Retail Food Group Limited
Appendix 4D
Interim Financial Report
Half-Year Ended 31 December 2017

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

CONTENTS

SUMMARY FINANCIAL INFORMATION

Item	REPORTED				UNDERLYING OPERATIONS [1]	
	1HY17 (Previously reported)		1HY17 (Restated)	1HY18	1H17	1H18
Financial						
Revenue	$161.9m		$161.9m	$195.5m		
EBITDA*	$56.6m		$55.4m[2]	($100.8m)	$60.5m	$45.7m
EBIT*	$52.7m		$51.5m[2]	($106.9m)	$56.6m	$40.3m
NPAT	$33.5m		$32.7m[2]	($87.8m)	$36.2m	$24.7m
Basic EPS	19.6 cps		19.2 cps[2]	(49.0 cps)	21.2 cps	13.8 cps
Dividend	14.75 cps		14.75 cps	-		
Operating Performance						
Revenue growth	9.2%		9.2%	20.8%[3]		
EBITDA growth/(decline)*				(282.1%) [3]	13.0%	(24.5%)
EBIT growth/(decline)*				(307.6%)[3]	11.8%	(28.7%)
NPAT growth/(decline)				(368.4%)[3]	12.7%	(31.8%)
Basic EPS growth/(decline)				(355.2%)[3]	8.3%	(34.9%)

* EBITDA, EBIT, Underlying EBITDA, Underlying EBIT & Underlying NPAT are non-IFRS profit measures used by Directors and Management to assess the underlying performance of the Group.

(1) EBITDA and EBIT results from 'Underlying Operations' exclude the pre-tax impact of the following amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	1H17 (Restated)	1H18
EBIT - REPORTED (Restated)	$51.5m[2]	($106.9m)
Acquisition transaction and integration costs (including restructuring costs)	$3.9m[2]	$9.2m
Impairment and provisions	$1.1m[2]	$138.0m [4]
EBIT - UNDERLYING OPERATIONS	$56.6m	$40.3m
NPAT results from 'Underlying Operations'		
NPAT - REPORTED	$32.7m[2]	($87.8m)
Post- tax impact of non-underlying EBIT adjustments	$3.5m[2]	$112.5m
NPAT - UNDERLYING OPERATIONS	$36.2m	$24.7m

(2) Restated – see Note 21.

(3) 1H18 Operating Performance growth measures are based on 1H17 Restated Reported results.

(4) Refer to Note 6.

APPENDIX 4D - SECTION A
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period

Current reporting period: Half-Year Ended 31 December 2017

Previous corresponding period: Half-Year Ended 31 December 2016

Revenue and net profit

Details		Growth PCP %		1H18 $'000
Revenue from operations	up	20.8%	to	195,492
Profit from ordinary activities after tax attributable to members	down	368.4%	to	(87,760)
Net profit attributable to members	down	368.4%	to	(87,760)

Dividends

Details	Cents Per Share	Total Amount $'000	Franked/ Unfranked	Payment Date
Declared and paid during the half-year				
Final FY17 dividend	15.00	26,510	100% Franked	17 October 2017

Net tangible assets per security

Details	31 December 2017	30 June 2017
Net tangible (liabilities)/assets per security(1)	(115.0) cents(2)	(115.0) cents(3)

(1) Net tangible assets defined as net assets less intangible assets.
(2) 31 December 2017 calculation based on 182,745,510 shares.
(3) 30 June 2017 calculation based on 176,736,066 shares.

APPENDIX 4D - SECTION B
COMMENTARY ON THE RESULTS

For comments on trading performance during the half-year, refer to the 1H18 media release, 1H18 Results Presentation and the Directors' Report.

The Board of Directors has resolved that no interim dividend will be paid in FY18.

Retail Food Group Limited
Consolidated Financial Report
Half-Year Ended 31 December 2017

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DIRECTORS' REPORT

Overview

The Directors of Retail Food Group Limited (referred to hereafter as the Company) submit herewith the Financial Report of the Company for the period ended 31 December 2017 in accordance with the provisions of the *Corporations Act 2001*.

Information about the Directors

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

Name	Particulars
Mr Colin Archer	Chairman and Independent Non-Executive Director
Mr Andre Nell	Executive Managing Director
Ms Jessica Buchanan	Independent Non-Executive Director
Mr Stephen Lonie	Independent Non-Executive Director
Ms Kerry Ryan	Independent Non-Executive Director
Mr Russell Shields	Independent Non-Executive Director
Mr Anthony (Tony) Alford	Non-Independent Non-Executive Director - Resigned 3 July 2017

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, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems;

- Development and management 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, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems;

- 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 Evolution Coffee Roasters Group, Caffe Coffee, Roasted Addiqtion, Barista's Choice and Di Bella Coffee brands; and

- Development and management of the procurement, warehousing, manufacturing and distribution business under the Hudson Pacific Food Service, Dairy Country, Bakery Fresh and Associated Food Service brands.

Review of operations and financial condition

Group overview

An $87.8 million statutory loss after tax is clearly a disappointing result and needs to be understood in the context of a comprehensive review of the RFG Group.

Significant aspects of this RFG-wide review are now complete, which have resulted in:

- A strategic business model reset to focus on the quality of the domestic franchise business;
- A decision that 160 - 200 domestic outlets will be closed, predominantly due to unsustainable rent, and declining shopping centre performance, by end of FY19; and
- $10.0 million targeted in annualised operational savings through the restructure of RFG's existing shared service corporate model.

This comprehensive review was initiated in response to recent poor trading results, impacted by both the ongoing challenging retail market trading conditions, especially within increasingly competitive shopping centre locations, and to better leverage RFG's diversified business platform to support franchisee sustainability and improve shareholder value.

Review of operations and financial condition (continued)

Group overview (continued)

The planned store closures, recent trading performance, and re-assessment of near-term trading prospects resulted in non-cash impairments, write-downs, and provisioning, totalling $138.0 million being recognised in the 1H18 result, including:

- Impairments against the carrying value of Brand System intangible assets including Michel's Patisserie ($45.0 million), Pizza Capers ($4.5 million), Gloria Jeans ($5.0 million), and Goodwill associated with the Coffee Retail Division CGU ($29.5 million);
- $35.7 million arising from network consolidation activity; and
- $18.3 million for property, plant & equipment and inventory write-downs, loss on real property disposals and miscellaneous matters.

