RCG Brands - at cost [e]	200	200
Amortisation	(180)	(140)
	20	60
Total other intangible assets	37	112
Total Intangibles	22,896	17,495

(a) During the year RCG acquired through its subsidiary, controlling interest in five The Athlete's Foot stores under the TAF Partnership program.

(b) During the year RCG acquired through its subsidiary, both the Saucony wholesale and distribution businesses in Australia and New Zealand, and the Podium Sports retail business.

(c) TAF entered into a 249 year licence agreement with its US licensor for its business in Australia and New Zealand, under which it will pay no ongoing licence fees (Remaining amortisation period is 244 years).

(d) Costs associated with the development of new store concept for The Athlete's Foot (Amortised over 60 months, remaining amortisation period is 12 months).

(e) Costs associated with setting up of RCG Brands business (Amortised over 60 months, remaining amortisation period is 12 months).

Movements in intangibles	2014 Goodwill $'000	2014 Trademarks $'000	2014 Licence Fee $'000	2014 Other intangible assets $'000	2013 Goodwill $'000	2013 Trademarks $'000	2013 Licence Fee $'000	2013 Other intangible assets $'000
Balance at the beginning of the year	6,195	3,466	7,722	112	7,129	3,466	7,754	187
Additions	5,508	-	-	-	-	-	-	-
Impairment - Shoe Superstore	-	-	-	-	(934)	-	-	-
Amortisation charge	-	-	(32)	(75)	-	-	(32)	(75)
Balance at the end of the year	11,703	3,466	7,691	37	6,195	3,466	7,722	112

The Cash Generating Units (CGU) for RCG Corporation Limited are The Athlete's Foot and RCG Brands including RCG Retail. These CGU's must perform an impairment test at each reporting date. The impairment tests of The Athlete's Foot and RCG Brands at 29 June 2014 were carried out based on value in use calculation.

The recoverable amounts of both CGU's were determined on future cash flows based on the management approved budgets for FY2015 discounted to the present value using a pre-tax discount rate of 14% with subsequent cash flows projected using long term average growth rates of 1%.

AASB 136 states that an impairment test must be performed annually for goodwill and other indefinite life intangible assets. Further, companies must also assess at each reporting date whether there is any indication that the asset may be impaired and, if so, perform an impairment test. The impairment test carried out at 29 June 2014 does not indicate any reason for impairment of the intangible assets.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based is not expected to cause the aggregate of the carrying amounts to exceed the aggregated amounts of the CGU's.

- *The consolidated entity considers that its investment in The Athlete's Foot (Goodwill and Trademark) have indefinite useful lives because it foresees no impediment to its ability to continue to own and operate the businesses for the foreseeable future.*
- *The License fee for The Athlete's Foot is for 249 years and is amortised on a straight line basis over the period.*
- *Other intangible assets have a useful life of 5 years and are amortised on a straight line basis over that period.*

	2014 $'000	2013 $'000
14. DEFERRED TAX ASSETS		
Future tax benefit (refer note 6)	1,429	937

	2014 $'000	2013 $'000
15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors	5,456	2,617
Other creditors and accruals	6,775	5,618
	12,231	8,235
16. BORROWINGS		
Secured, at amortised cost		
Current		
Trade finance facility	3,122	2,066
Bank bill facility	1,184	-
Total Borrowings	4,306	2,066

(a) The Group has a trade finance facility of $7.45 million (2013: $7.45 million) for imports and an undrawn flexible options finance facility of $5.1 million (2013: $5.1 million). These facilities are secured by a fixed and floating charge over the Group's assets of $50.9 million, as well as interlocking joint and several guarantees from group companies. The Group has a Bank bill facility of $2.4million (2013: Nil) allocated specifically for the working capital requirements of TAF Marketing Fund and is secured by a fixed and floating charge over TAF's assets of $8.7 million.

	2014 $'000	2013 $'000
17. TAX LIABILITIES		
Current		
Income tax liability	1,492	1,323
	1,492	1,323
18. PROVISIONS		
Current		
Employee benefits	1,275	1,125
Lease incentives	77	34
	1,352	1,159
Non-current		
Employee benefits	175	64
Lease incentives	252	120
	427	184

(a) A provision has been recognised for employee benefits relating to annual leave and long service leave. The calculation of the present value of future cash flows in respect of long service leave is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report. There is uncertainty around the exact time of the cash outflows in relation to the above amounts.

(b) Lease incentives pertain to incentives granted in respect of leases for premises. These incentives are taken to income over the term of the leases.

