RCG Corporation Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	RCG Corporation Limited
ABN:	85 108 096 251
Reporting period:	For the year ended 2 July 2017
Previous period:	For the year ended 26 June 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	43.7%	to	636,153
Profit from ordinary activities after tax attributable to the owners of RCG Corporation Limited	down	2.6%	to	29,157
Profit for the year attributable to the owners of RCG Corporation Limited	down	2.6%	to	29,157

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 26 June 2016	3.000	3.000
Interim dividend for the year ended 2 July 2017	3.000	3.000

Comments
The profit for the Group after providing for income tax and non-controlling interest amounted to $29,157,000 (26 June 2016: $29,924,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.22	11.99

4. Control gained over entities

Name of entities (or group of entities)	Hype DC Pty Ltd
Date control gained	4 August 2016

	$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	6,653

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 26 June 2016	3.000	3.000
Interim dividend for the year ended 2 July 2017	3.000	3.000

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 28 June 2015	2.500	2.500
Interim dividend for the year ended 26 June 2016	2.500	2.500

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

International Financial Reporting Standards

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Annual Report of RCG Corporation Limited for the year ended 2 July 2017 is attached.

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12. Signed

Signed ______________________________ Date: 28 August 2017

Michael Hirschowitz
Finance Director
Sydney

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RCG CORPORATION

ANNUAL REPORT 2017

RCG Corporation Limited

ABN 85 108 096 251

Annual Report - 2 July 2017

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RCG Corporation Limited
Chairman and Co-Chief Executive Officers' report
2 July 2017

Dear fellow shareholder

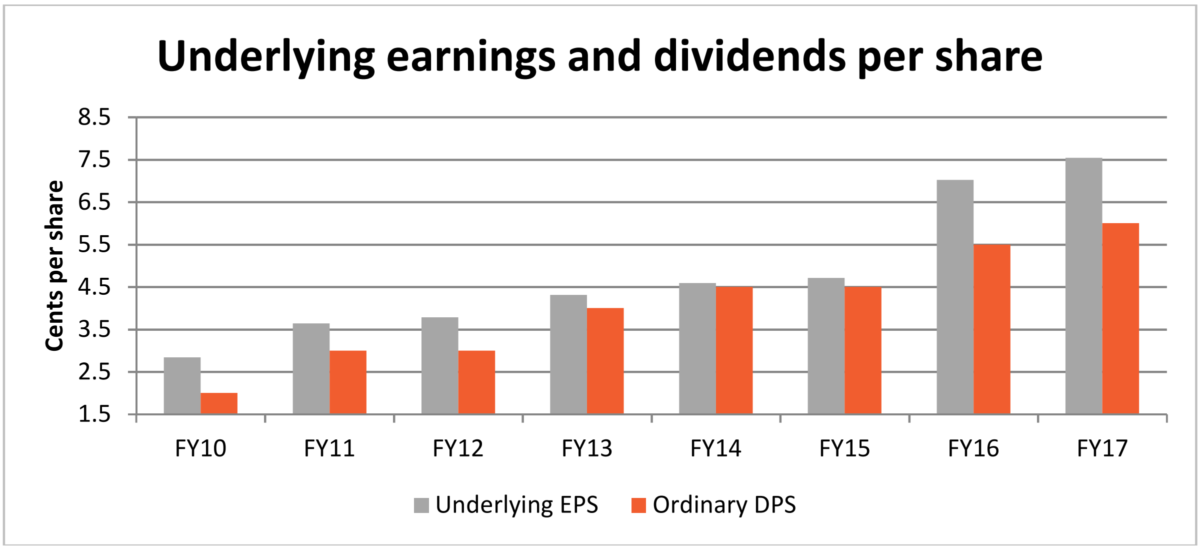
We are pleased to report that RCG has had another excellent trading year, delivering underlying[1] consolidated EBITDA of \$78.3m, an increase of 30% from \$60.4m in the prior year. Underlying Net Profit After Tax increased 21% from \$33.0m to \$39.9m, and underlying earnings per share increased 7% from 7.02 cents to 7.48 cents. By declaring a final fully franked dividend of 3.0 cents per share, RCG has increased its dividends per share in respect of FY2017 by 9% to 6.0 cents.

As you will recall, on 4 August 2016 RCG completed the acquisition of Hype DC, a leading Australian retailer of branded athleisure and lifestyle footwear. The final purchase price, based on six times Hype's normalised EBITDA for the 2016 financial year, was \$99 million[2]. The Hype business has now been fully incorporated into, and integrated with, the Accent retail business and is being managed under the same operating platform as Accent's other retail banners.

In addition to the 64 stores that were acquired in the Hype transaction, a net 50 new stores, including three eCommerce stores, were opened across our portfolio of banners during the year. This took the total number of stores to 430 at the end of the financial year. Group turnover (including The Athlete's Foot franchise store sales) increased 31% to \$810m.

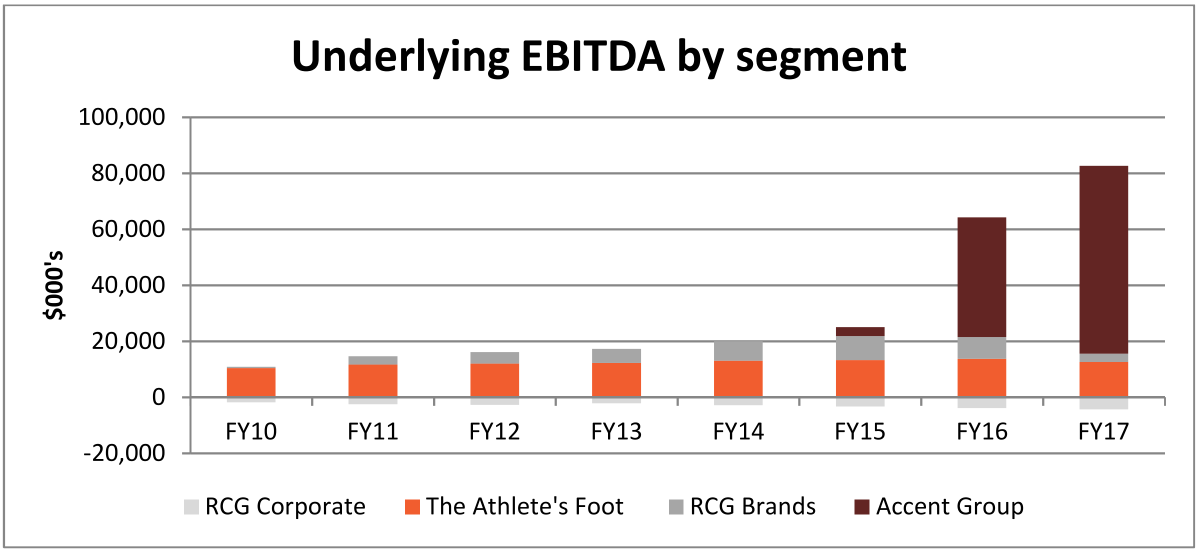
It continues to be a great testament to the strength and quality of our people, our integrated management team and our businesses that we have been able to consistently deliver excellent results over an extended period of years, and RCG continues to be defined by the returns it delivers on shareholders' funds. Over the 11 years from July 2006 to June 2017, RCG has delivered total shareholder return of 807%, at a compound annual growth rate of 22%.

The charts below show how our underlying earnings and dividends have grown over the last seven years:



[1] References to "underlying" results are references to non-IFRS financial information, which we believe is more meaningful for investors than reported (IFRS) financial information. Underlying EBITDA of \$78.3m = EBITDA from continuing operations of \$75.9m + one-off restructure costs of \$0.8m + Hype DC EBITDA from 1 July 2016 to completion date (4 August 2016) of \$1.6m. Underlying NPAT of \$39.m = Reported NPAT of \$29.4m + (underlying EBITDA adjustments above of \$2.4m + Amortisation of distribution agreements arising on acquisition of Accent group of \$2.8m + impairment of the Hype brand of \$9.7m) x (1 – effective tax rate of 29.14%). Underlying EPS of 7.48 cents = (underlying NPAT of \$39.9m – non-controlling interests of \$0.2) / Weighted average number of shares on issue of 530.84m.

[2] As part consideration for Hype DC, 36.84 million shares were issued to the vendors at \$1.425 (\$52.5m). However, under the accounting standards, the share price on the date of completion must be used to calculate the purchase price. That share price was \$1.71, which had the effect of increasing the recorded purchase price of Hype DC to approximately \$109m.



A review of each of our business segments can be found below.

Accent Group

Accent had another outstanding year of trade, including the addition of the Hype business, it delivered $67.1m of underlying[3] EBITDA, an increase of 57% on the prior year. Total retail sales increased by 79% to $438.2m, with like-for-like (LFL) sales increasing by 2.6% across the portfolio of retail banners. Wholesale sales fell 4% to $74.3m. Aggregate gross profit percentage increased by 230 basis points to 54.4%.

During FY17, the Hype business was fully integrated into the Accent operating environment, including the rollout out of Accent's ERP system, Apparel 21, across all Hype stores. Accent rolled out a net 50 new stores, including 19 Skechers B&M stores, 17 Platypus stores and 7 Hype stores. In addition, brand new best-in-class Platypus, Skechers and Vans eCommerce sites were rolled out which include click-and-collect and click-and-despatch capability. Total digital sales across the Accent business grew by 99% during FY17.

The Accent business continues to be focused on strengthening its relationships with key partners and consolidating its position as a market leader in branded lifestyle footwear across Australia and New Zealand by delivering world class consumer experiences across its five retail banners and its portfolio of brands. There is a clear focus on enhancing the vertical integration of the Group's brands including the introduction of Vans premium product into Hype DC. The business will continue to grow its store network, particularly in the Skechers and Platypus banners where the metrics support low risks and high rates of return.

The business continues to leverage off the investment that has been made across the infrastructure platform over the last two years to support and drive market leading omnichannel, store rollouts & refits, and customer engagement. It will continue to build on its digital capability, extending click-and-collect and click-and-dispatch to all banners during FY18, as well as launching its endless aisle and 3-hour delivery capability.

The Athlete's Foot

The Athlete's Foot (TAF) delivered EBITDA of $12.6m, which was 8% down on the previous year. Total sales grew 1.6% to $227.2m, with like-for-like (LFL) sales growing 0.5%. The business continues to focus on its key performance and back-to-school categories and it experienced significant growth in both these categories during FY17.

Whilst the FY17 results were disappointing, the reason for the fall in profit can be attributed in equal parts to two primary factors, both of which set the business up for future growth. Firstly, the three largest corporate stores (Elizabeth Street, Warringah Mall and Highpoint) were all closed during the year for several weeks whilst the stores were converted to the new performance format. This resulted in a significant amount of lost revenue during the period. Secondly, during the year an investment was made in additional resources to drive the growth and success of the business into the future. We believe that both these initiatives will have a positive long-term impact on the performance of the business.

[3] Accent Group Underlying EBITDA of $67.1m = EBITDA from normal operations of $$65.5m (see Note 4 of the Notes to the Financial Statements) + Hype DC EBITDA from 1 July 2016 to completion date (4 August 2016) of $1.6m.

Following the strategic review of the TAF business's market position and consumer offering during FY16, the work to reposition the brand back towards its performance heritage began in earnest in FY17, with the conversion of nine stores to the new performance format. It is expected that at least 30 stores will have been converted by the end of FY18.

TAF continues to drive consumer engagement and loyalty through both its advanced CRM programs and its outstanding in-store experiences. During FY17, active loyalty customers grew by 7% to 1.03m, driving increased sales frequency and average transaction value. In addition, TAF recorded a Net Promoter Score of 81, which bears testament to the outstanding customer experience the business delivers.

During the new financial year, TAF will deliver its new performance branding to the market across all consumer touchpoints and channels. It will also deliver enhanced CRM and loyalty capabilities through new technology and consumer data platforms.

In addition, TAF's eCommerce platform and processes are being completely rebuilt from the ground up. Under the new model, eCommerce fulfillment will be totally decentralised with the nearest store to the customer delivering the order and recording the sale. This has the duel benefit of significantly expanding the available online inventory catalogue and creating complete channel alignment across the business. This new platform will significantly enhance TAF's ability to utilise its digital platform to drive sales and engagement with the brand.

We are confident that the TAF management team has the tools, resources, skill-set and directional focus to deliver positive sales and profit growth in FY18 and beyond.

RCG Brands

RCG Brands (RCGB) delivered EBITDA of $3.0 m for the year, a decrease of 62% on the previous year. Total retail sales retail sales grew 1.7% to $32.1m, but LFL sales fell 2.6%. Wholesale sales grew by 0.8% to $38.3m.

Whilst these results are disappointing, the sharp reduction in both gross profit and EBITDA margin had been foreshadowed this time last year and is a function of a significantly lower exchange rate than in the previous year (FY17: 0.70 vs FY16: 0.79).