Persistently tough retail conditions and the cumulative impact of 2H17 and 1H18 domestic outlet closures, combined with onerous lease conditions and internal challenges in the management of RFG's business model, particularly evident in a sharp decline amongst new domestic franchise sales and renewals in the December quarter, contributed to RFG's disappointing 1H18 results.

1H 2018 Results

The following table summarises the Group's reported results for the half-years ended 31 December 2017 and 31 December 2016:

Item	1H18	1H17	Change
Revenue	$195.5m	$161.9m	$33.6m
NPAT(2)	($87.8m)	$32.7m	($120.5m)
NPAT (Underlying)(1)	$24.7m	$36.2m	($11.5m)
EBITDA(2)	($100.8m)	$55.4m	($156.2m)
EBITDA (Underlying)(1)	$45.7m	$60.5m	($14.8m)
EPS(2)	(49.0 cps)	19.2 cps	(68.2 cps)
EPS (Underlying)(1)	13.8 cps	21.2 cps	(7.4 cps)
Interim Dividend per Share (DPS)	-	14.75 cps	(14.75 cps)

(1) These figures are not subject to audit.
(2) Restated 1H17 - see Note 21.

The Group has restated its statutory reported results for the half-year ended 31 December 2016 (1H17). The restatements are further discussed within the annual report for the year ended 30 June 2017, and more particularly detailed in Note 21 of these financial statements. Underlying results for 1H17 have not been impacted by the restatements.

Revenue for 1H18 was $195.5 million, representing a 20.8% increase (or $33.6 million) on the prior corresponding period (PCP). The increase in revenue is primarily attributable to the following factors:

- A $46.7 million increase from a full 6 months of Commercial Food Services segment revenue from both the HPC and AFS acquisitions;
- A $0.8 million increase in Coffee & Allied Beverage revenue, primarily attributable to Grocery sales; offset by
- A $13.9 million decrease in Brand System segment revenues (Bakery/Café, QSR and Coffee Retail), predominantly attributable to lower store commissioning and outlet growth, and a decrease in Brand System coffee and allied product sales compared to the PCP.

The reported EBITDA loss of $100.8 million and reported NPAT loss of $87.8 million was significantly attributable to the $138.0 million (pre-tax) non-cash provisioning and impairment as discussed previously. Recognition of new international licence fee revenue early in 2H18, following a brief timing delay regarding conclusion of these transactions, also influenced the 1H18 results.

Underlying EBITDA of $45.7 million and Underlying NPAT of $24.7 million for 1H18 excludes $8.5 million (pre-tax) in acquisition and integration costs attributable to the Hudson Pacific Corporation (HPC) and Associated Foodservice (AFS) acquisitions, restructuring costs associated with the business-wide review, and $0.7 million amortisation of acquired intangible assets. The 1H18 costs excluded from Underlying EBITDA also include $138.0 million (pre-tax) of non-cash provisioning and impairment of assets as discussed previously.

Review of operations and financial condition (continued)

Financial Position and Cash Flows

Management's focus is now on improving the performance of the Australian business, and growing a stronger balance sheet. Dividend payments have, therefore, been suspended with immediate effect, and the Company's dividend payout ratio will be reassessed at the appropriate time.

Net Assets of $376.7 million have decreased by $88.5 million (or 19.0%) from 30 June 2017, primarily as a result of non-cash provisioning and impairment of assets. Further details on these adjustments are included in Note 6.

Cash inflows from operating activities for 1H18 were $3.4 million (1H17 restated: $31.4 million), with the decrease in net operating cash inflow attributable to cash outflows arising from acquisition, integration and restructuring costs incurred in the half-year, as well as a significant increase in working capital balances as a result of the timing of cashflows in the Commercial Food Services and Coffee & Allied Beverage segments. The cash conversion to EBITDA ratio for the half was affected by the significant $138.0 million non-cash provisioning and impairment of assets mentioned previously.

The Group received $22.0 million (before costs) in cash arising from the issue of shares from the DRP Shortfall Placement on 17 October 2017.

Debt Structure

As at 31 December 2017, the Group's total gross debt increased to $267.6 million including ancillary facilities. The increase in gross debt was predominately due to the timing of working capital cashflows, continued investment in property, plant and equipment and acquisition earn out payments for the Di Bella and Hudson Pacific Corporation acquisitions during 1H18.

During the period, the Group extended its three-year debt facilities totalling $150 million, due to mature in December 2018, into longer dated maturities as follows:

- $100 million extended to facilities maturing in January 2020; and
- $50 million extended to facilities maturing in December 2020.

In addition, RFG has reduced existing five-year debt facilities maturing in December 2020 by $25 million, with the Group's total senior debt facilities now being $319 million.

Subsequent to 31 December 2017, the Company has been in negotiations with its senior debt lenders, to reset financial covenants attaching to the Group's debt facilities. Agreement has been reached between the Company and its lenders, subject to formal documentation of amendments to the debt facility agreements, to reset the covenants effective from 2 March 2018 for covenant testing periods commencing 1 January 2018. The key terms of the reset are:

- All financial covenants are to be measured quarterly commencing 31 March 2018 (previously 6 monthly);
- An Operating Leverage ratio increase for 12 months to 3.0x (previously 2.5x), reverting to 2.5x thereafter;
- A minimum budget for the financial year ending 30 June 2019 of underlying EBITDA $90 million;
- Introduction of a financial covenant based on comparing actual quarterly underlying EBITDA performance to budget, with a 20% variance trigger;
- Loan repayments of $12.5 million by 2 March 2019;
- 60% of the net proceeds of any disposal of assets (except for disposals under certain agreed exceptions) are to be applied as a mandatory prepayment of the amounts owing;
- Introduction of a Board-approved dividend and distribution policy in a form approved by the lenders;
- Representation and warranty for compliance with all statutory obligations relating to employee entitlements such as superannuation, pay-as-you-go and other tax obligations; and
- No change to current tenor of facilities.

