Retail Food Group Limited

APPENDIX 4D (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE HALF-YEAR ENDED 30 December 2022
RESULTS FOR ANNOUNCEMENT TO THE MARKET
(All comparisons to the period ended 31 December 2021)

				1H23 A$'000	1H22 A$'000
Revenue and other income from continuing operations	*Up*	*15.3%*	*to*	63,040	54,669
Total revenues and other income	***Up***	*15.3%*	*to*	63,040	54,669
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) (Excluding AASB 15)	***Up***	*47.4%*	*to*	13,738	9,323
AASB 15				661	1,906
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	***Up***	*28.2%*	*to*	14,399	11,229
Discontinued Operations and Disposal costs				-	400
AASB 16				6,981	2,991
Business restructuring, impairment, provisioning and marketing expenses				(15,879)	(2,860)
Reported earnings before interest, tax, depreciation and amortisation (EBITDA)	***Down***	***(53.2%)***	***to***	5,501	11,760
Profit/(loss) from continuing operations before income tax	***Down***	***(126.5%)***	***to***	(1,364)	5,147
Profit/(loss) from discontinued operations before income tax				-	400
Profit/(loss) before income tax	***Down***	***(124.6%)***	***to***	(1,364)	5,547
Income tax benefit/(expense) from continuing operations				272	(471)
Profit/(loss) for the year attributable to members of the parent entity	***Down***	***(121.5%)***	***to***	(1,092)	5,076
				1H23	**FY22**
Net Tangible Assets/(Liabilities) per security				(2.0) cents	(2.0) cents

Dividends	Amount per security
Final dividend	
- Current year	- cents
- Previous corresponding period	- cents
Total dividend (interim and final):	
- Current year	- cents
- Previous corresponding period	- cents

For an explanation of the figures reported refer to commentary on the results.

RETAIL FOOD GROUP

Retail Food Group Limited
Consolidated Financial Report
Half-Year Ended 30 December 2022

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DIRECTORS' REPORT

The Directors of Retail Food Group Limited (hereinafter referred to as RFG, the Company or Group) submit herewith the Financial Report of the Company for the period ended 30 December 2022, in accordance with the provisions of the *Corporations Act 2001*.

Directors

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

Name	Particulars
Mr Peter George	Executive Chairman
Mr David Grant	Independent Non-Executive Director
Ms Kerry Ryan	Independent Non-Executive Director

Corporate governance

The Company recognises the importance of good corporate governance both to RFG shareholders and also to the broader stakeholder community including franchise partners, regulators and consumers. The Company's practice is to publish its Corporate Governance Statement, which details the Company's response to the Corporate Governance Principles & Recommendations (4th Edition) via its website at www.rfg.com.au when releasing its Annual Report. The Company's 2022 Corporate Governance Statement (providing an overview of the Company's corporate governance practices and response to the Corporate Governance Principles & Recommendations (4th Edition) as at 1 July 2022) was released to the Australian Securities Exchange (ASX) on 28 October 2022 and is also available on the Company's website: www.rfg.com.au.

Principal activities

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

- Intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia & New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, Rack 'em Bones BBQ Ribs, The Coffee Guy, Café2U and Gloria Jean's Coffees Brand Systems;

- Development and or management of the Donut King, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, Rack 'em Bones BBQ Ribs, The Coffee Guy, Café2U and Gloria Jean's Coffees Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems; and

- Development and management of coffee roasting facilities, and the wholesale supply of coffee and allied products to the Group's Brand Systems and third-party accounts, under the Di Bella Coffee brand.

Important Information

This Directors' report contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events and future financial prospects. Forward looking statements include those containing words such as 'anticipate', 'believe', 'expect', 'project', forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and other similar expressions. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual outcomes to be materially different from the events or results expressed or implied by such statements, and outcomes are not all within the control of RFG. Statements about past performance are not necessarily indicative of future performance.

Neither RFG nor any of its subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (the 'Relevant Persons') makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. The forward-looking statements in this Directors' report reflect views held only at the date hereof and except as required by applicable law or the ASX Listing Rules, the Relevant Persons disclaim any obligation or undertaking to publicly update any forward-looking statements, or discussion of future financial prospects, whether as a result of new information or future events.

This Directors' report refers to RFG's financial results, including RFG's statutory performance and underlying performance. RFG's statutory performance contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business (underlying performance). Consolidated Statement of Profit or Loss and Other Comprehensive Income amounts, presented on an underlying basis such as Underlying EBITDA, are non-IFRS financial measures, and exclude the impact of certain items consistent with the manner in which senior management reviews the financial and operating performance of the business. Each underlying measure disclosed has been adjusted to remove the impact of these items on a consistent basis. A description of the items that contribute to the difference between statutory performance and underlying performance is provided in the Group Operational Review within this report. A reconciliation of Underlying to Statutory results is presented in the Group's Results Presentation accompanying these financial statements.

Certain other non-IFRS financial measures are also included in this Directors' report. These non-IFRS financial measures are used internally by management to assess the performance of RFG's business and make decisions on allocation of resources. Non-IFRS measures have not been subject to audit or review. Certain comparative amounts from the prior corresponding period have been re-presented to conform to the current period presentation.

Unless otherwise specified, all operational metrics (including Same Store Sales (SSS), Customer Count (CC) and Average Transaction Value (ATV) provided in this report are based on unaudited reports sales by franchisees amongst stores trading, in the case of a half year, a minimum 23 of 26 weeks, and in the case of a full year, a minimum 46 of 52 weeks, versus unaudited reported sales by franchisees against same stores trading a similar number of weeks during the comparable preceding period (as the case may be).

Impact of coronavirus (COVID-19)

The COVID-19 pandemic and the measures undertaken to contain it have materially changed the global economic outlook, directly or indirectly causing large-scale economic disruption in all markets the Group operates in. The economic disruption could lead, and in some cases has led, to elevated levels of credit losses from business insolvencies and ongoing disruption to trading conditions, including supply chain disruption or delay and inflationary pressures. In an attempt to mitigate the direct or indirect economic effect of the COVID-19 pandemic, governments, regulators and central banks provided significant fiscal and regulatory support in the 2020 and 2021 years to allow businesses to remain liquid and solvent, and to support employees and the unemployed. Some residual government and industry support measures continued after this time. The extent to which these efforts will reduce the adverse financial effects, direct and indirect, of the COVID-19 pandemic remains uncertain.

The Group has carefully considered the ongoing impacts of COVID-19 in preparing its financial statements for the period ended 30 December 2022.

Overview

Building upon the momentum generated in the 2H22, and led by a significant rebound in customer count across domestic coffee based brand systems, strong operational performances were evident across the entirety of the Group's business during the 1H23.

Domestic network sales grew 14.0% versus the previous corresponding period (PCP) to $258.8 million.

This result was achieved via a 17.9% increase in network Same Store Sales (SSS) vs PCP, which in turn was underpinned by 17.3% and 0.5% increases in network customer count and Average Transaction Value (ATV) vs 1H22.

Overview (continued)

While the relative scale of these metrics should be tempered by the challenging trading conditions experienced during 1H22, which was severely impacted by COVID-19 related trading, movement and other restrictions, they compare favourably to pre COVID-19 1H19 performance. When viewed through the lens, SSS and ATV have respectively grown 13.3% and 20.6% vs 1H19, despite a 6.0% decline in customer count vs that period as consumer shopping behaviours have evolved over the course of the pandemic.

The foregoing outcomes not only demonstrate the underlying resilience of the Group's brand system portfolio, but also validate the various strategic decisions made in recent years to drive network performance pursuant to RFG's 'franchisee first' turnaround plan.

As noted above, strong 1H23 performances were particularly evident across the Group's predominantly shopping centre domiciled coffee based brand systems. Donut King was the stand-out performer amongst all of the Group's brand systems.

Leveraging its treat and reward proposition coupled with engaging marketing activity, Donut King grew SSS 40.7%, customer count 32.5% and ATV 6.2% vs the PCP (excluding Donut King mobile units). Again, these results compare favourably to pre COVID-19 performance and reflect a 20.2% increase in SSS vs 1H19.

Similar themes were evident across:

- The Michel's Patisserie brand system, which grew SSS 24.0%, customer count 16.4% and ATV 6.6% vs PCP; and
- Gloria Jean's non-drive thru network, which leveraged menu innovation and strategic partnerships that included the launch of 'Banoffee Chillers' and the return of customer favourite 'the Tim Tam® Chiller', to grow SSS 38.5% with the aid of 28.5% and 7.8% increases in customer count and ATV vs PCP.