	2014 $'000	2013 $'000
19. DERIVATIVE INSTRUMENTS		
a. Financial assets - Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	-	493
	-	-
Financial liabilities - Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	842	-
	842	-

	2014 $'000	2013 $'000
20. OTHER LIABILITIES		
Current		
Deferred consideration	210	231
	210	231
Non-current		
Deferred consideration	-	175
	-	175

	2014 $'000	2013 $'000
21. RESERVES		
Share plan reserve [a]	3,138	2,773
Foreign currency translation reserve [b]	(16)	(23)
Cash flow hedge reserve [c]	(590)	345
	2,532	3,095
Cash flow hedge reserve movements		
Balance at beginning of year	345	(35)
Gain recognised on cash flow hedges	(1,336)	528
Income tax related to amounts reclassified to profit or loss	401	(148)
Balance at end of year	(590)	345

a) The share plan reserve arises through the recognition of the expenses relating to share options.
b) The foreign currency translation reserve records exchange differences arising on translation of a foreign operation.
c) The cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is

reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

22. PARENT ENTITY INFORMATION

	2014 $'000	2013 $'000
Current assets	29,031	19,647
Non-current assets	13,023	12,906
Total assets	42,054	32,553
Current liabilities	-	224
Non-current liabilities	104	56
Total liabilities	104	280
Issued Capital	70,860	63,637
Accumulated losses	(31,458)	(34,482)
Share plan reserve	3,138	2,773
Cash flow hedge reserve	(590)	345
Total shareholders equity	41,950	32,273
Profit of the parent entity from continuing operations	13,817	13,689
Impairment of investment in loan to discontinued operation	-	(3,956)
(Loss)/profit of the parent entity from continuing and discontinued operation	13,817	9,733
Other comprehensive (loss)/income	(935)	380
Total comprehensive profit of the parent entity	12,882	14,069

a) The parent entity has bank guarantees outstanding as of 29 June 2014 amounted to approximately $668,827. These are guarantees entered into in relation to the debts of its subsidiaries ($545,347 in 2013). Refer to note 36 for details of contingent liabilities.

b) Refer to note 29 for details of commitments, note none are in the parent entity.

	2014 $'000	2013 $'000
Movement in issued capital		
Balance at beginning of period	63,637	63,468
Issued during the year:		
Exercise of options [b]	1,132	24
Issue of shares for acquisition [c]	5,953	-
Fee on granting of options	138	145
Balance at end of period	70,860	63,637

	No. of Shares (Fully Paid) 2014 '000	2013 '000
Balance at beginning of period	251,543	242,078
Issued during the year:		
Exercise of options [b]	3,100	3,200
Issue of shares for acquisition [c]	8,715	-
Issue under Employee Share Scheme [d]	450	6,265
	263,808	251,543
Treasury Shares	(9,715)	(9,265)
Balance at end of period	254,093	242,278

a) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The Company does not have authorised capital or par value in respect of its shares.

b) 250,000 options were exercised in September 2013, 1,350,000 options were exercised in November 2013 and 1,500,000 options were exercised in February 2014.

c) On 3 December 2013, the Company issued 8,715,418 shares as part settlement for the acquisition of the Saucony and Podium Sports business.

d) On 3 December 2013, 450,000 shares were issued to employees under the Employee Share Scheme.

	2014 $'000	2013 $'000
23. NON CONTROLLING INTEREST		
The TAF Partnership Stores:		
Balance at beginning of year	-	-
Share of profits during the period	74	-
Non-controlling interest arising on acquisition stores [a]	577	-
Balance at the end of the year	651	-

a) Refer to Note 33 on Business Combination

24. DIVIDENDS

	2014 $'000	2013 $'000
Dividends paid or declared by the Company	10,942	8,642
Dividend Franking Account The amount of franking credits available for the subsequent financial year are:	8,042	6,552

a) *On 21 August 2013 the Company declared an ordinary fully franked dividend final dividend of 2.25 cents per share paid on 26 September 2013 to shareholders registered on the record date of 10 September 2013.*
b) *On 25 February 2014, the Company declared an ordinary fully franked interim dividend of 2.00 cents per share paid on 25 March 2014 to shareholders registered on 7 March 2014 record date.*

	2014 $	2013 $
25. AUDITOR'S REMUNERATION		
Amount received or due and receivable by the auditors of the parent entity		
Deloitte Touche Tohmatsu		
Audit and review of the financial reports	169,155	148,050
Other professional services	14,550	11,100
	183,705	159,150

	2014 $'000	2013 $'000
26. EARNINGS PER SHARE		
Earnings used for calculation of basic and diluted earnings per share		
Profit for the year attributable to owners of the company from continuing operations	11,696	10,515
Profit for the year attributable to owners of the company from continuing operations and discontinued operations	11,696	5,838

	Number of shares '000	'000
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic EPS	248,035	242,261
Weighted average number of options and ESS on issue	7,094	1,870
Weighted average number of shares used in the calculation of diluted EPS	255,129	244,131