The business continues to focus on the distribution and growth of its premium international brands through key channel partners and RCG's own retail banners. During FY17, Merrell's outdoor and performance categories continued to grow strongly on the back of strong product innovation. RCGB's other major brands including CAT, Sperry and Saucony brands all continued to perform well and delivered sales growth over the prior year.

We are optimistic that FY18 will be a much stronger year for the business. We expect improved margins through an improvement in exchange rates, with all of FY18 being locked in at USD$0.74 to the AUD. We have also seen pleasing product innovation in Merrell's lifestyle category and we expect this new product to drive growth in both the retail and wholesale channels. Moreover, Saucony continues both to benefit from, and support, the growth of the performance channels in TAF. Finally, we expect CAT to continue to leverage off the its brand equity and product innovation in both industrial footwear and workwear to deliver growth in FY18.

Omnichannel

The rise of eCommerce and the arrival of Amazon into the Australian marketplace have been topics of considerable media interest in recent months. Independent of this, RCG has long recognised the importance of delivering a true, world-class omnichannel experience for its customers and we have built, and continue to build, such capability, with a target of approximately 15% of all retail sales coming from digital channels within three years.

Total online sales (excluding click-and-collect and click-and-dispatch) grew by 79% during FY17. During the financial year, three new eCommerce sites were launched on the market-leading Magento 2 platform, making RCG one of the first companies in Australia to deliver eCommerce capability on this new platform. Since the end of the FY17, another three sites have been delivered with two more to follow during FY18.

With 430 stores across Australia and New Zealand, RCG is a true omnichannel retailer with a network of stores that allows us to fully merge the digital and bricks & mortar channels to deliver seamless, unrivalled consumer experiences through click-and-collect, click-and-dispatch, endless aisle and 3-hour delivery.

All of these capabilities, together with the delivery of AfterPay across all channels, are either already in the process of being progressively rolled out across our network, or will be rolled out during FY18.

In addition to this, we have invested in a state-of-the-art, bespoke digital hub in a dedicated space of our Melbourne headquarters and have also invested in a highly skilled team of digital professionals to continue to innovate, drive best-practice digital outcomes and true end-to-end omnichannel consumer experiences across our banners.

We are confident that we are in an outstanding position to capitalise on the rise of digital and omnichannel shopping and expect that this will result in RCG having a larger overall share of the market segments in which it operates.

Our vision, guiding principles and core value proposition

Our strategic vision is to lead the performance and lifestyle footwear market across Australia and New Zealand, by delivering world-class consumer experiences, harnessing the power of our people, partnerships and products.

We execute this vision through embracing the following guiding principles:

- **Customer first** – always
- **Attitude** – can do, accountable, humble, open, curious
- **Teamwork** – success through teams not individuals
- **Excellence** – in everything we do, no complacency
- **Empathy** – warmth and respect
- **Sense of urgency** – consider all options, act decisively
- **Communication** – open, regular and two-way
- **Integrity** – doing what we say we will

In addition, we focus on delivering the following outcomes for shareholders:

- Producing outstanding, long-term returns through the delivery of sustainable sales and profit growth across our businesses
- Delivering sustainable and growing dividends flowing from the high-quality cash flows of our defensible and desirable business
- Maintenance of a strong, conservatively geared balance sheet

In order to ensure that our business remains distinctive, desirable and defensible, we operate by the following core value proposition:

- Defend and grow our position as the leading player in performance and lifestyle footwear in Australia and New Zealand
- Deliver best-of-breed retail through premium store fitouts, visual merchandising and in-store experiences
- Deliver Approximately 40% of retail sales from vertical and exclusive brands
- Ensure that we are a partner of choice with suppliers, key brands and landlords
- Deliver best-in-class, true omnichannel capability
- Maintain a diversified business, with a multi-brand portfolio, various channels to market and geographic spread
- Continue to develop and retain an outstanding culture, values and can-do attitude at all levels
- Leverage off our established track record of integrating organic and acquisitive growth to seed further opportunities
- Leverage off our experienced management team with deep retail sector intelligence and meaningful alignment with shareholders
- Leverage off our best-in-class back-office architecture to drive organic and acquisitive growth

Management Change

Michael Hirschowitz, the Group CFO and Finance Director, has announced that effective 28 February 2018 and after nearly 21 years with the group, he intends to step down as both an executive and a director after almost 30 years as a full-time executive in order spend more time pursuing his other interests. Michael has been pivotal to RCG's growth and success over the past two decades, is a trusted and brilliant colleague and friend, and an outstanding executive. It has been an honour and privilege to work so closely with him over the past 11 years and we wish him everything of the best.

Michael will be replaced in his role as Group CFO by Matt Durbin with the role being relocated to Melbourne in order to ensure daily contact with the Accent business which is now accounts for the majority of the group's sales and earnings. Since 2014, Matt has been the CFO and COO of Pas Group. Prior to that, he spent 17 years at David Jones in merchandise planning, strategic planning and financial services roles, culminating in his role as Group Executive – Strategic Planning. There will be a comprehensive handover from Michael to Matt, ensuring a seamless transition.

Segment Reporting

RCG's current operating segments are "Accent Group", "The Athlete's Foot", "RCG Brands" and "Unallocated". The Accent Group segment includes the Hype DC business which has been fully absorbed into that segment.

Over the course of the last two years, the RCG, Accent and Hype businesses have been integrated with one another to create the region's leading vertically integrated multi-channel retailer in performance and lifestyle footwear. This allows us to leverage of the strength and capability of the people, brands, partnerships and infrastructure across the combined group to deliver world-class customer experiences and ongoing growth. As a consequence, the ongoing relevance of the existing operating segments is under review.

Impairment of 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. This includes brands which have indefinite useful life. Brands 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.

On the acquisition of Hype DC, the Hype brand name was valued at $30.3m. However, the Hype banner performed below expectation during FY17 and an impairment test carried out on the brand indicated an impairment of $9.7m, which has been recognised in the FY17 financial statements. This impairment charge has been excluded from our calculations of underlying earnings.

Dividends

The strength of our businesses and the strong cash flows that they generate has allowed us to increase our final dividend per share to 3 cents taking our total dividends in respect of FY2017 to 6 cents per share, a 9% increase on the prior year. We expect our dividend payout ratio to be between 75% and 80% of underlying earnings per share in respect of FY2018.

Outlook

Our management team has developed and implemented processes, structures and plans ideally suited to countering the threats and capitalising on the opportunities that we expect to face over the next 12 months and beyond, and we expect another year of profit growth in FY18.

Conclusion

RCG has experienced another outstanding and transformational year. On behalf of the board, we would like thank the staff, management and franchisees of all of our business for the exceptional results they have delivered.

Ivan Hammerschlag	Hilton Brett	Daniel Agostinelli
Chairman	Co-Chief Executive Officer	Co-Chief Executive Officer

28 August 2017
Sydney

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of RCG Corporation Limited (referred to hereafter as the 'Company' or 'RCG') and the entities it controlled at the end of, or during, the year ended 2 July 2017 (53 week period).

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 of RCG Corporation
Qualifications:	BCom, CTA
Experience and expertise:	Ivan has had over 35 years of specialist retail experience, including as Chief Executive Officer ('CEO') and shareholder in Freedom Furniture prior to its Initial Public Offering ('IPO'). He has also chaired, managed and invested in a number of other successful retail and other businesses. Ivan has been Chairman of RCG since October 2006 and was Chairman of Smartpay Holdings Ltd (ASX: SMP) from July 2012 to December 2015.
Special responsibilities:	Member of Audit and Risk Committee and Remuneration and Nominations Committee

Name:	Hilton Brett
Title:	Co-Chief Executive Officer of RCG Corporation
Qualifications:	BCom, PGDA
Experience and expertise:	Hilton has extensive retailing and franchising experience and proven skills in maximising 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 has been CEO since July 2012, and effective 2 August 2016 is Co-CEO with Daniel Agostinelli.
Special responsibilities:	None

Name:	Daniel Agostinelli
Title:	Co-Chief Executive Officer of RCG Corporation
Experience and expertise:	Daniel oversees the day to day operations of Accent Group. He has over 30 years of retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and CEO of Accent Group since March 2015. On 2 August 2016, Daniel was appointed Co-CEO of RCG Corporation with Hilton Brett.
Special responsibilities:	None

Name:	Michael Hirschowitz
Title:	Group Chief Financial Officer and Finance Director of RCG Corporation
Qualifications:	BCom, BAcc
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 he became Chief Financial Officer. Michael has been Finance Director since July 2006.
Special responsibilities:	None

Name:	Michael Hapgood
Title:	Non-Executive Chairman of Accent Group and Non-Executive Director of RCG Corporation
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. Effective 2 August 2016, Michael relinquished all executive roles and continues as Non-Executive Chairman of Accent group and Non-Executive Director of RCG Corporation.
Special responsibilities:	None

Name:	Craig Thompson
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 has been Non-Executive Director since March 2015.
Special responsibilities:	Member of Audit and Risk Committee and Remuneration and Nominations Committee

Name:	David Gordon
Title:	Non-Executive Director
Qualifications:	BCom, LLB
Experience and expertise:	David was a former Mergers and Acquisitions 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. He has been a director of RCG since October 2006 and Chairman of Ten Network Holdings Limited (ASX: TEN) since July 2015.
Special responsibilities:	Chairman of Audit and Risk Committee and member of Remuneration and Nominations 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 business. 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:	Chairman of Remuneration and Nominations Committee

Name:	Daniel Gilbert
Title:	Non-Executive Director (appointed on 4 August 2016) - Effective 17 March 2017, Daniel relinquished all executive roles with Hype DC.
Experience and expertise:	Daniel is the co-founder of Hype DC which he established together with his wife, Cindy, 18 years ago with the opening of their first store in the Sydney suburb of Mosman. They have since built a substantial business which has become Australia's premier destination for premium, exclusive and limited edition sneakers. Daniel was appointed to the RCG Board on 4 August 2016 on the completion of RCG's acquisition of Hype DC.
Special responsibilities:	None

Name:	Michael Cooper
Title:	Former Executive Director of RCG Corporation, Managing Director of The Athlete's Foot (resigned on 25 November 2016)
Qualifications:	MBA
Experience and expertise:	Michael had 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 had overall responsibility for RCG's Podium Sports and Merrell retail businesses. Michael resigned as a director of RCG Corporation at the 2016 Annual General Meeting.
Special responsibilities:	None

Company secretary
Leanne Ralph was appointed as Company Secretary on 26 November 2015. Leanne brings a wealth of experience in Company Secretarial activities particularly with listed companies. She is currently the Company Secretary of seven listed companies as well as a number of unlisted companies. Leanne is a member of the Governance Institute.

Principal activities

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.

Following its acquisition of the Accent Group in May 2015 and Hype DC in August 2016, RCG has become a regional leader in the retail and distribution sectors of branded footwear, with over 400 stored across 10 different retail banners and exclusive distribution rights for 10 international brands across Australia and New Zealand.

The combined Group's brands now include The Athlete's Foot, Platypus Shoes, Podium Sports, Hype DC, Skechers, Merrell, CAT, Vans, Dr. Martens, Saucony, Timberland, Sperry Top-Sider, Palladium, Stance, Podium Sports, Shubar and Grounded.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2017 $'000	2016 $'000
Final dividend for the year ended 26 June 2016 (2016: 28 June 2015) of 3.00 cents (2016: 2.50 cents) per ordinary share	16,239	11,752
Interim dividend for the year ended 2 July 2017 (2016: 26 June 2016) of 3.00 cents (2016: 2.50 cents) per ordinary share	16,239	11,761
Dividends paid to non-controlling interests	83	103
	32,561	23,616

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $29,157,000 (26 June 2016: $29,924,000).

An overview of the operations of the Group is provided in the Chairman and Chief Executive Officer's Report on page 2 of this report.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 2 July 2017 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 Chief Executive Officer's Report on page 2.

Environmental regulation

The Group operates primarily within the retail and wholesale sectors and conducts its 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 2 July 2017, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held
Ivan Hammerschlag	7	7	3	3	2	2
Hilton Brett	7	7	-	-	-	-
Michael Hirschowitz	7	7	-	-	-	-
Michael Hapgood	7	7	-	-	-	-
Daniel Agostinelli	7	7	-	-	-	-
Craig Thompson	7	7	3	3	2	2
David Gordon	7	7	3	3	2	2
Stephen Kulmar	7	7	-	-	2	2
Daniel Gilbert*	5	6	-	-	-	-
Michael Cooper**	3	3	-	-	-	-

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

* Appointed on 4 August 2016
** Resigned on 25 November 2016

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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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 and Nominations Committee ('RNC'). The RNC consists of Stephen Kulmar (Chairman), David Gordon, Ivan Hammerschlag and Craig Thompson, all non-executive directors. The RNC makes recommendations to the Board on matters relating to remuneration for the entities within the Group. The RNC 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 within three months of the end of each financial year. Prior to these reviews, the Co-CEO's make recommendations to the RNC regarding the remuneration of each of his direct reports and the overall remuneration framework for all employees. The RNC meets to discuss the remuneration of the executive directors.