These revised banking arrangements will also come at an increased cost to the Group, which has been factored into future cash flows.

DIRECTORS' REPORT

Review of operations and financial condition (continued)

Operating segment review

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

- Bakery/Café Division (incorporating Michel's Patisserie, Donut King, and Brumby's Bakery Brand Systems);
- QSR Division (incorporating Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Coffee Retail Division (incorporating Gloria Jean's Coffees, Esquires, Café2U and The Coffee Guy Brand Systems);
- Coffee and Allied Beverage (incorporating Wholesale Coffee operations); and
- Commercial Food Services Division (incorporating procurement, warehousing, manufacturing and distribution operations).

All Brand System segments, with the exception of Coffee and Allied Beverage, and Commercial Food Services, are referred to collectively by management as Franchise Operations.

Brand system operations

Underlying Franchise Operations EBITDA for 1H18 was $33.0 million (1H17: $47.7 million), representing a decline of 30.8% (or $14.7 million).

1H18 new outlet commissionings of 43 outlets were below budget, contributing to a net contraction of 66 outlets and closing Australian network population of 1,545 outlets at the end of the period. Operationally, weighted Same Store Sales (SSS) and Average Transaction Value (ATV) growth of 0.3% and 2.1% represented a disappointing outcome, heavily impacted by the performance of those Brand Systems with significant shopping centre exposure, particularly during a weaker December 2017 trading period.

This performance is contrasted with the QSR Division's performance, where credible SSS and ATV metrics of +2.4% and +3.1% were underpinned by disciplined pricing, menu innovation, alignment with delivery aggregators and a focus on operational excellence.

The transition of the Michel's Patisserie network to an instore operating model continued to present challenges. During 2018, the Brand System will implement repositioning, including new menu items, which emphasises Michel's French café heritage and better responds to changing consumer tastes and demands.

Gloria Jeans launched the GJ20:20 initiative in February 2018, providing an entry into fast, casual dining including an all-day menu and new 'hero' products. GJ20:20 incorporates a staged network rollout, tailored to individual store circumstances, designed to re-engage with our customers and better differentiate the brand in market.

Brand system operations - International

During 1H18, RFG made solid progress with its international expansion strategy, entering breakthrough joint venture arrangements with leading UAE based businesses to accelerate Brand System expansion within the Gulf, and establish a world class coffee enterprise throughout the Middle East & North Africa (MENA) region.

Following a brief timing delay regarding conclusion of the grant of international master licenses, new international licence fee revenue for the Donut King and Crust Brand Systems in the United Kingdom, originally forecast for 1H18, were recognised in early 2H18, and, in February 2018, the international master license was granted for Gloria Jean's in Germany, bolstering growth prospects in Western European markets.

RFG now has 84 international licensed territories across 12 Brand Systems and, while many of these franchisees are in the early stages of their development cycle, they are expected to provide growing recurrent revenue streams as territories mature.

Review of operations and financial condition (continued)

Operating segment review (continued)

Coffee and allied beverage

Coffee and Allied Beverage results represent the Group's wholesale product sales in the contract roasting, commercial and in-home market segments. Underlying Coffee and Allied Beverage Operations EBITDA for 1H18 was $5.5 million (1H17: $9.1 million), representing a decrease of $3.6 million on PCP. The decrease in EBITDA on PCP was due to a $1.6 million loss of margin in the contract roasting sector on new customer acquisition and cost pressures, with $2.0 million due to non-recurring gains in 1H17, and losses on sale of assets in 1H18.

To reinvigorate performance, the Group has implemented a divisional restructure to refocus its sales strategy, better align capability and leverage RFG's strong coffee credentials including appointing a new Global Head of Coffee in January 2018.

RFG will ultimately exit its existing low-margin capsule operations, following non-renewal of the Group's domestic capsule supply agreement and a failure to achieve adequate business for the professional machine program, which has been significantly impacted by technical and manufacturer related issues.

Commercial food services

The Commercial Food Services Division EBITDA was $7.2 million (1H17: $3.7 million), primarily attributable to the earnings contribution of 6 months from the HPC and AFS acquisitions.

Investment in sales and management capability has driven a 9.5% increase in foodservice customers since 30 June 2017, and new business secured for Dairy Country, largely commencing in 2H18. New product innovation and customer acquisition also drove growth in Bakery Fresh throughput to c.2.3m kg for the period.

Domestic outlet analysis & consolidation

A comprehensive domestic outlet network analysis has been undertaken, referencing three-year quantitative sales, lease and performance information and qualitative store-by-store assessment.

Following this analysis, as noted previously, the Company has determined that between 160 outlets to 200 outlets of its existing domestic outlet network is unsustainable on a long-term basis. Subject to moderation of landlord rental requirements, due to unsustainable or above market rent expectations and declining shopping centre performance, these outlets will either be closed or lease renewal not sought on expiry, on or before 30 June 2019.

RFG is seeking to renegotiate improved rental outcomes, where possible, to minimise closures, and will work constructively with impacted stakeholders.

Organisational efficiency

In recent years, RFG rapidly expanded through acquisitive activity. This growth has delivered many benefits, but has also led to a complexity which impacted focus on RFG's franchise business and resulted in an increasingly inefficient head office and shared service resource, diminishing organisational effectiveness.

A key focus of the business-wide review has been the reduction of duplication and inefficiency, better integration of support structures, and improving alignment of the Company's resources with core revenue drivers.

The review targets $10.0 million in annualised operational savings, of which $4.8 million has been realised to date, the full impact of which will be felt in FY19. Further efficiencies will be delivered in 2H18.

Significant events after the balance date

Except for the subsequent agreement with its senior debt lenders to reset financial covenants, as noted in the Review of operations and financial condition above, 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 Board of Directors has resolved that no interim dividend will be paid in FY18.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	1H18		1H17	
Company	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Declared and paid during the half-year				
Fully paid ordinary shares				
Final dividend - fully franked at 30% tax rate[1]	15.00	26,510	14.50	23,920
Declared after the end of the half-year				
Fully paid ordinary shares				
Interim dividend - fully franked at 30% tax rate	-	-	14.75	25,968

(1) In respect of profit for the financial year ended 30 June 2017, as detailed in the Directors' Report for that financial year, a final dividend of 15.00 cents per share (based on 176,736,066 shares on issue), franked to 100% at 30% corporate income tax rate, was paid on 17 October 2017.