Earnings per share	2014 Cents per share	2013 Cents per share
From continuing and discontinued operations		
Basic earnings per share attributable to the owners of the company	4.72	2.41
Diluted earnings per share attributable to the owners of the company	4.58	2.39
From continuing operations		
Basic earnings per share attributable to the owners of the company	4.72	4.34
Diluted earnings per share attributable to the owners of the company	4.58	4.31

	2014 $'000	2013 $'000
27. EMPLOYEE BENEFITS		
Provision for employee benefits		
- Current	1,275	1,125
- Non-current	175	64
Accruals for wages, salaries and bonuses included in "other payables"	1,001	855
	2,451	2,044

28. SHARE BASED PAYMENTS

Employee Option plan

Options issued under the Option Plan convert into one ordinary RCG share on exercise. In addition to the exercise price of each option, an option fee is payable for all options. The option fee varies depending on the date on which the options were issued, but have all been calculated with reference to the Volume Weighted Average Price of RCG's shares on the ASX for the seven days leading up to the date on which the options were issued.

Employee Share Scheme

Shares have been issued under the RCG Employee Share Scheme ("ESS") and are held in escrow until certain vesting conditions are met. The shares were issued at market value at the date of the offer and the Company has provided employees with a limited recourse loan to acquire the shares. Interest on the loan is equivalent to the value of franked dividends paid in respect of the shares. The shares are treated as in substance options.

Options and the ESS together with movements are set out in the tables below:

2014

Option/ Shares Series	Grant date	Expiry date	Exercise /purchase Price $	Option Fee $	Fair Value at grant date $	Balance at start of year	Granted/ issued during the year	Exercised during the year	Forfeited/ cancelled during the year	Balance at end of the year	Vested at the end of year
Series 8	28/05/09	29/05/14	0.307	0.027	0.073	1,000,000	-	(1,000,000)	-	-	-
Series 9	4/01/10	4/01/15	0.400	0.052	0.036	6,500,000	-	(2,000,000)	-	4,500,000	3,200,000
Series 10	23/08/10	23/08/15	0.520	0.069	0.058	1,000,000	-	-	-	1,000,000	-
Series 11	23/08/10	23/08/15	0.520	0.069	0.054	400,000	-	-	(400,000)	-	-
Series 12	23/08/10	23/08/15	0.520	0.069	0.056	200,000	-	(100,000)	-	100,000	-
Series 13	23/08/10	23/08/15	0.520	0.069	0.055	1,000,000	-	-	-	1,000,000	600,000
Series 15	14/12/10	18/12/15	0.660	0.000	0.071	1,500,000	-	-	-	1,500,000	-
Series 16	24/08/11	24/08/16	0.530	0.040	0.098	2,550,000	-	-	(200,000)	2,350,000	-
Share loan	28/02/13	28/02/16	0.300	0.045	0.012	3,000,000	-	-	-	3,000,000	3,000,000
ESS 1	28/02/13	28/08/18	0.490	0.000	0.130	6,265,000	-	-	-	6,265,000	-
ESS 2	3/12/13	3/06/19	0.690	0.000	0.290	-	450,000			450,000	-
Total						23,415,000	450,000	(3,100,000)	(600,000)	20,165,000	6,800,000

(a) On 2 September 2013 250,000 options were exercised for a total consideration of $70,000. The share price on that day was $0.65.

(b) On 27 November 2013, 1,350,000 options were exercised for a total consideration of $522,000. The share price on that day was $0.76.

(c) On 27 February 2014, 1,500,000 options were exercised for a total consideration of $540,000. The share price on that day was $0.74.

(d) The weighted average remaining contractual period for options and shares outstanding on 29 June 2014 is 1.47 years.

2013

Option/ Shares Series	Grant date	Expiry date	Exercise /purchase Price $	Option Fee $	Fair Value at grant date $	Balance at start of year	Granted/ issued during the year	Exercised during the year	Forfeited/ cancelled during the year	Balance at end of the year	Vested at the end of year
Series 5	17/04/07	17/04/12	0.120	0.052	0.064	200,000	-	(200,000)	-	-	-
Series 7	14/03/08	14/03/13	0.300	0.045	0.037	3,000,000	-	(3,000,000)	-	-	-
Series 8	28/05/09	29/05/14	0.307	0.027	0.073	1,000,000	-	-	-	1,000,000	1,000,000
Series 9	4/01/10	4/01/15	0.400	0.052	0.036	6,500,000	-	-	-	6,500,000	4,100,000
Series 10	23/08/10	23/08/15	0.520	0.069	0.058	1,000,000	-	-	-	1,000,000	-
Series 11	23/08/10	23/08/15	0.520	0.069	0.054	400,000	-	-	-	400,000	300,000
Series 12	23/08/10	23/08/15	0.520	0.069	0.056	200,000	-	-	-	200,000	100,000
Series 13	23/08/10	23/08/15	0.520	0.069	0.055	1,000,000	-	-	-	1,000,000	600,000
Series 15	14/12/10	18/12/15	0.660	0.000	0.071	1,500,000	-	-	-	1,500,000	-
Series 16	24/08/11	24/08/16	0.530	0.040	0.098	2,550,000	-	-	-	2,550,000	-
Share loan	28/02/13	28/02/16	0.300	0.045	0.012	-	3,000,000	-	-	3,000,000	3,000,000
ESS	28/02/13	28/08/18	0.490	0.000	0.099	-	6,265,000	-	-	6,265,000	-
Total						17,350,000	9,265,000	(3,200,000)	-	23,415,000	9,100,000

