RCG CORPORATION LIMITED

ABN 85 108 096 251

APPENDIX 4D (Rule 4.2A) HALF-YEAR REPORT FOR THE PERIOD ENDED 28 DECEMBER 2014

Results for announcement to the market

(All comparisons to the period ended 28 December 2014)

Revenue and Profit	28 Dec 2014 $'000	29 Dec 2013 $'000 *(restated)**	Up/ Down	Move-ment %
Revenues from ordinary activities	49,002	32,014	Up	53.1%
Net profit after tax	5,618	5,031	Up	11.7%
Net profit after tax attributable to owners of the company	7,552	5,342	Up	41.4%

** restated due to change in accounting policy*

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Final 2014 dividend per share	26 Sep 2014	2.50	2.50	30%
Interim 2015 dividend per share	26 Mar 2015	2.00	2.00	30%

Interim dividend dates

Ex-dividend date	5 March 2015
Record date for determining entitlements to dividend	9 March 2015
Payment date	26 March 2015

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

Net tangible assets per share	28 Dec 2014	29 Dec 2013
Net tangible assets per share (cents)	11.9	11.5

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

During the period the Company gained control of TAF Booragoon Pty Ltd.

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

This report is based on the attached Financial Report which has been subject to review by Deloitte Touche Tohmatsu.

RCG CORPORATION

RCG CORPORATION LIMITED ABN 85 108 096 251

Condensed Consolidated Financial Statements for the half-year ended 28 December 2014

Contents

RCG Corporation Limited

ABN 85 108 096 251

Directors	Ivan Hammerschlag Hilton Brett Michael Cooper David Gordon Michael Hirschowitz Stephen Kulmar
Company Secretary	Michael Hirschowitz
Registered and Administration Office	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310-0000 E-mail: investors@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 Grosvenor Place 225 George Street Sydney, NSW 2000
Bankers	Westpac Banking Corporation
Stock Exchange Listing	Australian Securities Exchange (ASX Code: RCG)

RCG CORPORATION

DIRECTORS' REPORT

Your directors submit the condensed consolidated financial statements of RCG Corporation Limited ('the Company' or 'RCG') and its controlled entities ('the consolidated entity' or 'the Group') for the half-year ended 28 December 2014.

Directors

The names of the directors who held office during or since the end of the half-year:
Ivan Hammerschlag
Hilton Brett
Michael Cooper
David Gordon
Michael Hirschowitz
Stephen Kulmar

Company Secretary

Michael Hirschowitz

Principal Activities

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

Operating Results

For the half year ended 28 December 2014 the consolidated entity recorded Net Profit after Tax attributable to owners of the company of $5.57 million an increase of 10.7% on the prior year's $5.03m. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") was $7.82 million, an increase of 10.3% on the prior year's $7.10 million.

Review of Operations

The Athlete's Foot

The Athlete's Foot recorded total group sales of $94.8 million for the half-year, an increase of 1% on the same period in the prior year. Australian store like-for-like sales for the period were 1% down on the same period in the prior year. There were several specific influencing factors in the early part of the financial year that resulted like-for-like's for Q1 being 3% below the prior year. These factors are not part of a long term trend and in their absence Q2 like-for-like's grew by 1.5%.

The Athlete's Foot's EBITDA for the half-year was down 2.9% to $5.59 million on the previous year's $5.76 million.

Despite experiencing a tough half-year, particularly in the first quarter, management is confident in TAF's ability to continue to drive growth and sustainability through its highly compelling, distinctive and defensible consumer offer.

RCG CORPORATION

RCG Brands

RCG Brands, RCG's wholesale and distribution division, continued to grow and thrive with its complementary stable of quality international brands. The division recorded sales of $30.38 million for the half-year, an increase of 71.3% on the previous year. Wholesale sales grew 42.7% to $17.74 million and retail sales through its own stores grew 139% to $12.63 million.

EBITDA for the half-year was $4.12 million, an increase of 44.5% on the previous year's $2.85 million.

RCG Brands opened three new Merrell stores in the first half of the financial year taking the total number of such stores to 18.