Gloria Jean's drive thru network delivered a creditable 1H23 result, growing SSS and ATV 3.7% and 12.8% vs PCP respectively, despite an 8.1% decline in customer count as consumers returned to more traditional settings for their coffee requirements.

During the 1H23 Brumby's Bakery maintained its positive SSS trajectory, with that network's SSS growing 6.8% vs PCP, supported by customer count and ATV growth of 2.6% and 4.1% vs 1H22. These results represent the 6th consecutive half year period during which Brumby's has grown SSS, with the brand's 'local born and bread' positioning continuing to resonate with consumers.

The Group's QSR Division delivered 3.1% SSS growth vs PCP, aided by a 4.1% increase in ATV that offset a moderated customer count that declined 1.0% against 1H22, reflecting post COVID-19 consumer preferences for 'eat out' options vs at home delivery in recent past periods, enhanced meal occasion competition via 3PA (third party aggregator) platforms, and inflationary pressures on discretionary spending less acute amongst the Group's other brand systems which maintain sub $10 ATVs.

Amongst the Division, Pizza Capers out-performed, growing SSS, customer count and ATV 12.7%, 9.0% and 3.4% vs PCP respectively. While it delivered SSS and ATV increases of 1.9% and 4.2% vs PCP, the Crust network, which is predominantly represented within NSW and Victoria where austere and prolonged COVID-19 movement restrictions were most evident during the PCP, suffered a customer count decline of 2.2% vs 1H22.

Despite these outcomes, comparison to pre-COVID-19 performances demonstrate the considerable headway achieved by both pizza brands in recent years, with Crust growing SSS 12.1%, and Pizza Capers growing SSS 32.6%, since 1H19.

In response to the trends noted above, the Group remains focussed on delivering solutions for franchise partners to unlock growth opportunities and drive profitability, including:

- Virtual brand extension (elaborated upon below);
- Ongoing cost of goods review, menu optimisation, and suitable retail pricing strategies that balance value for the customer and offset inflationary pressures;
- Marketing investment to enhance brand awareness, drive new customer acquisition, and grow share within 3PA platforms;
- Ongoing operational support to drive in-store execution and brand systems; and
- 2H23 implementation of a new eCommerce platform to improve customer experience and loyalty functionality.

In the meantime, the operational performances described above have also translated into broader positive outcomes for the Group's domestic network. During the 1H23:

Overview (continued)

- Over 80 existing store transfers (19) and renewals (66) demonstrated the continuing relevance and attraction of the Group's Brand Systems and franchise offer. This later metric, which exceeded the totality of renewals achieved during FY22 (58), was particularly pleasing. Over 100 domestic franchises have now been renewed since 1 May 2022, providing significant confidence that the Group's turnaround activities enjoy support across its franchise partner community;
- Consistent with franchise renewal activity, 83 leases in respect of existing domestic outlets were renewed;
- 13 new outlets (excluding trial outlets) were established across four brand systems (Donut King: 8 outlets; Crust: 2 outlets; Gloria Jean's: 2 drive thru outlets; Michel's: 1 outlet), offsetting the closure of 29 outlets (including 8 mobile coffee van closures having relatively limited impact on Group performance); and
- Improved trading conditions, together with proactive credit management practices, contributed to a c.$4.3 million decrease in gross arrears reported by landlords in respect of franchised stores where the Group is 'head on lease', facilitating a c.$5.0 million AASB 16 (Lease Accounting) gain arising out of the reduction of lease impairment recognised in prior periods. The Group has retained a conservative c.$2.8 million provision against these arrears as at 30 December 2022, continues to engage with its landlord portfolio and franchise partners regarding the arrears balance, and holds confidence regarding a further reduction as FY23 progresses.

Facilitation of effective and sustainable expansion of the Group's domestic network, whilst also providing pathways for franchise partners to grow their business operations and outlet portfolios, remains an important focus.

A key element of this has been the exploration and development of opportunities to leverage existing bricks and mortar outlets to harness virtual store opportunities to expand customer appeal, increase market share and 'sweat' existing assets.

This activity has led to the launch of "Rack 'em Bones BBQ Ribs", a wholly new concept, following a successful FY23YTD trial. A complementary 'virtual' brand designed to leverage existing QSR outlet (Crust/Pizza Capers) fixed costs and assets to maximise profitability, Rack 'em Bones BBQ Ribs:

- Represents a simple, low-cost business model which affords incremental sales opportunity within a new food category;
- Is being pursued as a distinct brand to avoid potential cannibalisation of existing QSR Division sales and menu;
- Incorporates a compelling 'delivered only' menu underpinned by signature gourmet ribs, with scope for menu extension and innovation;
- Requires limited set-up and training to commence operations; and
- Incorporates a pricing structure that allows for 3PA cost regimes.

A successful FY23YTD trial has delivered 11 Sydney centric Crust outlets average weekly sales of c.$3.5K per week during the trial period (in addition to traditional Crust menu sales) at an ATV exceeding $48. These sales have been exclusively derived via the Uber Eats platform, where the brand maintains an average consumer rating of 4.3. Scope exists for extension of the brand to additional 3PA platforms and bespoke online ordering platforms.

Rollout of new Rack 'em Bones BBQ Ribs outlets forms part of a relatively strong (having regard to recent reporting periods) new outlet pipeline of 33 outlets.

To support that growth, the Group has approved 23 franchise partner applicants and developed a further pipeline of >100 applicants and leads in various stages of pre-approval.

Development of an enhanced corporate store portfolio, signalled in recent reporting periods, is also demonstrating brand system benchmarks and fostering retail mindsets. Twenty-nine outlets were corporately operated as at 30 December 2022, including trial of the Donut King 'mini' concept. In the 2H23 the Group also launched its inaugural 'dark kitchen' to trial an evolved home delivery proposition for Donut King across new and existing occasions.

Considerable resources have been invested in people, systems and channels (including 3PA platforms) for corporate stores, which also enjoy dedicated head office and field team support and oversight. 1H23 performance of the portfolio has significantly improved vs PCP, providing confidence in the Group's ability to both maintain and grow viable outlets which might otherwise have closed, and to grow network footprint via the establishment of new outlets.

Ongoing investment in marketing and consumer engagement, together with the pursuit of product innovation, also remains a key focus for the Group.

Over 60 campaigns or product launches were implemented across all Brand Systems during the 1H23, leveraging multiple tools including traditional, social and digital medias to:

- Grow ATV and drive additional revenues at store level;
- Increase brand awareness and further cement individual brand system positioning;

Overview (continued)

- Showcase 'hero' products and core competencies;
- Respond to 'at home' consumption opportunities;
- Leverage strategic partnerships to attract new customers and engage new audiences;
- Exploit shopping occasions and events (such as Black Friday sales); and
- Engage existing customers via loyalty programs.

Illustrative of the Group's approach to marketing was the 1H23:

- Relaunch of Donut King's new and improved Donut Rush gameplay App following a five year hiatus, to drive brand awareness and relevance in order to convert new customers and grow sales. Providing consumers an attractive proposition that offered engaging gameplay and a chance to win over $1 million in prizes, the App rose to #1 in the 'free arcade' category on Google Play and #4 on the Apple App store during the campaign period. Over 143K players have engaged with the App, 118K of whom won prizes, driving c.20 million interactions with campaign material across digital platforms and a c.21.7K increase in new DK Rewards members; and, the
- Crust collaboration with cult burger chain Milky Lane® to create an 'ultimate food collision' consisting of 4 limited time only pizza-burger hybrids across both brands. Over 39K campaign pizzas were sold during the collaboration, which also provided access to Milky Lane's >600K social media followers. A VIP launch party showcasing the partnership drove further public relations value. Circa 2K new loyalty members were generated during the campaign, during which Crust's organic Instagram following grew c.6%.

Consistent with its domestic franchise business, the Group's international franchise network also delivered strong 1H23 outcomes as master franchise partners continued to report improved trading conditions across a majority of international licensed territories.

International Division 1H23 underlying EBITDA grew 39.1% vs PCP to $2.0 million, with master franchise partners also reporting 44 new outlets (offsetting 36 closures, 75% of which were attributable to four international territories). The Turkey territory was a stand-out performer opening 19 new outlets, whilst new Gloria Jean's drive thru outlets were also commissioned in Saudi Arabia and Texas (USA).

This last outlet represents the first of three drive thru outlets programmed for the USA market during CY23, and has provided impetus for the implementation of a strategic initiative to drive broader USA network growth (the USA franchise network being directly managed by the Group). Targeting over 100 sites across a two to three year horizon, locational analysis and action plans have been completed and a reset of USA infrastructure and operational resources is underway to support this opportunity.