Future debt covenant compliance

As noted in Note 12 Borrowings, RFG has renegotiated its banking covenants subsequent to half-year end. At 31 December 2017, the Group was in compliance with its financial covenant requirements attached to the senior debt facilities. RFG's management has compiled forecasts to 30 June 2019, which supports compliance with these new banking covenants and, based on the projections, the Directors' are confident the Group will satisfy the lenders financial conditions over the forecast period to 30 June 2019. The future performance of the business will be subject to an ongoing quarterly EBITDA performance review with its lenders, cognisant of the need to meet the $90 million underlying EBITDA annual budget for the year ending 30 June 2019, including quarterly EBITDA budget variance measures amongst others.

While the Directors are confident the Group will maintain compliance with its revised financial covenants over the forecast period to 30 June 2019, there is uncertainty in the achievement of its EBITDA performance targets as the Group implements its business wide review restructuring program.

If, for any reason, RFG is unable to achieve the EBITDA performance targets under the covenants, it has considered and explored its options to mitigate this risk, with the assistance of key external advisors. The mitigating actions available to the Group include:

- Securing covenant waivers with current banks;
- Further debt restructuring with its current banks;
- Refinancing of the debt with other lenders;
- Asset sales; and
- Equity raisings.

RFG's Directors are confident that these mitigation strategies are capable of effective implementation, if required, to ensure the funding needs of the Group are maintained to at least 30 June 2019.

Future developments

The Group will focus its immediate efforts on the performance of its core domestic Brand Systems, Coffee & Allied Beverage and Commercial Food Services Divisions.

The Directors are confident in the strength of its underlying business operations and its ability to support RFG's core retail Brand Systems and their franchisees. Clearly, the challenge is to successfully implement the changes that RFG's management has proposed to improve the underlying performance of the Group.

Disclosure of any further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the Directors consider that it would be likely to result in unreasonable prejudice to the Group.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 13 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 Colin Archer
Chairman and Independent Non-Executive Director

Mr Andre Nell
Executive Managing Director

Southport, 2 March 2018

Auditor's Independence Declaration

As lead auditor for the review of Retail Food Group Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Retail Food Group Limited and the entities it controlled during the period.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
2 March 2018

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Independent auditor's review report to the members of Retail Food Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Retail Food Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2017, the 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, selected explanatory notes and the directors' declaration for Retail Food Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* and Breach of Debt Covenants including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Retail Food Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

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1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and Breach of Debt Covenants.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2017 included on Retail Food Group Limited's web site. The company's directors are responsible for the integrity of the Retail Food Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
2 March 2018

DIRECTORS' DECLARATION

The Directors' declare that:

(i) In the Directors' opinion, 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

(ii) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

RETAIL FOOD GROUP LIMITED

Mr Andre Nell
Executive Managing Director

Southport, 2 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated	Notes	1H18 $'000	Restated 1H17 $'000
Continuing operations			
Revenue from sale of goods	4	155,541	108,090
Cost of sales	5	(110,183)	(68,546)
Gross Profit		45,358	39,544
Other revenue	4	39,951	53,805
Other gains and losses	5	(1,549)	1,427
Selling expenses		(6,463)	(5,996)
Marketing expenses		(2,305)	(2,536)
Occupancy expenses	5	(22,319)	(2,717)
Administration expenses	5	(14,722)	(11,941)
Operating expenses		(20,416)	(13,611)
Finance costs		(5,247)	(4,819)
Other expenses	5	(124,474)	(6,451)
(Loss)/profit before income tax		(112,186)	46,705
Income tax credit/(expense)		24,426	(14,011)
(Loss)/profit for the period from continuing operations	5	(87,760)	32,694
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		(669)	335
Changes in the fair value of cashflow hedges		197	-
Income tax relating to these items		(59)	-
Other comprehensive income for the period, net of tax		(531)	335
Total comprehensive income for the period		(88,291)	33,029
Total comprehensive income is attributable to:			
Equity holders of the parent		(88,291)	33,029
Earnings per share			
From continuing operations:			
Basic (cents per share)		(49.0)	19.2
Diluted (cents per share)		(49.0)	19.2

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 31 DECEMBER 2017

Consolidated	Notes	1H18 $'000	FY17 $'000
Current assets			
Cash and cash equivalents	7	7,924	10,269
Trade and other receivables	6	74,655	83,392
Other financial assets		10,485	9,481
Inventories		32,735	28,451
Assets classified as held for sale	8	2,071	-
Current tax assets		6,430	-
Other		3,281	3,215
Total current assets		137,581	134,808
Non-current assets			
Trade and other receivables	6	1,218	2,423
Other financial assets		9,277	14,260
Property, plant and equipment	9	81,458	95,554
Intangible assets	10	586,323	668,926
Deferred tax assets	11	22,389	13,657
Total non-current assets		700,665	794,820
Total assets		838,246	929,628
Current liabilities			
Trade and other payables		62,000	69,816
Borrowings	12	419	722
Current tax liabilities		-	2,546
Provisions	6	15,537	7,422
Other		5,536	10,747
Total current liabilities		83,492	91,253
Non-current liabilities			
Borrowings	12	261,430	249,248
Derivative financial instruments	17	1,643	1,810
Deferred tax liabilities	11	103,209	119,433
Provisions	6	9,788	393
Other		1,999	2,319
Total non-current liabilities		378,069	373,203
Total liabilities		461,561	464,456
Net assets		376,685	465,172
Equity			
Issued capital	13	428,644	402,472
Reserves	14	(283)	106
Retained earnings	15	(51,676)	62,594
Total equity		376,685	465,172

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 31 DECEMBER 2017

		Fully Paid Ordinary Shares	Other Reserves	Retained Earnings	Total
Consolidated	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2016 (Restated)		324,072	1,495	50,555	376,122
Profit for the period [1]		-	-	32,694	32,694
Other comprehensive income		-	335	-	335
Total comprehensive income		-	335	32,694	33,029
Issue of ordinary shares		75,185	-	-	75,185
Share issue costs		(528)	-	-	(528)
Related income tax		159	-	-	159
Recognition of share-based payments		-	45	-	45
Payment of dividends	16	-	-	(23,920)	(23,920)
Balance at 31 December 2016 (Restated)		398,888	1,875	59,329	460,092
Balance as at 1 July 2017		402,472	106	62,594	465,172
Loss for the period		-	-	(87,760)	(87,760)
Other comprehensive income		-	(531)	-	(531)
Total comprehensive income		-	(531)	(87,760)	(88,291)
Issue of ordinary shares	13	26,503	-	-	26,503
Share issue costs	13	(473)	-	-	(473)
Related income tax	13	142	-	-	142
Payment of dividends	16	-	-	(26,510)	(26,510)
Recognition of share-based payments	14	-	142	-	142
Balance at 31 December 2017		428,644	(283)	(51,676)	376,685

(1) Restated - see Note 21.