RCG'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 Group 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 STI plans are essential elements of remuneration as they provide tangible incentives for employees to strive for excellence. Relevant 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, of between 20% and 100% of their base remuneration, 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 a relevant business unit or both as the case may be. During the financial year ended 2 July 2017 the percentage of STI tied directly to these profit targets ranged between 50% and 100%. The remainder of the available STI is dependent on other measurable objectives. The RNC signs off all bonuses paid to executive directors and other senior executives. This STI drives a contribution to the short-term performance of the Company by being tied to the annual profit targets.

Long Term Incentives (LTI)
The Company has implemented an LTI under the Employee Option Plan ('EOP'), the Employee Share Scheme ('ESS') and the Performance Rights Plan ('PRP'). 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. As at 2 July 2017, no options issued under the EOP were outstanding. The ESS, which was implemented during the 2013 financial year, is a part of the Company's long-term retention and corporate alignment strategy. As at 2 July 2017, 8,951,665 shares issued under the ESS were outstanding. The PRP operates under the rules approved by shareholders at the Company's 2016 Annual General Meeting, held on 25 November 2016. As at 2 July 2017, 2,119,315 rights issued under the plan were outstanding.

Remuneration of non-executive directors
On an annual basis the RNC 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.

Performance rights
On 14 October 2016, the Board approved a performance rights plan called the RCG Performance Rights Plan ('PRP'). The PRP has been introduced following a review by the Board of the existing remuneration arrangements of the Group. The Board intends for the PRP to replace the ESS.

The objective of the PRP is to align the interests of employees of the Group with those of the shareholders and provide employees of the Group who are considered to be key to the future success of the Group with an opportunity to receive shares in order to reward and retain the services of those persons and recognise the employees of the Group for their contribution to the future success of the Group.

Eligibility and grant of performance rights
The Board may, from time to time, grant performance rights to an employee of the Group who the Board determines to be eligible to participate in the PRP, this may include an executive director of the Group, but may not include a non-executive director of the Group. The performance rights granted are under the terms and conditions of the PRP and may include additional terms and conditions, including any performance conditions, as the Board determine. The Board may only grant performance rights where an employee continues to satisfy any relevant conditions imposed by the Board.

Vesting of performance rights
Vesting of performance rights are subject to prescribed performance conditions:
- 50% of the performance rights are subject to an earnings per share ('EPS') performance condition; and
- 50% of the performance rights are subject to a market total shareholder return ('TSR') performance condition.

The EPS and TSR performance conditions are measured over a 3 year period and vesting is subject to the recipients of the performance rights remaining in employment with the Group.

Lapsing of performance rights
An unvested performance right will lapse in various prescribed circumstances, unless the Board determine otherwise. Such circumstances include:
- the circumstances specified by the Board on or before the grant of the performance right;
- if a participant ceases to be an employee and/or director of a Group company for any reason or they cease to satisfy any other relevant conditions imposed by the Board at the time of the grant of the performance rights;
- failure to meet the performance conditions attaching to the performance right or any performance condition no longer, in the opinion of the Board, being capable of being satisfied in accordance with their terms; and
- in in the opinion of the Board a participant acts fraudulently or dishonestly, is in breach of their material duties or obligations to any Group company, has committed an act of harassment or discrimination or has done any act which has brought the Group or any Group company into disrepute.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date	Total value of rights granted
H Brett	185,763	11/01/2017*	09/09/2019	08/11/2019	$0.76	$141,180
	185,763	11/01/2017**	09/09/2019	08/11/2019	$1.28	$237,777
D Agostinelli	185,763	11/01/2017*	09/09/2019	08/11/2019	$0.76	$141,180
	185,763	11/01/2017**	09/09/2019	08/11/2019	$1.28	$237,777
M Hrschowitz	123,842	11/01/2017*	09/09/2019	08/11/2019	$0.76	$94,120
	123,842	11/01/2017**	09/09/2019	08/11/2019	$1.28	$158,518

* TSR performance conditions
** EPS performance conditions

The Group recognises the fair value at the grant date of equity settled shares above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using Monte-Carlo simulation and Binomial option pricing models where applicable.

Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

Key inputs to the pricing models include:

	2 July 2017
Share price at grant date	$1.47
Volatility	44%
Dividend yield	5.0%
Risk-free interest rate	1.95%

Use of remuneration consultants
During the year, the Company did not engage independent consultants to provide information on remuneration matters.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM') held on 25 November 2016
At the 2016 AGM, 97.01% of the votes received supported the adoption of the remuneration report for the year ended 28 June 2016. 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 Hapgood
- Daniel Agostinelli
- Craig Thompson
- David Gordon
- Stephen Kulmar
- Daniel Gilbert (appointed 4 August 2016)
- Michael Cooper (resigned 25 November 2016)

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	
2017	Cash salary and fees $	Cash bonus $	Other monetary $	Super-annuation $	Leave benefits $	Equity-settled $	Total $
Non-Executive Directors:							
I Hammerschlag	250,000	-	-	-	-	-	250,000
C Thompson	96,445	-	-	-	-	-	96,445
D Gordon	98,174	-	-	9,326	-	-	107,500
S Kulmar	98,174	-	-	9,326	-	-	107,500
D Gilbert**	26,344	-	-	2,502	-	-	28,846
M Hapgood	96,445	-	-	-	-	-	96,445
Executive Directors:							
H Brett*	560,000	540,800	10,000	30,000	38,923	24,479	1,204,202
M Cooper*,***	679,523	23,542	7,405	30,000	-	-	740,470
M Hirschowitz*	454,000	212,400	16,000	30,000	33,123	-	745,523
D Gilbert**	298,269	-	-	19,038	-	-	317,307
D Agostinelli*	565,000	300,000	33,198	37,500	40,010	24,479	1,000,187
	3,222,374	1,076,742	66,603	167,692	112,056	48,958	4,694,425

* Cash bonuses paid relate to discretionary bonuses approved by the remuneration committee in August 2016, and these bonuses were paid having regard to the exceptional results delivered in FY16, together with the successful completion of the integration of the Accent business.

** Daniel Gilbert was an Executive Director from 4 August 2016 and became an Non-Executive Director from 17 March 2017.

*** Michael Cooper resigned from his position as a Director and Executive of the Group on 25 November 2016.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Cash bonus $	Other monetary $	Super-annuation $	Leave benefits $	Equity-settled $	Total $
Non-Executive Directors:							
I Hammerschlag	180,000	-	-	-	-	-	180,000
C Thompson	100,728	-	-	-	-	-	100,728
D Gordon	58,827	-	-	5,589	-	-	64,416
S Kulmar	54,981	-	-	5,223	-	-	60,204
Executive Directors:							
H Brett	485,177	276,780	10,346	30,000	20,267	-	822,570
M Cooper	358,099	34,569	16,554	30,000	10,704	-	449,926
M Hirschowitz	380,872	45,915	16,554	30,000	19,599	-	492,940
M Hapgood	351,638	250,876	21,632	18,724	-	-	642,870
D Agostinelli*	558,326	200,000	-	36,667	14,174	-	809,167
	2,528,648	808,140	65,086	156,203	64,744	-	3,622,821

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

Name	STI Cash bonus paid/payable* 2017	STI Cash bonus paid/payable 2016	STI Cash bonus forfeited 2017	STI Cash bonus forfeited 2016
Executive Directors:				
Hilton Brett	0%	67%	100%	33%
Michael Cooper	0%	28%	100%	72%
Michael Hirschowitz	0%	36%	100%	64%
Michael Hapgood	N/A	100%	N/A	-
Daniel Agostinelli	0%	100%	100%	-
Daniel Gilbert	N/A	-	N/A	-

* Executive directors did not meet their STI targets for FY17. Cash Bonuses paid in August 2016 as shown above were discretionary and not part of any STI or LTI plan.

Service agreements
Key Management Personnel are employed under standard employment arrangements that are not fixed term contracts.

Termination of Hilton Brett and Michael Hirschowitz is subject to 12 months notice in writing provided by either party. Termination of Daniel Agostinelli is subject to 6 months notice in writing provided by either party.

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 2 July 2017.

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 2 July 2017.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years is detailed in ‘Principles used to determine the nature and amount of remuneration’ section above.

Performance rights granted carry no dividend or voting rights.

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 2 July 2017 are summarised below:

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Revenue	636,153	442,723	135,872	81,190	55,530
Net profit from continuing operations	29,352	30,183	10,549	11,770	10,515
Net profit attributable to owners of the company	29,157	29,924	10,323	11,696	5,838
Dividends	32,561	23,513	11,963	10,942	8,642

	2017	2016	2015	2014	2013
Share price at financial year end ($)	0.86	1.48	1.21	0.63	0.57
Shares on issue ('000)	542,291	490,304	436,265	254,094	242,278

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
Ordinary shares					
Ivan Hammerschlag	6,445,881	-	-	-	6,445,881
Hilton Brett	3,825,972	-	-	-	3,825,972
Michael Hirschowitz	4,613,520	-	-	-	4,613,520
David Gordon	6,599,034	-	-	-	6,599,034
Stephen Kulmar	803,750	-	-	-	803,750
Michael Hapgood	28,571,425	-	-	-	28,571,425
Daniel Agostinelli	14,285,712	-	-	-	14,285,712
Craig Thompson	71,428,562	-	-	-	71,428,562
Daniel Gilbert	-	-	12,894,737	-	12,894,737
Michael Cooper *	5,246,855	-	-	(5,246,855)	-
	141,820,711	-	12,894,737	(5,246,855)	149,468,593

* Michael Cooper resigned on 25 November 2016 and is no longer a member of the key management personnel. As such, any shareholding associated with him has been removed from this table.

Performance rights holding

The number of performance rights over ordinary 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	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Hilton Brett	-	371,526	-	-	371,526
Michael Hirschowitz	-	247,684	-	-	247,684
Daniel Agostinelli	-	371,526	-	-	371,526
	-	990,736	-	-	990,736

Loans to key management personnel and their related parties

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

	Consolidated	
	2017 $	2016 $
Loans to/(from) key management personnel:		
- Ivan Hammerschlag (interest free) *	78,200	78,200
- Stephen Kulmar	-	6,000
- Craig Thompson (interest free)***	(200,000)	(200,000)
- Daniel Gilbert (interest at 6% per annum)**	(4,593,750)	-
Total loans receivable/(payable)	(4,715,550)	(115,800)

* Under the EOP 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.

** Relates to vendor finance component of Hype DC acquisition. Loan is repayable on 4 August 2018.

*** Relates to vendor finance component of Accent acquisition outstanding at balance date. Loan is repayable at call.

This concludes the remuneration report, which has been audited.

Shares under option and issued under the Employee Share Scheme and other Treasury shares

There were no unissued ordinary shares of RCG Corporation Limited under option. Unvested ordinary shares of RCG Corporation Limited under the ESS at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
28/02/2013	28/08/2018	$0.490	2,488,332
03/12/2013	03/06/2019	$0.690	133,333
02/10/2014	30/03/2020	$0.590	1,360,000
30/03/2015	30/09/2020	$0.730	70,000
27/05/2015	30/09/2020	$0.730	2,400,000
27/05/2015	30/09/2020	$1.010	500,000
28/08/2015	30/08/2020	$1.140	1,600,000
13/05/2016	28/02/2021	$1.490	400,000
			8,951,665

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 under performance rights
Unissued ordinary shares of RCG Corporation Limited under performance rights at the date of this report are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Number under rights
11/01/2017	09/09/2019	08/11/2019	$0.000	2,119,315

No person entitled to exercise the performance rights had or has any right by virtue of the performance right 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 2 July 2017 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
24/08/2011	$0.570	1,745,000

Shares issued on the exercise of performance rights
There were no ordinary shares of RCG Corporation Limited issued on the exercise of performance rights during the year ended 2 July 2017 and up to the date of this report.

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 section 237 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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 immediately after this directors' report.

