

## 1. Company details

Name of entity:	RCG Corporation Limited
ABN:	85 108 096 251
Reporting period:	For the year ended 28 June 2015
Previous period:	For the year ended 29 June 2014

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	67.4% to	135,872
Profit from ordinary activities after tax attributable to the owners of RCG Corporation Limited	down	11.7% to	10,323
Profit for the year attributable to the owners of RCG Corporation Limited	down	11.7% to	10,323

### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 29 June 2014	2.500	2.500
Interim dividend for the year ended 28 June 2015	2.000	2.000

### Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$10,323,000 (29 June 2014: \$11,696,000).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.91)	11.84

## 4. Control gained over entities

Name of entities (or group of entities)	Accent Group Limited
Date control gained	27 May 2015

	\$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	2,427
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

## 5. Loss of control over entities

Not applicable.

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## 6. Dividends

### *Current period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 29 June 2014	2.500	2.500
Interim dividend for the year ended 28 June 2015	2.000	2.000

### *Previous period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2013	2.500	2.500
Interim dividend for the year ended 29 June 2014	2.000	2.000

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

### *Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. Audit qualification or review

### *Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

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## 11. Attachments

*Details of attachments (if any):*

The Annual Report of RCG Corporation Limited for the year ended 28 June 2015 is attached.

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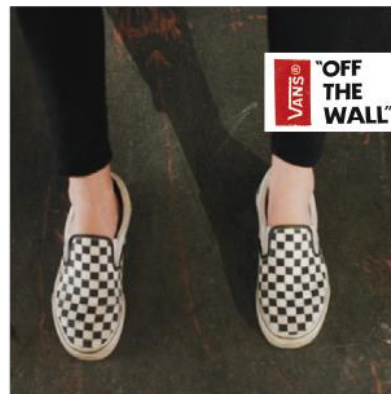
## 12. Signed



Signed \_\_\_\_\_

Date: 26 August 2015

Michael Hirschowitz  
Finance Director and Company Secretary  
Sydney



## OUR BRANDS

RCG Corporation Limited (ASX: RCG) is an investment holding company which owns and operates a large number of footwear and apparel businesses in the performance and active lifestyle sectors.

In May 2015, RCG successfully completed the acquisition of Accent Group Limited (AGL) a New Zealand company with operating subsidiaries in Australia and New Zealand.

RCG's acquisition of AGL has resulted in the creation of a regional leader in the retail and distribution sectors of branded footwear, with over 270 stores across different retail chains and exclusive distribution rights for 13 international brands across Australia and New Zealand.

The combined group's brands now include The Athlete's Foot, Platypus Shoes, Podium Sports, Skechers, Merrell, CAT, Vans, Dr. Martens, Saucony, Timberland, Sperry Top-Sider, K-Swiss, InStride, Palladium, and Stance.

Every brand that now falls under the umbrella of RCG Corporation delivers its own unique presence to the retail sector.



### CAT

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.



### DR. MARTENS

A representation of rebellion and free-thinking youth culture, the Dr. Martens brand has transformed itself from a men's reliable work boot to a popular range of lifestyle footwear for men, women and children.



### INSTRIDE

Often prescribed by podiatrists and other medical professionals, InStride's range of podiatrist-designed footwear has been specifically created for people with health problems such as diabetes, bunions and corns.



### K-SWISS

Founded in 1966 by two Swiss brothers, who moved to California to pursue their dream of starting their own footwear company. The brothers drew inspiration from leather ski boots to create the first all-leather tennis shoe.



### MERRELL

Merrell offers a range of performance-driven footwear and apparel that encourages people to unleash their inner adventurer and explore the great outdoors.



### PALLADIUM

Offering a range of fashionable footwear for the urban explorer, Palladium combines authenticity with cutting-edge style.



### PLATYPUS

As Australia's leading branded sneaker destination, offering a wide range of iconic sneaker brands from around the world. Platypus includes over 50 stores across Australia and New Zealand.



### PODIUM SPORTS

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



### SAUCONY

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.



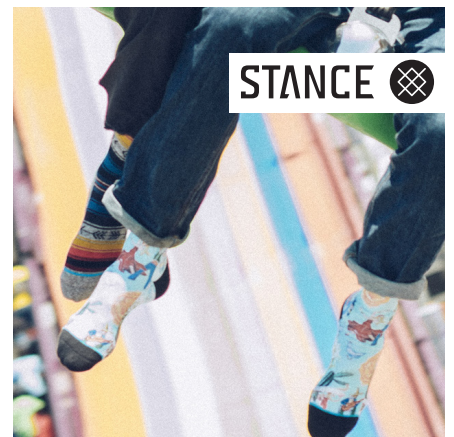
### SKECHERS

An award-winning global leader in the lifestyle footwear industry, the Skechers brand designs, develops and markets lifestyle footwear that appeals to trend-savvy individuals.



### SPERRY TOP-SIDER

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.



### STANCE

Dedicated to the spirit of individuality, the Stance range of action-sport socks offers cutting-edge style, extreme comfort and exceptional durability.



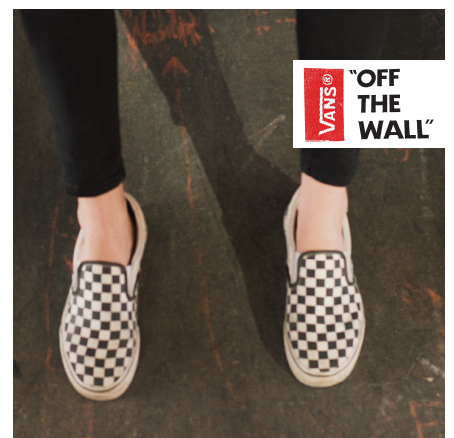
### THE ATHLETE'S FOOT

The Athlete's Foot (TAF) is Australia's largest specialty athletic and lifestyle footwear retailer, known for its exceptional in-store customer service experience.



### TIMBERLAND

Originally founded in 1952 as the Abington Shoe Company, Timberland was one of the first to use injection-moulding to create virtually water-proof boots.



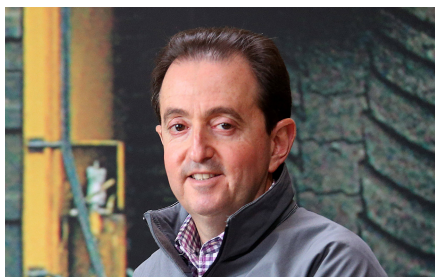
### VANS

A staple for skaters and surfers, Vans has a strong heritage in action sports, and prides itself on being grounded in youth, authenticity and individual style.



**IVAN HAMMERSCHLAG** BCom, CTA  
**Non-Executive Chairman, Member of Audit Committee and Remuneration Committee**

Ivan has had over 30 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its IPO. He has also chaired, managed and invested in a number of other successful retail and other businesses and is currently the Non-Executive Chairman of Smartpay Limited. Ivan has been Chairman of RCG since October 2006.



**HILTON BRETT** BCom PGDA CA (SA)  
**Chief Executive Officer**

Hilton has extensive retailing and franchising experience and proven skills in maximizing opportunities in acquiring, growing, re-engineering and selling Businesses. Hilton joined RCG as an Executive Director in December 2006 and assumed day-to-day responsibility for reengineering the business through rationalisation and acquisition. Hilton was appointed CEO on 25 July 2012.



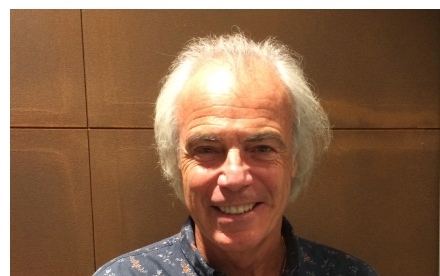
**MICHAEL HIRSCHOWITZ** BCom, BAcc  
**Finance Director and Company Secretary**

Michael has extensive experience in retail. He joined The Athlete's Foot in 1996 and worked in various capacities before becoming Commercial Director in 2002. On the formation of RCG Corporation he became Chief Financial Officer. Michael was appointed Finance Director of the Group on 1 July 2006 and was appointed as the Company Secretary on 14 March 2008.



**MICHAEL COOPER** MBA  
**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. In addition to this, he has overall responsibility for RCG's Podium Sports and Merrell retail businesses.



**MICHAEL HAPGOOD**  
**Executive Chairman – Accent Group**

A founding director and shareholder of Accent, Michael is highly experienced and has extensive knowledge of working with global brands. Michael was appointed CEO of Accent in 1998 and has been intimately involved in the development of all major strategic initiatives of the business since its inception. Michael was appointed Executive Chairman – Accent Group on 19 March 2015.



**DANIEL AGOSTINELLI**  
**Chief Executive Officer – Accent Group**

Daniel oversees the day to day operations of Accent Group. He has over 30 years of retail experience and was formally the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and was appointed CEO – Accent Group on 19 March 2015.



**CRAIG THOMPSON** BCA, LLB, Dip Acc, ACA  
**Non-Executive Director, Member of Audit Committee and Remuneration Committee**

Craig is a co-founder of Accent Group and was appointed Chairman upon its inception. Craig is a widely experienced company director and has been intimately involved in business in multiple sectors. Craig has held directorships in listed and private companies in media, insurance, finance, retirement villages, retailing and on-line trading sectors. Craig was appointed Non-Executive Director on 19 March 2015.



**DAVID GORDON** BCOM, LLB  
**Non-Executive Director, Chairman of Audit Committee and Remuneration Committee**

David was a former M&A partner at Freehills and corporate advisory firm Wentworth Associates. He is also the founder of Lexicon Partners, an independent advisory and investment firm. He has over 30 years' experience advising companies, funds and high net worth individuals on complex transactions. David is Chairman of Ten Network Holdings Limited. He has been a director of RCG since October 2006.



**STEVE KULMAR**  
**Non-Executive Director, Member of Remuneration Committee**

Steve is the former CEO of IdeaWorks and is currently the CEO of Retail Oasis, a retail marketing consultancy. Steve has over 40 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. Steve sits on a number of boards as a Non-Executive Director, including Thorn Group Limited. He has been a director of RCG since August 2007.

# **RCG Corporation Limited**

**ABN 85 108 096 251**

**Annual Report - 28 June 2015**

**Contents**

Chairman and Chief Executive Officer's report	2
Directors' report	5
Auditor's independence declaration	15
Corporate Governance Statement	16
Statement of profit or loss and other comprehensive income	27
Statement of financial position	28
Statement of changes in equity	29
Statement of cash flows	30
Notes to the financial statements	31
Directors' declaration	77
Independent auditor's report to the members of RCG Corporation Limited	78
Shareholder information	80
Corporate directory	82

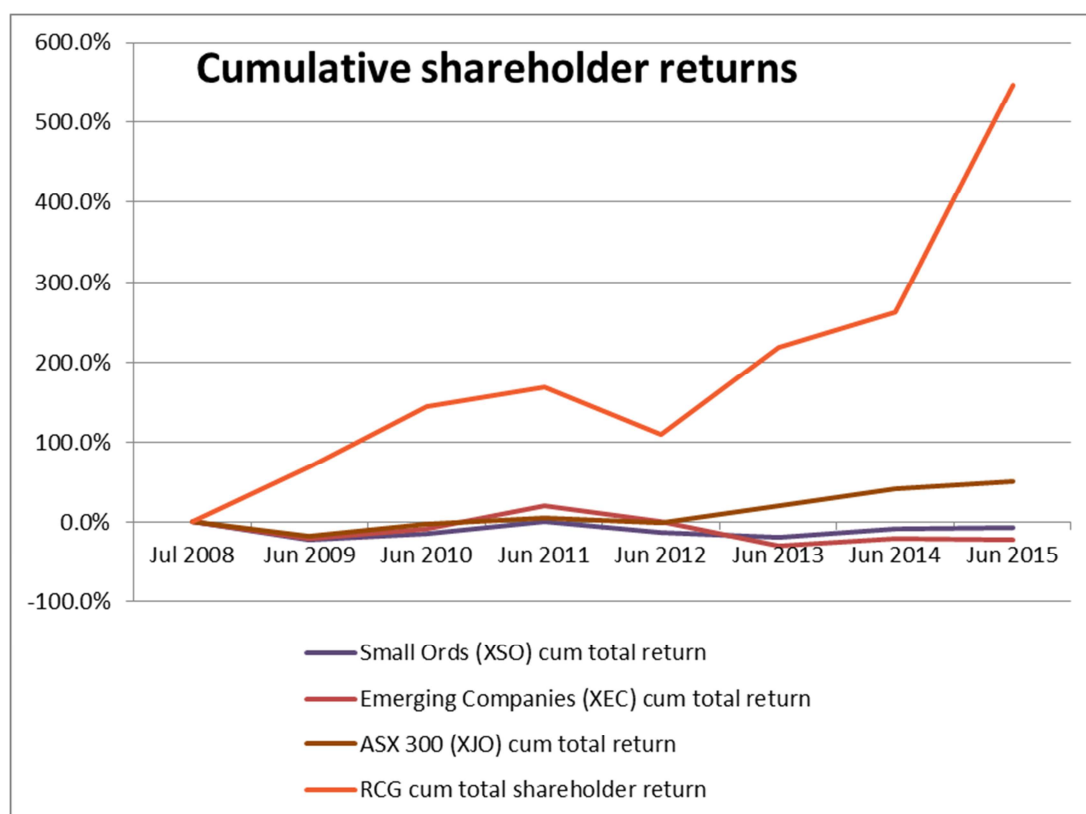
Dear fellow shareholder

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 strong underlying earnings growth, but also completed the acquisition of Accent Group resulting in the creation of a regional leader in the retail and distribution of branded footwear with over 300 stores and exclusive distribution rights to 12 iconic international brands. This is a transformational transaction for RCG.

Including the impact of the acquisition of the Accent Group (for the five weeks from 27 May 2015 to 28 June 2015), RCG delivered underlying<sup>1</sup> consolidated EBITDA of \$21.8m, an increase of 27.6% from \$17.1m in the prior year. Underlying Net Profit After Tax increased 16% from \$11.8m to \$13.7m, and underlying earnings per share increased 2.8% to 4.71 cents. Underlying EBITDA of its pre-existing business (excluding the effects of the acquisition of Accent Group) increased 8.5% to \$18.5m.