In August 2014, RCG entered into a distribution agreement with Instride Shoes LLC to become the exclusive distributor of the Instride brand in Australia. Instride is a brand of comfort footwear often prescribed by podiatrists and other medical professionals and is distributed exclusively through The Athlete's Foot.

Dividends

On 26 August 2014, the Company declared an ordinary fully franked dividend of 2.50 cents per share amounting to $6.60 million. The dividend was paid on 24 September 2014. On 27 February 2015 the Company declared an interim dividend of 2.0 cents per share to be paid on 26 March 2014 to shareholders registered on the 9 March 2014 record date. RCG's dividend reinvestment plan will not apply to this dividend.

Auditor's Independence Declaration

The auditor's independence declaration has been received and can be found on page 4 of the half-year report.

Rounding off of Amounts

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

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

On behalf of the Directors

Ivan Hammerschlag	Hilton Brett
Chairman	CEO

Sydney, 27 February 2015

Deloitte.

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

27 February 2014

Dear Board Members

RCG Corporation Limited

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

As lead audit partner for the review of the financial statements of RCG Corporation Limited for the half-year ended 28 December 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

RCG CORPORATION

RCG Corporation Limited and its controlled entities

Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 28 December 2014

	Note	Consolidated Dec 2014 $'000	Consolidated Dec 2013 $'000 *(restated)*
Revenue	2	49,002	32,014
Finished goods used		(20,896)	(12,275)
Changes in merchandise inventories		1,575	2,205
Employee benefits expense		(9,164)	(6,053)
Rental expenses on operating leases		(3,823)	(1,823)
Advertising and promotion expenses		(3,311)	(2,765)
Travel and telecommunications expenses		(588)	(509)
Warehouse and freight expenses		(1,584)	(1,108)
Depreciation and amortisation expense		(695)	(522)
Provision for doubtful debts	4	(5)	(18)
Finance costs		(100)	(81)
Other expenses		(2,863)	(2,041)
Profit before income tax		7,548	7,024
Income tax expense		(1,930)	(1,993)
Profit for the period		5,618	5,031
Other comprehensive income for the year net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		108	42
Net gain on foreign exchange hedges		1,875	269
Total comprehensive income for the period		7,601	5,342
Profit for the period attributable to:			
Owners of the Company		5,569	5,031
Non-controlling interests		49	-
		5,618	5,031
Total comprehensive income attributable to:			
Owners of the Company		7,552	5,342
Non-controlling interests		49	-
		7,601	5,342
Earnings per share			
Basic earnings per share (cents per share)	13	2.19	2.06
Diluted earnings per share (cents per share)	13	2.15	2.00

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

RCG CORPORATION

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of financial position
As at 28 December 2014

		Consolidated	
		Dec 2014	Jun 2014
	Note	$'000	$'000
Current Assets			
Cash and cash equivalents		11,828	16,079
Trade and other receivables	4	11,280	11,576
Inventories	5	14,796	13,221
Financial assets	11	1,836	-
Other current assets		443	1,449
Total current assets		40,183	42,325
Non-current Assets			
Trade and other receivables	4	869	506
Property, plant and equipment	6	6,819	6,694
Intangible assets	7	24,502	22,896
Deferred tax assets		958	1,429
Total non-current assets		33,148	31,525
TOTAL ASSETS		73,331	73,850
Current Liabilities			
Trade and other payables	8	9,600	12,231
Borrowings	9	5,563	4,306
Current tax liabilities		1,218	1,492
Short-term provisions	10	1,602	1,352
Financial liabilities	11	-	842
Other liabilities	12	106	210
Total current liabilities		18,089	20,433
Non-current Liabilities			
Long-term provisions	10	386	427
Total non-current liabilities		386	427
TOTAL LIABILITIES		18,475	20,860
NET ASSETS		54,855	52,990
Equity			
Issued capital		70,860	70,860
Reserves		4,686	2,532
Accumulated losses		(22,080)	(21,053)
Equity attributable to the owners of the company		53,466	52,339
Non-controlling interest		1,389	651
TOTAL EQUITY		54,855	52,990