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 Co-Chief Executive Officer	Daniel Agostinelli Co-Chief Executive Officer

28 August 2017
Sydney

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

28 August 2017

Dear Board Members,

RCG Corporation Limited

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

As lead audit partner for the audit of the financial statements of RCG Corporation Limited for the year ended 2 July 2017, 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

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Deloitte Touche Tohmatsu

RCG Corporation Limited
Statement of profit or loss and other comprehensive income
For the year ended 2 July 2017

	Note	Consolidated 2017 $'000	2016 $'000
Revenue	5	636,153	442,723
Other (losses)/income	6	(51)	191
Expenses			
Finished goods used		(320,332)	(209,608)
Changes in merchandise inventories		33,408	7,210
Employee benefits expense		(129,671)	(82,021)
Depreciation and amortisation expense	7	(21,665)	(14,299)
Impairment of brand name	7	(9,714)	-
Rental expense on operating leases		(70,904)	(40,428)
Advertising and promotion expenses		(20,697)	(13,954)
Travel and telecommunication expenses		(4,447)	(3,839)
Warehousing and freight expenses		(19,938)	(16,639)
Acquisition-related costs		-	(700)
Other expenses		(26,663)	(22,001)
Finance costs	7	(4,055)	(3,753)
Profit before income tax expense		41,424	42,882
Income tax expense	8	(12,072)	(12,699)
Profit after income tax expense for the year		29,352	30,183
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		1,431	(6,937)
Foreign currency translation		43	345
Other comprehensive income for the year, net of tax		1,474	(6,592)
Total comprehensive income for the year		30,826	23,591
Profit for the year is attributable to:			
Non-controlling interest		195	259
Owners of RCG Corporation Limited	30	29,157	29,924
		29,352	30,183
Total comprehensive income for the year is attributable to:			
Non-controlling interest		195	259
Owners of RCG Corporation Limited		30,631	23,332
		30,826	23,591
		Cents	Cents
Basic earnings per share	45	5.54	6.45
Diluted earnings per share	45	5.49	6.42

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

RCG Corporation Limited
Statement of financial position
As at 2 July 2017

	Note	Consolidated 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	9	46,279	44,573
Trade and other receivables	10	19,856	25,472
Inventories	11	111,946	78,534
Other	12	3,259	2,730
Total current assets		181,340	151,309
Non-current assets			
Receivables	13	705	869
Property, plant and equipment	14	74,800	42,620
Intangibles	15	347,758	245,875
Deferred tax	16	18,501	10,652
Total non-current assets		441,764	300,016
Total assets		623,104	451,325
Liabilities			
Current liabilities			
Trade and other payables	17	88,849	58,986
Borrowings	18	15,097	10,013
Derivative financial instruments	19	5,054	6,608
Income tax	20	7,990	5,236
Employee benefits	21	4,893	3,203
Deferred lease incentives	22	4,949	3,160
Total current liabilities		126,832	87,206
Non-current liabilities			
Borrowings	23	88,625	40,000
Derivative financial instruments	24	710	1,968
Deferred tax	25	13,685	7,314
Employee benefits	26	613	332
Deferred lease incentives	27	21,987	8,218
Total non-current liabilities		125,620	57,832
Total liabilities		252,452	145,038
Net assets		370,652	306,287
Equity			
Issued capital	28	385,310	319,319
Reserves	29	3,208	1,390
Accumulated losses	30	(19,603)	(16,282)
Equity attributable to the owners of RCG Corporation Limited		368,915	304,427
Non-controlling interest	31	1,737	1,860
Total equity		370,652	306,287

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

RCG Corporation Limited
Statement of changes in equity
For the year ended 2 July 2017

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accumu-lated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 29 June 2015	257,741	2,790	1,471	3,519	(22,693)	1,547	244,375
Profit after income tax expense for the year	-	-	-	-	29,924	259	30,183
Other comprehensive income for the year, net of tax	-	345	(6,937)	-	-	-	(6,592)
Total comprehensive income for the year	-	345	(6,937)	-	29,924	259	23,591
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	202	-	-	202
Exercise of options	1,173	-	-	-	-	-	1,173
Share placement	60,056	-	-	-	-	157	60,213
Transaction costs for issue of shares, net of tax	(1,320)	-	-	-	-	-	(1,320)
Capitalised option fees	142	-	-	-	-	-	142
Treasury share payments	1,527	-	-	-	-	-	1,527
Dividends paid (note 32)	-	-	-	-	(23,513)	(103)	(23,616)
Balance at 26 June 2016	319,319	3,135	(5,466)	3,721	(16,282)	1,860	306,287

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accumu-lated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 27 June 2016	319,319	3,135	(5,466)	3,721	(16,282)	1,860	306,287
Profit after income tax expense for the year	-	-	-	-	29,157	195	29,352
Other comprehensive income for the year, net of tax	-	43	1,431	-	-	-	1,474
Total comprehensive income for the year	-	43	1,431	-	29,157	195	30,826
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	344	-	-	344
Exercise of options	995	-	-	-	-	-	995
Issue of shares for acquisition	62,926	-	-	-	-	-	62,926
Treasury share payments	2,070	-	-	-	-	-	2,070
Non-controlling interest on disposals	-	-	-	-	-	(235)	(235)
Dividends paid (note 32)	-	-	-	-	(32,478)	(83)	(32,561)
Balance at 2 July 2017	385,310	3,178	(4,035)	4,065	(19,603)	1,737	370,652

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

RCG Corporation Limited
Statement of cash flows
For the year ended 2 July 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		705,267	479,148
Payments to suppliers and employees (inclusive of GST)		(637,777)	(417,790)
		67,490	61,358
Interest received		986	1,185
Interest and other finance costs paid		(4,055)	(3,753)
Income taxes paid		(19,002)	(14,433)
Net cash from operating activities	44	45,419	44,357
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired and minority interest	41	(30,579)	(15,979)
Payments for property, plant and equipment		(23,885)	(16,118)
Payments for intangibles		(288)	-
Net cash used in investing activities		(54,752)	(32,097)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		2,809	61,125
Proceeds from borrowings		42,000	2,056
Repayment of loans from option recipients		256	312
Repayment of Accent vendor notes		-	(28,000)
Repayment of borrowings		(2,000)	(10,000)
Dividends paid		(32,561)	(23,616)
Net cash from financing activities		10,504	1,877
Net increase in cash and cash equivalents		1,171	14,137
Cash and cash equivalents at the beginning of the financial year		44,573	29,990
Effects of exchange rate changes on cash and cash equivalents		(62)	446
Cash and cash equivalents at the end of the financial year	9	45,682	44,573

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover RCG Corporation Limited ('Company', 'parent entity' or 'RCG') as a Group consisting of RCG Corporation Limited and the entities it controlled at the end of, or during, the year ('Group'). 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 28 August 2017. 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 or amended 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended 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 as at 2 July 2017 and the results of all subsidiaries for the year then ended.

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.

Franchise establishment fees
Franchise establishment fees are recognised as income in the period when all services are completed in accordance with the Franchise Agreement.

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. Expenses in relation to the marketing of TAF stores are recorded within advertising and promotion expenses in profit or loss.

Note 2. Significant accounting policies (continued)

Royalty fees
Royalty fees are recognised as income on an accruals basis in the same period the sales on which royalties are charged are recognised by franchisees.

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 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.

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.

Note 2. Significant accounting policies (continued)

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 the Group's 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 the Group's 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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 to 60 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 an 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 in other comprehensive income through the cash flow hedges reserve 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. Depreciation commences once the asset is available for use as intended.

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.

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 indefinite useful 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.

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.

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.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly 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.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either a Monte Carlo simulation or the Black-Scholes option pricing model, as appropriate, 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.

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.

Note 2. Significant accounting policies (continued)

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 are no longer at the discretion of the Company.

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.

Note 2. Significant accounting policies (continued)

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.

Comparatives
Certain comparatives have been reclassified to confirm with current year presentation.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 2 July 2017. 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. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). 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. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2019.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 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 will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The adoption is not expected to result in significant changes to the recognition and measurement of the Group's revenues. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2019.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The new Standard is likely to result in significant changes to the recognition and measurement of amounts within the Group's financial statements, given the Group holds a large number of leases for corporate stores as well as franchisee stores under back-to-back lease agreements. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2020.

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.

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

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. To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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 estimates and assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. There are a number of key estimates made which require significant judgement in determining the inputs into these models which include:
- Revenue growth;
- Operating margins;
- Royalty rates (used in relief from royalty brand valuation model); and
- Discount rates applied to the projected future cash flows.

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.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 Co-Chief Executive Officers (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. Subsequent to the acquisition of Hype DC Pty Ltd ('HYPE'), the Group restructured the HYPE operations and integrated these into the Accent Group segment.

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 a monthly basis.

Note 4. Operating segments (continued)

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 Stance branded footwear/apparel and accessories, and operators of Skechers, Vans, Timberland, Platypus and HYPE retail stores; and
Corporate/Unallocated	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

Consolidated - 2017	Accent Group $'000	RCG Brands $'000	The Athlete's Foot $'000	Unallocated (a) $'000	Intercompany eliminations $'000	Total $'000
Corporate and partnership stores (No.)	246	30	17	-	-	293
Online Stores (No.)	4	4	1	-	-	9
Franchise Stores (No.)	-	-	128	-	-	128
Total (No.)	250	34	146	-	-	430
Total Group Sales (including franchised stores)	512,531	70,322	227,191	-	-	810,044
Corporate Store Sales	438,221	32,062	24,254	-	-	494,537
Wholesale Sales	74,310	38,260	-	-	-	112,570
Sales to Customers	512,531	70,322	24,254	-	-	607,107
Less: Cost of goods sold	233,530	40,444	12,947	-	-	286,921
Gross Profit	279,001	29,878	11,307	-	-	320,186
Net Revenue from Franchising activity	-	-	17,120	-	-	17,120
Realised and unrealised FX gain	(61)	(4)	-	-	-	(65)
Other Income	1,777	211	595	-	-	2,583
Dividend received	-	-	-	34,000	(34,000)	-
Net Revenue	280,717	30,085	29,022	34,000	(34,000)	339,824
Less: Employee benefits expenses	104,488	11,616	9,242	3,514	-	128,860
Less: Rental expense on operating leases	61,599	5,474	3,631	200	-	70,904
Less: Total Other Expenses	49,156	10,025	3,546	648	-	63,375
EBITDA from normal operations	65,474	2,970	12,603	29,638	(34,000)	76,685
Less: Restructuring costs	379	-	-	432	-	811
EBITDA from continuing operations	65,095	2,970	12,603	29,206	(34,000)	75,874
Less: Depreciation and amortisation	16,431	801	1,573	2,861	-	21,666
Less: Impairment of Hype DC Brand	-	-	-	9,714	-	9,714
EBIT from continuing operations	48,664	2,169	11,030	16,631	(34,000)	44,494
Interest received/(paid)	(348)	-	113	(2,835)	-	(3,070)
Segment profit before tax from continuing operations	48,316	2,169	11,143	13,796	(34,000)	41,424
Segment Assets	224,628	30,998	31,638	389,950	(54,110)	623,104
Segment Liabilities	139,267	23,721	24,489	119,085	(54,110)	252,452

a) *Unallocated Segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relation services. This also includes goodwill/intangible assets associated with business acquisitions and related depreciation/amortisation charges.*

Note 4. Operating segments (continued)

Consolidated - 2016	Accent Group $'000	RCG Brands $'000	The Athlete's Foot $'000	Unallocated (a) $'000	Intercompany eliminations $'000	Total $'000
Corporate and partnership stores (No.)	139	29	13	-	-	181
Online Stores (No.)	1	3	1	-	-	5
Franchise Stores (No.)	-	-	133	-	-	133
Total (No.)	140	32	147	-	-	319
Total Group Sales (including franchised stores)	322,588	69,485	223,696	-	-	615,769
Corporate Store Sales	245,126	31,515	22,339	-	-	298,980
Wholesale Sales	77,462	37,970	-	-	-	115,432
Sales to Customers	322,588	69,485	22,339	-	-	414,412
Less: Cost of goods sold	154,659	36,424	11,313	-	-	202,396
Gross Profit	167,929	33,061	11,026	-	-	212,016
Net Revenue from Franchising activity	-	-	16,980	-	-	16,980
Realised and unrealised FX gain	195	(4)	-	-	-	191
Other Income	760	209	647	-	-	1,616
Dividend received	-	-	-	7,000	(7,000)	-
Net Revenue	168,884	33,266	28,653	7,000	(7,000)	230,803
Less: Employee benefits expense	60,424	10,673	8,073	2,851	-	82,021
Less: Rental expense on operating leases	31,757	5,025	3,450	196	-	40,428
Less: Total Other Expenses	33,886	9,828	3,409	783	-	47,906
EBITDA from normal operations	42,817	7,740	13,721	3,170	(7,000)	60,448
Less: Acquisition costs of Hype DC	-	-	-	700	-	700
EBITDA from continuing operations	42,817	7,740	13,721	2,470	(7,000)	59,748
Less: Depreciation and amortisation	9,099	766	1,073	3,360	-	14,298
EBIT from continuing operations	33,718	6,974	12,648	(890)	(7,000)	45,450
Interest received/(paid)	(386)	-	106	(2,288)	-	(2,568)
Segment profit before tax from continuing operations	33,332	6,974	12,754	(3,178)	(7,000)	42,882
Segment Assets	147,985	39,133	32,104	256,603	(31,153)	451,325
Segment Liabilities	75,467	29,992	17,719	42,429	(31,153)	145,038

a) *Unallocated Segment refers to RCG Corporate which provides company secretarial, legal, financial, human resources management, investor and public relation services. This also includes goodwill/intangible assets associated with business acquisitions and related depreciation/amortisation charges.*