RCG has maintained its dividends per share by declaring a 2.5 cent fully franked final dividend in respect of FY2015, taking total dividends for the year to 4.5 cents fully franked per share which is equivalent to the amount paid in respect of the previous financial year.

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. The chart below shows that over seven years RCG has delivered a total cumulative return to shareholders of 547%, which equates to a Compound Annual Growth Rate (CAGR) of 31%. By way of comparison, the Emerging Companies Accumulation Index has returned a cumulative return of negative 22%, or CAGR of negative 4%, the Small Ordinaries Accumulation Index has returned a cumulative return of negative 7% or CAGR of negative 1% and the ASX 300 Accumulation Index has returned a cumulative return of 51% or a CAGR of just 6% over the same time period.



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

<sup>1</sup> References to "underlying" results are references to non-IFRS financial information, which we believe is more meaningful for investors than reported (IFRS) financial information. A reconciliation between underlying and reported financial information is provided in our Investor Presentations which can be download from our website at [rcgcorp.com.au](http://rcgcorp.com.au).

### **The Athlete's Foot**

The Athlete's Foot delivered EBITDA of \$13.2m, which was 1.1% up on the previous year. Like-for-like (LFL) sales grew 1.2% and total sales grew 2.5% to \$216m.

Despite extremely tough trading conditions, TAF once again demonstrated its resilience by delivering positive LFL's of 2.8% for the second half of the financial year, after finishing the first half in negative territory.

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.

The business has begun to reap the rewards of the long-term projects it completed last year, including the rollout of its new fitting technology, Fitzi; the rollout of its new retail management system, Erply; and the completion of the implementation of Adobe Campaign, a leading customer relationship management and cross-channel marketing platform. The data and analytical insights provided by these systems are now increasingly driving business decision making.

Moreover, the business is undertaking a full strategic review of its market position and consumer offering. This review is nearing completion and the implementation of the outcomes will begin in earnest over the coming months. It is expected that this will set a platform for growth over the coming years.

### **RCG Brands**

RCG Brands (RCGB) is RCG's wholesale, distribution and integrated retail division. FY2015 was another excellent year for the division, which delivered EBITDA of \$8.6m, 24.3% up on the previous year's \$6.9m. This was on sales growth of 36% to \$63.2m.

External wholesale sales grew 24.3% to \$37.0m, primarily as a result of growth in sales of Saucony, Sperry and CAT, all of which have grown both the breadth and depth of their distribution channels. Unfortunately, Merrell sales stagnated as a consequence of a lack of access to innovative lifestyle product. Wolverine Worldwide Inc, owner of the Merrell brand, has acknowledged the disappointing consumer response to the recent lifestyle range and is addressing the issue, including refocussing its resources to deliver relevant consumer product.

Retail sales through RCGB's own stores grew 55.7% to \$26.2m, with LFL sales growth of 1.2%. As with the wholesale business, the Merrell retail stores were affected by the lack of access to a compelling lifestyle range in the second half of the financial year, particularly in the women's category.

RCGB opened three new Merrell retail stores during the financial year, taking the total number of Merrell stores to 18.

### **Accent Group**

RCG completed the acquisition of Accent on the 27<sup>th</sup> of May 2015 and three of Accent's former owners joined the RCG Board on that date. Both prior to acquisition and since, Accent's retail business has performed to an unprecedented level in the general retail space in which it operates. The business delivered LFL sales growth of 31% for the five weeks from the date of completion to the end of the financial year on the back of 29% LFL for the 12 months to the end of April 2015. Total retail sales growth in the five weeks exceeded 80% on the prior year.

EBITDA for the five weeks from completion to the end of the financial year was \$3.3m, 35% up on the equivalent five week period in the prior year.

Over the coming financial year, we will be diligently working on beginning to unlock some of the strategic benefits of the acquisition including cross-branded distribution opportunities, streamlining of supply chain and logistics, cross-pollination of management expertise and exploration of new retail formats.

Whilst the front end of the businesses will continue to operate independently, we are in the process of strengthening and enhancing certain shared services functions including: Supply chain, IT, financial management, eCommerce, and property & leasing.

### Dividends

RCG will pay a 2.5 cent fully franked final dividend in respect of FY2015, taking the total dividends in respect of the year to 4.5 cents fully franked per year, equivalent to the prior year's payout.

The company continues to be committed to delivering exceptional returns on shareholders' funds and has not increased the final dividend because it believes that continued investment in the growth of its businesses, particularly the Accent retail division, will deliver enormous long-term value accretion. The company intends to at least maintain its historical dividends per share with a view to increasing this over time, when operating cashflow allows.

### Outlook

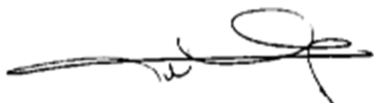
Market conditions have been, and continue to be, volatile and unpredictable. Moreover, the unprecedented recent sales performance of the Accent business, and the short time that it has been owned by RCG, make projecting the future even more challenging.

Notwithstanding this, we are optimistic about the year ahead. Based on a number of forecast assumptions, many of which are articulated in our Investor Presentation, RCG is forecasting consolidated group EBITDA of \$55m - \$57m for FY16 which will result in underlying earnings per share growth of 25% - 30%.

### Conclusion

RCG has had another excellent financial year which culminated in the transformative acquisition of the Accent Group. 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 make the most of market conditions and to deliver growth and value for all stakeholders.



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Ivan Hammerschlag  
Chairman



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Hilton Brett  
CEO

26 August 2015  
Sydney

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of RCG Corporation Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 28 June 2015.

### **Directors**

The following persons were directors of RCG Corporation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

**Name:** Ivan Hammerschlag  
**Title:** Non-Executive Chairman  
**Qualifications:** BCom, CTA  
**Experience and expertise:** Ivan has had over 30 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its IPO. He has also chaired, managed and invested in a number of other successful retail and other businesses and is currently the Non-Executive Chairman of Smartpay Limited. Ivan has been Chairman of RCG since October 2006.  
**Special responsibilities:** Member of Audit Committee and Remuneration Committee

**Name:** Hilton Brett  
**Title:** Chief Executive Officer  
**Qualifications:** BCom, PGDA  
**Experience and expertise:** Hilton has extensive retailing and franchising experience and proven skills in maximizing opportunities in acquiring, growing, re-engineering and selling Businesses. Hilton joined RCG as an Executive Director in December 2006 and assumed day-to-day responsibility for re-engineering the business through rationalisation and acquisition. Hilton was appointed CEO on 25 July 2012.  
**Special responsibilities:** None

**Name:** Michael Hirschowitz  
**Title:** Finance Director and Company Secretary  
**Qualifications:** BCom, BAcc, GAICD  
**Experience and expertise:** Michael has extensive experience in retail. He joined The Athlete's Foot in 1996 and worked in various capacities before becoming Commercial Director in 2002. On the formation of RCG Corporation he became Chief Financial Officer. Michael was appointed Finance Director of the Group on 1 July 2006 and was appointed as the Company Secretary on 14 March 2008.  
**Special responsibilities:** None

**Name:** Michael Cooper  
**Title:** Executive Director, Managing Director of The Athlete's Foot  
**Qualifications:** MBA, GAICD  
**Experience and expertise:** 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. In addition to this, he has overall responsibility for RCG's Podium Sports and Merrell retail businesses.  
**Special responsibilities:** None

**Name:** David Gordon  
**Title:** Non-Executive Director  
**Qualifications:** BCom, LLB  
**Experience and expertise:** David was a former M&A partner at Freehills and corporate advisory firm Wentworth Associates. He is also the founder of Lexicon Partners, an independent advisory and investment firm. He has over 30 years' experience advising companies, funds and high net worth individuals on complex corporate transactions. David is the Chairman of Ten Network Holdings Limited. He has been a director of RCG since October 2006.  
**Special responsibilities:** Chairman of Audit Committee and Remuneration Committee

**Name:** Stephen Kulmar  
**Title:** Non-Executive Director  
**Experience and expertise:** Steve is the former CEO of IdeaWorks and is currently the CEO of Retail Oasis, a retail marketing consultancy. Steve has over 40 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. Steve sits on a number of boards as a Non-Executive Director, including Thorn Group Limited. He has been a director of RCG since August 2007.  
**Special responsibilities:** Member of Remuneration Committee

**Name:** Michael Hapgood (appointed on 27 May 2015)  
**Title:** Executive Chairman – Accent Group  
**Experience and expertise:** A founding director and shareholder of Accent, Michael is highly experienced and has extensive knowledge of working with global brands. Michael was appointed CEO of Accent in 1998 and has been intimately involved in the development of all major strategic initiatives of the business since its inception. Michael was appointed Executive Chairman - Accent Group on 19 March 2015.  
**Special responsibilities:** None

**Name:** Daniel Agostinelli (appointed on 27 May 2015)  
**Title:** Chief Executive Officer – Accent Group  
**Experience and expertise:** Daniel oversees the day to day operations of Accent Group. He has over 30 years of retail experience and was formally the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and was appointed CEO – Accent Group on 19 March 2015.  
**Special responsibilities:** None

**Name:** Craig Thompson (appointed on 27 May 2015)  
**Title:** Non-Executive Director  
**Qualifications:** BCA, LLB, Dip Acc, ACA  
**Experience and expertise:** Craig is a co-founder of Accent Group and was appointed Chairman upon its inception. Craig is a widely experienced company director and has been intimately involved in business in multiple sectors. Craig has held directorships in listed and private companies in media, insurance, finance, retirement villages, retailing and on-line trading sectors. Craig was appointed Non-Executive Director on 19 March 2015.  
**Special responsibilities:** Member of Audit Committee and Remuneration Committee

No director held any other directorship of a listed company in the last 3 years, other than as noted above.

### **Company secretary**

Michael Hirschowitz is the company secretary. Refer to directors' information above for details of his experience and expertise.

### **Principal activities**

RCG Corporation Limited ('RCG') is an investment holding company which owns and operates a large number of footwear and apparel businesses in the performance and active lifestyle sectors. In May 2015, RCG successfully completed the acquisition of Accent Group Limited ('AGL'), a New Zealand company with operating subsidiaries in Australia and New Zealand. RCG's acquisition of AGL has resulted in the creation of a regional leader in the retail and distribution sectors of branded footwear, with over 300 stores across seven different retail chains and exclusive distribution rights for 13 international brands across Australia and New Zealand. The combined group's brands now include The Athlete's Foot, Platypus Shoes, Podium Sports, Skechers, Merrell, CAT, Vans, Dr. Martens, Saucony, Timberland, Sperry Top-Sider, K-Swiss, InStride, Palladium and Stance.

### Dividends

Dividends paid during the financial year were as follows:

	2015 \$'000	Consolidated 2014 \$'000
Final dividend for the year ended 29 June 2014 (2014: 30 June 2013) of 2.50 cents (2014: 2.50 cents) per ordinary share	6,595	5,665
Interim dividend for the year ended 28 June 2015 (2014: 29 June 2014) of 2.00 cents (2014: 2.00 cents) per ordinary share	5,368	5,277
Dividends paid to non-controlling interests for the year ended 28 June 2015	56	-
	<u>12,019</u>	<u>10,942</u>

On 26 August 2015, the Company declared an ordinary fully franked final dividend of 2.50 cents per share to be paid on 25 September 2015 to shareholders registered on the record date of 10 September 2015.

### Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$10,323,000 (29 June 2014: \$11,696,000).

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

### Significant changes in the state of affairs

The Group acquired a 100% interest in Accent Group Limited, effective 27 May 2015.

There were no other significant changes in the state of affairs of the Group during the financial year.

### Matters subsequent to the end of the financial year

On 3 July 2015, the Company issued 14,365,750 shares under a Share Purchase Plan, raising \$10,000,000.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 28 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

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

### Environmental regulation

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 Group's operations.

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 28 June 2015, and the number of meetings attended by each director were:

	Attended	Full Board Held	Attended	Audit Committee Held	Attended	Remuneration Committee Held
Ivan Hammerschlag	6	6	-	-	2	2
Hilton Brett	6	6	2	2	-	-
Michael Hirschowitz	6	6	2	2	-	-
Michael Cooper	6	6	-	-	-	-
David Gordon	5	6	2	2	2	2
Stephen Kulmar	6	6	-	-	2	2
Michael Hapgood	-	1	-	-	-	-
Daniel Agostinelli	1	1	-	-	-	-
Craig Thompson	1	1	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

#### 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, Ivan Hammerschlag and Craig Thompson (from 29 May 2015), 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 Statement.

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 9.50% 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 certain pre-determined measurable financial targets are achieved. 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 the same pre-determined measurable financial targets.

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 FY2015 the percentage of STI tied directly to these profit targets ranged between 60% and 80%. The remainder of the available STI is dependent on other measurable objectives and up to 20% at the discretion of the Remuneration Committee. The Remuneration Committee signs off all bonuses paid to executive directors and other senior executives.

### 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 5,450,000 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. There are currently 10,345,000 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.

### Use of remuneration consultants

During the financial year ended 28 June 2015 the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve its STI and LTI programs.

### Voting and comments made at the Company's 2014 Annual General Meeting ('AGM') held on 11 November 2014

At the 2014 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 29 June 2014. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Details of remuneration

#### Amounts of remuneration

The key management personnel of the Group consisted of the following directors of RCG Corporation Limited:

- Ivan Hammerschlag
- Hilton Brett
- Michael Hirschowitz
- Michael Cooper
- David Gordon
- Stephen Kulmar
- Michael Hapgood (appointed on 27 May 2015)
- Daniel Agostinelli (appointed on 27 May 2015)
- Craig Thompson (appointed on 27 May 2015)

Details of the remuneration of key management personnel of the Group are set out in the following tables.