In terms of roasting operations, gross margin improvement drove a 16.9% increase in underlying EBITDA vs PCP for the Di Bella Coffee division, despite a $1.3 million reduction (vs PCP) in revenues attributable to the Group's FY22 exit from certain low-margin supermarket supply contracts, and reduced volume and lost customers within the independent foodservice channel principally attributable to COVID-19 related impacts on CBD based customers.

Returning to Group level, significant progress was made during the 1H23 in connection with the Company's turnaround journey, which remains guided by four key principles:

- Franchisee First;
- Customer Obsessed;
- People Matter; and
- Future Focussed.

Of particular note, the December 2022 resolution of the ACCC Proceedings (refer Provisions & Contingent Liabilities Note below) represented finalisation of legacy regulatory activity whilst also reducing considerable uncertainty vis-à-vis the Group's business model and trajectory.

Key management appointments both during and following the 1H23 (including appointment of a new Chief Financial Officer to commence April 2023) have, when coupled with other appointments made over the past two years, also enhanced internal capabilities.

The Group's inaugural Sustainability Report (released to the ASX on 21 December 2022) also demonstrates RFG's vision to improve processes, pursue growth and add value for all stakeholders within a framework that equitability meets Group needs without jeopardising the ability of future generations to meet their own needs.

Allied with these activities remains a variety of additional corporate, franchise and wholesale coffee restructuring initiatives aimed at further reducing the Group's cost base, enhancing efficiencies and driving positive outcomes for stakeholders.

Overview (continued)

Ultimately, the Group maintains a resilient brand system portfolio and broader business which remains well positioned to respond to an increasingly challenging trading environment, influenced by inflationary and interest rate pressures on supply chain and or consumer discretionary spending, together with ongoing (albeit moderated):

- Staffing challenges that are contributing to lost trading hours; and
- Risk of additional outlet closures attributable to the longer term impacts of the COVID-19 pandemic amongst certain lower performing and high rent outlets within domestic and international networks.

As outlined in this report, the Group has and will continue to implement various strategies in response to these challenges whilst continuing to pursue the growth opportunities detailed above.

Ultimately, the Directors consider that a firm platform for pursuing a much stronger FY23, together with a return to consistent long-term and sustainable profitability, has been established. FY23 guidance of underlying EBITDA growth in the range of $26.0 to $29.0 million excluding AASB 15 and AASB 16 and non-core revenues and expenses, is therefore maintained.

1H23 Results

The following table summarises the Group's results for the half years ending 30 December 2022 and 31 December 2021:

Item	1H23	1H22	Change
Revenue from continuing operations	$63.0m	$54.7m	$8.3m
NPAT	($1.1m)	$5.1m	($6.2m)
NPAT (Underlying)[(1)]	$12.3m	$7.4m	$4.9m
EBITDA	$5.5m	$11.8m	($6.3m)
EBITDA (Underlying)[(1)(2)]	$13.7m	$9.3m	$4.4m

(1) These figures are not subject to audit or review. A reconciliation of Underlying to Statutory results is presented in the Group's 1H23 Results Presentation accompanying these financial statements.

(2) Underlying EBITDA excludes the impact of ACCC settlement costs, restructuring costs, impairment charges, AASB 15 and AASB 16.

The strong operational performance outlined in this report contributed to a 47.4% increase in 1H23 underlying EBITDA vs PCP to $13.7 million (1H22: $9.3 million). The foregoing increase grows to 52.3% when 1H22 COVID-19 related Government assistance is excluded ($0.3 million). This result underpinned a 65.7% increase in 1H23 underlying NPAT vs PCP to $12.3 million (1H22: $7.4 million).

Statutory revenue from continuing operations for 1H23 was $63.0 million, representing an increase of $8.3 million on PCP.

The increase in revenues is primarily attributable to the following factors:

- A $10.8 million increase in Brand Systems segment revenues, excluding AASB 15 and AASB 16, including $3.8 million revenues from the trading of corporate stores compared to PCP;
- A $1.2 million decrease in revenues vs PCP attributable to AASB 15 and AASB 16; and
- A $1.3 million decrease in Di Bella Coffee revenue, reflecting decreased earnings from customer decline in the independent contract roasting segment and the FY22 exit from certain low-margin supermarket contracts.

Cash inflows from operating activities for 1H23 were $7.9 million (1H22: $5.6 million). Operationally, net cash inflows were attributable to a return to more normalised operations in 1H23, complemented by those strategies implemented by the Group to grow network sales and other revenues.

Restructuring costs

Restructuring costs from continuing operations were $6.8 million, comprising consulting costs associated with corporate and Di Bella Coffee restructuring activities, ACCC and class action response activities, software, salary and associated costs of functions and roles identified as redundant.

Provisions and Contingent Liabilities

Resolution of ACCC Proceedings

The Australian Competition and Consumer Commission (ACCC) commenced proceedings in the Federal Court of Australia against RFG and five of its related entities (which operate the Gloria Jean's, Michel's Patisserie, Brumby's Bakery and Donut King brand systems) on 15 December 2020 (the ACCC Proceedings).

The ACCC Proceedings alleged contraventions of the Australian Consumer Law (ACL), the Franchising Code of Conduct (Code) and, by reason of the alleged contravention of the Code, the Competition & Consumer Act, during the period 2015 to 2019 in relation to the sale or licence of 47 corporate-owned stores as well as the management of marketing funds. The claims the subject of the ACCC Proceedings were therefore historical in nature and relate to a period under former RFG leadership.

The ACCC Proceedings were resolved on 22 December 2022. As part of that resolution, the ACCC Proceedings were discontinued, without RFG:

- making any admission as to the ACCC's allegations in the proceeding;
- paying any pecuniary penalty; or
- being subject to any injunction, disclosure or adverse publicity order.

As part of the agreed resolution, RFG entered into an undertaking with the ACCC under section 87B of the Competition and Consumer Act 2010 (Cth). Pursuant to that undertaking, RFG will pay an agreed discrete sum to, and waive certain prior debts by relevant franchisees who acquired corporate stores, calculated based on their individual dealings with the Company, and also pay an agreed sum to certain franchisees in connection with the Michel's Patisserie marketing fund.

RFG also agreed to contribute $500,000 towards the ACCC's legal costs.

The total amount that is to be paid to franchisees by RFG under the undertaking is $8,035,055. The total amount of franchisee debts to be waived under the undertaking is $1,819,763, which has previously been expensed.

A current liability has been recognised for all amounts payable pursuant to the aforesaid undertaking.

Michel's Patisserie Class Action:

The Company, along with two of its related entities involved in the operation of the Michel's Patisserie brand system, are respondents in representative proceedings commenced in the Federal Court of Australia. The possibility of that proceeding was disclosed in the Company's past accounts.

The representative proceedings have been commenced by a former Michel's Patisserie franchisee on behalf of herself and certain other Michel's Patisserie franchisees, former franchisees and their related parties. Specifically, group members are defined in the proceeding as persons who were Michel's Patisserie franchisees between 15 October 2015 and 30 August 2019 and who meet other criteria specified in the Originating Application. No allegations have been made in the proceedings in respect of the other brand systems operated by the Group.

The proceedings were commenced in October 2021 and relate to the historical conduct and operation of the Michel's Patisserie brand system under former RFG leadership, including in relation to changes implemented to the supply chain during the period 2015 to 2016 (the 'fresh to frozen' model). The applicant alleges breach of Franchise Agreement, contraventions of the *Australian Consumer Law* and the *Franchising Code of Conduct*.

The proceedings were commenced by way of Originating Application and Concise Statement and not by way of a fully particularised Statement of Claim. Additionally, in December 2021 the applicant filed an interlocutory application seeking declarations from the Court that the litigation funding arrangements in connection with the proceedings were not subject to the Australian Financial Services Licensing (AFSL) regime and related requirements imposed by the Corporations Amendment (Litigation Funding) Regulations 2020 (Cth). That application was opposed by the Company.

Subsequent to the foregoing, at the request of the Company, the representative applicant agreed to file a Statement of Claim in the proceedings, and did so on 2 September 2022.

On 25 October 2022, the Company was successful in obtaining orders from the Court striking out the applicant's entire statement of claim, with costs. At that hearing, the Court separately refused to adjudicate on, and therefore dismissed, the applicant's application seeking declarations as to the legality of her litigation funding arrangements. The Company is seeking orders that the applicant pay the respondent RFG entities' costs of that application. At the time of this report, the Court has not ruled on that question of costs.