The weighted average fair value of ESS granted during the financial year is $0.29 each. Employees Options and ESS are valued using the Black-Scholes Option Pricing Model. Where relevant, the expected life of the options is calculated as the midpoint between the vesting date of the options and the expiry of the options.

The following variables were used to calculate the fair value of options and ESS:

Inputs into the Model	Spot price at grant date ($)	Exercise price ($)	Expected volatility	Option/ share life	Dividend yield	Risk free rate
Series 5	0.175	0.172	30%	Various	-	6.10%
Series 7	0.260	0.345	30%	Various	-	6.50%
Series 8	0.290	0.307	30%	Various	-	3.50%
Series 9	0.390	0.452	30%	Various	-	3.50%
Series 10	0.520	0.589	28%	Various	-	6.00%
Series 11	0.520	0.589	28%	Various	-	6.00%
Series 12	0.520	0.589	28%	Various	-	6.00%
Series 13	0.520	0.589	28%	Various	-	6.00%
Series 15	0.600	0.660	28%	Various	-	6.00%
Series 16	0.495	0.570	44%	Various	-	5.75%
ESS 1	0.490	0.490	44%	Various	-	5.75%
ESS 2	0.690	0.690	44%	Various	-	5.75%

	2014 $'000	2013 $'000
29. 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	1,110	600
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	6,949	2,727
- later than one year but not later than five years	20,506	8,934
- later than five years	2,689	1,789
	30,144	13,450

a) Operating lease commitments predominantly relate to corporate headquarters and stores being leased. Leases are generally over 5 years and include annual increases linked to CPI.

b) The consolidated entity does not have any outstanding finance lease commitments

c) The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the end of the year equates to the maximum possible contingent liability, as disclosed in Note 36.

30. RELATED PARTY DISCLOSURES

a. Parent entity

The parent entity and ultimate parent entity of the group is RCG Corporation Limited.

b. Subsidiaries

Subsidiaries are detailed in Note 11 to the financial statements.

c. Entities associated with key management personnel

Tidereef Pty Limited, a shareholder, is a company associated with Ivan Hammerschlag.
Rivan Pty Limited, a shareholder, is a company associated with David Gordon.
Vamico Pty Limited, a shareholder, is a company associated with Michael Cooper.
Omniday Pty Limited, a shareholder, is a company associated with Michael Hirschowitz.
Rastana Holdings Pty Limited, a shareholder, is a company associated with Hilton Brett.

d. Key management personnel

Remuneration of Key Management Personnel

The following table sets out the details of the remuneration of Key Management Personnel of the Company:

2014

Names of Key Management Personnel	Short-term benefits				Post-employment benefits		Share based payments	Total Remun-eration	% of total made as share based payments
	Cash, salary and fees	Cash Bonus [(a)]	Proportion of cash bonus paid	Other Monetary Benefits	Super-annuation	Retirement Benefits	Issue of Shares/ Options		
	$	$	%	$	$	$	$	$	
Ivan Hammerschlag	180,000	-	-	-	-	-	-	180,000	-
David Gordon	65,000	-	-	-	6,013	-	-	71,013	-
Stephen Kulmar	45,000	-	-	-	4,163	-	-	49,163	-
Michael Cooper	327,134	39,968	55%	16,000	22,817	-	-	405,919	0.0%
Michael Hirschowitz	316,210	34,700	50%	16,000	23,000	-	-	389,910	0.0%
Hilton Brett	404,231	50,000	50%	10,000	26,891	-	-	491,122	0.0%
Total	**1,337,575**	**124,668**		**42,000**	**82,884**	**-**	**-**	**1,587,127**	

a) *Cash bonus relates to the performance in the 2013 financial year. The unpaid portion of the cash bonus is forfeited due to hurdles not being met.*