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Other monetary	Super-annuation	Employee leave	Equity-settled		Total
	\$	\$	\$	\$	\$	\$		\$
<b>2015</b>								
<i>Non-Executive Directors:</i>								
I Hammerschlag	180,000	-	-	-	-	-	-	180,000
D Gordon	65,000	-	-	6,175	-	-	-	71,175
S Kulmar	45,000	-	-	4,275	-	-	-	49,275
C Thompson *	7,068	-	-	-	-	-	-	7,068
<i>Executive Directors:</i>								
H Brett **	413,042	358,740	10,000	30,000	7,882	-	-	819,664
M Cooper	333,156	31,772	16,000	30,000	7,199	-	-	418,127
M Hirschowitz **	324,214	231,809	16,000	30,000	6,635	-	-	608,658
M Hapgood *	26,823	64,375	-	2,736	-	-	-	93,934
D Agostinelli *	44,650	103,000	-	2,083	990	-	-	150,723
	1,438,953	789,696	42,000	105,269	22,706	-	-	2,398,624

\* Remuneration is for the period from date of appointment (27 May 2015) to 28 June 2015.

\*\* Hilton Brett and Michael Hirschowitz were each awarded once-off, ex-gratia bonuses for successfully identifying, managing and completing the acquisition of Accent Group. These amounts are included as cash bonuses but are not part of their ongoing remuneration.

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Other monetary	Super-annuation	Employee leave	Equity-settled		Total
	\$	\$	\$	\$	\$	\$		\$
<b>2014</b>								
<i>Non-Executive Directors:</i>								
I Hammerschlag	180,000	-	-	-	-	-	-	180,000
D Gordon	65,000	-	-	6,013	-	-	-	71,013
S Kulmar	45,000	-	-	4,163	-	-	-	49,163
<i>Executive Directors:</i>								
H Brett	404,231	50,000	10,000	26,891	10,998	-	-	502,120
M Cooper	327,134	39,968	16,000	22,817	6,660	-	-	412,579
M Hirschowitz	316,210	34,700	16,000	23,000	7,420	-	-	397,330
	1,337,575	124,668	42,000	82,884	25,078	-	-	1,612,205

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2015	2014	2015	2014
<i>Executive Directors:</i>				
Hilton Brett	83%	50%	17%	50%
Michael Cooper	42%	55%	58%	45%
Michael Hirschowitz	85%	50%	15%	50%

### Service agreements

Key Management Personnel are employed under employment agreements.

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 28 June 2015.

#### Options

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 28 June 2015.

### Additional information

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

The earnings of the Group for the five years to 28 June 2015 are summarised below:

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Revenue	42,339	43,135	55,530	81,190	135,872
Net profit from continuing operations	8,937	9,528	10,515	11,770	10,549
Net profit attributable to owners of the company	8,937	9,188	5,838	11,696	10,323
Dividends	8,339	7,311	8,642	10,942	11,963

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2011	2012	2013	2014	2015
Share price at financial year end (\$)	0.53	0.37	0.57	0.63	1.21
Shares on issue ('000)	238,248	242,078	242,278	254,094	436,265

The tables above show 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.

**Additional disclosures relating to key management personnel**

**Shareholding**

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Ivan Hammerschlag	12,884,263	-	-	-	12,884,263
Hilton Brett	7,644,444	-	-	-	7,644,444
Michael Hirschowitz	9,219,541	-	-	-	9,219,541
Michael Cooper	10,486,209	-	-	-	10,486,209
David Gordon	12,591,534	-	-	-	12,591,534
Stephen Kulmar	1,600,000	-	-	-	1,600,000
Michael Hapgood *	-	-	28,571,425	-	28,571,425
Daniel Agostinelli *	-	-	14,285,712	-	14,285,712
Craig Thompson *	-	-	71,428,562	-	71,428,562
	<u>54,425,991</u>	<u>-</u>	<u>114,285,699</u>	<u>-</u>	<u>168,711,690</u>

\* Shares issued to key management personnel in the current year relate to shares issued as part-consideration for the acquisition of Accent Group Limited.

**Transactions with key management personnel**

The following transactions occurred with related parties:

	2015 \$	Consolidated 2014 \$
Loan repayments received from directors:		
- Hilton Brett	-	159,508
- Michael Hirschowitz	-	134,650
- Michael Cooper	-	153,000
- David Gordon	-	78,200
- Stephen Kulmar	-	24,000
	<u>-</u>	<u>549,358</u>
Total loan repayments received	<u>-</u>	<u>549,358</u>
Interest charged on loan to director, Hilton Brett	<u>135,000</u>	<u>127,500</u>
Loans to/(from) key management personnel:		
- Ivan Hammerschlag	78,200	78,200
- Hilton Brett	1,051,692	1,051,692
- Michael Hirschowitz	137,350	137,350
- Michael Cooper	119,000	119,000
- Stephen Kulmar	6,000	6,000
- Craig Thompson	(22,296,000)	-
- Michael Hapgood	(8,918,400)	-
- Daniel Agostinelli (including 2 Como Pty Ltd)	(4,459,200)	-
	<u>(34,281,358)</u>	<u>1,392,242</u>
Total loans receivable/(payable)	<u>(34,281,358)</u>	<u>1,392,242</u>

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 Company's recourse is limited to the shares. 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. This loan has been included within treasury shares.

At 28 June 2015, the Group owed the vendors of Accent Group Limited \$15,979,000 in deferred consideration and a \$28,000,000 vendor loan note. Interest was charged on these balances of \$613,000. Michael Hapgood, Daniel Agostinelli and Craig Thompson are three of the four vendors of the Accent Group.

***This concludes the remuneration report, which has been audited.***

### **Shares under option and issued under the Employee Share Scheme**

Unissued ordinary shares of RCG Corporation Limited under option and issued under the Employee Share Scheme at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23/08/2010	23/08/2015	\$0.589	1,850,000
14/12/2010	18/12/2016	\$0.660	1,500,000
24/08/2011	24/08/2016	\$0.570	2,100,000
28/02/2013	28/08/2018	\$0.490	5,155,000
28/03/2013	28/03/2016	\$0.345	3,000,000
03/12/2013	03/06/2019	\$0.690	200,000
02/10/2014	30/03/2020	\$0.590	1,360,000
12/01/2015	28/08/2018	\$0.400	1,000,000
30/03/2015	30/09/2020	\$0.730	220,000
27/05/2015	30/09/2020	\$0.730	2,900,000
27/05/2015	30/09/2020	\$1.010	500,000
			<u>19,785,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### **Shares issued on the exercise of options**

The following ordinary shares of RCG Corporation Limited were issued during the year ended 28 June 2015 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
04/01/2010	\$0.400	4,500,000
24/08/2011	\$0.530	100,000
		<u>4,600,000</u>

### **Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

### **Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company 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 any related entity.

#### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine 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, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

#### Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

#### Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### Auditor's independence declaration

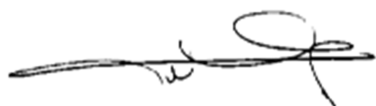
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

#### Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Ivan Hammerschlag  
Chairman



Hilton Brett  
CEO

26 August 2015  
Sydney

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

26 August 2015

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.

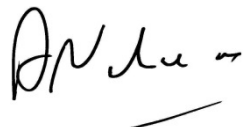
As lead audit partner for the audit of the financial statements of RCG Corporation Limited for the financial year ended 28 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

This Corporate Governance Statement outlines RCG Corporation Limited's ("RCG" or "The Company") main corporate governance practices as at 26 August 2015.

This Corporate Governance Statement also indicates the extent to which the Company conforms with the 3<sup>rd</sup> edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (the "Recommendations").

The Company has posted copies of its corporate governance policies to its website in accordance with the Recommendations.

## PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Role and Responsibilities of the Board - Recommendation 1.1

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 material 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 management
- 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

### Board 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).

### Day to day management

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. Senior management has the authority and is responsible for all other actions which have not been expressly reserved to the Board.

### **Information regarding directors - Recommendation 1.2**

RCG undertakes appropriate due diligence in respect of prospective candidates before appointing a person, or proposing to its shareholders a candidate, as a director. Further, RCG provides its shareholders with all material information to assist its shareholders in making a decision whether to elect or re-elect a director.

### **Agreements with directors and senior managers - Recommendation 1.3**

RCG has in place agreements with each director and senior manager which outlines the terms of their appointment. Each of RCG's directors has signed a letter of appointment and each of RCG's senior managers are employed under employment agreements.

### **Accountability of the company secretary - Recommendation 1.4**

RCG's company secretary has a direct reporting line to the Chairman and all directors have direct access to the company secretary, who is appointed by, and accountable to, the Board on all governance matters.

### **RCG Diversity Policy - Recommendation 1.5**

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 employees.

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 its 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 the business;
- the Senior Management will implement the diversity principles at a team level, and foster a work environment where bullying, harassment and discrimination are not tolerated; and
- 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 endeavours 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.

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

Level	Total employees	% of women	% of men
Board	9	0%	100%
Senior Management <sup>2</sup>	32	34%	66%
Other employees	2,139	63%	37%
<b>Total</b>	<b>2,180</b>	<b>62%</b>	<b>38%</b>

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 Recommendation 1.5. 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.

#### Evaluation of the performance of the Board, its Committees and individual Directors - Recommendation 1.6

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 financial year ended 28 June 2015 review of the Board, its committees and directors performances was conducted internally, led by the Chairman and the review process comprised:

- Board discussions in relation to its performance and areas for improvement; and
- a review of individual Board members performance.

#### Evaluation of the performance of the CEO, Finance Director and executive Directors - Recommendation 1.7

The Remuneration Committee is responsible for setting the performance criteria for executive Directors, 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

<sup>2</sup> Senior Management is defined as those individuals who collectively participate in determining and implementing major operational and strategic initiatives at the business unit level and who are responsible for the results of their respective business units.

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

## PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

### Nomination Committee - Recommendation 2.1

Having regard to the number of Directors, the relative stability of the Board prior to the acquisition of Accent Group Limited and subsequent appointment of three directors and the size of the Company, the Board had not established a Nominations Committee for the financial year ended 28 June 2015. The functions that would ordinarily fall within the scope of the Nominations Committee were instead carried out by the Remuneration Committee or the Board, as was appropriate. However, following the completion of the acquisition of Accent Group Limited, the Board intends to reconstitute and rename the Remuneration Committee as the Remuneration and Nomination Committee for the financial year ended 26 June 2016. This joint committee will be responsible for, and will advise the Board on, all remuneration and nomination matters.

The rules governing the appointment, removal and remuneration of Directors are provided for in the Company's Constitution and the *Corporations Act, 2001*. 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, 2001* 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 Company 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).

### Board skills matrix - Recommendation 2.2

The Board intends to adopt a skills matrix for the financial year ended 26 June 2016 setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

### Director independence - Recommendations 2.3 and 2.4

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;
- names of the Directors considered to be independent; and
- term of office held by each Director.

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.

As at the date of this report, the Board is comprised of nine directors. Five of the Directors are full-time executives of the Company and Craig Thompson is a substantial shareholder of the Company, and as such, the Board does not consider these directors to be independent. The Board considers Ivan Hammerschlag, David Gordon and Stephen Kulmar to be independent Directors.

Whilst the current structure does not comply with Recommendation 2.4, 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 and the best interests of shareholders. The Board is comprised of members with strong retailing, wholesaling, financial and corporate experience and is considered to be appropriate given the size and nature of activities of the Company. While the Board constantly reviews its composition, it considers the appointment of Craig Thompson, Daniel Agostinelli and Michael Hapgood to be crucial to the successful and smooth integration of Accent Group Limited into the RCG group and important to RCG's continued growth and operations.

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 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.

#### **Chairman - Recommendation 2.5**

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 Board considers that Ivan Hammerschlag, the Company's Chairman, is an independent Director and as he is also not the Company's CEO, the Company complies with Recommendation 2.5.

#### **Induction of new directors - Recommendation 2.6**

The following protocols are in place to ensure that the Board is able to perform appropriately 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
- The Company offers Directors an opportunity to undertake external professional development programs

### **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

#### **RCG Code of Conduct - Recommendation 3.1**

The RCG Code of Conduct (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 Company with the highest level of ethics and integrity.
- Any breach of applicable laws, prevailing business ethics or other aspects of the Code will result in disciplinary action.
- All employees must immediately report any circumstances which may involve a deviation from the Code.
- Any employee who deals with agents, contractors or consultants who represent the Company must make them aware of the Code and that RCG expects them to conduct their business in accordance with the Code.
- Senior Management and all Directors will be required to personally certify compliance with the 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 Company's operations.
- 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 RCG assets and resources.

- Employees must ensure that RCG 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 RCG 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 RCG without the prior written consent of the Chairman or his nominee. Passive shareholdings in listed companies of not more than 5% are permitted.
- Employees must not engage directly or indirectly in any outside business activity involving commercial contact with, or work for the benefit of, RCG 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 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 RCG 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.

#### PRINCIPLE 4 - SAFEGUARDING INTEGRITY IN CORPORATE REPORTING

##### Audit Committee - Recommendation 4.1

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.

##### Role 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

##### Membership

The Committee is appointed by the Board in accordance with the Company's Constitution. Following the acquisition of Accent Group Limited, the Company reconstituted its Audit Committee, effective 29 May 2015, such that the Audit Committee now comprises three non-executive directors, a majority of which are independent directors. Prior to this reconstitution, the Company's Audit Committee was not constituted by three non-executive directors, a majority of which were independent.

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 an independent non-executive Director who is not also Chairman of the Board

The table below shows the names, qualifications and attendance rates 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.	2	2
Michael Hirschowitz*	BCom, BAcc.	2	2
Hilton Brett*	BCom, PGDA.	2	2
Ivan Hammerschlag**	BCom, CTA	0	0
Craig Thompson**	BCA, LLB, Dip Acc, ACA	0	0

\* retired 29 May 2015

\*\* appointed 29 May 2015

#### CEO and CFO assurance - Recommendation 4.2

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) provide written assurance to the Board, prior to approval of the Company's financial statements for the financial period, that in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of RCG's financial position and performance, and that this opinion has been formed on the basis of a sound system of risk management and internal control which operates effectively.