In striking out the applicant's original Statement of Claim, the Court provided the applicant leave to replead and file a further Statement of Claim by 6 December 2022.

On 14 December 2022 the applicant filed an Amended Originating Application and Statement of Claim.

Provisions and Contingent Liabilities (continued)

The Court has made orders setting down a timetable for the RFG respondent entities to file their Defence to the Statement of Claim and a Cross-Claim against the applicant and the litigation funder. It is anticipated at the date of this report that the Cross-Claim will be based on an allegation that the litigation funding agreement entered into at the time of commencement of the proceeding in October 2021 contravened the applicable legislative regime and thereby provided the applicant and group members with an improper forensic advantage in the proceeding. The Cross-Claim will also be made in respect of debts which the respondent alleges are owed by the applicant.

In the proceedings, the representative applicant is seeking damages, declarations, interest and costs. It is currently not possible to determine the potential outcome or financial impact of the proceedings for the Group.

The Company denies the allegations raised against it and its related entities and will be vigorously defending the proceedings and pursuing the Cross-Claim outlined above.

Possible Class Action:

The legal firm Phi Finney McDonald previously advertised a possible shareholder class action claim (first announced 10 May 2018) against the Company. The Company has had no contact with any plaintiff law firm in relation to the threatened class action, and no shareholder class action claim has been lodged against the Group to date.

It is currently not possible to determine whether a shareholder class action or any other proceedings will be commenced, and what the financial impact of such proceedings, if any, may be for the Group in the future. If legal proceedings are initiated, the Group intends to vigorously defend its position.

Divisional Operating Review

The Group is managed through four major reportable segments under AASB 8:

- Bakery/Café Division (incorporating the Donut King, Brumby's Bakery and Michel's Patisserie Brand Systems);
- QSR Division (incorporating the Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Coffee Retail Division (incorporating the Gloria Jean's, Esquires, Café2U and The Coffee Guy Brand Systems); and
- Di Bella Coffee (incorporating Wholesale Coffee operations).

All Brand System segments are referred to collectively by management as Franchise Operations.

Franchise Operations - Domestic

Segment EBITDA for Franchise Operations in 1H23 was $18.6 million and included $7.5 million of EBITDA impact from AASB 15 (Revenue from Contracts with Customers) and AASB 16 (Leases).

EBITDA from domestic underlying operations (excluding AASB 15 and AASB 16) was $11.1 million, representing a 51.0% increase on PCP (1H22: $7.3 million) attributable to strong 1H23 operational performances across all brand systems within vastly improved trading conditions vs the heavily COVID-19 impacted PCP.

Strong 2H22 momentum carried over into the 1H23, with network Same Store Sales (SSS) growing 17.9% compared to PCP, underpinned by 17.3% and 0.5% increases (vs PCP) in network customer count and Average Transaction Value (ATV). SSS sales growth vs pre COVID-19 1H19 performance was 13.3%, demonstrating the positive traction experienced by the network over the course of the Group's turnaround plan.

These results contributed to a 14.0% increase vs PCP in Network Sales to $258.8 million.

The Donut King brand system was a standout performer during the 1H23, growing SSS 40.7% vs PCP whilst also enjoying customer count and ATV growth of 32.5% and 6.2% vs PCP (excluding Donut King mobile units). Michel's Patisserie also enjoyed SSS, customer count and ATV growth of 24.0%, 16.4% and 6.6% vs the PCP. Brumby's Bakery maintained positive SSS performance during the period, growing the metric 6.8% vs PCP, aided by 2.6% and 4.1% increases in customer count and ATV vs PCP.

Together these performances contributed to 1H23 SSS growth of 24.4% for the Bakery Café Division, and 1H23 underlying EBITDA of $5.6 million, a 114.0% increase on PCP (1H22: $2.6 million).

Consistent with the Group's other coffee based brand systems, the Coffee Retail Division enjoyed 1H23 SSS growth of 31.2%. Ongoing focus on menu innovation, including a pipeline of coffee and frappe launches and consumer competitions to drive trial and outlet cheque, also assisted mobile unit performance. 1H23 underlying EBITDA for the Coffee Retail Division grew 38.4% to $2.1 million (1H22: $1.5 million).

QSR Division 1H23 underlying EBITDA grew 5.7% to $3.4 million (1H22: $3.2 million), assisted by network SSS growth of 3.1% vs PCP. 1H23 QSR Division ATV also grew 4.1% vs PCP, more than offsetting a 1.0% decline in customer count vs 1H22.

1H23 outlet closures comprised 8 mobile vans and 21 domestic outlets, including exiting non-trading sites. As at 30 December 2022, domestic sites totalled 824 (including non-trading sites).

Franchise Operations - Domestic (continued)

Twelve new stores were established domestically during the half year, along with one new Donut King van. In addition, the Group continued to progress further initiatives to support a return to enhanced new outlet growth in the future, including the development of best practice systemisation in connection with franchise partner life-cycle, establishment of the Rack 'em Bones BBQ Ribs concept; focus on securing new sites for proliferation of the Gloria Jean's Drive Thru model, and enhancing focus, support and incentivisation measures in connection with the Company's multi-store franchise partner complement which has been identified as a key pillar upon which future network growth will be pursued.

Franchise operations - International

EBITDA from underlying operations (excluding AASB 15 and AASB 16) was $2.0 million, representing an increase of $0.5 million on PCP (or 39.1%) and attributable to improving trading conditions within international licensed territories reported by master franchise partners, the positive benefit derived from prior restructuring activity, and the return to a full staffing complement to support this division.

During 1H23, there was a net reduction of 2 international territory licences as non-performing arrangements, where development quotas had either not been achieved or it was considered that the relevant territory was not viable long-term, were brought to an end. Two existing Master Franchise Agreements were renewed during the period.

Master Franchise Partners reported 44 new outlets (37 stores/7 vans) within licensed international territories, offsetting the reported closure of 27 stores and 9 vans, the majority of which were attributable to the impact of COVID-19.

As at 30 December 2022, international operations comprised 592 outlets across 52 international territories in 41 countries.

Di Bella Coffee

Underlying 1H23 segment EBITDA for Di Bella Coffee's wholesale coffee operations was $0.6 million, reflecting a $0.1 million (+16.9%) increase on PCP. 1H23 performance was influenced by:

- Reduced revenues attributable to the Group's FY22 exit from certain low margin supermarket supply contracts, together with reduced volumes and lost customers within the independent foodservice (IFS) channel (principally attributable to lingering COVID-19 related impacts on CBD based customers); and
- Improved gross margin positively impacted by the aforesaid exit from supermarket contracts and international roasting activities in prior periods, the benefits of past restructuring activity, a continued focus on reducing cost base and the November 2022 implementation of a wholesale price increase for the IFS channel, moderated by increases in raw materials and ancillary items.

The 2H22 implementation of a new route to market strategy for IFS customers, also contributed to improved retention of high-margin customers.

During the period, Di Bella Coffee also achieved further industry recognition, winning two medals at the 2022 Sydney Royal Fine Food Championships.

Discontinued Operations

The prior period includes residual costs associated with the Group's exit from traditional foodservice operations, completed on 19 October 2020. These costs are recorded as discontinued operations.

Senior Debt Facilities

As at 30 December 2022, the Group had $18.3 million in unrestricted cash, and senior debt, ancillary facilities and financial guarantees of $35.9 million, resulting in a sustainable net debt position of $17.6 million. The Company's senior debt facilities, of $32.3 million at 30 December 2022, have been classified in current liabilities at reporting date, reflecting facility maturation in September 2023. The Group is actively engaged in exploring options for refinancing or repaying the facilities, via debt refinancing, new equity raising and/or sale of assets, and has received preliminary expressions of interest from independent parties as at the date of this report. The Directors have confidence in successfully executing on one or a combination of the options referred to above.

Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern. As at 30 December 2022, the Group had $18.3 million (FY22: $22.3 million) in unrestricted cash, and senior debt, ancillary facilities and financial guarantees of $35.9 million (FY22: $40.9 million), resulting in a sustainable net debt position of $17.6 million. The Group had a net current liability position of $33.6 million at 30 December 2022 (FY22: $3.7 million net current liability position), which includes the balance of senior debt facility $32.3 million, which matures in September 2023.

Going concern (continued)

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. In assessing the reasonableness of cash flow projections, the Directors have had regard to the Group's 2H22 and 1H23 performance as trading conditions have normalised post the 1H22, which was heavily impacted by COVID-19 related trading and other restrictions.