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

RCG
CORPORATION

RCG Corporation Limited and its controlled entities

Condensed consolidated statement of changes in equity
For the half-year ended 28 December 2014

	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 2013	242,278	63,637	(23)	2,773	345	(21,807)	-	44,925
Shares issued during the year								
Exercise of options	1,600	664	-	-	-	-	-	664
Issue of shares for acquisition	8,715	5,953	-	-	-	-	-	5,953
Issue under Employee Share Scheme	450	-	-	-	-	-	-	-
Treasury shares	(450)	-	-	-	-	-	-	-
Share based payment	-	-	-	180	-	-	-	180
Profit for the year	-	-	-	-	-	5,031	-	5,031
Non controlling interest							504	504
Other Comprehensive Income for the year net of tax	-	-	42	-	269	-	-	311
Total Comprehensive Income	-	-	42	-	269	5,031	504	5,846
Dividends paid or provided for	-	-	-	-	-	(5,665)	-	(5,665)
Balance at 29 December 2013	**252,593**	**70,254**	**19**	**2,953**	**614**	**(22,441)**	**504**	**51,903**
Balance at 29 June 2014	254,093	70,860	(16)	3,138	(590)	(21,053)	651	52,990
Shares issued during the year								
Share based payment	-	-	-	171	-	-	-	171
Non controlling interest	-	-	-	-	-	-	726	726
Profit for the year	-	-	-	-	-	5,569	49	5,618
Other Comprehensive Income for the year net of tax	-	-	108	-	1,875	-	-	1,983
Total Comprehensive Income	-	-	108	-	1,875	5,569	49	7,601
Dividends paid or provided for [a]	-	-	-	-	-	(6,595)	(37)	(6,632)
Balance at 28 December 2014	**254,093**	**70,860**	**92**	**3,309**	**1,285**	**(22,080)**	**1,389**	**54,855**

a) The Company declared an ordinary fully franked dividend of 2.50 cents per share on 26 August 2014.

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

RCG CORPORATION

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 28 December 2014

	Note	Consolidated Dec 2014 $'000	Dec 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and franchisees		57,497	32,038
Interest received		490	628
Payments to suppliers and employees		(47,135)	(19,432)
Payments for operating leases		(4,205)	(1,833)
Net income tax paid		(2,535)	(2,073)
Net cash provided by operating activities		4,112	9,328
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in TAF Corporate & Partnership stores		(1,338)	(1,623)
Loans to outside shareholders of TAF Partnership stores		(363)	(433)
Investment in acquiring Saucony business and Podium stores		-	(2,982)
Investment in acquiring Instride business		(65)	-
Payment for property, plant and equipment		(1,259)	(1,850)
Net cash used in investing activities		(3,025)	(6,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		1,257	802
Net proceeds from issue of shares		-	664
Repayment of loans from option recipients		-	615
Dividends paid		(6,595)	(5,665)
Net cash used in financing activities		(5,338)	(3,584)
Net decrease in cash held		(4,251)	(1,144)
Cash at beginning of the period		16,079	14,785
Cash at end of the period		11,828	13,641

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

Critical accounting estimates

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

In preparing this half-year condensed consolidated financial statement, the judgements made by management in applying the consolidated entities accounting policies and the key source of estimation uncertainty were the same as those applied to the consolidated financial report as at the end of 29 June 2014.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

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

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- 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'

Impact of the application of AASB 1031 'Materiality' (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'

The Group has applied the amendments to AASB 139 for the first time in the current year. The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'

Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below:

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below:

The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of AASB 140; and
b) the transaction meets the definition of a business combination under AASB 3.

Part B: 'Defined Benefit Plans Employee Contributions (Amendments to AASB 119)'
The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Part C – 'Materiality'
This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Changes in accounting policies

As a result of the changes in the definition of control in AASB 10, the Group commenced consolidating TAF Marketing & Co-operative Fund during the previous financial year. The change in accounting policy had no impact on profit before tax or net assets. Refer to 29 June 2014 annual report for full details of the effect of the restatement.