#### External auditor - Recommendation 4.3

RCG's external auditor attends the Company's annual general meetings and is available to answer questions from Shareholders on the conduct of the audit and the preparation and content of the auditor's report.

The appointment of, and dealings with, the Company's external auditor 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, 2001*

### PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

#### RCG Continuous Disclosure Policy - Recommendation 5.1

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, 2001*.

The overarching principle of this policy is governed by Listing Rule 3.1 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 3.1 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 its 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 the Company’s Continuous Disclosure Policy.

## **PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Information about RCG - Recommendation 6.1**

RCG provides a summary of the directors, and their biographical information, on the Company’s website, as well as copies of the Company’s constitution, its board charter, charters of its board committees and the various other policies referred to in this Corporate Governance Statement.

Further, 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.

### **Shareholder Communication Policy - Recommendation 6.2**

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.

### **Shareholder meetings - Recommendation 6.3**

RCG’s annual general meetings are convened at least once a year, usually in November. In relation to its meetings of shareholders, an explanatory memorandum on the resolutions is included with the notice of meeting and unless specifically stated in the notice of meeting, all shareholders are eligible to vote on all resolutions.

In the event that shareholders cannot attend formal meetings, they can lodge a proxy in accordance with the *Corporations Act, 2001* by mail or online.

### **Electronic communication with shareholders - Recommendation 6.4**

RCG’s shareholders are able to receive communications from, and send communications to, RCG and its security register electronically.

## PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

### Oversight of risk - Recommendation 7.1

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 management 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.

Detailed above in this Corporate Governance Statement is information about the number of times the Audit Committee met throughout the period, and the individual attendances of those members of the Audit Committee at those meetings.

### Management of risk - Recommendation 7.2

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.

The Board/Audit Committee undertook a review of the Company's risk management framework during the reporting period.

### Internal audit - Recommendation 7.3

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 separate Risk Committee has also not been established, however the Audit Committee, as outlined in the paragraphs above, carries out the functions normally reserved for a Risk Committee.

### Disclosure regarding material exposure to specific risks - Recommendation 7.4

The Company is subject to risk factors that are both specific to its business activities and that are of a more general nature. A summary of some of these risk factors are set out in Note 34 of RCG's 2015 Annual Report.

The Company does not currently have any material exposure to environmental or social sustainability risks.

RCG manages its risk exposure in accordance with its internal enterprise wide risk management framework.

## PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

### Remuneration Committee - Recommendation 8.1

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.

#### Role and responsibilities

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 management including the CEO, CFO and other senior executives
- Remuneration policies for non-executive Directors
- Executive equity grants

#### Membership

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)	2	2
Ivan Hammerschlag	2	2
Stephen Kulmar	2	2
Craig Thompson*	0	0

\* appointed 29 May 2015

### Remuneration policies - Recommendation 8.2

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.

#### Remuneration of Executives Directors

RCG's remuneration policy is designed to attract, motivate and retain employees, including senior management, 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, Finance Director, 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 management to pursue the long-term growth and success of the Company
- A clear relationship exists between performance and remuneration

#### Remuneration of 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.

#### **Share trading and hedging risk - Recommendation 8.3**

The Company's Share Trading Policy provides that its Directors, senior management, employees and people connected to employees must not enter into any transaction that operate to limit the economic risk associated with holding securities in the Company prior to the vesting of those securities.

		Consolidated	
	Note	2015 \$'000	2014 \$'000
<b>Revenue</b>	5	135,872	81,174
Other income	6	-	16
<b>Expenses</b>			
Finished goods used		(115,052)	(33,576)
Changes in merchandise inventories		58,224	4,766
Employee benefits expense		(24,655)	(14,659)
Depreciation and amortisation expense	7	(2,677)	(1,147)
Rental expense on operating leases	7	(11,284)	(5,124)
Advertising and promotion expenses		(7,626)	(6,452)
Travel and telecommunication expenses		(1,667)	(1,078)
Warehousing and freight expenses		(4,455)	(2,710)
Acquisition-related costs	41	(3,314)	-
Provision for doubtful debts		(24)	(50)
Other expenses		(6,656)	(4,359)
Finance costs	7	(569)	(178)
<b>Profit before income tax expense</b>		16,117	16,623
Income tax expense	8	(5,568)	(4,853)
<b>Profit after income tax expense for the year</b>		10,549	11,770
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		2,061	(935)
Foreign currency translation		2,806	7
Other comprehensive income for the year, net of tax		4,867	(928)
<b>Total comprehensive income for the year</b>		<u>15,416</u>	<u>10,842</u>
Profit for the year is attributable to:			
Non-controlling interest		226	74
Owners of RCG Corporation Limited	30	10,323	11,696
		<u>10,549</u>	<u>11,770</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		226	74
Owners of RCG Corporation Limited		15,190	10,768
		<u>15,416</u>	<u>10,842</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	46	3.72	4.72
Diluted earnings per share	46	3.62	4.58

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

	Note	2015 \$'000	Consolidated 2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	29,990	16,079
Trade and other receivables	10	23,701	11,576
Inventories	11	71,445	13,221
Derivative financial instruments	12	2,412	-
Other	13	1,231	1,449
Total current assets		128,779	42,325
<b>Non-current assets</b>			
Receivables	14	869	506
Property, plant and equipment	15	28,403	6,694
Intangibles	16	248,486	22,896
Deferred tax	17	5,699	1,429
Total non-current assets		283,457	31,525
<b>Total assets</b>		412,236	73,850
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	63,252	12,231
Borrowings	19	7,956	4,306
Derivative financial instruments	20	-	842
Income tax	21	3,059	1,492
Provisions	22	2,721	1,352
Other	23	-	210
Total current liabilities		76,988	20,433
<b>Non-current liabilities</b>			
Borrowings	24	78,000	-
Derivative financial instruments	25	311	-
Deferred tax	26	8,259	-
Provisions	27	4,303	427
Total non-current liabilities		90,873	427
<b>Total liabilities</b>		167,861	20,860
<b>Net assets</b>		244,375	52,990
<b>Equity</b>			
Issued capital	28	257,741	70,860
Reserves	29	7,780	2,532
Accumulated losses	30	(22,693)	(21,053)
Equity attributable to the owners of RCG Corporation Limited		242,828	52,339
Non-controlling interest	31	1,547	651
<b>Total equity</b>		244,375	52,990

The above statement of financial position should be read in conjunction with the accompanying notes

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2013	63,637	3,095	(21,807)	-	44,925
Profit after income tax expense for the year	-	-	11,696	74	11,770
Other comprehensive income for the year, net of tax	-	(928)	-	-	(928)
Total comprehensive income for the year	-	(928)	11,696	74	10,842
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	365	-	-	365
Exercise of options	1,132	-	-	-	1,132
Issue of shares for acquisition	5,953	-	-	-	5,953
Capitalised option fees	138	-	-	-	138
Non-controlling interest on acquisitions	-	-	-	577	577
Dividends paid (note 32)	-	-	(10,942)	-	(10,942)
Balance at 29 June 2014	<u>70,860</u>	<u>2,532</u>	<u>(21,053)</u>	<u>651</u>	<u>52,990</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 30 June 2014	70,860	2,532	(21,053)	651	52,990
Profit after income tax expense for the year	-	-	10,323	226	10,549
Other comprehensive income for the year, net of tax	-	4,867	-	-	4,867
Total comprehensive income for the year	-	4,867	10,323	226	15,416
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	381	-	-	381
Exercise of options	1,454	-	-	-	1,454
Issue of shares for acquisition	160,714	-	-	-	160,714
Share placement	25,000	-	-	-	25,000
Transaction costs for issue of shares, net of tax	(525)	-	-	-	(525)
Capitalised option fees	238	-	-	-	238
Non-controlling interest on acquisitions	-	-	-	726	726
Dividends paid (note 32)	-	-	(11,963)	(56)	(12,019)
Balance at 28 June 2015	<u>257,741</u>	<u>7,780</u>	<u>(22,693)</u>	<u>1,547</u>	<u>244,375</u>

On 27 May 2015 the Group acquired 100% of the ordinary shares in Accent Group Limited ("AGL") under the terms of a Share Sale and Purchase Deed ("SSPD"). The final agreed purchase price was \$203,000,000 which was based on six times AGL's normalised EBITDA for its financial year ended 30 April 2015.

Under the terms of the SSPD, \$100,000,000 of the purchase price was settled by way of the issue of ordinary shares in RCG to the vendors of AGL at a price of \$0.70 per share, which equated to the issue of 142,857,124 shares. In May 2015, when the acquisition became unconditional, RCG's share price was \$1.125.

In accordance with accounting standard AASB 3, the shares issued have been recorded at their acquisition date fair value (\$1.125 per share). Consequently, the value of the 142,857,124 shares issued has been recorded in the financial statements as \$160,714,000, which has the effect of valuing the acquisition of AGL at a total of \$263,710,000.

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

	Note	2015 \$'000	Consolidated 2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and franchisees (inclusive of GST)		155,842	89,073
Payments to suppliers and employees (inclusive of GST)		(128,835)	(63,047)
		27,007	26,026
Interest received		985	991
Interest and other finance costs paid		(569)	(179)
Payments for operating leases		(12,808)	(5,636)
Income taxes paid		(6,500)	(4,773)
Net cash from operating activities	44	8,115	16,429
<b>Cash flows from investing activities</b>			
Payment for purchase of businesses, net of cash acquired and minority interest	41	(50,490)	(2,981)
Payments for property, plant and equipment	15	(3,717)	(3,236)
Payments for intangibles	16	(343)	-
Loans in respect of TAF Partnership stores		-	(1,914)
Loans to outside shareholders of TAF Partnership stores		(363)	(506)
Net cash used in investing activities		(54,913)	(8,637)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		25,928	1,269
Proceeds from borrowings		51,049	2,240
Repayment of trade finance and bank bill facilities		(4,306)	-
Repayment of loans from option recipients		57	615
Dividends paid		(12,019)	(10,942)
Net cash from/(used in) financing activities		60,709	(6,818)
Net increase in cash and cash equivalents		13,911	974
Cash and cash equivalents at the beginning of the financial year		16,079	15,105
Cash and cash equivalents at the end of the financial year	9	29,990	16,079

*Non-cash transactions*

On 27 May 2015 the Group acquired 100% of the ordinary shares in Accent Group Limited ("AGL") under the terms of a Share Sale and Purchase Deed ("SSPD"). The final agreed purchase price was \$203,000,000 which was based on six times AGL's normalised EBITDA for its financial year ended 30 April 2015.

Under the terms of the SSPD, \$100,000,000 of the purchase price was settled by way of the issue of ordinary shares in RCG to the vendors of AGL at a price of \$0.70 per share, which equated to the issue of 142,857,124 shares. In May 2015, when the acquisition became unconditional, RCG's share price was \$1.125.

In accordance with accounting standard AASB 3, the shares issued have been recorded at their acquisition date fair value (\$1.125 per share). Consequently, the value of the 142,857,124 shares issued has been recorded in the financial statements as \$160,714,000, which has the effect of valuing the acquisition of AGL at a total of \$263,710,000.

Further details are set out in note 41. This non-cash investing activity is not reflected in the statement of cash flows.

## Note 1. General information

The financial statements cover RCG Corporation Limited as a Group consisting of RCG Corporation Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is RCG Corporation Limited's functional and presentation currency.

RCG Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

719 Elizabeth Street  
Waterloo NSW 2017

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2015. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, derivative financial instruments.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 40.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RCG Corporation Limited ('Company' or 'parent entity') as at 28 June 2015 and the results of all subsidiaries for the year then ended. RCG Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

## Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised gains and losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is RCG Corporation Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *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.

## Note 2. Significant accounting policies (continued)

### *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 they do not result in a profit or loss for the Group. Expenses in relation to the marketing of TAF Stores are recorded within advertising and promotion expenses in profit or loss.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *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.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### *Income tax*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

RCG Corporation Limited (the 'head entity') and its wholly-owned Australian subsidiaries (excluding Accent Group Limited) have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

## Note 2. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days of statement date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' or average costing basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts and interest rate swaps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

## Note 2. Significant accounting policies (continued)

### *Cash flow hedges*

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

### *Investments and other financial assets*

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

### *Property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	5 to 8 years
Assets under construction	Not depreciated

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

## Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### Brands and trademarks

Brands and trademarks are recognised at cost on acquisition. Brands and trademarks have infinite lives and are carried at cost less any accumulated impairment loss. Brands and trademarks are tested for impairment annually and wherever there is an indication that they may be impaired, any impairment is recognised immediately in profit or loss.

### Licence fees

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.

### Distribution rights

Distribution rights arising on the acquisition of Accent Group Limited are being amortised on a straight line basis over the remaining term of the respective distribution agreements.

## Note 2. Significant accounting policies (continued)

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

Employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

## Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with any market-based performance conditions and non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any service conditions or non-market based performance conditions in measuring fair value at grant date.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

## Note 2. Significant accounting policies (continued)

### 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 acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

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

Where the business combination is achieved in stages, the Group 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 the contingent consideration classified as an asset or liability is 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.