These cash flow projections assume the Group will successfully refinance or repay its senior debt facility via debt refinancing, new equity raising and/or sale of assets by September 2023.

The Directors have therefore concluded that there are reasonable grounds to believe that the going concern basis is appropriate, and that assets are likely to be realised, and liabilities are likely to be discharged, at the amounts recognised in the financial statements in the ordinary course of business.

Subsequent Events

There has not been any other matter or circumstance occurring, in the reasonable opinion of the Directors, that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividend

The Directors have resolved that no dividend will be declared or paid with respect to the 1H23 period.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 14 of the half-year financial report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

RETAIL FOOD GROUP LIMITED

Mr Peter George
Executive Chairman

Robina, 28 February 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Retail Food Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Retail Food Group Limited for the half-year ended 30 December 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stephen Board
Partner

Brisbane
28 February 2023

KPMG

Independent Auditor's Review Report

To the shareholders of Retail Food Group Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Retail Food Group Limited (the "Company").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Retail Food Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 30 December 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises the Company and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 December 2022 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Stephen Board
Partner

Brisbane
28 February 2023

DIRECTORS' DECLARATION

In the opinion of the Directors of Retail Food Group Limited ("the Company"):

(1) the condensed consolidated financial statements and notes set out on pages 18 to 38, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 30 December 2022 and of its performance for the six month period ended on that date, and
   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and

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

Signed in accordance with a resolution of the Directors:

RETAIL FOOD GROUP LIMITED

Mr Peter George
Executive Chairman

Robina, 28 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 DECEMBER 2022

Consolidated	Notes	1H23 $'000	1H22 $'000
Continuing operations			
Revenue from contracts with customers	4	57,079	49,916
Cost of sales	5	(14,803)	(12,945)
Gross profit		42,276	36,971
Other revenue	4	5,961	4,753
Other gains and losses	5	(705)	63
Selling expenses	5	(6,820)	(5,062)
Marketing expenses		(9,187)	(6,465)
Occupancy expenses		(1,671)	(1,169)
Administration expenses		(11,312)	(9,561)
Operating expenses	5	(9,400)	(7,653)
Finance costs		(2,126)	(1,694)
Other expenses	5	(8,380)	(5,036)
Profit/(loss) before income tax		(1,364)	5,147
Income tax benefit/(expense)		272	(471)
Profit/(loss) for the period from continuing operations		(1,092)	4,676
Profit/(loss) from discontinued operations		-	400
Profit/(loss) for the period		(1,092)	5,076
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		109	80
Other comprehensive income/(loss) for the period, net of tax		109	80
Total comprehensive income/(loss) for the period		(983)	5,156
Total comprehensive income/(loss) is attributable to:			
Equity holders of the parent		(983)	5,156
Earnings per share			
From continuing operations:			
Basic (cents per share)	11	(0.1)	0.2
Diluted (cents per share)	11	(0.1)	0.2
Total:			
Basic (cents per share)	11	(0.1)	0.2
Diluted (cents per share)	11	(0.1)	0.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 DECEMBER 2022

Consolidated	Notes	1H23 $'000	FY22 $'000
Current assets			
Cash and cash equivalents	6	24,151	29,217
Trade and other receivables		8,885	7,745
Finance lease receivables	7	18,865	19,275
Other financial assets		1,590	1,678
Inventories		5,171	6,434
Current tax assets		85	-
Other		4,137	2,968
Total current assets		62,884	67,317
Non-current assets			
Trade and other receivables		16	-
Finance lease receivables	7	32,639	30,157
Other financial assets		57	83
Property, plant and equipment		29,772	23,552
Intangible assets	8	225,661	225,461
Other		5,444	3,511
Total non-current assets		293,589	282,764
Total assets		356,473	350,081
Current liabilities			
Trade and other payables		17,400	10,731
Borrowings		32,093	9,747
Lease liabilities	7	34,281	39,360
Provisions		9,276	7,536
Unearned income		2,670	2,816
Other		734	843
Total current liabilities		96,454	71,033
Non-current liabilities			
Borrowings		-	27,218
Lease liabilities	7	58,362	52,093
Deferred tax liabilities		175	217
Provisions		8,832	5,836
Unearned income		9,351	9,802
Other		107	105
Total non-current liabilities		76,827	95,271
Total liabilities		173,281	166,304
Net assets		183,192	183,777
Equity			
Issued capital	9	616,141	615,541
Reserves		6,355	7,539
Retained earnings	10	(439,304)	(439,303)
Total equity		183,192	183,777

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 DECEMBER 2022

Consolidated	Notes	Fully Paid Ordinary Shares	Other Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000
Balance at 3 July 2021		615,145	6,191	(443,480)	177,856
Profit for the period		-	-	5,076	5,076
Transfer from retained earnings to marketing fund reserve		-	484	(484)	-
Other comprehensive loss		-	80	-	80
Total comprehensive income/(loss)		-	564	4,592	5,156
Recognition of share-based payments		-	245	-	245
Transfer from equity-settled employee benefits reserves		396	(396)	-	-
Balance at 31 December 2021		615,541	6,604	(438,888)	183,257
Balance at 2 July 2022		615,541	7,539	(439,303)	183,777
Loss for the period	10	-	-	(1,092)	(1,092)
Transfer from retained earnings to marketing fund reserve	10	-	(1,091)	1,091	-
Other comprehensive income		-	109	-	109
Total comprehensive income/(loss)		-	(982)	(1)	(983)
Recognition of share-based payments		-	398	-	398
Transfer from equity-settled employee benefits reserves	9	600	(600)	-	-
Balance at 30 December 2022		616,141	6,355	(439,304)	183,192

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 DECEMBER 2022

Consolidated	Notes	1H23 $'000	1H22 $'000
Cash flows from operating activities			
Receipts from customers		64,936	53,756
Payments to suppliers and employees		(56,856)	(46,964)
Interest and other costs of finance paid		(683)	(500)
Income taxes refunded/(paid)		265	(709)
Interest received		249	12
Net cash provided by operating activities		7,911	5,595
Cash flows from investing activities			
Repayment of advances to other entities		112	412
Payments for property, plant and equipment		(1,926)	(1,535)
Proceeds from sale of property, plant and equipment		285	99
Payments for intangible assets		(200)	-
Proceeds from sale of business		-	900
Net cash (used in)/provided by investing activities		(1,729)	(124)
Cash flows from financing activities			
Lease payments		(6,345)	(5,640)
Repayment of borrowings		(5,000)	(2,500)
Net cash used in financing activities		(11,345)	(8,140)
Net (decrease)/increase in cash and cash equivalents		(5,163)	(2,669)
Cash and cash equivalents at the beginning of the year		29,217	34,649
Effects of exchange rate changes on cash and cash equivalents		97	178
Cash and cash equivalents at end of period	6	24,151	32,158

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

Contents of the notes to the financial statements

1. Significant matters

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

Impact of coronavirus (COVID-19)

The COVID-19 pandemic and the measures undertaken to contain it have materially changed the global economic outlook, directly or indirectly causing large-scale economic disruption in all markets the Group operates in. The economic disruption could lead, and in some cases has led, to elevated levels of credit losses from business insolvencies and ongoing disruption to trading conditions, including supply chain disruption or delay and inflationary pressures. In an attempt to mitigate the direct or indirect economic effect of the COVID-19 pandemic, governments, regulators and central banks provided significant fiscal and regulatory support in the 2020 and 2021 years to allow businesses to remain liquid and solvent, and to support employees and the unemployed. Some residual government and industry support measures continued after this time. The extent to which these efforts will reduce the adverse financial effects, direct and indirect, of the COVID-19 pandemic remains uncertain.

The Group has carefully considered the ongoing impacts of COVID-19 in preparing its financial statements for the period ended 30 December 2022.

The key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

Receivables and other financial assets

The Group has applied the simplified approach to measuring expected credit losses within AASB 9 which uses a lifetime expected loss allowance for all trade and other receivables and has assessed the direct and indirect impacts of the COVID-19 pandemic on the recognition of expected credit losses. In addition, the Group has introduced a number of support measures for franchise partners and customers impacted by COVID-19, which include vendor loan and payment plan repayment deferrals to impacted franchise partners.

The Group has recognised a provision for expected credit losses against > 80% of trade and other receivables that are 30+ days past due.

Lease assets and liabilities

As at 30 December 2022 landlords reported, with respect to franchised store leases where the Group is head on lease (HOL), lease arrears of $4.1 million (FY22: $8.4 million). The lease arrears balances reported to the Group by landlords are on a net basis, and do include the application by landlords of COVID-19 rental relief in the form of rental abatements.