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 31 DECEMBER 2017

Consolidated	Notes	1H18 $'000	Restated 1H17 $'000
Cash flows from operating activities			
Receipts from customers		260,690	212,310
Payments to suppliers and employees		(242,466)	(163,025)
Interest and other costs of finance paid		(4,960)	(4,624)
Income taxes paid		(9,864)	(13,229)
Net cash provided by operating activities		3,400	31,432
Cash flows from investing activities			
Interest received		131	291
Amounts advanced to other entities		656	(525)
Payments for property, plant and equipment		(16,241)	(17,864)
Proceeds from sale of property, plant and equipment		5,778	70
Payments for intangible assets		(271)	(259)
Payments for business (net of cash acquired) [1]		(7,631)	(62,180)
Net cash used in investing activities		(17,578)	(80,467)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		21,973	35,600
Proceeds from borrowings		109,500	82,325
Repayment of borrowings		(97,000)	(50,000)
Dividends paid		(21,980)	(20,512)
Payment for share issue costs		(472)	(528)
Payment for debt issue costs		(307)	-
Net cash provided by financing activities		11,714	46,885
Net (decrease) in cash and cash equivalents		(2,402)	(2,216)
Effects of exchange rate changes on cash and cash equivalents		(62)	66
Cash and cash equivalents at the beginning of period		9,583	16,956
Cash and cash equivalents at end of period	7	7,119	14,806

(1) Earn out payments with respect to prior year acquisitions.

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

1. 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 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 and Principal Place of Business
RFG House 1 Olympic Circuit Southport QLD 4215

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, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems;

- Development and management 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, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems;

- 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 Evolution Coffee Roasters Group, Caffe Coffee, Roasted Addiqtion, Barista's Choice and Di Bella Coffee brands; and

- Development and management of the procurement, warehousing, manufacturing and distribution business under the Hudson Pacific Food Service, Dairy Country, Bakery Fresh and Associated Food Service brands.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 31 December 2017 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 30 June 2017 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, except for the adoption of new and amended standards (Note 2.3) as set out in the following sections.

2. Significant accounting policies (continued)

2.2 Use of estimates and judgements

The preparation of the consolidated interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is amended and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the consolidated financial statements are included in the following notes:

- Revenue Recognition.
- Recoverability of Debtors.
- Deferred Tax assets.
- Impairment of non-financial assets other than goodwill and indefinite life intangible assets.
- Impairment of goodwill and indefinite life intangible assets.
- Determination as indefinite life intangible assets.
- Fair value of assets and liabilities acquired in a business combination.
- Onerous lease and other provisions.

2.3 Standards and interpretations adopted in the current period

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

The adoption of new Standards and Interpretations during the current reporting period did not have any material effect on the reported results or financial position of the Group, or the presentation and disclosure of amounts in these financial statements.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following Standards and Interpretations have been issued but were not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', and the relevant amending standards	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

2.5 Future debt covenant compliance

As noted in Note 12 Borrowings, RFG has renegotiated its banking covenants subsequent to half-year end. At 31 December 2017, the Group was in compliance with its financial covenant requirements attached to the senior debt facilities. RFG's management has compiled forecasts to 30 June 2019, which supports compliance with these new banking covenants and, based on the projections, the Directors' are confident the Group will satisfy the lenders financial conditions over the forecast period to 30 June 2019. The future performance of the business will be subject to an ongoing quarterly EBITDA performance review with its lenders, cognisant of the need to meet the $90 million underlying EBITDA annual budget for the year ending 30 June 2019, including quarterly EBITDA budget variance measures amongst others.

While the Directors are confident the Group will maintain compliance with its revised financial covenants over the forecast period to 30 June 2019, there is uncertainty in the achievement of its EBITDA performance targets as the Group implements its business wide review restructuring program.

2. Significant accounting policies (continued)

2.5 Future debt covenant compliance (continued)

If, for any reason, RFG is unable to achieve the EBITDA performance targets under the covenants, it has considered and explored its options to mitigate this risk, with the assistance of key external advisors. The mitigating actions available to the Group include:

- Securing covenant waivers with current banks;
- Further debt restructuring with its current banks;
- Refinancing of the debt with other lenders;
- Asset sales; and
- Equity raisings.

RFG's Directors are confident that these mitigation strategies are capable of effective implementation, if required, to ensure the funding needs of the Group are maintained to at least 30 June 2019.