If the initial accounting for a business contribution is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of RCG Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Note 2. Significant accounting policies (continued)

### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 28 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

#### *AASB 15 Revenue from Contracts with Customers*

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft (ED 263) 'Effective Date of AASB 15' proposes to defer the application date by one year (1 January 2018). The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services). The standard may impact the way revenue is recognised by the Group, however the impact has not yet been quantified until the application date of the standard has been confirmed.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### *Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Note 4. Operating segments

#### *Identification of reportable operating segments*

The Group is organised into four operating segments: The Athlete's Foot, RCG Brands, Accent Group and Corporate. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

#### *Types of products and services*

The principal products and services of each of these operating segments are as follows:

The Athlete's Foot	Franchisor and Retailer of general sports footwear
RCG Brands	Wholesalers and retailers of Merrell, Caterpillar, Sperry, Saucony and Instride branded footwear/apparel in Australia and operators of Merrell Retail and Podium Sports stores
Accent Group	Wholesalers and retailers of Skechers, VANS, Dr. Martens, Timberland, Palladium and K-Swiss branded footwear/apparel and accessories, and operators of Skechers, Vans, Timberland and Platypus retail stores
Corporate	RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relations services

#### *Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

#### *Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

**Note 4. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2015</b>	<b>The Athlete's Foot \$'000</b>	<b>RCG Brands \$'000</b>	<b>Accent Group \$'000</b>	<b>Unallocated (a) \$'000</b>	<b>Intercompany eliminations \$'000</b>	<b>Total \$'000</b>
Corporate and partnership stores (No.)	13	27	108	-	-	148
Online Stores (No.)	1	1	1	-	-	3
Franchise Stores (No.)	133	-	-	-	-	133
<b>Total (No.)</b>	<b>147</b>	<b>28</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>284</b>
Total Group Sales (including franchised stores)	215,980	63,246	22,008	-	-	301,234
Corporate Store Sales	20,585	26,228	22,008	-	-	68,821
New Zealand	-	-	-	-	-	-
Wholesale Sales	-	37,018	7,526	-	-	44,544
Sales to Customers	20,585	63,246	29,534	-	-	113,365
Less: Cost of goods sold	10,596	31,193	14,738	-	-	56,527
Gross Profit	9,989	32,053	14,796	-	-	56,838
Net Revenue from Franchising activity	16,462	-	-	-	-	16,462
Realised and unrealised FX gain	-	-	-	-	-	-
Other Income	747	138	5	-	-	890
Dividend received	-	-	-	18,000	(18,000)	-
Net Revenue	27,198	32,191	14,801	18,000	(18,000)	74,190
Less: Employee benefits expense	7,320	9,913	5,249	2,173	-	24,655
Less: Rental expense on operating leases	3,189	4,667	3,249	179	-	11,284
Less: Total Other Expenses	3,471	9,048	3,049	724	185	16,477
EBITDA from normal operations	13,218	8,563	3,254	14,924	(18,185)	21,774
Less: Acquisition costs of Accent Group	-	-	-	3,314	-	3,314
EBITDA from continuing operations	13,218	8,563	3,254	11,610	(18,185)	18,460
Less: Depreciation and amortisation	1,032	496	791	358	-	2,677
EBIT from continuing operations	12,186	8,067	2,463	11,252	(18,185)	15,783
Interest received/(paid)	13	-	(34)	355	-	334
Segment profit before tax from continuing operations	12,199	8,067	2,429	11,607	(18,185)	16,117
Segment Assets	28,229	35,142	98,246	294,439	(43,820)	412,236
Segment Liabilities	4,965	7,324	45,578	104,107	5,887	167,861

a) Unallocated Segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relation services.

**Note 4. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2014</b>	<b>The Athlete's Foot \$'000</b>	<b>RCG Brands \$'000</b>	<b>Accent Group \$'000</b>	<b>Unallocated (a) \$'000</b>	<b>Intercompany eliminations \$'000</b>	<b>Total \$'000</b>
Corporate and partnership stores (No.)	10	24	-	-	-	34
Online Stores (No.)	1	-	-	-	-	1
Franchise Stores (No.)	138	-	-	-	-	138
<b>Total (No.)</b>	<b>149</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173</b>
Total Group Sales (including franchised stores)	210,718	46,613	-	-	-	257,331
Corporate Store Sales	12,324	16,842	-	-	-	29,166
Wholesale Sales	-	29,771	-	-	-	29,771
Sales to Customers	12,324	46,613	-	-	-	59,937
Less: Cost of goods sold	6,063	22,205	-	-	-	28,268
Gross Profit	6,261	24,408	-	-	-	30,669
Net Revenue from Franchising activity	16,344	-	-	-	-	16,344
Realised and unrealised FX gain	-	16	-	-	-	16
Other Income	792	72	-	-	-	864
Dividend received	-	-	-	15,000	(15,000)	-
Net Revenue	23,397	24,496	-	15,000	(15,000)	47,893
Less: Employee benefits expense	5,738	7,462	-	1,459	-	14,659
Less: Rental expense on operating leases	1,832	3,106	-	186	-	5,124
Less: Total Other Expenses	2,759	7,037	-	930	317	11,043
EBITDA from continuing operations	13,068	6,891	-	12,425	(15,317)	17,067
Less: Depreciation and amortisation	730	309	-	108	-	1,147
EBIT from continuing operations	12,338	6,582	-	12,317	(15,317)	15,920
Interest received/(paid)	34	-	-	669	-	703
Segment profit before tax from continuing operations	12,372	6,582	-	12,986	(15,317)	16,623
Segment Assets	23,613	30,366	-	23,890	(4,019)	73,850
Segment Liabilities	3,963	10,605	-	4,920	1,372	20,860

a) *Unallocated Segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relation services.*

Segment revenue reconciles to note 5 as follows:

	<b>Consolidated 2015 \$'000</b>	<b>2014 \$'000</b>
Revenue per note 5	135,872	81,190
Cost of goods sold	(56,527)	(28,268)
Interest received	(902)	(881)
Advertising from Marketing fund	(4,253)	(4,148)
<b>Total revenue per segment accounts above</b>	<b>74,190</b>	<b>47,893</b>

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales revenue</i>		
Sales to customers	113,367	58,937
Royalties and other franchise related income	16,460	16,344
	<u>129,827</u>	<u>75,281</u>
<i>Other revenue</i>		
Marketing levies received from TAF stores *	4,253	4,148
Interest	902	881
Other revenue	890	864
	<u>6,045</u>	<u>5,893</u>
Revenue	<u><u>135,872</u></u>	<u><u>81,174</u></u>

\* 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. Expenses in relation to the marketing of TAF stores are recorded in advertising and promotion expenses in profit or loss. As all the contributions are designated for specific purposes, they do not result in a profit or loss for the Group.

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net foreign exchange gain	<u><u>-</u></u>	<u><u>16</u></u>

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	2,335	1,041
<i>Amortisation</i>		
Licence fee	29	31
Distribution rights	276	-
Other intangible assets	37	75
Total amortisation	342	106
Total depreciation and amortisation	2,677	1,147
<i>Finance costs</i>		
Interest and finance charges paid/payable	534	143
Interest on deferred consideration	35	35
Finance costs expensed	569	178
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	95	-
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	11,284	5,124
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,870	1,110
<i>Share-based payments expense</i>		
Share-based payments expense	381	365

**Note 8. Income tax expense**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Current tax	7,804	5,512
Deferred tax - origination and reversal of temporary differences	(1,973)	(398)
Adjustment recognised for prior periods	(263)	(261)
	<u>5,568</u>	<u>4,853</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 17)	(1,973)	(398)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	16,117	16,623
Tax at the statutory tax rate of 30%	4,835	4,987
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	9	6
Share-based payments	114	109
Interest on deferred consideration	-	11
Acquisition expenses	530	-
Other assessable items	36	74
Sundry items	40	-
	<u>5,564</u>	<u>5,187</u>
Adjustment recognised for prior periods	(263)	(261)
Prior year tax losses not recognised now recouped	-	(73)
Difference in overseas tax rates	(53)	-
Reversal of prior year unrealised loss	320	-
	<u>5,568</u>	<u>4,853</u>
Income tax expense		
	<u>5,568</u>	<u>4,853</u>
	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 17)	(225)	(94)
Deferred tax liabilities (note 26)	609	-
	<u>384</u>	<u>(94)</u>
	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Capital losses	7,198	7,406
	<u>7,198</u>	<u>7,406</u>
Total deferred tax assets not recognised		
	<u>7,198</u>	<u>7,406</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

**Note 9. Current assets - cash and cash equivalents**

	Consolidated 2015 \$'000	2014 \$'000
Cash on hand	98	30
Cash at bank	29,892	16,049
	<u>29,990</u>	<u>16,079</u>

**Note 10. Current assets - trade and other receivables**

	Consolidated 2015 \$'000	2014 \$'000
Trade receivables	20,525	11,412
Less: Provision for impairment of receivables	(843)	(541)
	<u>19,682</u>	<u>10,871</u>
Other receivables	4,019	705
	<u>23,701</u>	<u>11,576</u>

Refer to note 33 for further information on financial instruments.

**Note 11. Current assets - inventories**

	Consolidated 2015 \$'000	2014 \$'000
Finished goods at cost, less provision for obsolescence	<u>71,445</u>	<u>13,221</u>

**Note 12. Current assets - derivative financial instruments**

	Consolidated 2015 \$'000	2014 \$'000
Forward foreign exchange contracts - cash flow hedges	<u>2,412</u>	<u>-</u>

Refer to note 34 for further information on fair value measurement.

**Note 13. Current assets - other**

	Consolidated 2015 \$'000	2014 \$'000
Prepayments	175	662
Security deposits	56	68
Other current assets	<u>1,000</u>	<u>719</u>
	<u>1,231</u>	<u>1,449</u>

**Note 14. Non-current assets - receivables**

	2015 \$'000	Consolidated 2014 \$'000
Loans to outside shareholders in TAF Partnership stores	869	506

The loans to outside shareholders in TAF Partnership stores are secured over the minority shareholders' share in the underlying TAF Partnership store entities.

**Note 15. Non-current assets - property, plant and equipment**

	2015 \$'000	Consolidated 2014 \$'000
Plant and equipment - at cost	53,493	9,768
Less: Accumulated depreciation	(25,426)	(4,201)
	28,067	5,567
Assets under construction - at cost	336	1,127
	28,403	6,694

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Balance at 1 July 2013	4,064	138	4,202
Additions	2,055	989	3,044
Additions through business combinations (note 41)	491	-	491
Exchange differences	(2)	-	(2)
Depreciation expense	(1,041)	-	(1,041)
Balance at 29 June 2014	5,567	1,127	6,694
Additions	3,717	-	3,717
Additions through business combinations (note 41)	20,381	-	20,381
Exchange differences	(54)	-	(54)
Transfers in/(out)	791	(791)	-
Depreciation expense	(2,335)	-	(2,335)
Balance at 28 June 2015	28,067	336	28,403

**Note 16. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	212,135	11,703
Brands and trademarks - at cost	13,866	3,466
Licence fees - The Athlete's Foot - at cost	7,832	7,832
Less: Accumulated amortisation	(171)	(142)
	<u>7,661</u>	<u>7,690</u>
Distribution rights - at cost	15,100	-
Less: Accumulated amortisation	(276)	-
	<u>14,824</u>	<u>-</u>
Other intangible assets - The Athlete's Foot - at cost	175	175
Less: Accumulated amortisation	(175)	(158)
	<u>-</u>	<u>17</u>
Other intangible assets - RCG Brands - at cost	200	200
Less: Accumulated amortisation	(200)	(180)
	<u>-</u>	<u>20</u>
	<u><u>248,486</u></u>	<u><u>22,896</u></u>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	<b>Goodwill</b>	<b>Brands and</b>	<b>Licence</b>	<b>Distribution</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>trademarks</b>	<b>fees</b>	<b>rights</b>	<b>intangible</b>	<b>\$'000</b>
<b>Consolidated</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>assets</b>	
					<b>\$'000</b>	
Balance at 1 July 2013	6,195	3,466	7,722	-	112	17,495
Additions through business combinations (note 41)	5,508	-	-	-	-	5,508
Exchange differences	-	-	(1)	-	-	(1)
Amortisation expense	-	-	(31)	-	(75)	(106)
Balance at 29 June 2014	11,703	3,466	7,690	-	37	22,896
Additions	342	-	-	-	-	342
Additions through business combinations (note 41)	200,090	10,400	-	15,100	-	225,590
Amortisation expense	-	-	(29)	(276)	(37)	(342)
Balance at 28 June 2015	<u><u>212,135</u></u>	<u><u>13,866</u></u>	<u><u>7,661</u></u>	<u><u>14,824</u></u>	<u><u>-</u></u>	<u><u>248,486</u></u>

**Note 16. Non-current assets - intangibles (continued)**

*Allocation of goodwill and indefinite life intangible assets to cash-generating units/groups of cash-generating units*

Goodwill and indefinite life intangible assets have been allocated for impairment testing purposes to the following cash-generating units/groups of cash-generating units:

	2015 \$'000	Consolidated 2014 \$'000
<b>Carrying amount of goodwill</b>		
The Athlete's Foot [a]	9,019	7,413
Accent Group * [b]	198,761	-
RCG Brands [c]	2,965	2,900
RCG Retail [d]	1,390	1,390
	<hr/>	<hr/>
Goodwill	212,135	11,703
	<hr/>	<hr/>
	2015 \$'000	Consolidated 2014 \$'000
<b>Carrying amount of intangibles **</b>		
The Athlete's Foot [a]	3,466	3,466
Accent Group * [b]	10,400	10,400
	<hr/>	<hr/>
Intangible assets	13,866	13,866
	<hr/>	<hr/>

[a] Group of CGUs consisting of the franchising and retail activities of The Athlete's Foot operating segment.

[b] Group of CGUs consisting of the wholesale and retail activities of the Accent Group operating segment.

[c] Individual CGU consisting of the wholesale activities of the RCG Brands operating segment.

[d] Group of CGUs comprising the retail activities of RCG Retail (included in the RCG Brands operating segment).

\* Due to the proximity of the acquisition of Accent Group Limited to the year end, the goodwill arising on the acquisition has provisionally been allocated entirely to Accent Group. The Directors acknowledge that a portion of the goodwill may relate to the potential synergy benefits with the wider RCG Group and a portion of goodwill may be reallocated accordingly when final assessments have been determined.

\*\* The Group considers that its investment in The Athlete's Foot brands and trademarks, and the Platypus brand have indefinite useful lives because it foresees no impediment to its ability to continue to own and operate the businesses for the foreseeable future.

**Impairment testing**

The primary groups of cash-generating units ('CGU') for RCG Corporation Limited to which goodwill and indefinite life intangible assets has been allocated are The Athlete's Foot, RCG Brands, RCG Retail and Accent Group.