2013

Names of Key Management Personnel	Short-term benefits				Post-employment benefits		Share based payments	Total Remun-eration	% of total made as share based payments
	Cash, salary and fees	Cash Bonus [a]	Proportion of cash bonus paid	Other Monetary Benefits	Super-annuation	Retirement Benefits	Issue of Shares/ Options		
	$	$	%	$	$	$	$	$	
Ivan Hammerschlag	220,000	-	-	-	-	-	-	220,000	-
David Gordon	65,000	-	-	-	5,850	-	-	70,850	-
Stephen Kulmar	45,000	-	-	-	4,050	-	-	49,050	-
Michael Cooper	322,289	17,325	25%	10,000	25,000	-	-	374,614	0.0%
Michael Hirschowitz	305,788	23,500	35%	16,000	25,000	-	-	370,288	0.0%
Hilton Brett	363,971	40,000	58%	10,000	25,000	-	36,000	474,971	7.6%
Total	**1,322,048**	**80,825**		**36,000**	**84,900**	**-**	**36,000**	**1,559,773**	

a) *Cash bonus relates to the performance in the 2012 financial year. The unpaid portion of the cash bonus is forfeited due to hurdles not being met.*

Shares held by Key Management Personnel

The number of shares in which the key management personnel of the Company held a relevant interest on 29 June 2014, are set out in the following table.

2014

Key Management Personnel	Opening Balance 1 July 2013	Exercise of options	Purchase/ (sale) of shares	Closing Balance on 29 June 2014	Value of options on exercise date ($)
Ivan Hammerschlag	19,326,395	-	(6,442,132)	12,884,263	-
David Gordon	18,887,301	-	(6,295,767)	12,591,534	-
Stephen Kulmar	2,400,000	-	(800,000)	1,600,000	-
Michael Cooper	15,729,313	-	(5,243,104)	10,486,209	-
Michael Hirschowitz	13,829,313	-	(4,609,772)	9,219,541	-
Hilton Brett	11,466,666	-	(3,822,222)	7,644,444	-
Total	**81,638,988**	**-**	**(27,212,997)**	**54,425,991**	**-**

a) *There has been no movement in options to Key Management personnel between the reporting date and the date of this report.*

2013

Key Management Personnel	Opening Balance 1 July 2012	Exercise of options	Purchase/ (sale) of shares	Closing Balance on 30 June 2013	Value of options on exercise date ($)
Ivan Hammerschlag	19,326,395	-	-	19,326,395	-
David Gordon	18,887,301	-	-	18,887,301	-
Stephen Kulmar	2,400,000	-	-	2,400,000	-
Michael Cooper	15,729,313	-	-	15,729,313	-
Michael Hirschowitz	13,829,313	-	-	13,829,313	-
Hilton Brett	8,466,666	3,000,000	-	11,466,666	36,000
Total	**78,638,988**	**3,000,000**	**-**	**81,638,988**	**36,000**

Table of options

The number of options in which the key management personnel of the Company held a relevant interest on 29 June 2014, are set out in the following table.

Name	Issue date	Vesting date	Exercise date No. of years from issue	Exercise Price and option fee $	Number of Options/ shares Outstanding		Number of Options Vested		Options exercised/ cancelled in 2014	Number of options/ shares outstanding on 26 Aug 2014
					2014	2013	2014	2013		
Hilton Brett	28/03/13	28/03/13	3 years	0.345	**3,000,000**	3,000,000	**3,000,000**	3,000,000	-	3,000,000
Total held by key management personnel					**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**	**-**	**3,000,000**
Other employees	28/05/09	Various	5 years	0.307	**-**	1,000,000	**-**	-	1,000,000	-
Other employees	4/01/10	Various	5 years	0.452	**4,500,000**	6,500,000	**3,200,000**	-	2,000,000	4,500,000
Other employees	23/08/10	Various	5 years	0.589	**2,100,000**	2,600,000	**600,000**	-	500,000	2,100,000
Other employees	24/08/11	Various	5 years	0.570	**2,350,000**	2,550,000	**-**	-	200,000	2,350,000
Share Sale options	14/12/10	30/06/15	6 years	0.660	**1,500,000**	1,500,000	**-**	-	-	1,500,000
Other employees	28/02/13	Various	5 years	0.490	**6,265,000**	6,265,000	**-**	-	-	6,265,000
Other employees	3/12/13	Various	5 years	0.690	**450,000**	-				450,000
Total					**20,165,000**	**23,415,000**	**6,800,000**	**3,000,000**	**3,700,000**	**20,165,000**

a) *On 2 September 2013 250,000 options were exercised for a total consideration of $70,000, on 27 November 2013 1,350,000 options were exercised for a total consideration of $522,000 and on 27 February 2014, 1,500,000 options were exercised for a total consideration of $540,000. The aggregate amount receivable by the Company should all remaining options be exercised and paid for is $9.54 million.*

b) *The weighted average remaining contractual period for options outstanding on 29 June 2014 is 1.47 years.*

c) *Additional disclosures relating to key management personnel are set out in the remuneration report contained in the Director's report.*