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 five 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 Michel's Patisserie, Donut King and Brumby's Bakery Brand Systems);
- QSR Division (incorporating Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Coffee Retail Division (incorporating Gloria Jean's Coffees, Esquires, Café2U and The Coffee Guy Brand Systems);
- Coffee & Allied Beverage (incorporating wholesale coffee operations); and
- Commercial Food Service (incorporating procurement, warehousing, manufacturing and distribution 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 consolidated statement of comprehensive income. 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 Cafe		QSR Systems		Coffee Retail Systems		Coffee and Allied Beverage		Commercial Food Services		Total	
	1H18 $'000	1H17 $'000	1H18 $'000	1H17 $'000	1H18 $'000	1H17 $'000	1H18 $'000	1H17 $'000	1H18 $'000	1H17 $'000	1H18 $'000	1H17 $'000
External revenue	30,557	34,389	8,815	10,695	36,893	44,486	32,378	31,561	80,718	34,037	189,361	155,167
External revenue – Corporate stores	4,108	4,379	454	637	1,569	1,711	-	-	-	-	6,131	6,727
Inter-segment revenue	466	417	10	23	294	255	-	-	-	-	770	695
Segment revenue (1)	35,131	39,185	9,279	11,355	38,756	46,452	32,378	31,561	80,718	34,037	196,262	162,590
Underlying Segment EBITDA	15,855	21,794	6,068	7,210	11,099	18,675	5,471	9,081	7,201	3,739	45,694	60,500
Depreciation & amortisation											(6,159)	(3,936)
Finance costs											(5,247)	(4,819)
Acquisition, integration & restructuring costs											(8,494)	(3,904)
Impairment & provisions(2)											(137,980)	(1,136)(3)
(Loss)/profit before tax											(112,186)	46,705
Income tax expense											24,426	(14,011)(3)
(Loss)/profit after tax for the period											(87,760)	32,694(3)

(1) Segment revenue reconciles to total revenues from continuing operations as follows:	1H18 $'000	1H17 $'000
Revenue for the period – Statutory	195,492	161,895
Inter-segment revenue: eliminated on consolidation	770	695
Total segment revenue	196,262	162,590

(2) Refer to Note 6.

(3) Restated – see Note 21.

For further discussion on Segment Revenues and Underlying Segment EBITDA, refer to the Operating Segment Review in the Directors' Report.

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

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

Consolidated	1H18 $'000	Restated 1H17 $'000
Revenue from the sale of goods	155,541	108,090
Revenue from the rendering of services	38,718	52,182
Initial Master Franchise Revenue	417	859
	194,676	161,131
Interest revenue		
Bank deposits	55	52
Other loans and receivables	332	325
	387	377
Rental revenue	429	387
	195,492	161,895

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

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

Consolidated	1H18 $'000	Restated 1H17 $'000
Cost of sales	110,183	68,546
Impairment loss on trade receivables [(1)]	16,671	1,023
Write-down of inventory to net realisable value [(2)]	5,101	25
Impairment loss on loans carried at amortised cost [(2)]	967	-
De-recognition of Marketing Fund receivables [(3)]	-	1,136
Write-down of property, plant and equipment to fair value less costs to sell [(2)]	12,843	-
Loss on sale of QLD properties [(4)]	1,431	-
Write-down of assets held for sale to fair value less costs to sell [(2)]	1,137	-
Impairment loss on intangible assets [(2)]	84,383	-
Provisions for onerous leases and make good obligations [(5)]	17,559	-
Provisions for strategic review costs [(6)]	1,700	-
Contingent consideration deemed remuneration	273	-
Adjustments to contingent consideration provision	-	(1,486)
Acquisition transaction and integration costs (including restructuring costs) [(7)]	6,790	3,904
Depreciation and amortisation expense:		
Depreciation of property, plant and equipment [(2)]	5,188	3,567
Amortisation of acquired intangible assets - customer contracts [(2)]	882	288
Amortisation - other [(2)]	86	73
Total depreciation and amortisation expense	6,156	3,928
Employee benefits expenses:		
Post-employment benefits (defined contribution plans)	3,188	2,292
Other employee benefits (wages and salaries)	43,094	32,538
Total employee benefits expense	46,282	34,830

(1) Amounts are included within other expenses, operating expenses and other revenue dependant on the nature of the underlying transaction that has been impaired.
(2) Amounts are included in other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
(3) Restated 1H17 - see Note 21.
(4) Amount is included in other gains and losses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
(5) Amounts are included in occupancy expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
(6) Amounts are included in administration expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
(7) Amounts are included within operating expenses, administration expenses and occupancy expenses dependent on the nature of the underlying transaction.

Further information regarding impairments, provisions and write-downs is included in Note 6.

6. Impairment & Provisions

Persistent challenging domestic retail conditions, as detailed in the Directors' Report, has particularly impacted on the financial performance of the Group's domestic franchise business, and resulted in a comprehensive review of the outlook for the Group's Australian business operations. The Group has performed an assessment for assets that may be impaired, in accordance with Australian Accounting Standards, which has resulted in the Group recognising a $138.0 million pre-tax ($105.4 million post-tax) expense for impairment and provisions as follows:

Consolidated	Impairment and provisions $'000
Trade and other receivables	(14,171)
Inventory	(5,101)
Other financial assets	(967)
Other assets	(119)
Assets held for sale	(1,137)
Property, plant & equipment	(12,843)
Intangible assets	(84,383)
Provisions	(19,259)
Pre-tax Total	(137,980)
Current Tax Assets *	3,233
Deferred Tax Assets	12,961
Deferred Tax Liabilities	16,344
Post-tax Total	(105,442)

* Current tax assets recognised on assets written off.

Trade and other receivables

A $14.2 million pre-tax ($9.9 million post-tax) provision has been recognised in respect of individually impaired domestic franchise receivables, including $1.8m of franchisee rent recharges where the Group has determined that the risk of collectability of the trade receivable has changed. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the estimated recoverable amount.

The remaining $75.9 million of trade receivables is net of a total provision of $23.5 million. The net balance includes amounts, which are disclosed in the following table, that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debtors because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables

Consolidated	1H18 $'000	FY17 $'000
31 – 60 days	4,035	3,121
61 – 90 days	1,525	1,729
91 + days	8,549	13,972
	14,109	18,822

6. Impairment & Provisions (continued)

Inventory

An amount of $5.1 million pre-tax ($3.6 million post-tax) has been expensed through 'other expenses' in respect of inventory write-downs relating to the following items:

- $4.0 million pre-tax ($2.8 million post-tax) write-downs of company-owned stores and equipment held for resale considered to no longer be recoverable; and
- $1.1 million pre-tax ($0.8 million post-tax) write-downs of stock held for wholesale supply due to the cessation of an exclusive distribution agreement with the supplier, Caffitaly.

Other financial assets

A $1.0 million pre-tax ($0.7 million post-tax) provision has been recognised in respect of individually impaired vendor finance loans receivable from domestic franchisees. The impairment recognised represents the difference between the carrying amount of these loan receivables and the present value of the estimated recoverable amount.