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 tests at 28 June 2015 were carried out based on value in use calculations. The recoverable amounts of the above groups of CGUs were determined based on estimated future cash flows based on the management approved budgets for FY2016 discounted to the present value using a pre-tax discount rate of 15.7% (2014: 14%) with subsequent cash flows projected using long-term average growth rates of 3-4% (2014: 1%). The impairment tests did not indicate any reason for impairment of the goodwill or indefinite life intangible assets.

The long-term average growth rates have been determined based on past experience and expectations of general market conditions. The pre-tax discount rates reflect management's estimate of the time value of money, as well as the risks specific to the groups of CGUs.

**Note 16. Non-current assets - intangibles (continued)**

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. A decrease in EBITDA in any of the CGUs (with the exception of Accent Group, which has only been provisionally allocated) of 10% would not result in an impairment.

All other intangible assets have been assessed for indicators of impairment, and no indicators of impairment have been identified.

**Note 17. Non-current assets - deferred tax**

	<b>2015</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2014</b>
		<b>\$'000</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Accrued expenses	573	99
Provision for doubtful debts	252	162
Provision for shrinkage and stock obsolescence	1,408	389
Provision for employee entitlements	1,256	669
Other provisions	154	126
Realised foreign currency exchange	235	-
Landlord and supplier contribution	-	99
Difference in accounting and tax depreciation	735	(368)
Borrowing costs	204	-
Acquisition costs	189	-
Landlord and supplier contribution	468	-
	<u>5,474</u>	<u>1,176</u>
Amounts recognised in equity:		
Derivative financial instruments	-	253
Share issue costs	225	-
	<u>225</u>	<u>253</u>
Deferred tax asset	<u><u>5,699</u></u>	<u><u>1,429</u></u>
<i>Movements:</i>		
Opening balance	1,429	937
Credited to profit or loss (note 8)	1,973	398
Credited to equity (note 8)	225	94
Additions through business combinations (note 41)	2,072	-
Closing balance	<u><u>5,699</u></u>	<u><u>1,429</u></u>

**Note 18. Current liabilities - trade and other payables**

	2015 \$'000	Consolidated 2014 \$'000
Trade payables	30,751	5,456
Goods and services tax payable	1,678	1,002
Owing to vendors of Accent Group Limited (note 41)	15,979	-
Accrued expenses	10,597	2,692
Other payables	4,247	3,081
	<u>63,252</u>	<u>12,231</u>

Refer to note 33 for further information on financial instruments.

**Note 19. Current liabilities - borrowings**

	2015 \$'000	Consolidated 2014 \$'000
Working capital facility	7,956	-
Trade finance facility	-	3,122
Bank bill facility	-	1,184
	<u>7,956</u>	<u>4,306</u>

Refer to note 24 for further information on assets pledged as security and financing arrangements.

Refer to note 33 for further information on financial instruments.

**Note 20. Current liabilities - derivative financial instruments**

	2015 \$'000	Consolidated 2014 \$'000
Forward foreign exchange contracts - cash flow hedges	-	842

Refer to note 33 for further information on financial instruments.

Refer to note 34 for further information on fair value measurement.

**Note 21. Current liabilities - income tax**

	2015 \$'000	Consolidated 2014 \$'000
Provision for income tax	3,059	1,492

**Note 22. Current liabilities - provisions**

	Consolidated 2015 \$'000	2014 \$'000
Employee benefits	1,517	1,275
Deferred lease incentives	1,204	77
	<u>2,721</u>	<u>1,352</u>

*Deferred lease incentives*

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Deferred lease incentives \$'000
<b>Consolidated - 2015</b>	
Carrying amount at the start of the year	77
Additional provisions recognised	26
Additions through business combinations (note 41)	<u>1,101</u>
Carrying amount at the end of the year	<u>1,204</u>

**Note 23. Current liabilities - other**

	Consolidated 2015 \$'000	2014 \$'000
Deferred consideration	-	<u>210</u>

**Note 24. Non-current liabilities - borrowings**

	Consolidated 2015 \$'000	2014 \$'000
Bank loans	50,000	-
Vendor loan notes *	<u>28,000</u>	<u>-</u>
	<u>78,000</u>	<u>-</u>

Refer to note 33 for further information on financial instruments.

*\* Vendor loan notes*

As part of the purchase consideration for Accent Group Limited, RCG Corporation issued vendor loan notes to each of the vendors (refer to note 41). The vendor loan notes were issued to each of Craig Thompson, Michael Hapgood, James Duell, 2 Como Pty Limited and Daniel Agostinelli in proportion to their shareholding in Accent Group. The vendor loan notes are unsecured and subordinated to the senior bank debt pursuant to a subordinated deed.

**Note 24. Non-current liabilities - borrowings (continued)**

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	2015 \$'000	Consolidated 2014 \$'000
Bank loans	50,000	-
Working capital facility	7,956	-
Trade finance facility	-	3,122
Bank bill facility	-	1,184
	<u>57,956</u>	<u>4,306</u>

*Assets pledged as security*

The senior bank debt made available by NAB and BNZ, is secured by cross-guarantees and all assets from the RCG Corporation Limited and each of its wholly-owned subsidiaries, excluding TAF Partnership Stores Pty Limited (refer to note 42 for a list of wholly-owned subsidiaries).

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	2015 \$'000	Consolidated 2014 \$'000
<b>Total facilities</b>		
Bank loans	50,000	-
Working capital facility	16,900	-
Trade finance facility	-	7,450
Flexible options finance facility	-	5,100
Bank bill facility	-	2,400
Bank guarantee and letters of credit	23,100	-
	<u>90,000</u>	<u>14,950</u>
<b>Used at the reporting date</b>		
Bank loans	50,000	-
Working capital facility	7,956	-
Trade finance facility	-	3,122
Flexible options finance facility	-	-
Bank bill facility	-	1,184
Bank guarantee and letters of credit	20,508	-
	<u>78,464</u>	<u>4,306</u>
<b>Unused at the reporting date</b>		
Bank loans	-	-
Working capital facility	8,944	-
Trade finance facility	-	4,328
Flexible options finance facility	-	5,100
Bank bill facility	-	1,216
Bank guarantee and letters of credit	2,592	-
	<u>11,536</u>	<u>10,644</u>

**Note 25. Non-current liabilities - derivative financial instruments**

	2015 \$'000	Consolidated 2014 \$'000
Interest rate swap contracts - cash flow hedges	311	-

Refer to note 33 for further information on financial instruments.

Refer to note 34 for further information on fair value measurement.

**Note 26. Non-current liabilities - deferred tax**

	2015 \$'000	Consolidated 2014 \$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised on business combinations:		
Trademarks and distribution rights	7,650	-
Amounts recognised in equity:		
Hedging reserve	609	-
Deferred tax liability	8,259	-
<i>Movements:</i>		
Credited to equity (note 8)	609	-
Additions through business combinations (note 41)	7,650	-
Closing balance	8,259	-

**Note 27. Non-current liabilities - provisions**

	2015 \$'000	Consolidated 2014 \$'000
Employee benefits	1,493	175
Deferred lease incentives	2,810	252
	4,303	427

**Deferred lease incentives**

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

**Note 27. Non-current liabilities - provisions (continued)**

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Deferred lease incentives \$'000
<b>Consolidated - 2015</b>	
Carrying amount at the start of the year	252
Additions through business combinations (note 41)	2,718
Unused amounts reversed	(160)
	<hr/>
Carrying amount at the end of the year	<u>2,810</u>

**Note 28. Equity - issued capital**

	2015 Shares	2014 Shares	2015 \$'000	Consolidated 2014 \$'000
Ordinary shares - fully paid	450,600,035	263,808,265	265,783	75,871
Less: Treasury shares	(14,335,000)	(9,714,640)	(8,042)	(5,011)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>436,265,035</u>	<u>254,093,625</u>	<u>257,741</u>	<u>70,860</u>

**Note 28. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2013	242,278,207		63,637
Exercise of options	2 September 2013	250,000	\$0.280	70
Exercise of options	27 November 2013	1,350,000	\$0.390	522
Issue of shares for acquisition of Saucony and Podium Sports businesses	3 December 2013	8,715,418	\$0.680	5,953
Issue of shares under Employee Share Scheme	3 December 2013	450,000	\$0.690	312
Treasury shares	3 December 2013	(450,000)	\$0.690	(312)
Exercise of options	27 February 2014	1,500,000	\$0.360	540
Capitalised options fees		-	\$0.000	138
Balance	29 June 2014	254,093,625		70,860
Issue of shares under Employee Share Scheme	2 October 2014	1,360,000	\$0.590	802
Treasury shares	2 October 2014	(1,360,000)	\$0.590	(802)
Cancellation of shares under Employee Share Scheme	2 October 2014	(830,000)	\$0.490	(407)
Cancellation of shares under Employee Share Scheme	2 October 2014	(250,000)	\$0.690	(173)
Cancellation of shares under Employee Share Scheme	12 October 2014	(280,000)	\$0.490	(137)
Treasury shares	12 October 2014	1,360,000	\$0.527	717
Exercise of options	12 January 2015	3,500,000	\$0.400	1,400
Exercise of options	12 January 2015	50,000	\$0.530	27
Exercise of options	20 January 2015	50,000	\$0.530	27
Share placement	30 March 2015	35,714,286	\$0.700	25,000
Transaction costs for issue of shares, net of tax	30 March 2015			(525)
Issue of shares under Employee Share Scheme	30 March 2015	220,000	\$0.720	160
Treasury shares	30 March 2015	(220,000)	\$0.720	(160)
Issue of shares for acquisition of Accent Group business	27 May 2015	142,857,124	\$1.125	160,714
Issue of shares under Employee Share Scheme	27 May 2015	2,900,000	\$0.730	2,117
Issue of shares under Employee Share Scheme	27 May 2015	500,000	\$1.010	505
Treasury shares	27 May 2015	(3,400,000)	\$0.730	(2,622)
Capitalised option fees		-	\$0.000	238
Issue of shares under loan	1 June 2015	1,000,000	\$0.400	400
Treasury shares	1 June 2015	(1,000,000)	\$0.400	(400)
Balance	28 June 2015	<u>436,265,035</u>		<u>257,741</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Treasury shares*

During the year, 4,980,000 (2014: 450,000) shares were issued to employees under the RCG Employee Share Scheme. Details of the scheme are set out in note 47.

The shares issued have been deducted from equity as the scheme is treated as an in-substance option and accounted for as a share-based payment.

*Share buy-back*

There is no current on-market share buy-back.

**Note 29. Equity - reserves**

	<b>Consolidated</b>
	<b>2015</b>
	<b>\$'000</b>
Foreign currency reserve	2,790
Hedging reserve - cash flow hedges	1,471
Share-based payments reserve	3,519
	<u>7,780</u>
	<u>2,532</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Hedging reserve - cash flow hedges*

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Foreign currency reserve \$'000</b>	<b>Hedging reserve-cash flow hedge \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	(23)	345	2,773	3,095
Foreign currency translation	7	-	-	7
Loss recognised on cash flow hedges - foreign currency contracts	-	(1,336)	-	(1,336)
Share-based payment	-	-	365	365
Income tax related to gains/(losses) recognised in other comprehensive income	-	401	-	401
Balance at 29 June 2014	(16)	(590)	3,138	2,532
Foreign currency translation	2,806	-	-	2,806
Gain recognised on cash flow hedges - foreign currency contracts	-	3,256	-	3,256
Loss recognised on cash flow hedges - interest rate swaps	-	(311)	-	(311)
Share-based payment	-	-	381	381
Income tax related to gains/(losses) recognised in other comprehensive income	-	(884)	-	(884)
Balance at 28 June 2015	<u>2,790</u>	<u>1,471</u>	<u>3,519</u>	<u>7,780</u>

**Note 30. Equity - accumulated losses**

	2015 \$'000	Consolidated 2014 \$'000
Accumulated losses at the beginning of the financial year	(21,053)	(21,807)
Profit after income tax expense for the year	10,323	11,696
Dividends paid (note 32)	(11,963)	(10,942)
Accumulated losses at the end of the financial year	<u>(22,693)</u>	<u>(21,053)</u>

**Note 31. Equity - non-controlling interest**

	2015 \$'000	Consolidated 2014 \$'000
Issued capital	1,303	577
Retained profits	244	74
	<u>1,547</u>	<u>651</u>

**Note 32. Equity - dividends**

*Dividends*

Dividends paid during the financial year were as follows:

	2015 \$'000	Consolidated 2014 \$'000
Final dividend for the year ended 29 June 2014 (2014: 30 June 2013) of 2.50 cents (2014: 2.50 cents) per ordinary share	6,595	5,665
Interim dividend for the year ended 28 June 2015 (2014: 29 June 2014) of 2.00 cents (2014: 2.00 cents) per ordinary share	5,368	5,277
	11,963	10,942
Dividends paid to non-controlling interests for the year ended 28 June 2015	56	-
	<u>12,019</u>	<u>10,942</u>

On 26 August 2015, the Company declared an ordinary fully franked final dividend of 2.50 cents per share to be paid on 25 September 2015 to shareholders registered on the record date of 10 September 2015.

*Franking credits*

	2015 \$'000	Consolidated 2014 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>15,842</u>	<u>8,042</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

### Note 33. Financial instruments

#### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group 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 risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a periodic basis.

#### Market risk

##### Foreign currency risk

The Group is exposed to foreign exchange risk arising from forecast inventory purchases which are normally denominated in US dollars. and is exposed to foreign currency risk through foreign exchange rate fluctuations. The Group manages its risk through forward currency contracts.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The maturity, settlement amounts and the average contractual exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	2015	2014	2015	2014
	\$'000	\$'000		
<b>Buy US dollars</b>				
Maturity:				
0 - 3 months	23,376	4,653	0.8000	0.9000
3 - 6 months	28,433	6,064	0.7700	0.9100
6 - 12 months	43,653	12,349	0.7800	0.8900
	Sell NZ dollars		Average exchange rates	
	2015	2014	2015	2014
	\$'000	\$'000		
<b>Buy US dollars</b>				
Maturity:				
0 - 3 months	1,336	-	0.7500	-
3 - 6 months	671	-	0.7500	-

The Athlete's Foot Australia Pty Limited, RCG Brands Pty Limited and Accent Group Limited, all 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 risk is measured using sensitivity analysis and cash flow forecasting.