Loans to Key Management Personnel

2014

Key Management Personnel	Opening Balance 1 July 2013	Loans during the year	Interest charged during the year	Repayments during the year	Closing balance on 29 June 2014
Ivan Hammerschlag	78,200	-	-	-	78,200
David Gordon	78,200	-	-	(78,200)	-
Stephen Kulmar	30,000	-	-	(24,000)	6,000
Michael Cooper	272,000	-	-	(153,000)	119,000
Michael Hirschowitz	272,000	-	-	(134,650)	137,350
Hilton Brett	1,211,200	-	127,500	(287,008)	1,051,692
Total	**1,941,600**	**-**	**127,500**	**(676,858)**	**1,392,242**

Under the option plans approved by the shareholders at the Extraordinary General Meeting held on 19 December 2006, the company provided loans to option recipients in respect of the option fees payable for the right to acquire the options. Under the accounting standards both the loans and the corresponding movement in equity are only recognised in the financial statements when the options are exercised. During the prior periods key management personnel exercised vested options and the interest free loans in respect of the relevant option fees have been recognised.

Included in the loans to Hilton Brett, is $900,000 relating to the funding of the exercise of 3,000,000 employee options on 28 February 2013. The loan is to be repaid before 28 February 2016. Interest on the loan is equivalent to any dividends payable on the shares acquired under the loan.

2013

Key Management Personnel	Opening Balance 1 July 2012	Loans during the year	Interest charged during the year	Repayments during the year	Closing balance on 30 June 2013
Ivan Hammerschlag	78,200	-	-	-	78,200
David Gordon	78,200	-	-	-	78,200
Stephen Kulmar	30,000	-	-	-	30,000
Michael Cooper	272,000	-	-	-	272,000
Michael Hirschowitz	272,000	-	-	-	272,000
Hilton Brett	176,200	1,035,000	52,500	(52,500)	1,211,200
Total	**906,600**	**1,035,000**	**52,500**	**(52,500)**	**1,941,600**

e. Transactions with related parties

The following transactions occurred with related parties:

	2014 $	2013 $
Services supplied by related parties		
Noveltrade International Limited [(a)]	-	87,416
	-	87,416

(a) Noveltrade International Limited, a company in which Ivan Hammerschlag and David Gordon both hold indirect minority interests, was involved in sourcing store fit-outs from China on behalf of The Athlete's Foot. These services were provided on an arms-length basis.

	2014 $'000	2013 $'000 *(restated)*
31. CASH FLOW INFORMATION		
Reconciliation of cash at the end of the financial year		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents (refer note 7)	**16,079**	15,105
Reconciliation of cash flow from operations with		
Profit after income tax from continuing operations	**11,770**	10,515
Non-cash flows in profit		
Depreciation and amortisation	**1,147**	899
Share based expense	**365**	225
Provision for doubtful debts	**50**	66
Interest on deferred consideration	**35**	62
Foreign currency (gain)/loss	**(16)**	-
Changes in assets and liabilities		
Receivables and other assets	**(2,138)**	(1,334)
Inventories	**487**	1,525
Trade creditors and provisions	**5,210**	(953)
Tax assets and liabilities	**(481)**	(5)
Cash provided by operating activities	**16,429**	11,000

32. 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 continuing operations of the business. The segments are based on the main continuing business units operational in the business and are as follows:

The Athlete's Foot - Franchisor and Retailer of general sports footwear.
RCG Brands - Wholesalers of Merrell, Caterpillar, Sperry, Saucony and Cushe branded footwear/apparel in Australia and Merrell and Podium retail.

	The Athlete's Foot		RCG Brands		Unallocated [b]		Intercompany Eliminations		Total	
	Year ended		Year ended		Year ended		Year ended		Year ended	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Corporate & Partnership Stores (No.)	10	3	24	8	-	-	-	-	34	11
Online Stores (No)	1	1	-	-					1	1
Franchise Stores (No.)	138	142	-	-	-	-	-	-	138	142
Total (No.)	149	146	24	8	-	-	-	-	173	154
Total Group Sales (including franchised stores)	210,718	205,121	46,613	28,760	-	-	-	-	257,331	233,881
Corporate Store Sales	12,324	5,384	16,842	5,607	-	-	-	-	29,166	10,991
Wholesale Sales	-	-	29,771	23,153	-	-	-	-	29,771	23,153
Sales to Customers	12,324	5,384	46,613	28,760	-	-	-	-	58,937	34,144
Net Revenue from Franchising activity [a]	16,344	15,779	-	-	-	-	-	-	16,344	15,779
Realised and unrealised FX gain	-	-	16	-	-	-	-	-	16	-
Other Income	792	704	72	38	-	-	-	-	864	742
Dividend received	-	-	-	-	15,000	15,000	(15,000)	(15,000)	-	-
Total Revenue [c]	29,460	21,867	46,701	28,798	15,000	15,000	(15,000)	(15,000)	76,161	50,665
Less: Employee benefits expense	5,738	4,294	7,462	4,842	1,459	1,198	-	-	14,659	10,334
Less: Rental expenses on operating leases	1,832	854	3,106	1,451	186	109	-	-	5,124	2,414
Less: Total Other Expenses	8,851	4,489	29,242	17,500	1,079	922	317	(79)	39,489	22,832
EBITDA from continuing operations	13,039	12,230	6,891	5,005	12,276	12,771	(15,317)	(14,921)	16,889	15,085
Less: Depreciation and Amortisation	730	617	309	168	108	115	-	-	1,147	900
EBIT from continuing operations	12,309	11,613	6,582	4,837	12,168	12,656	(15,317)	(14,921)	15,742	14,185
Interest received	63	153	-	-	818	695			881	848
Segment profit before tax from continuing operations	12,372	11,766	6,582	4,837	12,986	13,351	(15,317)	(14,921)	16,623	15,033
Segment Assets	23,613	19,294	30,366	16,061	23,891	26,089	(4,019)	(3,146)	73,851	58,298
Segment Liabilities	3,963	5,201	10,605	4,498	4,921	3,848	1,372	(174)	20,861	13,373