RCG CORPORATION

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated	
	Dec 2014 $'000	Dec 2013 $'000 *(restated)*
2. REVENUE		
a) Revenue		
Sales to customers	38,872	21,804
Royalties and other franchise related income	7,340	7,483
	46,212	29,287
b) Other income		
Marketing levies received from TAF stores [a]	1,853	1,851
Interest received	420	451
Other revenue	517	425
Total Revenue	49,002	32,014

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. All the contributions are designated for specific purposes and do not result in a profit or loss for the Group.

3. EXPENSES

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

	Dec 2014	Dec 2013
Depreciation and amortisation expense		
Property, plant and equipment	642	469
Amortisation expense	53	53
	695	522
External Finance costs		
Interest on deferred consideration	12	23
Other finance costs	88	58
	100	81
Rental expense relating to operating leases		
Minimum lease payments	3,823	1,823

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated	
	Dec 2014 $'000	Jun 2014 $'000
4. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	11,111	11,412
Other receivables	705	705
Provision for doubtful debts	(536)	(541)
	11,280	11,576
NON-CURRENT		
Loans to outside shareholders in TAF Partnership stores [a]	869	506
	869	506

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

	Dec 2014 $'000	Jun 2014 $'000
5. CURRENT ASSETS - INVENTORIES		
Finished goods at cost, less provision for obsolescence	14,796	13,221

RCG CORPORATION

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated Dec 2014 $'000	Consolidated Jun 2014 $'000
6. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost	11,129	9,768
Less: Accumulated depreciation	(4,841)	(4,201)
	6,288	5,567
Assets under construction	531	1,127
	6,819	6,694

	Dec 2014 $'000	Dec 2013 $'000
Movements in carrying amounts		
Property, plant and equipment - at cost		
At cost		
Balance at beginning of year	9,768	7,222
Additions	1,361	1,730
	11,129	8,952
Accumulated depreciation		
Balance at beginning of year	4,201	3,158
Depreciation expense	640	469
	4,841	3,627
	6,288	5,325
Assets under construction	531	317
Net book value	6,819	5,642

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated Dec 2014 $'000	Consolidated Jun 2014 $'000
7. INTANGIBLE ASSETS		
a. Trademark		
Trademark - The Athlete's Foot - at cost	3,466	3,466
b. Goodwill		
Goodwill - The Athlete's Foot - at cost	6,101	6,101
Goodwill - The Athlete's Foot Corporate & Partnership stores - at cost	2,811	1,218
Goodwill - Saucony and Podium - at cost	4,290	4,290
Other Goodwill - at cost	159	94
	13,361	11,703
c. Licence fee		
Licence fee - The Athlete's Foot - at cost	7,832	7,832
Amortisation	(157)	(142)
	7,675	7,690
d. Other intangible assets		
Other intangible assets - The Athlete's Foot - at cost	175	175
Amortisation	(175)	(158)
	-	17
Other intangible assets - RCG Brands - at cost	200	200
Amortisation	(200)	(180)
	-	20
Total other intangible assets	-	37
Total Intangibles	24,502	22,896

	Dec 2014	Jun 2014
8. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors	3,483	5,456
Other creditors and accruals	6,117	6,775
	9,600	12,231

RCG CORPORATION

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated	
	Dec 2014 $'000	Jun 2014 $'000
9. BORROWINGS		
Secured, at amortised cost		
Current		
Trade finance facility	3,941	3,122
Bank bill facility	1,622	1,184
Total Borrowings	5,563	4,306
10. PROVISIONS		
Current		
Employee benefits	1,525	1,275
Lease incentives	77	77
	1,602	1,352
Non-current		
Employee benefits	173	175
Lease incentives	213	252
	386	427
11. DERIVATIVE INSTRUMENTS		
a. Financial assets - Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	1,836	-
	1,836	-
b. Financial liabilities - Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	-	842
	-	842
12. OTHER LIABILITIES		
Current		
Deferred consideration	106	210
	106	210

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated	
	Dec 2014 $'000	Dec 2013 $'000
13. EARNINGS PER SHARE		
Earnings used for calculation of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company from continuing operations	5,569	5,031