**Note 33. Financial instruments (continued)**

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
New Zealand dollars	5,291	1,109	15,467	26

The Group had net liabilities denominated in foreign currencies of \$10,176,000 (assets of \$5,291,000 less liabilities of \$15,467,000) as at 28 June 2015 (2014: \$1,083,000 (assets of \$1,109,000 less liabilities of \$26,000)). Based on this exposure, had the Australian dollars weakened or strengthened the effect on the Group would have been as follows:

Consolidated - 2015	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
New Zealand dollars	10%	825	-	10%	(908)	-

Consolidated - 2014	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
New Zealand dollars	10%	(18)	14	10%	22	(18)

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 28 June 2015 was \$96,000 (2014: gain of \$16,000).

*Price risk*

The Group is not exposed to any significant price risk.

*Interest rate risk*

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The policy is to maintain approximately 80% of long-term borrowings at fixed rates using interest rate swaps to achieve this when necessary.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	Weighted average interest rate %	2015	Weighted average interest rate %	2014
		Balance \$'000		Balance \$'000
Cash and cash equivalents	2.68%	29,990	3.00%	16,079
Bank loans	4.04%	(50,000)	-%	-
Interest rate swap	4.42%	40,000	-%	-
Working capital facility	4.42%	(7,956)	-%	-
Trade finance facility	-%	-	2.89%	(3,122)
Bank bill facility	-%	-	4.86%	(1,184)
Net exposure to cash flow interest rate risk		12,034		11,773

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

**Note 33. Financial instruments (continued)**

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

***Impairment of receivables***

The Group has recognised a loss of \$24,000 (2014: \$50,000) in profit or loss in respect of impairment of receivables for the year ended 28 June 2015.

The ageing of the impaired receivables provided for above are as follows:

	<b>2015</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2014</b>
		<b>\$'000</b>
30 to 90 days overdue	679	202
Over 90 days overdue	164	339
	<u>843</u>	<u>541</u>

Movements in the provision for impairment of receivables are as follows:

	<b>2015</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2014</b>
		<b>\$'000</b>
Opening balance	541	462
Additional provisions recognised	24	79
Additions through business combinations	278	-
Closing balance	<u>843</u>	<u>541</u>

***Past due but not impaired***

Customers with balances past due but without provision for impairment of receivables amount to \$7,057,000 as at 28 June 2015 (\$1,646,000 as at 29 June 2014).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>2015</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2014</b>
		<b>\$'000</b>
30 to 90 days overdue	<u>7,057</u>	<u>1,646</u>

***Liquidity risk***

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 33. Financial instruments (continued)**

*Financing arrangements*

Unused borrowing facilities at the reporting date:

	2015 \$'000	Consolidated 2014 \$'000
Working capital facility	8,944	-
Trade finance facility	-	4,328
Flexible options finance facility	-	5,100
Bank bill facility	-	1,216
Bank guarantee and letters of credit	2,592	-
	<u>11,536</u>	<u>10,644</u>

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2015	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	30,751	-	-	-	30,751
Other payables	-%	4,247	-	-	-	4,247
<i>Interest-bearing - variable</i>						
Bank loans	4.42%	1,658	11,133	46,724	-	59,515
Working capital facility	4.42%	7,956	-	-	-	7,956
<i>Interest-bearing - fixed rate</i>						
Owing to vendors of Accent Group	6.00%	15,979	-	-	-	15,979
Vendor loan notes	6.00%	1,260	28,420	-	-	29,680
Total non-derivatives		<u>61,851</u>	<u>39,553</u>	<u>46,724</u>	<u>-</u>	<u>148,128</u>
<b>Derivatives</b>						
Interest rate swaps net settled	4.42%	-	311	-	-	311
Total derivatives		<u>-</u>	<u>311</u>	<u>-</u>	<u>-</u>	<u>311</u>

**Note 33. Financial instruments (continued)**

<b>Consolidated - 2014</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	5,456	-	-	-	5,456
Other payables	-%	3,081	-	-	-	3,081
<i>Interest-bearing - variable</i>						
Trade finance facility	2.89%	3,122	-	-	-	3,122
Bank bill facility	4.86%	1,184	-	-	-	1,184
<i>Interest-bearing - fixed rate</i>						
Deferred consideration	12.00%	210	-	-	-	210
<b>Total non-derivatives</b>		<b>13,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,053</b>
<b>Derivatives</b>						
Forward foreign exchange contracts net settled	-%	842	-	-	-	842
<b>Total derivatives</b>		<b>842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>842</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Capital risk management**

The Group 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, reserves 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.

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

The capital risk management policy has not changed since the 29 June 2014 year.

**Note 34. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated - 2015</b>				
<i>Assets</i>				
Forward foreign exchange contracts - cash flow hedges	-	2,412	-	2,412
Total assets	-	2,412	-	2,412
<i>Liabilities</i>				
Interest rate swap contracts - cash flow hedges	-	311	-	311
Total liabilities	-	311	-	311
<b>Consolidated - 2014</b>				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Forward foreign exchange contracts - cash flow hedges	-	842	-	842
Total liabilities	-	842	-	842

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2*

The fair values of the above financial assets and financial liabilities are determined using the following valuation techniques:

- Forward foreign exchange contracts – 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.
- Interest rate swap contracts - Discounted cash flow: Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

### Note 35. Key management personnel disclosures

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2015 \$	Consolidated 2014 \$
Short-term employee benefits	2,270,649	1,504,243
Post-employment benefits	105,269	82,884
Long-term benefits	22,706	25,078
	<u>2,398,624</u>	<u>1,612,205</u>

### Note 36. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and unrelated firms:

	2015 \$	Consolidated 2014 \$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>212,000</u>	<u>169,155</u>
<i>Other services - Deloitte Touche Tohmatsu</i>		
Other professional services	<u>215,000</u>	<u>14,550</u>
	<u>427,000</u>	<u>183,705</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	<u>47,709</u>	<u>-</u>
<i>Other services - unrelated firms</i>		
Other professional services	<u>27,201</u>	<u>-</u>
	<u>74,910</u>	<u>-</u>

### Note 37. Contingent liabilities

The Group has bank guarantees outstanding as at 28 June 2015 of \$4,945,717 (2014: \$668,827). The Group also has open letters of credit of \$15,562,500 (2014: \$nil). These guarantees and letters of credit entered into in relation to the debts of its subsidiaries.

The Athletes Foot has entered into operating lease commitments with landlords in its 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 \$72,000,000 (2014: \$68,700,000) and comprises:

**Note 37. Contingent liabilities (continued)**

	2015 \$'000	Consolidated 2014 \$'000
<b>Default by franchisee</b>		
Maximum possible exposure comprising:		
Less than one year	20,600	19,200
Between one and five years	46,200	45,000
More than five years	5,200	4,500
	<u>72,000</u>	<u>68,700</u>

This above would arise only in the event that all franchisees defaulted at the same time.

**Note 38. Commitments**

	2015 \$'000	Consolidated 2014 \$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	<u>4,475</u>	<u>1,110</u>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	28,307	6,949
One to five years	73,401	20,506
More than five years	5,017	2,689
	<u>106,725</u>	<u>30,144</u>

Operating lease commitments includes contracted amounts for various retail outlets and corporate headquarters under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 39. Related party transactions**

*Parent entity*

RCG Corporation Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 42.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 35 and the remuneration report in the directors' report.

*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.  
Omniway Pty Limited, a shareholder, is a company associated with Michael Hirschowitz.  
Rastana Holdings Pty Limited, a shareholder, is a company associated with Hilton Brett.  
2 Como Pty Ltd, a shareholder, is a company associated with Daniel Agostinelli.  
Retail Oasis Pty Limited, a company associated with Stephen Kulmar.

**Note 39. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	2015 \$	Consolidated 2014 \$
Loan repayments received from directors:		
- Hilton Brett	-	159,508
- Michael Hirschowitz	-	134,650
- Michael Cooper	-	153,000
- David Gordon	-	78,200
- Stephen Kulmar	-	24,000
	<hr/>	<hr/>
Total loan repayments received	-	549,358
	<hr/>	<hr/>
Interest charged on loan to director, Hilton Brett	135,000	127,500
	<hr/>	<hr/>

Retail Oasis Pty Limited, a company associated with Stephen Kulmar, provided consultancy services to the Company's subsidiaries amounting to \$123,000 (2014: \$nil). These services were provided on an arm's length basis.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2015 \$	Consolidated 2014 \$
Loans to/(from) key management personnel:		
- Ivan Hammerschlag	78,200	78,200
- Hilton Brett	1,051,692	1,051,692
- Michael Hirschowitz	137,350	137,350
- Michael Cooper	119,000	119,000
- Stephen Kulmar	6,000	6,000
- Craig Thompson	(22,296,000)	-
- Michael Hapgood	(8,918,400)	-
- Daniel Agostinelli (including 2 Como Pty Ltd)	(4,459,200)	-
	<hr/>	<hr/>
Total loans receivable/(payable)	(34,281,358)	1,392,242
	<hr/>	<hr/>

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. The Company's recourse is limited to the shares. This loan has been included within treasury shares.

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.

At 28 June 2015, the Group owed the vendors of Accent Group Limited \$15,979,000 in deferred consideration and a \$28,000,000 vendor loan note. Interest was charged on these balances of \$613,000. Michael Hapgood, Daniel Agostinelli and Craig Thompson are three of the four vendors of the Accent Group.

#### Note 40. Parent entity information

Set out below is the supplementary information about the parent entity.

##### *Statement of profit or loss and other comprehensive income*

	2015 \$'000	Parent 2014 \$'000
Profit after income tax	11,958	13,817
Other comprehensive income for the year, net of tax	2,082	(935)
Total comprehensive income	14,040	12,882

##### *Statement of financial position*

	2015 \$'000	Parent 2014 \$'000
Total current assets	54,724	29,031
Total non-current assets	275,539	13,023
Total assets	330,263	42,054
Total current liabilities	21,317	-
Total non-current liabilities	78,429	104
Total liabilities	99,746	104
Net assets	230,517	41,950
Equity		
Issued capital	257,741	70,860
Hedging reserve - cash flow hedges	720	(590)
Share-based payments reserve	3,519	3,138
Accumulated losses	(31,463)	(31,458)
Total equity	230,517	41,950

##### *Contingent liabilities*

The parent entity had no contingent liabilities as at 28 June 2015 and 29 June 2014, other than those disclosed in note 37, which apply to RCG Corporation as parent of the Group.

##### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 28 June 2015 and 29 June 2014.

##### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

#### Note 41. Business combinations

The following companies were acquired to continue the expansion of the Group:

##### *TAF Booragoon Pty Ltd*

On 1 July 2014 the Group acquired 60% of the ordinary shares of TAF Booragoon Pty Ltd for the total consideration transferred of \$1,089,000. The goodwill of \$1,329,000 represents the present values of future cash flows. The acquired business contributed revenues of \$3,674,000 and profit after tax of \$283,000 to the Group for the period from the date of acquisition to 28 June 2015. If the acquisition occurred on 30 June 2014, the full year contributions would not have been materially different.

##### *Accent Group Limited*

On 27 May 2015 the Group acquired 100% of the ordinary shares of Accent Group Limited for the total consideration transferred of \$264,327,000. The goodwill of \$198,761,000 represents the present values of future cash flows. The acquired business contributed revenues of \$29,534,000 and profit after tax of \$1,444,000 to the Group for the period from the date of acquisition to 28 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$226,789,000 and profit after tax of \$15,191,000. The values identified in relation to the acquisition of Accent Group Limited are provisional as at 28 June 2015.

Details of the acquisitions are as follows:

	TAF Booragoon Fair value \$'000	Accent Group Fair value \$'000	Total Fair value \$'000
Cash and cash equivalents	1	9,982	9,983
Trade and other receivables	-	10,870	10,870
Inventories	425	47,762	48,187
Other current assets	-	617	617
Plant and equipment	100	20,281	20,381
Brands	-	10,400	10,400
Distribution licences	-	15,100	15,100
Deferred tax asset	-	2,076	2,076
Trade and other payables	(23)	(28,477)	(28,500)
Provision for income tax	-	(1,242)	(1,242)
Deferred tax liability	-	(7,650)	(7,650)
Employee benefits provisions	(17)	(1,826)	(1,843)
Deferred lease incentives	-	(3,819)	(3,819)
Interest bearing loans and borrowings	-	(6,903)	(6,903)
Derivative financial liabilities	-	(1,605)	(1,605)
Net assets acquired	486	65,566	66,052
Goodwill	1,329	198,761	200,090
Acquisition-date fair value of the total consideration transferred	<u>1,815</u>	<u>264,327</u>	<u>266,142</u>
Representing:			
Cash paid or payable to vendor	1,089	75,000	76,089
RCG Corporation Limited shares issued to vendor	-	160,714	160,714
Vendor loan notes	-	28,000	28,000
Interest payable to vendor	-	613	613
Non-controlling interest	726	-	726
	<u>1,815</u>	<u>264,327</u>	<u>266,142</u>
Acquisition costs expensed to profit or loss	<u>-</u>	<u>3,314</u>	<u>3,314</u>

**Note 41. Business combinations (continued)**

	TAF Booragoon Fair value \$'000	Accent Group Fair value \$'000	Total Fair value \$'000
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred *	1,815	264,327	266,142
Less: cash and cash equivalents	(1)	(9,982)	(9,983)
Less: payments to be made in future periods	-	(15,616)	(15,616)
Less: shares issued by Company as part of consideration	-	(160,714)	(160,714)
Less: vendor loan notes	-	(28,000)	(28,000)
Less: interest payable to vendor	-	(613)	(613)
Less: non-controlling interest	(726)	-	(726)
Net cash used	1,088	49,402	50,490

None of the goodwill arising on acquisitions is expected to be deductible for tax purposes.