Assets held for sale

An amount of $1.1 million pre-tax ($0.8 million post-tax) impairment has been recognised on a property held for sale located in Yatala, QLD. The impairment recognised represents the difference between the carrying amount of the property and the fair value based on a sale contract entered into subsequent to 31 December 2017.

Property, plant & equipment

An amount of $12.8 million pre-tax ($9.0 million post-tax) has been recognised in respect of write-downs of property, plant and equipment relating to discontinued projects and redundant systems and assets (refer to Note 9).

Intangibles

The Group conducted detailed impairment testing of each of its cash generating units (CGUs).

A $84.4 million pre-tax ($67.9 million post-tax) impairment was recognised in respect of the Michel's Patisserie ($45.0 million), Pizza Capers ($4.5 million) and Gloria Jeans ($5.0 million) Brand Networks, goodwill of the Coffee Retail Division ($29.5 million) and a $0.4 million write-down of customer contracts relating to the Caffitaly distribution agreement.

The impairment recognised represents the difference between the carrying values of the CGUs and their recoverable amounts. The key assumptions and methodology behind the assessment of impairment of CGUs is more particularly detailed in Note 10.

Provisions

An amount of $19.3 million pre-tax ($13.5 million post-tax) has been recognised through 'occupancy expenses' in respect of onerous leases and associated make-goods for stores where the Group is head on the lease and which have been assessed as high risk of closure as follows:

- $12.8 million pre-tax ($9.0 million post-tax) relating to franchised stores; and
- $4.8 million pre-tax ($3.3 million post-tax) relating to company-owned stores.

Also, included in the above amount is a $1.7 million pre-tax ($1.2 million post-tax) provision for strategic review costs.

7. Cash and cash equivalents

For the purposes of the 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 statement of cash flows, can be reconciled to the related items in the statement of financial positions as follows:

7.1 Reconciliation of cash and cash equivalents

Consolidated	1H18 $'000	FY17 $'000
Cash and bank balances	7,924	10,269
Less: cash not available for use	(805)	(686)
	7,119	9,583

7.2 Cash balances not available for use

Cash balances not available for use relate to unclaimed dividends. As at 31 December 2017, cash balances not available for use totalled $805 thousand (2017: $686 thousand). These restricted cash balances have not been included in the period end cash balances for the purposes of the Consolidated Statement of Cash Flows.

8. Assets classified as held for sale

Consolidated	1H18 $'000	FY17 $'000
Assets classified as held for sale		
Current		
Land and buildings	2,071	-
	2,071	-

In August 2017, the Directors approved the sale of land and buildings located at Yatala, QLD. Subsequent to 31 December 2017, the Group entered into a sale contract for the property for $2.1 million with settlement expected to occur in April 2018.

A loss of $1.1 million has been recognised on the measurement of fair value less costs to sell at 31 December 2017. This amount is included in other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

9. Property, plant and equipment

Consolidated	Notes	Land & buildings at cost $'000	Leasehold improvements at cost $'000	Plant & equipment at cost $'000	Motor vehicles at cost $'000	Total $'000
Gross carrying amount						
Balance as at 1 July 2016		13,453	1,480	49,173	1,000	65,106
Additions		8,529	117	25,087	834	34,567
Disposals		-	(26)	(2,136)	(129)	(2,291)
Reclassification of Inventories		-	-	(1,005)	(146)	(1,151)
Effect of movements in exchange rates		-	(1)	(77)	-	(78)
Acquisitions	18	-	1,484	18,066	982	20,532
Balance as at 30 June 2017		21,982	3,054	89,108	2,541	116,685
Additions		1,813	48	13,702	211	15,774
Disposals		(7,062)	(13)	(1,872)	(29)	(8,976)
Fair Value adjustment	18	-	-	(1,293)	-	(1,293)
Assets classified as held for sale	8	(3,208)	-	-	-	(3,208)
Effect of movements in exchange rates		-	(6)	(39)	-	(45)
Transfers		-	-	388	-	388
Balance as at 31 December 2017		13,525	3,083	99,994	2,723	119,325
Accumulated depreciation and impairment losses						
Balance as at 1 July 2016		(599)	(513)	(12,722)	(166)	(14,000)
Transfers		-	-	247	2	249
Disposals		-	7	471	93	571
Depreciation charge		(174)	(192)	(7,105)	(291)	(7,762)
Impairment losses		-	-	(189)	-	(189)
Balance as at 30 June 2017		(773)	(698)	(19,298)	(362)	(21,131)
Transfers		-	-	(93)	-	(93)
Disposals		565	6	808	9	1,388
Depreciation charge		(28)	(94)	(4,870)	(196)	(5,188)
Impairment losses	6	(3,999)	-	(8,844)	-	(12,843)
Balance as at 31 December 2017		(4,235)	(786)	(32,297)	(549)	(37,867)
Net book value						
As at 30 June 2017		21,209	2,356	69,810	2,179	95,554
As at 31 December 2017		9,290	2,297	67,697	2,174	81,458

10. Intangible assets

10.1 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 1 July 2016		207,143	429,188	5,337	3,650	645,318
Additions		-	350	-	187	537
Reclassification		-	(218)	-	-	(218)
Acquisitions through business combinations	18	63,404	-	-	11,230	74,634
Exchange differences		(10)	(15)	-	-	(25)
Balance as at 30 June 2017		270,537	429,305	5,337	15,067	720,246
Additions		-	73	-	199	272
Acquisitions through business combinations	18	2,603	-	-	70	2,673
Exchange differences		(153)	(44)	-	-	(197)
Balance as at 31 December 2017		272,987	429,334	5,337	15,336	722,994
Accumulated amortisation and impairment losses						
Balance as at 1 July 2016		-	(48,894)	-	(900)	(49,794)
Amortisation expense		-	-	-	(1,526)	(1,526)
Balance as at 30 June 2017		-	(48,894)	-	(2,426)	(51,320)
Amortisation expense		-	-	-	(968)	(968)
Impairment losses recognised in profit or loss	6	(29,519)	(54,387)	-	(477)	(84,383)
Balance as at 31 December 2017		(29,519)	(103,281)	-	(3,871)	(136,671)
Net book value						
As at 30 June 2017		270,537	380,411	5,337	12,641	668,926
As at 31 December 2017		243,468	326,053	5,337	11,465	586,323