Segment revenue reconciliation

	Consolidated 2017 $'000	Consolidated 2016 $'000
Segment Net Revenue disclosed above reconciles to note 5 'Revenue' as follows:		
Revenue per note 5	636,153	442,723
Cost of goods sold	(286,921)	(202,398)
Interest received	(986)	(1,185)
Marketing levies	(8,371)	(8,526)
Realised foreign currency gain	(65)	189
Gain on disposal of property, plant and equipment	14	-
Net revenue per segment disclosed above	339,824	230,803

Note 5. Revenue

	Consolidated 2017 $'000	2016 $'000
Sales revenue		
Sales to customers	607,107	414,414
Royalties and other franchise related income	17,120	16,980
	624,227	431,394
Other revenue		
Marketing levies received from TAF stores	8,371	8,526
Interest	986	1,185
Other revenue	2,569	1,618
	11,926	11,329
Revenue	636,153	442,723

Note 6. Other (losses)/income

	Consolidated 2017 $'000	2016 $'000
Net foreign exchange gain	(65)	191
Net gain on disposal of property, plant and equipment	14	-
Other (losses)/income	(51)	191

Note 7. Expenses

	Consolidated 2017 $'000	Consolidated 2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	18,434	10,968
Amortisation		
Licence fee	31	31
Distribution rights	2,791	3,300
Other intangible assets	144	-
TAF Partnership store closure	265	-
Total amortisation	3,231	3,331
Total depreciation and amortisation	21,665	14,299
Impairment		
Hype DC brand name	9,714	-
Finance costs		
Interest and finance charges paid/payable	4,055	3,753
Superannuation expense		
Defined contribution superannuation expense	7,159	5,920
Share-based payments expense		
Share-based payments expense	344	202

Note 8. Income tax expense

	Consolidated 2017 $'000	2016 $'000
Income tax expense		
Current tax	21,543	16,025
Deferred tax - origination and reversal of temporary differences	(8,716)	(3,529)
Adjustment recognised for prior periods	(755)	203
Aggregate income tax expense	12,072	12,699
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 16)	(7,849)	(2,457)
Decrease in deferred tax liabilities (note 25)	(867)	(1,072)
Deferred tax - origination and reversal of temporary differences	(8,716)	(3,529)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	41,424	42,882
Tax at the statutory tax rate of 30%	12,427	12,865
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	57	21
Share-based payments	103	61
Acquisition expenses	-	118
Foreign currency losses	-	(303)
Sundry items	319	13
	12,906	12,775
Adjustment recognised for prior periods	(755)	203
Difference in overseas tax rates	(79)	(279)
Income tax expense	12,072	12,699

	Consolidated 2017 $'000	2016 $'000
Amounts credited directly to equity		
Deferred tax assets (note 16)	-	(2,496)
Deferred tax liabilities (note 25)	-	(593)
	-	(3,089)

	Consolidated 2017 $'000	2016 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Capital losses	7,198	7,198
Total deferred tax assets not recognised	7,198	7,198

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 2017 $'000	Consolidated 2016 $'000
Cash on hand	191	122
Cash at bank	46,088	44,451
	46,279	44,573

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2017 $'000	2016 $'000
Balances as above	46,279	44,573
Bank overdraft (note 18)	(597)	-
Balance as per statement of cash flows	45,682	44,573

Note 10. Current assets - trade and other receivables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Trade receivables	17,732	22,331
Less: Provision for impairment of receivables	(1,180)	(1,125)
	16,552	21,206
Other receivables	3,304	4,266
	19,856	25,472

Refer to note 34 for further information on financial instruments.

Note 11. Current assets - inventories

	Consolidated 2017 $'000	Consolidated 2016 $'000
Finished goods at cost, less provision for obsolescence	111,946	78,534

Note 12. Current assets - other

	Consolidated 2017 $'000	Consolidated 2016 $'000
Prepayments	2,383	1,579
Security deposits	40	53
Other current assets	836	1,098
	3,259	2,730

Note 13. Non-current assets - receivables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Loans to outside shareholders in TAF Partnership stores	705	869

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

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2017 $'000	Consolidated 2016 $'000
Plant and equipment - at cost	120,445	75,253
Less: Accumulated depreciation	(46,947)	(33,376)
	73,498	41,877
Assets under construction - at cost	1,302	743
	74,800	42,620

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 29 June 2015	28,067	336	28,403
Additions *	24,580	407	24,987
Disposals	(37)	-	(37)
Exchange differences	234	-	234
Depreciation expense	(10,967)	-	(10,967)
Balance at 26 June 2016	41,877	743	42,620
Additions *	39,637	559	40,196
Additions through business combinations (note 41)	11,747	-	11,747
Disposals	(1,248)	-	(1,248)
Exchange differences	(81)	-	(81)
Depreciation expense	(18,434)	-	(18,434)
Balance at 2 July 2017	73,498	1,302	74,800

* Contributions of $15,423,000 (2016: $9,157,000) to store fit-out costs have been received from landlords and suppliers. These amounts have been netted off against each other for cashflow purposes.

Note 15. Non-current assets - intangibles

	Consolidated 2017 $'000	2016 $'000
Goodwill - at cost	294,328	210,455
Brands and trademarks - at cost	44,825	14,566
Less: Impairment	(9,714)	-
	35,111	14,566
Licence fees - The Athlete's Foot - at cost	7,832	7,832
Less: Accumulated amortisation	(234)	(202)
	7,598	7,630
Distribution rights - at cost	16,800	16,800
Less: Accumulated amortisation	(6,367)	(3,576)
	10,433	13,224
Other intangible assets - The Athlete's Foot - at cost	432	175
Less: Accumulated amortisation	(144)	(175)
	288	-
	347,758	245,875

Reconciliations

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Other intangible assets $'000	Total $'000
Balance at 29 June 2015	212,135	13,866	7,661	14,824	-	248,486
Finalisation of business combination price allocation	(1,680)	700	-	1,700	-	720
Amortisation expense	-	-	(31)	(3,300)	-	(3,331)
Balance at 26 June 2016	210,455	14,566	7,630	13,224	-	245,875
Additions	-	-	61	-	432	493
Additions through business combinations (note 41)	84,138	30,259	-	-	-	114,397
Disposals	(265)	-	-	-	-	(265)
Impairment of assets	-	(9,714)	-	-	-	(9,714)
Amortisation expense	-	-	(93)	(2,791)	(144)	(3,028)
Balance at 2 July 2017	294,328	35,111	7,598	10,433	288	347,758

Note 15. Non-current assets - intangibles (continued)

Allocation of goodwill to cash-generating units/ cash-generating unit groups ('CGU's')
Goodwill has been allocated for impairment testing purposes to the following CGU groups:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Carrying amount of goodwill		
The Athlete's Foot (a)	18,019	18,019
Accent Group (b)	266,554	182,681
RCG Brands (c)	9,755	9,755
Goodwill	294,328	210,455

(a) CGU group consisting of the franchising and retail activities of The Athlete's Foot operating segment.
(b) CGU group consisting of the wholesale and retail activities of the Accent Group operating segment. During the year, the Group acquired Hype DC as described in Note 41. Subsequent to the acquisition, the Group integrated the Hype DC operations into the Accent operating segment and as a result the goodwill associated with the acquisition of Hype DC has been allocated to the Accent Group CGU group for the purposes of goodwill impairment testing.
(c) CGU group consisting of the wholesale and retail activities of the RCG Brands operating segment.

Impairment testing of goodwill
The CGU groups to which goodwill has been allocated are The Athlete's Foot, RCG Brands and Accent Group.

The accounting standards state that an impairment test must be performed annually for goodwill. 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 2 July 2017 were carried out based on value in use calculations. The recoverable amounts of the above CGU groups were determined based on estimated cash flows based on management approved budgets for FY2018, growth rates applied to cash flows of approximately 3% in years FY2019 through FY2022, and thereafter cash flows projected using long term average growth rates of 2.5% to 3%. Cash flows were discounted to present value using a mid-point pre-tax discount rate of 15.0% (2016: 15.0%). The impairment tests did not indicate any impairments of goodwill.

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.

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 groups of The Athlete's Foot and Accent Group.

Sensitivity analysis – RCG Brands
The Group has performed a sensitivity analysis by considering reasonable changes in key assumptions, including discount rate and Gross Margins in relation to the RCG Brands CGU group.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase or decrease in the recoverable amount. Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount of the CGU.

%	Base %	Increase/ decrease by %	RCG Brands recoverable amount (Decrease)/ increase $'000	RCG Brands recoverable amount Increase/ (decrease) $'000
Pre-tax discount rate	15.0%	0.5%	(1,635)	1,868
Gross margin	44.3%	1.0%	6,720	(6,720)

Note 15. Non-current assets - intangibles (continued)

Brand names and trademarks
The Group recognises the following brands and trademarks as indefinite life intangible assets:

	Consolidated 2017 $'000	2016 $'000
Carrying amount of brand names and trademarks		
The Athlete's Foot	3,466	3,466
Accent Group	11,100	11,100
Hype DC	20,545	-
Brands and trademarks	35,111	14,566

Impairment testing of brands and trademarks
The accounting standards state that an impairment test must be performed annually for indefinite life intangible assets such as brands and trademarks.

The recoverable amount of the brands and trademarks has been determined through a value in use calculation based on a relief from royalty methodology. This calculation used revenue cash flow projections for a period of five years plus a terminal value, based on financial estimates prepared by management and approved by the board for the 2018 financial year and projected growth thereafter. These revenue cash flow projections are consistent with those used in the impairment tests for Goodwill.

A royalty rate consistent with industry benchmarks was applied to these revenue projections. The rate was determined for each brand, based on a number of factors including the brand history and recognition, market share and future growth prospects. Cash flows were discounted to present value using a mid-point pre-tax discount rate specific to the brand.

The impairment testing of Hype DC has resulted in an impairment of $9,714,000 recognised in the profit and loss account. The decline in the recoverable amount of the brand was primarily driven a reduction in future cash flow forecasts in relation to the Hype DC business since its acquisition date and by a change in the royalty rate from 3.0% on acquisition to 2.15% at the year end.

Sensitivity analysis – Hype DC brand name
The Group has performed a sensitivity analysis by considering reasonable changes in key assumptions, including discount rate and royalty rate in relation to the valuation of the Hype DC brand name.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase or decrease in the recoverable amount. Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount of the CGU.

			RCG Brands recoverable amount	
%	Base %	Increase/ (decrease) %	(Decrease)/ increase $'000	Increase/ (decrease) $'000
Pre-tax discount rate	18.5%	0.5%	(329)	337
Royalty rate	2.1%	0.5%	4,778	(4,778)

Note 16. Non-current assets - deferred tax

	Consolidated 2017 $'000	2016 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	197	-
Finance leases	-	438
Provision for doubtful debts	337	330
Provision for shrinkage and stock obsolescence	2,252	1,901
Provision for employee entitlements	1,648	1,342
Other provisions and accrued expenses	1,453	1,469
(Unrealised)/realised foreign currency exchange	-	(10)
Business capital expenditure	302	-
Difference in accounting and tax depreciation	389	1,312
Borrowing costs	121	249
Landlord and supplier contributions	10,173	900
Other	(100)	-
	16,772	7,931
Amounts recognised in equity:		
Derivative financial instruments	1,729	2,539
Share issue costs	-	182
	1,729	2,721
Deferred tax asset	18,501	10,652
Movements:		
Opening balance	10,652	5,699
Credited to profit or loss (note 8)	7,849	2,457
Credited to equity (note 8)	-	2,496
Closing balance	18,501	10,652

Note 17. Current liabilities - trade and other payables

	Consolidated 2017 $'000	2016 $'000
Trade payables	55,939	38,886
Goods and services tax payable	4,149	2,402
Accrued expenses	21,586	11,454
Other payables	7,175	6,244
	88,849	58,986

Refer to note 33 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated 2017 $'000	2016 $'000
Bank overdraft	597	-
Bank loans	4,500	-
Working capital facility	10,000	5,013
Capex facility	-	5,000
	15,097	10,013

Refer to note 23 for further information on assets pledged as security and financing arrangements.

Refer to note 33 for further information on financial instruments.

Note 19. Current liabilities - derivative financial instruments

	Consolidated 2017 $'000	2016 $'000
Forward foreign exchange contracts - cash flow hedges	5,054	6,608

Refer to note 33 for further information on financial instruments.

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

Note 20. Current liabilities - income tax

	Consolidated 2017 $'000	2016 $'000
Provision for income tax	7,990	5,236

Note 21. Current liabilities - employee benefits

	Consolidated 2017 $'000	2016 $'000
Employee benefits	4,893	3,203

Note 22. Current liabilities - deferred lease incentives

	Consolidated 2017 $'000	2016 $'000
Deferred revenue	4,949	3,160

Note 23. Non-current liabilities - borrowings

	Consolidated 2017 $'000	Consolidated 2016 $'000
Bank loans	60,500	40,000
Capex facility	15,000	-
Vendor loan notes *	13,125	-
	88,625	40,000

Refer to note 33 for further information on financial instruments.