The Group has recognised a current lease liability at 30 December 2022 of $4.1 million (FY22: $8.4 million), and a corresponding gross lease receivable of $4.1 million (FY22: $8.4 million) from the respective franchise partners occupying the stores to which these arrears apply. An expected credit loss provision (ECL) of $2.8 million (FY22 $6.4 million) was recognised against the lease receivable balance.

In addition, the Group assessed the underlying right-of-use (ROU) assets and lease receivable assets for indicators of impairment. The Group has reduced its provisioning in 1H23 to reflect improving trading conditions of franchised outlets which has resulted in a total impairment and expected credit loss gain of $5.0 million, including the gain associated with the reduction in ECL on arrears. Refer to Note 7.

Assessment of impairment of non-financial assets

The Directors have completed an assessment of the Group's intangible assets for 1H23 and determined there were no indicators of impairment.

The Group assessed the carrying values of its property, plant and equipment, for impairment. Lease related ROU assets presented within property, plant and equipment of the Group were impaired as discussed under the foregoing heading "Lease assets and liabilities".

No other property, plant and equipment was assessed as impaired as at 30 December 2022.

1. Significant matters (continued)

Contingent Liabilities

The Group has disclosed contingent liabilities with respect to the Michel's Patisserie Class Action proceedings (the outcome of which remains uncertain), and a possible shareholder class action. If the lead applicant in the Michel's Patisserie Class Action proceedings is successful, this could result in the imposition of potentially significant damages and or other adverse outcomes (as sought by the Michel's Patisserie Class Action applicant). It is currently not possible to determine whether a shareholder class action or any other proceedings will be commenced, and what the financial impact of such proceedings, if any, may be for the Group in the future. In the event legal proceedings are initiated, the Group intends to vigorously defend its position. Refer to Note 14.

Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern. As at 30 December 2022, the Group had $18.3 million (FY22: $22.3 million) in unrestricted cash, and senior debt, ancillary facilities and financial guarantees of $35.9 million (FY22: $40.9 million), resulting in a sustainable net debt position of $17.6 million. The Group had a net current liability position of $33.6 million at 30 December 2022 (FY22: $3.7 million net current liability position), which includes the balance of senior debt facility $32.3 million, which matures in September 2023.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. In assessing the reasonableness of cash flow projections, the Directors have had regard to the Group's 2H22 and 1H23 performance as trading conditions have normalised post the 1H22, which was heavily impacted by COVID-19 related trading and other restrictions.

These cash flow projections assume the Group will successfully refinance or repay its senior debt facility via debt refinancing, new equity raising and/or sale of assets by September 2023.

The Directors have therefore concluded that there are reasonable grounds to believe that the going concern basis is appropriate, and that assets are likely to be realised, and liabilities are likely to be discharged, at the amounts recognised in the financial statements in the ordinary course of business.

Refer to Note 13.1 for basis of preparation of the consolidated financial statements.

For a detailed discussion about the Group's performance and financial position please refer to the 1H23 Results overview provided on pages 8 to 12 of this Report.

2. General information

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

Registered Office	Principal Administration Office
c/- KPMG, Level 11 2 Corporate Court Bundall QLD 4217	Level 4 35 Robina Town Centre Drive Robina QLD 4226

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

- Intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia & New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, Rack 'em Bones BBQ Ribs, The Coffee Guy, Café2U and Gloria Jean's Coffees;

- Development and management of the Donut King, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, Rack 'em Bones BBQ Ribs, The Coffee Guy, Café2U, Gloria Jean's Coffees and It's A Grind Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems; and
- Development and management of the coffee roasting facilities and the wholesale supply of coffee and allied products to the existing Brand Systems and third-party accounts under the Di Bella Coffee business.

3. Segment information

3.1 Description of segments and principal activities

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the Chief Operating Decision Makers (CODMs), in order to allocate resources to the segments and to assess their performance.

For management purposes, the Group is organised into four major operating divisions. These divisions are the basis upon which the Group reports its primary segment information. The Group's reportable segments under AASB 8 are as follows:

- Bakery/Café Division (incorporating the Donut King, Brumby's Bakery and Michel's Patisserie Brand Systems);
- QSR Division (incorporating the Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Coffee Retail Division (incorporating the Gloria Jean's Coffees, Esquires, Café2U and The Coffee Guy Brand Systems); and
- Di Bella Coffee (incorporating wholesale coffee operations).

3.2 Segment information provided to the Chief Operating Decision Makers

Segment Revenue

Revenue from external parties reported to the CODMs is measured in a manner consistent with that in the segment note. Sales between segments are carried out at arm's length and are eliminated on consolidation and identified as Inter-segment revenue as presented in Note 3.3.

Segment EBITDA

The CODMs assess the performance of the operating segments based on a measure of segment EBITDA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Segment information (continued)

3.3 Segment revenue

Information related to the Group's operating results per segment is presented in the following table.

Segment	Bakery/Café		QSR Systems		Coffee Retail Systems [1]		Di Bella Coffee		Total Continuing Operations	
	1H23 $'000	1H22 $'000	1H23 $'000	1H22 $'000	1H23 $'000	1H22 $'000	1H23 $'000	1H22 $'000	1H23 $'000	1H22 $'000
External revenue	14,417	11,470	6,915	6,791	19,295	16,339	2,276	3,564	42,903	38,164
Impact of AASB 15	149	567	58	143	441	1,183	13	13	661	1,906
Impact of AASB 16	1,709	1,832	139	83	1,083	864	-	99	2,931	2,878
External revenue - Marketing Funds	3,514	2,902	2,971	2,930	1,339	1,159	-	-	7,824	6,991
External revenue - Corporate stores	5,741	2,611	-	-	2,362	1,680	618	439	8,721	4,730
Inter-segment revenue	94	76	-	-	524	363	(618)	(439)	-	-
Segment revenue [2]	25,624	19,458	10,083	9,947	25,044	21,588	2,289	3,676	63,040	54,669
Operating EBITDA	5,619	2,626	3,418	3,233	4,130	2,976	571	488	13,738	9,323
Impact of AASB 15	149	567	58	143	441	1,183	13	13	661	1,906
Impact of AASB 16	3,995	2,187	(205)	(40)	3,701	1,080	(510)	(236)	6,981	2,991
Segment EBITDA	9,763	5,380	3,271	3,336	8,272	5,239	74	265	21,380	14,220
Marketing Funds EBITDA									(1,091)	484
Restructuring and provisioning									(6,753)	(3,344)
ACCC costs [3]									(8,035)	-
Depreciation & amortisation									(4,739)	(4,519)
Finance costs									(2,126)	(1,694)
Profit/(loss) before tax from continuing operations									(1,364)	5,147
Income tax benefit/(expense)									272	(471)
Profit/(loss) after tax for the period from continuing operations									(1,092)	4,676

(1) Coffee Retail Systems	Domestic		International Franchising	
	1H23 $'000	1H22 $'000	1H23 $'000	1H22 $'000
External revenue	13,358	11,802	5,937	4,537
Impact of AASB 15	(38)	597	479	586
Impact of AASB 16	1,083	864	-	-
External revenue - Marketing Funds	1,339	1,159	-	-
External revenue - Corporate stores	2,362	1,680	-	-
Inter-segment revenue	524	363	-	-
Segment revenue	18,628	16,465	6,416	5,123
Operating EBITDA	2,078	1,501	2,052	1,475
Impact of AASB 15	(38)	597	479	586
Impact of AASB 16	3,560	988	141	92
Segment EBITDA	5,600	3,086	2,672	2,153

(2) Segment revenue reconciles to total revenues from continuing operations as follows:	1H23 $'000	1H22 $'000
Revenue for the year – Statutory	63,040	54,669
Inter-segment revenue: eliminated on consolidation	-	-
Total segment revenue	63,040	54,669

(3) ACCC settlement at 22 December 2022.