a) Excluding Marketing levies
b) Unallocated Segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relations services.

c) Reconciliation with Revenue in Note 4 is as follows:

	Total	
	2014 $'000	2013 $'000
Revenue as per Note 2	81,190	55,530
Interest received	(881)	(848)
Advertising levy from Marketing fund	(4,148)	(4,017)
Total Revenue per segment accounts above	76,161	50,665

33. BUSINESS COMBINATION

a. Saucony and Podium Sports business

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. RCG has also secured an exclusive Saucony distribution licence from Wolverine Worldwide, Inc.

Details of net assets acquired and goodwill are as follows:

	2014 $'000
Purchase consideration	
Cash paid	3,000
Issue of shares	5,953
Total purchase consideration	8,953

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 liabilites	(77)
Net identifiable assets acquired	4,663
Add: Goodwill	4,290
	8,953

	2014 $'000
Cash flow information	
Outlow of cash to acquire business, net of cash acquired	
Cash consideration	3,000
Less: cash acquired	(19)
Net outflow of cash	2,981

b. TAF Partnership stores

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

	RCG's Interest (%) 2014	2013
TAF Rockhampton Pty Ltd	80%	-
TAF Eastland Pty Ltd	80%	-
TAF The Glen Pty Ltd	60%	-
TAF Hornsby Pty Ltd	80%	-
TAF Hobart Pty Ltd	80%	-

Details of net assets acquired and goodwill are as follows:

	2014 $'000
Purchase consideration	
Cash paid	1,915
Issue of shares	-
Total purchase consideration	1,915

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

	Fair Value $'000
Cash on hand	1
Inventory	946
Fixed assets	394
Payables	(37)
Employee benefit liabilites	(30)
Net identifiable assets acquired	1,274
Add: Goodwill	1,218
	2,492
Less: Non-controlling interests	(577)
	1,915

	2014 $'000
Cash flow information	
Outlow of cash to acquire businesses, net of cash acquired	
Cash consideration	1,915
Less: cash acquired	(1)
Net outflow of cash	1,914

34. DISCONTINUED OPERATION

On 20 February 2013, Shoe Superstore Group Pty Ltd was placed into Voluntary Administration. The creditors approved a Deed of Company Arrangement on (DoCA) on 27 May 2013. The Deed Administrators are in the process of finalising the arrangement.

The results of the discontinued operations are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include the operations classified as discontinued in the current year.

Loss for the year from discontinued operations included in the consolidated statement of profit or loss and other comprehensive income

	2014 $'000	2013 $'000
Revenue	-	6,149
Other Income	-	67
Total Revenue	-	6,216
Expenses	-	7,337
Loss before tax from operation	-	(1,121)
Loss on impairment of assets		
Impairment of goodwill	-	(934)
Impairment of property, plant and equipment	-	(1,651)
Impairment of other net assets	-	(1,938)
Attributable income tax benefit	-	967
Loss for the year from discontinued operations	-	(4,677)

Cash flows from discontinued operation

Net cash used in operating activities	-	(208)
Net cash used in investing activities	-	290
Net cash used in financing activities	-	-
Net cash flows	-	82

35. SUBSEQUENT EVENTS

Significant events which have taken place between the end of the financial year and the date of this report are as follows:

Payment of dividend
On 26 August 2014 the Company declared an ordinary fully franked final dividend of 2.50 cents per share to be paid on 26 September 2014 to shareholders registered on the record date of 10 September 2014.

36. CONTINGENT LIABILITY

a. The parent entity has bank guarantees outstanding as of 29 June 2014 amounted to approximately $668,827. These are guarantees entered into in relation to the debts of its subsidiaries. ($545,347 in 2013).

b. The subsidiaries of the Company have entered into operating lease commitments with landlords in their capacity as head lessor for stores operated by the franchisees. However, the 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 3 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 $68.7 million (2013: $69.6 million), comprising less than one year $19.2 million (2013: $18.5 million); between one and five years $45.0 million (2013: $47.8 million) and more than 5 years $4.5 million (2013: $3.3 million). This would arise only in the event that all franchisees defaulted at the same time.