* *Vendor loan notes*
As part of the purchase consideration for Hype DC, RCG issued vendor loan notes to each of the vendors. The vendor loan notes were issued to each of Daniel Gilbert, Cindy Gilbert and Pittman Pty Ltd in proportion to their shareholding in Hype DC. The vendor loan notes are unsecured and subordination to the senior bank debt pursuant to a subordinated deed. Interest is paid at 6% per annum.

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Bank overdraft	597	-
Bank loans	65,000	40,000
Working capital facility	10,000	5,013
Capex facility	15,000	5,000
	90,597	50,013

Assets pledged as security
The senior bank debt made available by National Australia Bank and Bank of New Zealand is secured by cross-guarantees and all assets from 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). Total secured assets amounted to $612,000,000 at 2 July 2017 (2016: $432,000,000).

Note 23. Non-current liabilities - borrowings (continued)

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

	Consolidated 2017 $'000	2016 $'000
Total facilities		
Bank overdraft	10,600	1,900
Bank loans	70,000	50,000
Working capital facility	30,000	20,000
Capex facility	15,000	10,000
Bank guarantee and letters of credit	23,300	23,100
	148,900	105,000
Used at the reporting date		
Bank overdraft	597	-
Bank loans	65,000	40,000
Working capital facility	10,000	5,013
Capex facility	15,000	5,000
Bank guarantee and letters of credit	11,793	20,078
	102,390	70,091
Unused at the reporting date		
Bank overdraft	10,003	1,900
Bank loans	5,000	10,000
Working capital facility	20,000	14,987
Capex facility	-	5,000
Bank guarantee and letters of credit	11,507	3,022
	46,510	34,909

Note 24. Non-current liabilities - derivative financial instruments

	Consolidated 2017 $'000	2016 $'000
Forward foreign exchange contracts - cash flow hedges	-	593
Interest rate swap contracts - cash flow hedges	710	1,375
	710	1,968

Refer to note 33 for further information on financial instruments.

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

Note 25. Non-current liabilities - deferred tax

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Difference in accounting and tax depreciation	829	-
Trademarks and distribution rights	12,624	7,298
Other	232	-
	13,685	7,298
Amounts recognised in equity:		
Hedging reserve	-	16
Deferred tax liability	13,685	7,314
Movements:		
Opening balance	7,314	8,259
Credited to profit or loss (note 8)	(867)	(1,072)
Credited to equity (note 8)	-	(593)
Additions through business combinations (note 41)	7,238	720
Closing balance	13,685	7,314

Note 26. Non-current liabilities - employee benefits

	Consolidated 2017 $'000	Consolidated 2016 $'000
Employee benefits	613	332

Note 27. Non-current liabilities - deferred lease incentives

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred revenue	21,987	8,218

Note 28. Equity - issued capital

	Consolidated 2017 Shares	Consolidated 2016 Shares	Consolidated 2017 $'000	Consolidated 2016 $'000
Ordinary shares - fully paid	542,291,224	503,704,119	392,747	328,897
Less: Treasury shares	(9,501,665)	(13,399,999)	(7,437)	(9,578)
	532,789,559	490,304,120	385,310	319,319

Note 28. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	29 June 2015	436,265,035		257,741
Issue of shares under Share Purchase Plan	3 July 2015	14,365,750	$0.700	10,056
Exercise of options	27 August 2015	750,000	$0.520	390
Exercise of options	27 August 2015	200,000	$0.530	106
Exercise of options	27 August 2015	900,000	$0.660	594
Issue of shares under loan	27 August 2015	1,700,000	$0.569	968
Treasury shares	27 August 2015	(1,700,000)	$0.569	(968)
Issue of shares under ESS	1 September 2015	1,700,000	$1.140	1,938
Treasury shares	1 September 2015	(1,700,000)	$1.140	(1,938)
Treasury shares - loans repaid	24 September 2015	3,000,000	$0.300	900
Exercise of options	26 February 2016	155,000	$0.530	82
Treasury shares - loans repaid	26 February 2016	1,335,001	$0.400	628
Placement shares	4 March 2016	33,333,334	$1.500	50,000
Transaction costs for issue of shares, net of tax	4 March 2016	-		(1,320)
Cancellation of shares under ESS	13 May 2016	(400,000)	$0.743	(297)
Treasury shares	13 May 2016	400,000	$0.743	297
Issue of shares under ESS	13 May 2016	400,000	$1.490	596
Treasury shares	13 May 2016	(400,000)	$1.490	(596)
Capitalised option fees		-		142
Balance	26 June 2016	490,304,120		319,319
Treasury shares - loans repaid	6 July 2017	233,333	$0.490	114
Treasury shares - loans repaid	6 July 2017	500,000	$0.520	260
Exercise of options	27 July 2016	445,000	$0.570	254
Issue of shares on acquisition of Hype DC Pty Limited	4 August 2016	36,842,105	$1.708	62,926
Exercise of options	31 August 2016	300,000	$0.570	171
Treasury shares - loans repaid	26 September 2016	33,333	$0.490	16
Treasury shares - loans repaid	26 September 2016	250,000	$0.520	130
Treasury shares - loans repaid	28 September 2016	700,000	$0.400	280
Treasury shares - loans repaid	15 December 2016	400,000	$0.660	264
Employee Share Scheme - loans repaid	1 March 2017	1,215,001	$0.490	595
Employee Share Scheme - loans repaid	1 March 2017	66,667	$0.690	46
Employee Share Scheme - loans repaid	1 March 2017	500,000	$0.730	365
Exercise of options	2 March 2017	1,000,000	$0.570	570
Balance	2 July 2017	532,789,559		385,310

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, no shares were issued to employees under the ESS (2016: 1,700,000). Details of the scheme are set out in note 46.

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 28. Equity - issued capital (continued)

Capital risk management
Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 29. Equity - reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000
Foreign currency translation reserve	3,178	3,135
Hedging reserve - cash flow hedges	(4,035)	(5,466)
Share-based payments reserve	4,065	3,721
	3,208	1,390

Foreign currency translation 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:

Consolidated	Foreign currency translation reserve $'000	Hedging reserve- cash flow hedge $'000	Share-based payments reserve $'000	Total $'000
Balance at 29 June 2015	2,790	1,471	3,519	7,780
Foreign currency translation	345	-	-	345
Loss recognised on cash flow hedges - interest rate swaps	-	(9,910)	-	(9,910)
Share-based payment	-	-	202	202
Income tax related to gains/(losses) recognised in other comprehensive income	-	2,973	-	2,973
Balance at 26 June 2016	3,135	(5,466)	3,721	1,390
Foreign currency translation	43	-	-	43
Gain recognised on cash flow hedges - foreign currency contracts	-	2,044	-	2,044
Share-based payment	-	-	344	344
Income tax related to gains/(losses) recognised in other comprehensive income	-	(613)	-	(613)
Balance at 2 July 2017	3,178	(4,035)	4,065	3,208

Note 30. Equity - accumulated losses

	Consolidated 2017 $'000	2016 $'000
Accumulated losses at the beginning of the financial year	(16,282)	(22,693)
Profit after income tax expense for the year	29,157	29,924
Dividends paid (note 32)	(32,478)	(23,513)
Accumulated losses at the end of the financial year	(19,603)	(16,282)

Note 31. Equity - non-controlling interest

	Consolidated 2017 $'000	2016 $'000
Issued capital	1,225	1,460
Retained profits	512	400
	1,737	1,860

Note 32. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2017 $'000	2016 $'000
Final dividend for the year ended 26 June 2016 (2016: 28 June 2015) of 3.00 cents (2016: 2.50 cents) per ordinary share	16,239	11,752
Interim dividend for the year ended 2 July 2017 (2016: 26 June 2016) of 3.00 cents (2016: 2.50 cents) per ordinary share	16,239	11,761
Dividends paid to non-controlling interests	83	103
	32,561	23,616

Franking credits

	Consolidated 2017 $'000	2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	18,117	11,358

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

New Zealand imputation credits available to New Zealand residential shareholders amount to NZ$7,852,000.

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 foreign currency exposures and interest rate swaps to hedge interest rate 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 and ageing analysis for credit 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 undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposure to exchange rate fluctuations arise. The Group manages these risks through forward currency contracts (refer below). The main exposure relates to inventory purchases which are usually denominated in US Dollars.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

		Assets		Liabilities
Consolidated	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
US dollars	-	-	25,550	21,845
New Zealand dollars	310	427	-	-
	310	427	25,550	21,845

Foreign currency sensitivity analysis (assessed by management based on 10% movement)

		Profit or loss		Equity
Consolidated - 2016	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
US dollars	-	-	2,555	2,185
New Zealand dollars	31	43	-	-
	31	43	2,555	2,185

The US dollar sensitivity impacts Equity only as a result of the fact that all US Dollar foreign currency liabilities are fully hedged as at 2 July 2017 and 26 June 2016 respectively (refer below).

In management's opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

Note 33. Financial instruments (continued)

In addition, the Group includes certain subsidiaries whose functional currencies are different to the Group's presentation currency of Australian Dollars. As stated in the Group's Accounting Policies Note 2, on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on the balance date. The income and expenses of these entities are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The main operating entities outside of Australia are based in New Zealand. The Group's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar.

As noted above the Group manages its foreign currency risk through forward currency contracts.

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	
	2017 $'000	2016 $'000	2017	2016
Buy US dollars				
Maturity:				
0 - 3 months	39,151	16,433	0.7179	0.7078
3 - 6 months	26,772	33,856	0.7470	0.7173
6 - 12 months	85,318	64,176	0.7501	0.7012
Over 12 months	-	59,185	-	0.7248

	Sell NZ dollars		Average exchange rates	
	2017 $'000	2016 $'000	2017	2016
Buy US dollars				
Maturity:				
0 - 3 months	-	8,396	-	0.6277
3 - 6 months	-	6,859	-	0.6560
6 - 12 months	-	6,758	-	0.6659

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 Group maintains approximately 66% of long-term borrowings at fixed rates using interest rate swaps to achieve this when necessary.

Note 33. Financial instruments (continued)

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

	2017		2016	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	1.48%	45,682	1.73%	44,573
Bank loans	3.99%	(65,000)	3.82%	(40,000)
Interest rate swap *	4.42%	40,000	4.42%	40,000
Working capital facility	3.22%	(10,000)	3.44%	(5,013)
Capex facility	3.22%	(15,000)	3.29%	(5,000)
Vendor loan notes	6.00%	(13,125)	-	-
Net exposure to cash flow interest rate risk		(17,443)		34,560

* For the interest rate swaps outstanding at 2 July 2017:
- Outstanding interest rate swap contracts maturity is May 2020
- Average contracted fixed interest rate is 4.42%
- Notional principal value is $40,000,000
- Fair value at 2 July 2017 is $710,000 (liability) (26 June 2016 is $1,375,000 (liability))

Sensitivity impact of interest rate changes has not been shown as a 0.5% change in interest rates would have an immaterial profit or loss impact based on the net exposure to cash flow interest rate risk at balance date.

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 $234,000 (2016: $331,000) in profit or loss in respect of impairment of receivables for the year ended 2 July 2017.

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

	Consolidated	
	2017 $'000	2016 $'000
Opening balance	1,125	843
Additional provisions recognised	55	321
Receivables written off during the year as uncollectable	-	(39)
Closing balance	1,180	1,125

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,720,000 as at 2 July 2017 ($6,449,000 as at 26 June 2016).

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

Note 33. Financial instruments (continued)

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
30 to 90 days overdue	1,280	6,415
Over 90 days overdue	440	34
	1,720	6,449

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.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Bank overdraft	10,003	1,900
Bank loans	5,000	10,000
Working capital facility	20,000	14,987
Capex facility	-	5,000
Bank guarantee and letters of credit	11,507	3,022
	46,510	34,909

Note 33. Financial instruments (continued)

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 - 2017	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
Non-derivatives						
Non-interest bearing						
Trade payables	-	55,939	-	-	-	55,939
Other payables	-	7,175	-	-	-	7,175
Interest-bearing - variable						
Bank overdraft	3.22%	615	-	-	-	615
Term loans	3.99%	7,087	11,881	53,001	-	71,969
Working capital facility	3.22%	10,322	-	-	-	10,322
Capex facility	3.22%	483	483	15,483	-	16,449
Interest-bearing - fixed rate						
Vendor loan notes	6.00%	13,913	-	-	-	13,913
Total non-derivatives		95,534	12,364	68,484	-	176,382
Derivatives						
Interest rate swaps net settled	-	-	710	-	-	710
Forward foreign exchange contracts net settled	-	5,054	-	-	-	5,054
Total derivatives		5,054	710	-	-	5,764

Consolidated - 2016	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
Non-derivatives						
Non-interest bearing						
Trade payables	-	38,886	-	-	-	38,886
Other payables	-	6,244	-	-	-	6,244
Interest-bearing - variable						
Term loans	4.42%	1,768	5,514	39,934	-	47,216
Working capital facility	3.44%	5,013	-	-	-	5,013
Capex facility	3.29%	5,000	-	-	-	5,000
Total non-derivatives		56,911	5,514	39,934	-	102,359
Derivatives						
Interest rate swaps net settled	4.42%	-	1,375	-	-	1,375
Forward foreign exchange contracts net settled	-	6,608	593	-	-	7,201
Total derivatives		6,608	1,968	-	-	8,576

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

Note 33. Financial instruments (continued)

Capital risk management
The Group manages its capital to ensure that all the entities within the Group 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.