3. Segment information (continued)

3.4 Geographical information

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

4. Revenue and other revenue

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

Consolidated	1H23 $'000	1H22 $'000
Revenue from the sale of goods	25,973	21,375
Revenue from franchise agreements	27,960	25,693
Revenue from the sale of distribution rights	3,146	2,848
	57,079	49,916
Operating lease income	2,980	2,877
Other revenue	2,981	1,876
	5,961	4,753
	63,040	54,669

5. Profit/(loss) for the period from continuing operations

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

Consolidated	1H23 $'000	1H22 $'000
Cost of sales	14,803	12,945
Other gains and losses:		
(Gain)/loss on lease modification	768	(108)
(Gain)/loss on disposal of assets	(63)	45
Total other (gains) and losses	705	(63)
Selling expenses:		
Wages associated with operating corporate stores	3,735	2,815
Corporate store occupancy expenses	2,404	1,668
Corporate store operating expenses	681	579
Total selling expenses	6,820	5,062
Operating expenses:		
Wages	8,956	7,324
Franchise partner assistance	94	178
Repairs and maintenance	187	182
Other	163	(31)
Total operating expenses	9,400	7,653
Other expenses:		
Impairment (gain)/loss on lease assets (1)	(5,027)	1,168
Impairment loss/(gain) on trade and other receivables	160	(407)
Inventory related write-downs and provisioning	-	31
Impairment loss on property, plant and equipment	144	-
Provision increase/(decrease)	470	(102)
ACCC settlement costs (2)	8,035	-
Depreciation of property, plant and equipment	4,739	4,348
Amortisation - other	-	171
Other	(141)	(173)
Total other expenses	8,380	5,036
Employee benefits expense:		
Equity settled share based payments	398	245
Government wage subsidies	(5)	(318)
Post-employment benefits (defined contribution plans)	1,142	1,073
Other employee benefits (wages and salaries)	13,799	13,768
Total employee benefits expense (3)	15,334	14,768

(1) Impairment gain on lease assets includes impairment gain on ROU assets $0.7 million and expected credit gain on lease receivables $4.3 million, refer to Note 7.2.

(2) 1H23 includes $8.0 million ACCC settlement costs, refer to Note 14.

(3) Employee benefits expense is allocated between administration expenses, operating expenses, selling expenses or cost of sales in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, dependent on the roles performed by the associated employees.

6. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period, as shown in the consolidated statement of cash flows, can be reconciled to the related items in the consolidated statement of financial position as follows:

6.1 Reconciliation of cash and cash equivalents

Consolidated	1H23 $'000	FY22 $'000
Cash and bank balances	24,151	29,217
Less: Restricted cash	(5,873)	(6,881)
	18,278	22,336

6.2 Restricted cash

Restricted cash relates to cash reserved for marketing specific pursuits and unclaimed dividends.

7. Leases

This note provides information for leases in which the Group is the lessee and the lessor.

7.1 Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position includes the following amounts related to leases:

Consolidated	Notes	1H23 $'000	FY22 $'000
Finance lease receivable			
Current			
Lease receivable		21,368	24,804
Allowance for expected credit loss		(2,937)	(6,049)
		18,431	18,755
Non-current			
Lease receivable		37,148	35,265
Allowance for expected credit loss		(4,509)	(5,111)
		32,639	30,154
Operating lease receivables (1)			
Current			
Lease receivable - ROU assets		2,506	4,466
Allowance for expected credit loss		(2,072)	(3,946)
		434	520
Non-current			
Lease receivable - ROU assets		-	7
Allowance for expected credit loss		-	(4)
		-	3
		51,504	49,432
Right-of-use (ROU) assets			
Land & buildings		22,803	17,530
Vehicles & equipment		158	71
		22,961	17,601
Lease liabilities			
Current		34,281	39,360
Non-current		58,362	52,093
		92,643	91,453

(1) Receivables in relation to arrears on leases classified as ROU assets.

The right-of-use assets are presented in property, plant and equipment in the Group's consolidated statement of financial position.

7. Leases (continued)

7.1 Amounts recognised in the consolidated statement of financial position (continued)

The following table shows the movement in the expected credit loss that has been recognised for Lease Receivables:

Consolidated	1H23 $'000	FY22 $'000
Balance at the beginning of the period	15,110	18,828
Reclassification from 'right-of-use assets'	997	21
Lease impairment recognised/(reversed) during the period	(2,792)	(3,055)
Reclassification to 'trade receivables - loss allowance' (2)	(424)	(2,151)
Expected credit loss/(reversals) on rental arrears & deferrals	(3,373)	1,467
Balance at the end of the period	9,518	15,110

(2) Allowance for expected credit loss is reclassified to trade receivables to cover allowance for unpaid rent on impaired leases at the time the rent is recharged to the franchise partner.

Minimum undiscounted lease payments for finance leases to be made after reporting date are as follows:

	1H23 $'000	FY22 $'000
Within 1 year	23,344	30,989
Between 1 and 2 years	16,606	15,940
Between 2 and 3 years	11,331	10,672
Between 3 and 4 years	6,849	6,113
Between 4 and 5 years	3,145	2,578
Later than 5 years	1,685	2,565
	62,960	68,857

Minimum undiscounted lease payments for operating leases to be made after reporting date are as follows:

	1H23 $'000	FY22 $'000
Within 1 year	11,753	10,370
Between 1 and 2 years	8,197	6,921
Between 2 and 3 years	6,057	4,797
Between 3 and 4 years	5,025	3,714
Between 4 and 5 years	2,687	2,042
Later than 5 years	760	1,033
	34,479	28,877

7. Leases (continued)

7.2 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income includes the following amounts related to leases:

	1H23 $'000	1H22 $'000
Operating lease income	2,980	2,877
Finance lease interest income	1,055	1,316
Interest expense (finance lease)	(1,055)	(1,316)
Interest expense (operating leases)	(1,153)	(1,010)
Depreciation expense of ROU assets	(4,009)	(3,774)
Impairment gain/(loss) on ROU assets (1)	710	(1,942)
Expected credit gain/(loss) - lease receivables (2)	4,317	774
Gain/(loss) on lease modification	(768)	108

The total cash outflow for leases during the half-year to 30 December 2022 was $6.3 million (1H22: $5.6 million).

(1) The Group recognised Impairment in the prior period as a result of the impacts of COVID-19 and associated risks on the Group's leases. During 1H23 the risk profile of the Group's leases has reduced significantly with trading conditions improving and franchisees making payment towards rent and arrears, resulting in a decrease in the gross arrears balance by c.$4.3 million during the period.

(2) The Group has reduced its provisioning in 1H23 to reflect these conditions which has resulted in the impairment and expected credit loss gains noted in the table above.

7.3 Make-good provisions

The Group is required to restore the leased premises of its franchise stores and certain corporate leases, to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements for impaired and unimpaired leases.

For operating leases entered into post adoption of AASB 16 where the lease asset is a ROU asset, these costs are capitalised within ROU assets and amortised over the shorter of the term of the lease and the useful life of the assets. For finance leases, where the underlying lease asset is a finance lease receivable, the costs associated with make-good provisions are presented as Receivables - make-good, and classified within other assets.

8. Intangible assets

8.1 Intangible assets

			Indefinite Life		Finite Life	Total
		Goodwill	Brand Networks	Intellectual Property Rights	Other	
Consolidated	Notes	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance as at 3 July 2021		273,057	429,487	5,337	5,240	713,121
Exchange differences		-	-	-	(11)	(11)
Disposals		-	-	-	(3,000)	(3,000)
Balance as at 1 July 2022		273,057	429,487	5,337	2,229	710,110
Additions		-	200	-	-	200
Disposals		-	-	-	-	-
Balance as at 30 December 2022		273,057	429,687	5,337	2,229	710,310
Accumulated amortisation and impairment losses						
Balance as at 3 July 2021		(206,220)	(271,190)	-	(5,006)	(482,416)
Amortisation expense		-	-	-	(171)	(171)
Disposals		-	-	-	2,948	2,948
Impairment losses		-	(5,010)	-	-	(5,010)
Balance as at 1 July 2022		(206,220)	(276,200)	-	(2,229)	(484,649)
Amortisation expense		-	-	-	-	-
Disposals		-	-	-	-	-
Impairment losses		-	-	-	-	-
Balance as at 30 December 2022		(206,220)	(276,200)	-	(2,229)	(484,649)
Net book value						
As at 1 July 2022		66,837	153,287	5,337	-	225,461
As at 30 December 2022		66,837	153,487	5,337	-	225,661

8. Intangible assets (continued)

8.2 Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less costs of disposal.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value, an impairment test is performed, and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as brand systems, intellectual property rights and goodwill, are tested annually for impairment, or more frequently, where there is an indication that the carrying amount may not be recoverable.

The Directors have completed an assessment of the Group's intangible assets for 1H23 and determined there were no indicators of impairment.