37. COMPANY DETAILS

The registered office and principal place of business is:

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

In accordance with a resolution of the board of directors of RCG Corporation Limited, we declare that:

In the opinion of the directors:

a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c. the audited remuneration disclosures set out on pages 20 to 29 of the Director's report comply with section 300A of the *Corporations Act 2001*.

d. The directors have been given the declarations required by S295A of the Corporations Act 2001.

e. The attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

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

Ivan Hammerschlag	Hilton Brett
Chairman	CEO

Sydney, 26 August 2014

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report
to the members of RCG Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of RCG Corporation Limited, which comprises the statement of financial position as at 29 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 30 to 80.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Page 2
26 August 2014

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of RCG Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the directors' report for the year ended 29 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of RCG Corporation Limited for the year ended 29 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 26 August 2014

Australian Securities Exchange
Additional Information for RCG Corporation Limited

Shareholder Information (As at 14 August 2014)

Top 20 holders of ordinary shares

Rank	Name	Units	% of Units
1	HSBC Custody Nominees (Australia) Limited	33,243,745	12.60
2	J P Morgan Nominees Australia Limited	20,198,389	7.66
3	National Nominees Limited	16,011,629	6.07
4	Tidereef Pty Limited [(a)]	12,884,263	4.88
5	BNP Paribas Noms Pty Ltd	11,644,329	4.41
6	Citicorp Nominees Pty Limited	10,650,471	4.04
7	Rivan Pty Ltd [(b)]	8,293,650	3.14
8	Authentics Australia Pty Ltd	7,690,528	2.92
9	Vamico Pty Limited [(c)]	6,843,352	2.59
10	Omniday Pty Limited [(d)]	5,179,842	1.96
11	RBC Investor Services Australia Nominees Pty Limited	4,486,927	1.70
12	Rivan Pty Ltd [(b)]	4,297,884	1.63
13	Grahger Capital Securities Pty Ltd	4,200,000	1.59
14	Rastana Holdings Pty Limited [(e)]	4,166,666	1.58
15	Ubs Wealth Management Australia Nominees Pty Ltd	4,058,263	1.54
16	Michael Hirschowitz [(d)]	4,039,699	1.53
17	Michael Cooper [(c)]	3,642,857	1.38
18	Grahger Capital Securities Pty Ltd	3,500,000	1.33
19	Hilton Brett [(e)]	3,477,778	1.32
20.	Grahger Capital Securities Pty Ltd	2,300,000	0.87
Total of top 20 shareholders		**170,810,272**	**64.75**
Total remaining holders balance		**92,998,353**	**35.25**

(a) Ivan Hammerschlag, a non-executive director has a relevant interest.
(b) David Gordon, a non-executive director has a relevant interest.
(c) Michael Cooper, an executive director has a relevant interest.
(d) Michael Hirschowitz, an executive director has a relevant interest.
(e) Hilton Brett, an executive director has a relevant interest.

Distribution schedule of ordinary shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	186	117,509	0.04%
1,001 - 5,000	783	2,536,902	0.96%
5,001 - 10,000	628	5,056,844	1.92%
10,001 - 100,000	1250	37,962,766	14.39%
100,001 - 9,999,999,999	158	218,134,604	82.69%
Total	3005	263,808,625	100.00%

Unmarketable parcels

The number of shareholders holding less than a marketable parcel of shares is 83 representing 19,215 shares.

Substantial shareholders

The following substantial holder notices have been received by the Company:

Name	Number of shares in which the holder and its associate have relevant interest
Fidelity Management & Research Company Inc.	21,616,266
Hunter Hall Investment Management Ltd	15,958,982
BT Investment Management Limited (Btt)	13,194,860
Westpac Banking Corporation Ltd	13,194,860
National Australia Bank Ltd	13,292,211
Grahger Group	16,000,000

Voting Rights

All ordinary shares carry one vote per share without restriction

Restricted Securities

Nil

Company Details	RCG Corporation Limited ABN 85 108 096 251
Directors	Ivan Hammerschlag Hilton Brett Michael Hirschowitz Michael Cooper David Gordon Stephen Kulmar
Company Secretary	Michael Hirschowitz
Registered and Administration Office	719 Elizabeth Street Waterloo, Sydney NSW 2017, Australia Telephone: 02 8310-0000 Facsimile: 02 8310-0066 Email: investors@rcgcorp.com.au Web: www.rcgcorp.com.au
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277 GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditors	Deloitte Touche Tohmatsu 225 George St, Sydney NSW 2000, Australia
Bankers	Westpac Banking Corporation
Securities Exchange Listing	Australian Securities Exchange (ASX Code: RCG)