Management 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 26 June 2016 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

Consolidated - 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts - cash flow hedges	-	5,054	-	5,054
Interest rate swap contracts - cash flow hedges	-	710	-	710
Total liabilities	-	5,764	-	5,764

Consolidated - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts - cash flow hedges	-	7,201	-	7,201
Interest rate swap contracts - cash flow hedges	-	1,375	-	1,375
Total liabilities	-	8,576	-	8,576

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 and level 3
The fair values of the above financial assets and financial liabilities are determined using the following valuation techniques:

<u>Forward foreign exchange contracts – Discounted cash flow</u>
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.

Note 34. Fair value measurement (continued)

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:

	Consolidated 2017 $	2016 $
Short-term employee benefits	4,365,719	3,401,874
Post-employment benefits	167,692	156,203
Long-term benefits	112,056	64,744
Share-based payments	48,958	-
	4,694,425	3,622,821

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:

	Consolidated 2017 $	2016 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	480,000	285,000
Other services - Deloitte Touche Tohmatsu		
Acquisition due dilligence	109,851	105,000
	589,851	390,000
Audit services - unrelated firms		
Audit or review of the financial statements	-	186,000
Other services - unrelated firms		
Taxation services	-	150,000
Other	-	110,000
	-	260,000
	-	446,000

Note 37. Contingent liabilities

The Group has bank guarantees outstanding as at 2 July 2016 of $4,133,064 (2016: $5,896,936). The Group also has open letters of credit of $7,651,710 (2016: $14,146,474). These guarantees and letters of credit entered into in relation to the debts of its subsidiaries.

Note 37. Contingent liabilities (continued)

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 three months' rent) and in some instances personal guarantees to the landlords of the properties. The Company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be $55,200,000 (2016: $54,040,000) and comprises:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Default by franchisee		
Maximum possible exposure comprising:		
Less than one year	16,750	17,250
Between one and five years	34,700	34,540
More than five years	3,750	2,250
	55,200	54,040

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

Note 38. Commitments

	Consolidated 2017 $'000	Consolidated 2016 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	18,509	8,813
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	63,099	39,467
One to five years	187,312	111,636
More than five years	32,418	17,457
	282,829	168,560

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

The amounts above exclude leases under franchise head lease arrangements disclosed in note 37.

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 included in the directors' report.

Note 39. Related party transactions (continued)

Entities associated with key management personnel
Tidereef Pty Limited, a shareholder, is a company associated with Ivan Hammerschlag.
Rivan Pty Limited, a shareholder, is a company associated with David Gordon.
Vamico Pty Limited, a shareholder, is a company associated with Michael Cooper.
Omniday Pty Limited, a shareholder, is a company associated with Michael Hirschowitz.
Rastana Holdings Pty Limited, a shareholder, is a company associated with Hilton Brett.
2 Como Pty Ltd, a shareholder, is a company associated with Daniel Agostinelli.
Retail Oasis Pty Limited, a company associated with Stephen Kulmar.

Transactions with related parties
The following transactions occurred with related parties:

Retail Oasis Pty Limited, a company associated with Stephen Kulmar, provided consultancy services to the Company's subsidiaries amounting to $8,777 (2016: $12,882). These services were provided on an arm's length basis.

	Consolidated 2017 $	Consolidated 2016 $
Loan repayments paid/(received) from directors:		
- Hilton Brett	-	(1,051,692)
- Michael Hirschowitz	-	(137,350)
- Stephen Kulmar	(6,000)	-
- Michael Hapgood *	-	8,918,400
- Daniel Agostinelli (including 2 Como Pty Ltd) *	-	4,459,200
- Craig Thompson *	-	22,096,000
- Michael Cooper	-	(119,000)
- Daniel Gilbert **	4,593,750	-
Total	4,587,750	34,165,558

* Repayment of vendor loan note provided by the former shareholders of Accent Group in connection with the purchase of that business.
** Vendor loans provided by shareholders of Hype DC as part of acquisition consideration.

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

	Consolidated 2017 $	Consolidated 2016 $
Loans to/(from) key management personnel:		
- Ivan Hammerschlag (interest free) *	78,200	78,200
- Stephen Kulmar	-	6,000
- Craig Thompson (interest free)***	(200,000)	(200,000)
- Daniel Gilbert (interest at 6% per annum)**	(4,593,750)	-
Total loans receivable/(payable)	(4,715,550)	(115,800)

* Under the EOP 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.
** Relates to vendor finance component of Hype DC acquisition. Loan is repayable on 4 August 2018.
*** Relates to vendor finance component of Accent acquisition outstanding at balance date. Loan is repayable at call.

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

	Parent 2017 $'000	Parent 2016 $'000
Loss after income tax	(1,129)	(1,277)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(1,129)	(1,277)

Statement of financial position

	Parent 2017 $'000	Parent 2016 $'000
Total current assets	55,025	39,334
Total non-current assets	380,957	273,687
Total assets	435,982	313,021
Total current liabilities	29,928	6,750
Total non-current liabilities	73,493	41,471
Total liabilities	103,421	48,221
Net assets	332,561	264,800
Equity		
Issued capital	385,310	319,319
Hedging reserve - cash flow hedges	(954)	(1,988)
Share-based payments reserve	4,065	3,721
Accumulated losses	(55,860)	(56,252)
Total equity	332,561	264,800

Contingent liabilities
The parent entity had no contingent liabilities as at 2 July 2017 and 26 June 2016, other than those disclosed in note 37, which apply to RCG Corporation Limited 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 2 July 2017 and 26 June 2016.

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

2017

Hype DC Pty Limited

On 4 August 2016, the Group completed the acquisition of 100% of the ordinary shares of Hype DC Pty Limited, an Australian retailed of branded athleisure and style footwear, for the total consideration transferred of $109,853,000. Goodwill of $84,107,000 was recognised on acquisition.

The acquired business contributed revenues of $120,284,602 and profit after tax of $4,757,880 to the Group for the period from 4 August 2016 to 2 July 2017. If the acquisition occurred on 27 June 2016, the full year contributions would have been revenues of $131,111,341 and profit after tax of $5,676,500.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	2,846
Inventories	10,964
Property, plant and equipment	11,747
Hype DC brand name	30,259
Trade and other payables	(14,914)
Provision for income tax	(1,055)
Deferred tax liability	(7,238)
Employee benefits	(1,057)
Other current liabilities	(1,015)
Lease liability	(4,822)
Net assets acquired	25,715
Goodwill	84,138
Acquisition-date fair value of the total consideration transferred	109,853
Representing:	
Cash paid or payable to vendor	33,425
RCG Corporation Limited shares issued to vendor	62,926
Vendor note	13,125
Interest paid to vendors	377
	109,853
Acquisition costs expensed to profit or loss in prior year	700

	Consolidated 2017 $'000	2016 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	109,853	-
Less: cash and cash equivalents	(2,846)	-
Less: payments to be made in future periods	(13,502)	-
Less: shares issued by Company as part of consideration	(62,926)	-
Net cash used	30,579	-

2016

There were no new business combinations in the year.

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 2017 %	Ownership interest 2016 %
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%	60.00%
Accent Group Limited	New Zealand	100.00%	100.00%
Platypus Shoes Limited **	New Zealand	100.00%	100.00%
Accent Footwear Limited **	New Zealand	100.00%	100.00%
Accent Group Pty Limited **	Australia	100.00%	100.00%
Platypus Shoes (Australia) Pty Limited **	Australia	100.00%	100.00%
Dr Martens New Zealand Limited **	New Zealand	100.00%	100.00%
42K Pty Ltd **	Australia	100.00%	100.00%
RCG Grounded Pty Ltd	Australia	100.00%	100.00%
RCG Accent Pty Limited	Australia	100.00%	-
Hype DC Pty Ltd	Australia	100.00%	-

* Indirectly held through TAF Partnership Pty Ltd
** Indirectly held through Accent Group Limited

Note 43. Deed of cross guarantee

The following entities are party to a deed of cross guarantee, entered into on 23 February 2017, under which each company guarantees the debts of the others:

RCG Corporation Limited	(ACN 108 096 251)
RCG Brands Pty Ltd	(ACN 125 433 972)
The Athlete's Foot Australia Pty Limited	(ACN 001 777 582)
RCG Retail Pty Ltd	(ACN 144 955 117)
RCG Accent Group Holdings Pty Ltd	(ACN 613 017 422)
Hype DC Pty Limited	(ACN 081 432 313)
TAF Partnership Stores Pty Ltd	(ACN 164 791 048)
TAF eStore Pty Ltd	(ACN 158 031 040)
T.A.F Constructions Pty Ltd	(ACN 097 684 430)
Accent Group Pty Ltd	(ACN 001 742 552)
Platypus Shoes (Australia) Pty Ltd	(ACN 122 726 907)
42K Pty Limited	(ACN 169 043 145)
RCG Grounded Pty Ltd	(ACN 611 621 482)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by RCG Corporation Limited, they also represent the 'Extended Closed Group'.

Note 43. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2017 $'000	2016 $'000
Revenue	576,253	-
Other income	14	-
Finished goods used	(290,462)	-
Changes in merchandise inventories	33,408	-
Employee benefits expense	(121,949)	-
Depreciation and amortisation expense	(19,702)	-
Impairment of brand name	(9,714)	-
Rental expense on operating leases	(64,896)	-
Advertising and promotion expenses	(19,388)	-
Travel and telecommunication expenses	(4,011)	-
Warehousing and freight expenses	(17,647)	-
Other expenses	(21,300)	-
Finance costs	(3,218)	-
Profit before income tax expense	37,388	-
Income tax expense	(10,825)	-
Profit after income tax expense	26,563	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	26,563	-

Equity - retained profits	2017 $'000	2016 $'000
Accumulated losses at the beginning of the financial year	(38,351)	-
Profit after income tax expense	26,563	-
Dividends paid	(32,477)	-
Accumulated losses at the end of the financial year	(44,265)	-

Note 43. Deed of cross guarantee (continued)

Statement of financial position	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	41,033	-
Trade and other receivables	7,119	-
Inventories	101,663	-
Other	3,207	-
	153,022	-
Non-current assets		
Receivables	705	-
Property, plant and equipment	69,749	-
Intangibles	345,462	-
Deferred tax	17,073	-
	432,989	-
Total assets	586,011	-
Current liabilities		
Trade and other payables	80,980	-
Borrowings	15,097	-
Derivative financial instruments	5,054	-
Income tax	7,882	-
Employee benefits	4,771	-
Deferred lease incentives	4,949	-
	118,733	-
Non-current liabilities		
Borrowings	88,625	-
Derivative financial instruments	710	-
Deferred tax	13,685	-
Employee benefits	540	-
Deferred lease incentives	21,585	-
	125,145	-
Total liabilities	243,878	-
Net assets	342,133	-
Equity		
Issued capital	382,859	-
Reserves	3,539	-
Accumulated losses	(44,265)	-
Total equity	342,133	-

As the deed of cross guarantee was entered into during the current year, comparative information has not been presented.

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

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax expense for the year	29,352	30,183
Adjustments for:		
Depreciation and amortisation	21,665	14,299
Impairment of Hype DC brand name	9,714	-
Share-based payments	344	202
Foreign exchange differences	65	(191)
Change in assets and liabilities:*		
Receivables	5,353	(2,316)
Inventories	(22,460)	(5,858)
Trade creditors and provisions	8,403	9,215
Tax assets and liabilities	(7,017)	(1,177)
Net cash from operating activities	45,419	44,357

* Changes in assets and liabilities are net of those acquired in the acquisition of Hype DC Pty Limited.

Note 45. Earnings per share

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax	29,352	30,183
Non-controlling interest	(195)	(259)
Profit after income tax attributable to the owners of RCG Corporation Limited	29,157	29,924

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	526,571,720	464,107,553
Adjustments for calculation of diluted earnings per share:		
Options and loan funded shares	4,270,982	1,959,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	530,842,702	466,066,553

	Cents	Cents
Basic earnings per share	5.54	6.45
Diluted earnings per share	5.49	6.42

Note 46. Share-based payments

Option Plans

Employee Option Plan

Options issued under the Employee Option Plan ('EOP') convert into one ordinary share in the Company 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.