	Number of shares	
	'000	'000
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic EPS	254,093	243,813
Weighted average number of options and ESS on issue	5,027	7,326
Weighted average number of shares used in the calculation of diluted EPS	259,120	251,139

Earnings per share	Cents per share	
Basic earnings per share attributable to the owners of the Company	2.19	2.06
Diluted earnings per share attributable to the owners of the Company	2.15	2.00

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Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Consolidated	
	Dec 2014	Jun 2014
	$'000	$'000
14. COMMITMENTS		
a. Capital Expenditure Commitments		
Estimated capital expenditure at reporting date, not provided for in the financial statements pertaining to plant and equipment		
- not later than one year	350	1,110
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	7,491	6,949
- later than one year but not later than five years	20,508	20,506
- later than five years	2,110	2,689
	30,109	30,144

15. SEGMENT INFORMATION

Accounting policies

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

Business Segments

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

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

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

15. SEGMENT INFORMATION (Continued)

	The Athlete's Foot		RCG Brands		Unallocated [b]		Intercompany Eliminations		Total	
	Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000
Corporate & Partnership Stores (No.)	13	9	27	22	-	-	-	-	40	31
Online Stores (No.)	1	1	-	-					1	1
Franchise Stores (No.)	133	136	-	-	-	-	-	-	133	136
Total (No.)	147	146	27	22	-	-	-	-	174	168
Total Group Sales (including franchised stores)	94,834	94,261	30,375	20,505	-	-	-	-	125,209	114,766
Corporate Store Sales	8,497	4,077	12,634	5,296	-	-	-	-	21,131	9,373
Wholesale Sales	-	-	17,741	12,431	-	-	-	-	17,741	12,431
Sales to Customers	8,497	4,077	30,375	17,727	-	-	-	-	38,872	21,804
Net Revenue from Franchising activity [a]	7,340	7,483	-	-	-	-	-	-	7,340	7,483
Realised and unrealised FX gain	-	-	-	-	-	-	-	-	-	-
Other Income	457	399	60	26	-	-	-	-	517	425
Dividend received	-	-	-	-	-	-	-	-	-	-
Total Revenue [c]	16,294	11,959	30,435	17,753	-	-	-	-	46,729	29,712
Less: Employee benefits expense	3,173	2,413	4,831	2,743	1,160	897	-	-	9,164	6,053
Less: Rental expenses on operating leases	1,498	687	2,233	1,046	92	90	-	-	3,823	1,823
Less: Total Other Expenses	6,029	3,100	19,248	11,111	468	403	174	127	25,919	14,741
EBITDA	5,594	5,759	4,123	2,853	(1,720)	(1,390)	(174)	(127)	7,823	7,095
Less: Depreciation and Amortisation	416	347	227	119	52	56	-	-	695	522
EBIT	5,178	5,412	3,896	2,734	(1,772)	(1,446)	(174)	(127)	7,128	6,573
Interest received	21	49	-	-	399	402	-	-	420	451
Segment profit/(loss) before tax	5,199	5,461	3,896	2,734	(1,373)	(1,044)	(174)	(127)	7,548	7,024

Segment Assets	30,806	25,341	31,621	26,479	15,004	20,929	(4,100)	(6,484)	73,331	66,265
Segment Liabilities	4,042	4,397	9,706	7,891	3,451	3,648	1,276	(1,575)	18,475	14,361

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.

Segment Revenue reconciles with Note 2 as follows:

	Total	
	Dec 2014 $'000	Dec 2013 $'000
Revenue as per Note 2	49,002	32,014
Interest received	(420)	(451)
Advertising levy from Marketing fund	(1,853)	(1,851)
Total Revenue per segment accounts above	46,729	29,712

RCG CORPORATION

16. BUSINESS COMBINATION

a. TAF Partnership stores

During the course of the half-year, through its subsidiary TAF Partnership Pty Ltd, RCG acquired a 60% interest in The Athlete's Foot Booragoon store which has been incorporated as TAF Booragoon Pty Ltd.