9. Issued capital

Consolidated	1H23 $'000	FY22 $'000
2,130,503,555 fully paid ordinary shares (FY22: 2,124,055,198)	616,141	615,541
	616,141	615,541

Consolidated	1H23 No. '000	1H23 $'000
Fully paid ordinary shares (1)		
Balance at beginning of year	2,124,055	615,541
Transfer from equity-settled employee benefits reserve	6,448	600
Balance at end of period	2,130,503	616,141

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

10. Retained earnings

Consolidated	1H23 $'000	FY22 $'000
Balance at beginning of period	(439,303)	(443,480)
Net profit/(loss) attributable to members of the parent entity	(1,092)	5,259
Net profit/(loss) attributable to marketing funds reclassed to other reserves	1,091	(1,082)
Balance at end of period	(439,304)	(439,303)

11. Earnings per share

Consolidated	1H23 cents	1H22 cents
Basic earnings per share		
From continuing operations	(0.1)	0.2
Basic (cents per share)	(0.1)	0.2
Diluted earnings per share		
From continuing operations	(0.1)	0.2
Diluted (cents per share)	(0.1)	0.2

11.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share (EPS) are as follows:

Consolidated	1H23 $'000	1H22 $'000
Profit/(loss) for the period		
From continuing operations	(1,092)	4,676
From discontinued operations	-	400
Earnings used in the calculation of basic EPS from continuing and discontinuing operations	(1,092)	5,076

Consolidated	1H23 No. '000	1H22 No. '000
Weighted average number of ordinary shares for the purpose of basic EPS [1]	2,127,963	2,122,858

Calculation of weighted average number of fully paid ordinary shares		Fully paid ordinary shares issued	Weighted shares[1]
1H23	Date of issue	No. '000	No '000
Balance at beginning of period		2,124,055	2,124,055
Shares issued upon vesting of performance rights	30 August 2022	4,655	3,120
Shares issued upon vesting of performance rights	11 October 2022	1,793	788
Total		2,130,503	2,127,963

(1) Weighted shares based on days on issue in the period.

11. Earnings per share (continued)

11.2 Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

Consolidated	1H23 $'000	1H22 $'000
Profit/(loss) for the period		
From continuing operations	(1,092)	4,676
From discontinued operations	-	400
Earnings used in the calculation of basic EPS from continuing and discontinuing operations	(1,092)	5,076

Consolidated	1H23 No. '000	1H22 No. '000
Weighted average number of ordinary shares for the purpose of diluted EPS (1)	2,127,963	2,122,858
Adjustments for calculation of diluted EPS - Performance rights	22,112	18,788
Weighted average number of ordinary shares for the purpose of diluted EPS	2,150,075	2,141,646

(1) Weighted shares based on days on issue in the period.

12. Events after the reporting period

There has not been any other matter or circumstance occurring, in the reasonable opinion of the Directors, that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Interim Dividend

The Directors have resolved that no dividend will be declared or paid with respect to the 1H23 period.

13. Summary of significant accounting policies

This note provides the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above.

13.1 Basis of preparation

These financial statements have been prepared on the basis that RFG is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they are due.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This consolidated interim financial report for the half-year reporting period ended 30 December 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 1 July 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

14. Provisions and contingent liabilities

Resolution of ACCC Proceedings

The Australian Competition and Consumer Commission (ACCC) commenced proceedings in the Federal Court of Australia against RFG and five of its related entities (which operate the Gloria Jean's, Michel's Patisserie, Brumby's Bakery and Donut King brand systems) on 15 December 2020 (the ACCC Proceedings).

The ACCC Proceedings alleged contraventions of the Australian Consumer Law (ACL), the Franchising Code of Conduct (Code) and, by reason of the alleged contravention of the Code, the Competition & Consumer Act, during the period 2015 to 2019 in relation to the sale or licence of 47 corporate-owned stores as well as the management of marketing funds. The claims the subject of the ACCC Proceedings were therefore historical in nature and relate to a period under former RFG leadership.

This matter was settled on 22 December 2022 when the proceedings were discontinued, without RFG:

- making any admission as to the ACCC's allegations in the proceeding;
- paying any pecuniary penalty; or
- being subject to any injunction, disclosure or adverse publicity order.

As part of the agreed resolution, RFG entered into an undertaking with the ACCC under section 87B of the Competition and Consumer Act 2010 (Cth). Pursuant to that undertaking, RFG will pay an agreed discrete sum to, and waive certain prior debts by relevant franchisees who acquired corporate stores, calculated based on their individual dealings with the Company, and also pay an agreed sum to certain franchisees in connection with the Michel's Patisserie marketing fund.

RFG also agreed to contribute $500,000 towards the ACCC's legal costs.

The total amount that is to be paid to franchisees by RFG under the undertaking is $8,035,055. The total amount of franchisee debts to be waived under the undertaking is $1,819,763, which has previously been expensed.

A current liability has been recognised for all amounts payable pursuant to the aforesaid undertaking.

14. Provisions and contingent liabilities (continued)

Michel's Patisserie Class Action:

The Company, along with two of its related entities involved in the operation of the Michel's Patisserie brand system, are respondents in representative proceedings commenced in the Federal Court of Australia. The possibility of that proceeding was disclosed in the Company's past accounts.

The representative proceedings have been commenced by a former Michel's Patisserie franchisee on behalf of herself and certain other Michel's Patisserie franchisees, former franchisees and their related parties. Specifically, group members are defined in the proceeding as persons who were Michel's Patisserie franchisees between 15 October 2015 and 30 August 2019 and who meet other criteria specified in the Originating Application. No allegations have been made in the proceedings in respect of the other brand systems operated by the Group.

The proceedings were commenced in October 2021 and relate to the historical conduct and operation of the Michel's Patisserie brand system under former RFG leadership, including in relation to changes implemented to the supply chain during the period 2015 to 2016 (the 'fresh to frozen' model). The applicant alleges breach of Franchise Agreement, contraventions of the *Australian Consumer Law* and the *Franchising Code of Conduct*.

The proceedings were commenced by way of Originating Application and Concise Statement and not by way of a fully particularised Statement of Claim. Additionally, in December 2021 the applicant filed an interlocutory application seeking declarations from the Court that the litigation funding arrangements in connection with the proceedings were not subject to the Australian Financial Services Licensing (AFSL) regime and related requirements imposed by the Corporations Amendment (Litigation Funding) Regulations 2020 (Cth). That application was opposed by the Company.

Subsequent to the foregoing, at the request of the Company, the representative applicant agreed to file a Statement of Claim in the proceedings, and did so on 2 September 2022.

On 25 October 2022, the Company was successful in obtaining orders from the Court striking out the applicant's entire statement of claim, with costs. At that hearing, the Court separately refused to adjudicate on, and therefore dismissed, the applicant's application seeking declarations as to the legality of her litigation funding arrangements. The Company is seeking orders that the applicant pay the respondent RFG entities' costs of that application. At the time of this report, the Court has not ruled on that question of costs.

In striking out the applicant's original Statement of Claim, the Court provided the applicant leave to replead and file a further Statement of Claim by 6 December 2022.

On 14 December 2022 the applicant filed an Amended Originating Application and Statement of Claim.

The Court has made orders setting down a timetable for the RFG respondent entities to file their Defence to the Statement of Claim and a Cross-Claim against the applicant and the litigation funder. It is anticipated at the date of this report that the Cross-Claim will be based on an allegation that the litigation funding agreement entered into at the time of commencement of the proceeding in October 2021 contravened the applicable legislative regime and thereby provided the applicant and group members with an improper forensic advantage in the proceeding. The Cross-Claim will also be made in respect of debts which the respondent alleges are owed by the applicant.

In the proceedings, the representative applicant is seeking damages, declarations, interest and costs. It is currently not possible to determine the potential outcome or financial impact of the proceedings for the Group.

The Company denies the allegations raised against it and its related entities and will be vigorously defending the proceedings and pursuing the Cross-Claim outlined above.

Possible Class Action:

The legal firm Phi Finney McDonald previously advertised a possible shareholder class action claim (first announced 10 May 2018) against the Company. The Company has had no contact with any plaintiff law firm in relation to the threatened class action, and no shareholder class action claim has been lodged against the Group to date.

It is currently not possible to determine whether a shareholder class action or any other proceedings will be commenced, and what the financial impact of such proceedings, if any, may be for the Group in the future. If legal proceedings are initiated, the Group intends to vigorously defend its position.

Company Secretary	Registered Office	Principal Administration Office	Share Registry
Mr Anthony Mark Connors			Computershare Investor Services
Level 4	c/- KPMG, Level 11	Level 4	Level 1
35 Robina Town Centre Drive	2 Corporate Court	35 Robina Town Centre Drive	200 Mary Street
Robina QLD 4226	Bundall QLD 4217	Robina QLD 4226	Brisbane QLD 4000