Note 46. Share-based payments (continued)

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:

2017

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
Employee option plan:							
24/08/2011	24/08/2016	$0.570	1,745,000	-	(1,745,000)	-	-
Share loan:							
12/01/2015	28/08/2018	$0.345	700,000	-	(700,000)	-	-
27/08/2015	27/08/2018	$0.400	1,100,000	-	(750,000)	-	350,000
27/08/2015	27/08/2018	$0.589	600,000	-	(400,000)	-	200,000
Employee share scheme:							
28/02/2013	28/08/2018	$0.490	3,969,999	-	(1,481,667)	-	2,488,332
03/12/2013	03/06/2019	$0.690	200,000	-	(66,667)	-	133,333
02/10/2014	30/03/2020	$0.590	1,360,000	-	-	-	1,360,000
30/03/2015	30/09/2020	$0.730	70,000	-	-	-	70,000
27/05/2015	30/09/2020	$0.730	2,900,000	-	(500,000)	-	2,400,000
27/05/2015	30/09/2020	$1.010	500,000	-	-	-	500,000
28/08/2015	30/08/2020	$1.140	1,600,000	-	-	-	1,600,000
13/05/2016	28/02/2021	$1.490	400,000	-	-	-	400,000
			15,144,999	-	(5,643,334)	-	9,501,665

2016

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
Employee option plan:							
23/08/2010	23/08/2015	$0.589	1,850,000	-	(1,850,000)	-	-
14/12/2010	18/12/2015	$0.660	1,500,000	-	(1,500,000)	-	-
24/08/2011	24/08/2016	$0.570	2,100,000	-	(355,000)	-	1,745,000
Share loan:							
28/02/2013	28/02/2016	$0.345	3,000,000	-	(3,000,000)	-	-
12/01/2015	28/08/2018	$0.400	1,000,000	-	(300,000)	-	700,000
27/08/2015	27/08/2018	$0.589	-	1,100,000	-	-	1,100,000
27/08/2015	27/08/2018	$0.660	-	600,000	-	-	600,000
Employee share scheme:							
28/02/2013	28/08/2018	$0.490	5,155,000	-	(1,035,001)	(150,000)	3,969,999
03/12/2013	03/06/2019	$0.690	200,000	-	-	-	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	-	-	(150,000)	70,000
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
28/08/2015	30/08/2020	$1.140	-	1,700,000	-	(100,000)	1,600,000
13/05/2016	28/02/2021	$1.490	-	400,000	-	-	400,000
			19,785,000	3,800,000	(8,040,001)	(400,000)	15,144,999

Note 46. Share-based payments (continued)

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

Grant date	Expiry date	2017 Number	2016 Number
24/08/2011	24/08/2016	-	1,745,000
		-	1,745,000

The weighted average share price during the financial year was $1.146 (2016: $1.443).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.8 years (2016: 2.53 years).

Performance rights

On 14 October 2016, the Board approved a performance rights plan called the RCG Performance Rights Plan ('PRP'). The PRP has been introduced following a review by the Board of the existing remuneration arrangements of the Group. The Board intends for the PRP to replace the ESS.

The objective of the PRP is to align the interests of employees of the Group with those of the shareholders and provide employees of the Group who are considered to be key to the future success of the Group with an opportunity to receive shares in order to reward and retain the services of those persons and recognise the employees of the Group for their contribution to the future success of the Group.

Eligibility and grant of performance rights

The Board may, from time to time, grant performance rights to an employee of the Group who the Board determines to be eligible to participate in the PRP, this may include an executive director of the Group, but may not include a non-executive director of the Group. The performance rights granted are under the terms and conditions of the PRP and may include additional terms and conditions, including any performance conditions, as the Board determine. The Board may only grant performance rights where an employee continues to satisfy any relevant conditions imposed by the Board.

Vesting of performance rights

Vesting of performance rights are subject to prescribed performance conditions:

- 50% of the performance rights are subject to an earnings per share ('EPS') performance condition; and
- 50% of the performance rights are subject to a market total shareholder return ('TSR') performance condition.

The EPS and TSR performance conditions are measured over a 3 year period and vesting is subject to the recipients of the performance rights remaining in employment with the Group.

Lapsing of performance rights

An unvested performance right will lapse in various prescribed circumstances, unless the Board determine otherwise. Such circumstances include:

- the circumstances specified by the Board on or before the grant of the performance right;
- if a participant ceases to be an employee and/or director of a Group company for any reason or they cease to satisfy any other relevant conditions imposed by the Board at the time of the grant of the performance rights;
- failure to meet the performance conditions attaching to the performance right or any performance condition no longer, in the opinion of the Board, being capable of being satisfied in accordance with their terms; and
- in in the opinion of the Board a participant acts fraudulently or dishonestly, is in breach of their material duties or obligations to any Group company, has committed an act of harassment or discrimination or has done any act which has brought the Group or any Group company into disrepute.

The Group recognises the fair value at the grant date of equity settled shares above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using Monte-Carlo simulation and Binomial option pricing models where applicable.

Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

Note 46. Share-based payments (continued)

Key inputs to the pricing models include:

	2 July 2017
Share price at grant date	$1.47
Volatility	44%
Dividend yield	5.0%
Risk-free interest rate	1.95%

Set out below are summaries of the performance rights granted:

2017

Grant date	Vesting date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
11/01/2017	09/09/2019	08/11/2019	-	2,119,315	-	-	2,119,315
			-	2,119,315	-	-	2,119,315

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2.5 years (2016: nil years).

Note 47. Events after the reporting period

No matter or circumstance has arisen since 2 July 2017 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.

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 2 July 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 43 to the financial statements.

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

Ivan Hammerschlag	Hilton Brett	Daniel Agostinelli
Chairman	Co-Chief Executive Officer	Co-Chief Executive Officer

28 August 2017
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RCG Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 2 July 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 2 July 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter

Carrying value of goodwill and indefinite useful life intangible assets
 	
Goodwill and indefinite useful life intangible assets (principally brand names) of $329.4m have been recognised in the consolidated statement of financial position as a consequence of acquisitions undertaken in the current and past periods.
 	
These assets have been allocated to Cash Generating Units ("CGUs") or groups of CGUs at which level the goodwill is monitored by management as follows:
• The Athletes Foot;
• Accent Group; and
• RCG Brands.
 	
Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed through value-in-use discounted cash flow models.
 	
As disclosed in Note 2 to the financial statements, there are a number of key estimates made which require significant judgement in determining the inputs into these models which include:
• Revenue growth;
• Operating margins;
• Royalty rates (used in the relief from royalty brand valuation model); and
• Discount rates applied to the projected future cash flows.
	In conjunction with our valuation specialists, our procedures included, but were not limited to:
	• Assessing the basis of allocation of goodwill and indefinite useful life intangible assets to identified CGUs or CGU groups;
	• Evaluating the principles and integrity of the models used by management to calculate the value-in-use of the CGUs or CGU groups and the brand names to ensure they comply with the applicable accounting standards;
	• Challenging management with respect to the revenue growth rates and operating margins underlying the cash flow forecasts to determine whether they are reasonable and supportable based on historical performance, management's strategic growth plans for the CGUs, and other known industry factors;
	• Assessing the reasonableness of the basis adopted by management in determining the other key inputs and assumptions underlying the calculations in the models including:
	  o Royalty rates; and
	  o Discount rates
	• Performing sensitivity analysis on the key model inputs and assumptions; and
	• Assessing the appropriateness of the disclosures included in Note 15 to the financial statements.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter

Valuation of inventory and provision for impairment of inventories
The Group has recognised $111.9m in inventories on the consolidated statement of financial position as at 2 July 2017.
 	
Inventories are recognised net of a provision for impairment where the net realisable value of inventories is less than cost. As disclosed in Note 2 to the financial statements this 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 broader industry and other factors that affect inventory obsolescence.
 	
To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.
	Our audit procedures included, but were not limited to:
	
	• Testing on a sample basis inventory items in each significant component and comparing the selected items to their current selling prices;
	
	• Challenging management's estimate of the provision by considering, amongst others, the following sources of information to assess net realisable value:
	  ○ aging of inventory;
	  ○ actual losses incurred in the financial period due to stock sold below cost and stock written off;
	  ○ stock not sold during the period; and
	  ○ the likelihood of current inventory to become aged and/or impaired in the future based on internal and external industry factors.
	
	• Recalculating the inventory provision to test compliance with the Group's accounting policy.
	
	• Assessing the appropriateness of the disclosures included in Note 11 to the financial statements.

Deloitte.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Acquisition of Hype DC Pty Limited	
On 4 August 2016, the Group completed the acquisition of 100% of the ordinary shares of Hype DC Pty Limited ("Hype"), an Australian retailer of branded athleisure and style footwear, for total consideration of $109.9m. The Group's disclosure of the business combination accounting applied to the acquisition of Hype is set out in Note 41. The Group recognised an intangible asset relating to the Hype brand name of $30.3m and goodwill on the acquisition of $84.1m. The acquisition involved significant judgements and assumptions in the identification and valuation of intangible assets.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Discussing with management and their external specialists the purchase price allocation; • Assessing the independence, competence and objectivity of management's external specialists; • Evaluating the principles and integrity of the models used by management to calculate the value-in-use of the CGUs or CGU groups and the brand names to assess compliance with the applicable accounting standards; • Assessing management's identification and valuation of intangible assets acquired in the purchase price allocation; • Challenging the principles and integrity of the model used in the Hype brand name valuation; • Analysing the future projected cash flows used in the Hype brand name valuation as at the acquisition date to determine whether they were reasonable and supportable based on the historical and expected future performance of the acquired business; • Assessing the assumptions used to determine the discount and relief from royalty rates adopted in the Hype brand name valuation; • Performing sensitivity analysis on the key model inputs and assumptions; and • Assessing the appropriateness of the disclosures included in Note 41 to the financial statements.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 2 July 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

The directors Responsibilities for the Financial Report

The directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the Directors' Report for the year ended 2 July 2017.

In our opinion, the Remuneration Report of RCG Corporation Limited, for the year ended 2 July 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of RCG Corporation Limited 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 28 August 2017

RCG Corporation Limited
Shareholder information
2 July 2017

The shareholder information set out below was applicable as at 31 July 2017.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	949
1,001 to 5,000	2,839
5,001 to 10,000	1,910
10,001 to 100,000	3,181
100,001 and over	262
	9,141
Holding less than a marketable parcel	332

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
CRAIG JOHN THOMPSON	71,428,562	13.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	60,765,891	11.21
BNP PARIBAS NOMS PTY LTD < DRP >	30,407,221	5.61
J P MORGAN NOMINEES AUSTRALIA LIMITED	28,758,305	5.30
JAMES WILLIAM DUELL	28,571,425	5.27
MICHAEL JOHN HAPGOOD	28,571,425	5.27
BBRC INTERNATIONAL PTE LTD < THE BB FAM INTERNATIONAL A/C >	14,047,623	2.59
CINDY GILBERT	12,894,737	2.38
DANIEL GILBERT	12,894,737	2.38
PITTMAN PTY LIMITED < THE PITT FAMILY A/C >	11,052,631	2.04
CITICORP NOMINEES PTY LIMITED	9,371,919	1.73
AUTHENTICS AUSTRALIA PTY LTD < AUTHENTICS AUSTRALIA A/C >	8,364,694	1.54
RIVAN PTY LTD < DAVID GORDON SUPER FUND A/C >	6,599,034	1.22
TIDEREEF PTY LIMITED < IVAN HAMMERSCHLAG S/F A/C >	6,445,881	1.19
NATIONAL NOMINEES LIMITED	5,864,006	1.08
BNP PARIBAS NOMINEES PTY LTD < AGENCY LENDING DRP A/C >	5,829,623	1.07
VAMICO PTY LIMITED < VAMICO A/C >	4,681,913	0.86
OMNIDAY PTY LIMITED < OMNIDAY A/C >	4,613,520	0.85
RASTANA HOLDINGS PTY LIMITED	3,825,972	0.71
WARBONT NOMINEES PTY LTD < UNPAID ENTREPOT A/C >	2,881,729	0.53
	357,870,848	66.00

RCG Corporation Limited
Shareholder information
2 July 2017

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares Number held	Ordinary shares % of total shares issued
CRAIG JOHN THOMPSON	71,428,562	13.17
WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED (WHSP) AND WHSP HUNTER HALL PTY LTD (WHH)	30,334,638	5.59
JAMES WILLIAM DUELL	28,571,425	5.27
MICHAEL JOHN HAPGOOD	28,571,425	5.27
PENGANA CAPITAL LIMITED	27,322,676	5.04

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.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares subject to the RCG Employee Share Scheme restrictions	Various	9,501,665

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares issued in connection with the acquisition of Hype DC	4 August 2018	36,842,105

RCG Corporation Limited
Corporate directory
2 July 2017

Directors	Ivan Hammerschlag Hilton Brett Michael Hirschowitz Michael Hapgood Daniel Agostinelli Craig Thompson David Gordon Stephen Kulmar Daniel Gilbert
Company secretary	Leanne Ralph
Registered office and principal place of business	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310-0000 Email: investors@rcgcorp.com.au
Share register	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Bankers	National Australia Bank
Stock exchange listing	RCG Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: RCG)
Website	www.rcgcorp.com.au
Corporate Governance Statement	www.rcgcorp.com.au/for-investors/corporate-governance/

RCG Corporation Limited
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