\* On 27 May 2015 the Group acquired 100% of the ordinary shares in Accent Group Limited ('AGL') under the terms of a Share Sale and Purchase Deed ('SSPD'). The final agreed purchase price was \$203,000,000 which was based on six times AGL's normalised EBITDA for its financial year ended 30 April 2015.

Under the terms of the SSPD, \$100,000,000 of the purchase price was settled by way of the issue of ordinary shares in RCG to the vendors of AGL at a price of \$0.70 per share, which equated to the issue of 142,857,124. In May 2015, when the acquisition became unconditional, RCG's share price was \$1.125.

In accordance with accounting standard AASB 3, the shares issued have been recorded at their acquisition date fair value (\$1.125 per share). Consequently, the value of the 142,857,124 shares issued has been recorded in the financial statements as \$160,714,000, which has the effect of valuing the acquisition of AGL at a total of \$263,710,000.

*Saucony and Podium Sports businesses (comparative period acquisitions)*

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. The values identified in relation to the acquisition of Saucony and Podium Sports are final as at 28 June 2015.

*The Athlete's Foot stores (comparative period acquisitions)*

During the course of the previous financial 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:

- TAF Rockhampton Pty Ltd (80% interest);
- TAF Eastland Pty Ltd (80% interest);
- TAF The Glen Pty Ltd (60% interest);
- TAF Hornsby Pty Ltd (80% interest); and
- TAF Hobart Pty Ltd (80% interest).

The values identified in relation to the acquisition of The Athlete's Foot are final as at 28 June 2015.

**Note 41. Business combinations (continued)**

Details of the acquisitions are as follows:

	Saucony and Podium Sports Fair value \$'000	The Athlete's Foot Stores Fair value \$'000	Total Fair value \$'000
Cash and cash equivalents	19	1	20
Inventories	4,624	946	5,570
Plant and equipment	97	394	491
Trade payables	-	(37)	(37)
Employee benefits	(77)	(30)	(107)
Net assets acquired	4,663	1,274	5,937
Goodwill	4,290	1,218	5,508
Acquisition-date fair value of the total consideration transferred	<u>8,953</u>	<u>2,492</u>	<u>11,445</u>
Representing:			
Cash paid or payable to vendor	3,000	1,915	4,915
RCG Corporation Limited shares issued to vendor	5,953	-	5,953
Non-controlling interest	-	577	577
	<u>8,953</u>	<u>2,492</u>	<u>11,445</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	8,953	2,492	11,445
Less: cash and cash equivalents	(19)	(1)	(20)
Less: shares issued by Company as part of consideration	(5,953)	-	(5,953)
Less: non-controlling interest	-	(577)	(577)
Net cash used	<u>2,981</u>	<u>1,914</u>	<u>4,895</u>

## Note 42. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
The Athlete's Foot Australia Pty Limited	Australia	100.00%	100.00%
TAF Constructions Pty Limited	Australia	100.00%	100.00%
RCG Brands Pty Limited	Australia	100.00%	100.00%
RCG Retail Pty Limited	Australia	100.00%	100.00%
TAF eStore Pty Limited	Australia	100.00%	100.00%
TAF Partnership Pty Ltd	Australia	100.00%	100.00%
TAF Rockhampton Pty Ltd *	Australia	80.00%	80.00%
TAF Eastland Pty Ltd *	Australia	80.00%	80.00%
TAF The Glen Pty Ltd *	Australia	60.00%	60.00%
TAF Hornsby Pty Ltd *	Australia	80.00%	80.00%
TAF Hobart Pty Ltd *	Australia	80.00%	80.00%
TAF Booragoon Pty Ltd *	Australia	60.00%	-%
Accent Group Limited	New Zealand	100.00%	-%
Platypus Shoes Limited **	New Zealand	100.00%	-%
Accent Footwear Limited **	New Zealand	100.00%	-%
Accent Group Pty Limited **	Australia	100.00%	-%
Platypus Shoes (Australia) Pty Limited **	Australia	100.00%	-%
Dr Martens New Zealand Limited **	New Zealand	100.00%	-%

\* Indirectly held through TAF Partnership Pty Ltd

\*\* Indirectly held through Accent Group Limited

## Note 43. Events after the reporting period

On 3 July 2015, the Company issued 14,365,750 shares under a Share Purchase Plan, raising \$10,000,000.

Apart from the dividend declared as disclosed in note 32, no other matter or circumstance has arisen since 28 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Note 44. Reconciliation of profit after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax expense for the year	10,549	11,770
Adjustments for:		
Depreciation and amortisation	2,677	1,147
Share-based payments	381	365
Foreign exchange differences	95	(16)
Provision for doubtful debts	24	50
Interest on deferred consideration	-	35
Change in operating assets and liabilities:		
Increase in trade and other receivables	(783)	(1,646)
Decrease/(increase) in inventories	(10,037)	487
Increase in deferred tax assets	(2,194)	(492)
Increase in trade and other payables	6,886	5,539
Increase/(decrease) in provision for income tax	325	(481)
Increase in deferred tax liabilities	609	-
Decrease in employee benefits	(283)	(154)
Decrease in other provisions	(134)	(175)
Net cash from operating activities	<u>8,115</u>	<u>16,429</u>

**Note 45. Non-cash investing and financing activities**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares issued in relation to business combinations	<u>160,714</u>	<u>-</u>

**Note 46. Earnings per share**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	10,549	11,770
Non-controlling interest	(226)	(74)
Profit after income tax attributable to the owners of RCG Corporation Limited	<u>10,323</u>	<u>11,696</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	277,436,170	248,035,000
Adjustments for calculation of diluted earnings per share:		
Options and loan funded shares	7,996,000	7,094,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>285,432,170</u>	<u>255,129,000</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	3.72	4.72
Diluted earnings per share	3.62	4.58

## Note 47. Share-based payments

### Employee Option Plan

Options issued under the Employee Option Plan ('EOP') 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 and accounted for as share-based payments.

Set out below are summaries of options granted under the plans:

### 2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Employee option plan:</i>							
04/01/2010	04/01/2015	\$0.400	4,500,000	-	(4,500,000)	-	-
23/08/2010	23/08/2015	\$0.520	1,000,000	-	-	(250,000)	750,000
23/08/2010	23/08/2015	\$0.520	100,000	-	-	-	100,000
23/08/2010	23/08/2015	\$0.520	1,000,000	-	-	-	1,000,000
14/12/2010	18/12/2015	\$0.660	1,500,000	-	-	-	1,500,000
24/08/2011	24/08/2016	\$0.530	2,350,000	-	(100,000)	(150,000)	2,100,000
<i>Share loan:</i>							
28/02/2013	28/02/2016	\$0.300	3,000,000	-	-	-	3,000,000
12/01/2015	28/08/2018	\$0.400	-	1,000,000	-	-	1,000,000
<i>Employee share scheme:</i>							
28/02/2013	28/08/2018	\$0.490	6,265,000	-	-	(1,110,000)	5,155,000
03/12/2013	03/06/2019	\$0.690	450,000	-	-	(250,000)	200,000
02/10/2014	30/03/2020	\$0.590	-	1,360,000	-	-	1,360,000
30/03/2015	30/09/2020	\$0.730	-	220,000	-	-	220,000
27/05/2015	30/09/2020	\$0.730	-	2,900,000	-	-	2,900,000
27/05/2015	30/09/2020	\$1.010	-	500,000	-	-	500,000
			20,165,000	5,980,000	(4,600,000)	(1,760,000)	19,785,000

**Note 47. Share-based payments (continued)**

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Employee option plan:</i>							
28/05/2009	29/05/2014	\$0.307	1,000,000	-	(1,000,000)	-	-
04/01/2010	04/01/2015	\$0.400	6,500,000	-	(2,000,000)	-	4,500,000
23/08/2010	23/08/2015	\$0.520	1,000,000	-	-	-	1,000,000
23/08/2010	23/08/2015	\$0.520	400,000	-	-	(400,000)	-
23/08/2010	23/08/2015	\$0.520	200,000	-	(100,000)	-	100,000
23/08/2010	23/08/2015	\$0.520	1,000,000	-	-	-	1,000,000
14/12/2010	18/12/2015	\$0.660	1,500,000	-	-	-	1,500,000
24/08/2011	24/08/2016	\$0.530	2,550,000	-	-	(200,000)	2,350,000
<i>Share loan:</i>							
28/02/2013	28/02/2016	\$0.300	3,000,000	-	-	-	3,000,000
<i>Employee share scheme:</i>							
28/02/2013	28/08/2018	\$0.490	6,265,000	-	-	-	6,265,000
03/12/2013	03/06/2019	\$0.690	-	450,000	-	-	450,000
			<u>23,415,000</u>	<u>450,000</u>	<u>(3,100,000)</u>	<u>(600,000)</u>	<u>20,165,000</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2015 Number	2014 Number
04/01/2010	04/01/2015	-	3,200,000
23/08/2010	23/08/2015	500,000	-
23/08/2010	23/08/2015	100,000	-
23/08/2010	23/08/2015	550,000	600,000
24/08/2011	24/08/2016	460,000	-
28/02/2013	28/02/2016	3,000,000	3,000,000
		<u>4,610,000</u>	<u>6,800,000</u>

The weighted average share price during the financial year was \$0.854 (2014: \$0.708).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.66 years (2014: 1.47 years).

For the options granted and employee share scheme shares issued, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
04/01/2010	04/01/2015	\$0.390	\$0.452	30.00%	-%	3.50%	\$0.036
23/08/2010	23/08/2015	\$0.520	\$0.589	28.00%	-%	6.00%	\$0.058
23/08/2010	23/08/2015	\$0.520	\$0.589	28.00%	-%	6.00%	\$0.054
23/08/2010	23/08/2015	\$0.520	\$0.589	28.00%	-%	6.00%	\$0.055
14/12/2010	18/12/2015	\$0.600	\$0.660	28.00%	-%	6.00%	\$0.071
24/08/2011	24/08/2016	\$0.495	\$0.570	44.00%	-%	5.75%	\$0.098
28/02/2013	28/08/2018	\$0.495	\$0.490	44.00%	-%	5.75%	\$0.130
03/12/2013	03/06/2019	\$0.690	\$0.690	44.00%	-%	5.75%	\$0.290
02/10/2014	30/03/2020	\$0.590	\$0.590	44.00%	-%	2.75%	\$0.246
30/03/2015	30/09/2020	\$0.730	\$0.730	44.00%	-%	2.75%	\$0.304
27/05/2015	30/09/2020	\$0.730	\$0.730	44.00%	-%	2.75%	\$0.304
27/05/2015	30/09/2020	\$1.010	\$1.010	44.00%	-%	2.75%	\$0.421

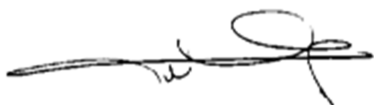
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 28 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Ivan Hammerschlag  
Chairman

26 August 2015  
Sydney



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Hilton Brett  
CEO

# 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 28 June 2015, 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 27 to 77.

### *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 2, 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.

## *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 28 June 2015 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 2.

## **Report on the Remuneration Report**

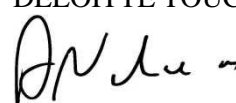
We have audited the Remuneration Report included under the heading 'Remuneration Report' in the directors' report for the year ended 28 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations 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 28 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



**Alfred Nehama**

Partner

Chartered Accountants

Sydney, 26 August 2015

The shareholder information set out below was applicable as at 10 August 2015.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	261	-
1,001 to 5,000	801	-
5,001 to 10,000	738	-
10,001 to 100,000	1,661	7
100,001 and over	192	30
	<b>3,653</b>	<b>37</b>
Holding less than a marketable parcel	83	-

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Craig John Thompson	71,428,562	15.36
HSBC Custody Nominees (Australia) Limited	41,356,972	8.89
J P Morgan Nominees Australia Limited	33,142,967	7.13
James William Duell	28,571,425	6.14
Michael John Hapgood	28,571,425	6.14
National Nominees Limited	21,804,104	4.69
BNP Paribas Noms Pty Ltd	14,541,932	3.13
Citicorp Nominees Pty Limited	14,162,794	3.05
Tidereef Pty Limited	12,891,763	2.77
2Como Pty Ltd	10,714,284	2.30
RBC Investor Services Australia Nominees P/L	10,434,097	2.24
Rivan Pty Ltd	8,301,150	1.79
Authentic Australia Pty Ltd	7,698,028	1.66
Vamico Pty Limited	6,850,852	1.47
Omniday Pty Limited	5,187,342	1.12
Grahger Capital Securities Pty Ltd	4,500,000	0.97
Rivan Pty Ltd	4,297,884	0.92
Rastana Holdings Pty Limited	4,174,166	0.90
Michael Hirschowitz	4,039,699	0.87
Michael Cooper	3,642,857	0.78
	<b>336,312,303</b>	<b>72.32</b>

#### Unquoted equity securities

There are no unquoted equity securities.

### Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Craig John Thompson	71,428,562	15.36
Michael John Hapgood	28,571,425	6.14
James William Duell	28,571,425	6.14

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors	Ivan Hammerschlag Hilton Brett Michael Hirschowitz Michael Cooper David Gordon Stephen Kulmar Michael Hapgood Daniel Agostinelli Craig Thompson
Company secretary	Michael Hirschowitz
Registered office	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310-0000 Facsimile: 02 8310-0066 Email: <a href="mailto:investors@rcgcorp.com.au">investors@rcgcorp.com.au</a>
Principal place of business	719 Elizabeth Street Waterloo NSW 2017
Share register	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditor	Deloitte Touche Tohmatsu 225 George Street Sydney NSW 2000
Bankers	Westpac Banking Corporation
Stock exchange listing	RCG Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: RCG)
Website	<a href="http://www.rcgcorp.com.au">www.rcgcorp.com.au</a>
Corporate Governance Statement	<a href="http://www.rcgcorp.com.au">www.rcgcorp.com.au</a>