The interests acquired in the current and previous comparable periods were as follows:

	RCG's interest (%)	
	Dec 2014	Dec 2013
TAF Booragoon Pty Ltd	60%	-
TAF Rockhampton Pty Ltd	-	80%
TAF Eastland Pty Ltd	-	80%
TAF The Glen Pty Ltd	-	60%
TAF Hornsby Pty Ltd	-	80%

Details of net assets acquired and goodwill are as follows:

	Dec 2014	Dec 2013
	$'000	$'000
Purchase consideration		
Cash paid	1,089	1,624
Issue of shares	-	-
Total purchase consideration	1,089	1,624

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

	Fair Value	
	$'000	$'000
Cash on hand	1	1
Inventory	425	708
Fixed assets	100	294
Payables	(23)	(34)
Employee benefit liabilites	(17)	(28)
Net identifiable assets acquired	486	941
Add: Goodwill	1,329	1,187
	1,815	2,128
Less: Non-controlling interests	(726)	(504)
	1,089	1,624

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 28 December 2014

	Dec 2014 $'000	Dec 2013 $'000
Cash flow information		
Outlow of cash to acquire businesses, net of cash acquired		
Cash consideration	1,089	1,624
Less: cash acquired	(1)	(1)
Net outflow of cash	1,088	1,623

b. Saucony business and Podium Stores

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

Details of net assets acquired and goodwill are as follows:

	Dec 2013 $'000
Purchase consideration	
Cash paid	3,000
Issue of shares	5,953
Total purchase consideration	8,953

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

	Fair Value $'000
Cash on hand	18
Inventory	4,624
Fixed assets	97
Employee benefit liabilites	(76)
Net identifiable assets acquired	4,663
Add: Goodwill	4,290
	8,953

b. Saucony business and Podium Stores (continued)

	Dec 2013 $'000
Cash flow information	
Outlow of cash to acquire business, net of cash acquired	
Cash consideration	3,000
Less: cash acquired	(18)
Net outflow of cash	2,982

17. NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

a. Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	Dec 2014 $'000	Jun 2014 $'000		
Foreign currency forward contracts	1,836	(842)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	Dec 2014 $'000	Jun 2014 $'000
Financial assets		
Trade and other receivables	**11,280**	11,576
Cash and cash equivalents	**11,828**	16,079
Financial liabilities		
Trade and other payables	**9,600**	12,231
Borrowings	**5,563**	4,306

18. DIVIDENDS

On 26 August 2014, the Company declared an ordinary fully franked dividend of 2.50 cents per share amounting to $6.60 million. The dividend was paid on 24 September 2014. On 27 February 2015 the Company declared an interim dividend of 2.0 cents per share to be paid on 26 March 2014 to shareholders registered on the 9 March 2014 record date. RCG's dividend reinvestment plan will not apply to this dividend.

19. SUBSEQUENT EVENTS

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

20. CONTINGENT LIABILITIES

Bank guarantees outstanding as of 28 December 2014 amounted to approximately $0.68 million ($0.52 million in December 2013)

The Athlete's Foot has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by its franchisees. However, its franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. In addition, some franchisees have provided bank guarantees (generally for a maximum period of three months' rent) and in some instances personal guarantees to the landlords of the properties. The company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be $72.7 million (less than one year $20.5 million; between one and five years $50.4 million; and $1.8 million over five years). This would arise only in the event that all franchisees defaulted at the same time.

21. COMPANY DETAILS

The registered office and principal place of business is:

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

RCG CORPORATION

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes to RCG Corporation Limited ('the consolidated entity'), as set out on pages 5 to 27, are in accordance with the Corporations Act 2001; including that they:

   a. comply with Australian Accounting Standards AASB 134 " Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. give a true and fair view of the financial position as at 28 December 2014 and performance for the half-year ended on that date of the consolidated entity.

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

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

On behalf of the Directors

Ivan Hammerschlag
Chairman

Hilton Brett
CEO

Sydney, 27 February 2015

RCG CORPORATION

Deloitte.

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

We have reviewed the accompanying half-year financial report of RCG Corporation Limited, which comprises the condensed statement of financial position as at 28 December 2014, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 28.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RCG Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

RCG CORPORATION

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 27 February 2015