10. Intangible assets (continued)

10.2 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following operating segments:

Goodwill allocation	1H18 $'000	FY17 $'000
Bakery/Café Systems	76,864	76,864
QSR Systems	25,092	25,092
Coffee Retail Systems	35,848	65,367
Coffee and Allied Beverage	39,657	39,810
Commercial Food Services	66,007	63,404
	243,468	270,537

10.3 Allocation of indefinite life intangible assets to cash-generating units

Indefinite life intangibles allocation	1H18 $'000	FY17 $'000
Donut King Brand System	36,187	36,186
Brumby's Bakeries Brand System	53,480	53,480
Michel's Patisserie Brand System	37,245	82,234
Pizza Capers Gourmet Kitchens Brand System (PC)	-	4,384
Crust Gourmet Pizza Bars Brand System (CGP)	43,090	43,040
The Coffee Guy Brand System	913	957
Café2U Brand System	9,252	9,252
Gloria Jeans Brand system	136,961	141,960
Di Bella Coffee	14,262	14,255
	331,390	385,748

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 Group experienced a decrease in Brand System segment revenues in the half-year (Bakery/Café, QSR and Coffee Retail), predominantly attributable to lower planned store commissioning and outlet growth, and a decrease in Brand System coffee and allied product sales compared to the PCP. Additionally, the share price and market capitalisation of the Group declined significantly in the period, presenting indicators of impairment of these intangible assets, and accordingly the Group assessed all intangible assets for impairment at 31 December 2017.

Assessment of cash-generating units

There are a total of ten CGU's in existence, with eight CGU's attributable to the operation of the Group's Brand Systems, the ninth CGU attributable to the coffee roasting business, and the tenth CGU attributable to the commercial food services business.

10. Intangible assets (continued)

Goodwill is allocated to cash generating units, or groups of units, expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Goodwill is tested for impairment at the operating segment level, which reflects the level at which goodwill is monitored by management.

Impairment losses

During the half-year to 31 December 2017, impairment losses totalling $84.4 million pre-tax ($67.9 million post-tax) have been recognised in respect of the following cash-generating units:

Brand Systems and other intangibles:	
Michel's Patisserie	$45.0 million
Pizza Capers	$4.5 million
Gloria Jeans	$5.0 million
Coffee and Allied Beverage	$0.4 million
Goodwill:	
Coffee Retail	$29.5 million

The impairment losses of Brand System related intangible assets were a result of the completion of a business-wide review, which has resulted in a decision to close 160-200 domestic franchise outlets, and the impact this is expected to have on the future cash-flows.

The Coffee and Allied Beverage impairment is as a result of impairing to nil a finite life intangible asset (expiring customer supply contract).

The recoverable amounts of those CGU's impaired at 31 December 2017 are:

Michel's Patisserie	$42.0 million
Pizza Capers	Nil
Gloria Jeans	$158.5 million
Coffee and Allied Beverage	$85.0 million
Coffee Retail	$161.2 million

Impairment testing of identifiable intangible assets

The recoverable amount of each intangible asset with an indefinite useful life has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Year 1 cash flow forecasts which are based on management's expectations of future performance, specifically incorporating the planned reduction in domestic franchise outlets referred to above;
- Cash flows in years two to five based on the expected average percentage growth rate ranges for each CGU;
- A Brand System specific increased post-tax nominal discount rate of 10.74% (FY17: 9.9%) was used in the testing of Michel's Patisserie and Gloria Jeans Brand Systems;
- A post-tax nominal discount rate of 10.24% has been applied for all other identifiable intangible assets (FY17: 9.9%);
- An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base; and
- A terminal growth rate of 2% has been applied to determine the terminal value.

Impairment testing of goodwill

The recoverable amount of each group of cash generating units to which goodwill is allocated has been determined by reference to a fair value less costs of disposal calculation based on the following key assumptions and estimates:

- Year 1 cash flow forecasts which are based on management's expectations of future performance, specifically incorporating the planned reduction in domestic franchise outlets referred to above;
- Cash flows in years two to five based on the expected average percentage growth rate ranges for each CGU;
- A post-tax nominal discount rate of 11.2% (FY17: 9.9%);
- An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base; and
- Expected costs of disposal for each segment.

10. Intangible assets (continued)

Significant estimate: Impact of possible changes in key assumptions

The recoverable amounts in respect of those CGUs against which an impairment loss has been recognised (detailed above) continue to be highly sensitive to a range of assumptions, in particular the growth rates in the cash flow forecasts.

Three CGU's against which impairment losses were taken are subject to further impairment if there is an adverse change in the growth rate assumptions used in the calculation of the recoverable amount. The growth rate assumptions for these CGU's were:

	Ave growth rate 2 – 5 years
Michel's Patisserie	(0.3%)
Gloria Jeans	(0.3%)
Coffee Retail Segment	(0.6%)

The following table outlines the headroom, growth rates and sensitised growth rates which would trigger impairment in the following CGU's that are also sensitive to reasonably possible movements in the growth rate:

CGU	Headroom $'000	Ave growth rate 2 – 5 years	Ave growth rate 2 – 5 years to trigger impairment
Brumby's Bakeries	3,704	(0.3%)	(0.7%)
The Coffee Guy	1,208	1.5%	(8.0%)
Café2U	901	1.5%	0.5%

11. Deferred tax balances

Consolidated 1H18	Opening balance	Recognised in profit or loss	Recognised on impairment [1]	Recognised directly in equity	Recognised in other comprehensive income	Acquisitions/ Disposals	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences							
Intangible assets	(118,091)	(21)	16,344	-	-	-	(101,768)
Unrealised exchange differences	9	14	-	-	-	-	23
Employee benefits	1,515	(177)	-	-	-	-	1,338
Provisions	5,286	(2,337)	7,319	-	-	-	10,268
Doubtful debts	3,027	212	3,578	-	-	-	6,817
Unearned income	1,130	(36)	-	-	-	-	1,094
Share issue costs	451	(139)	-	142	-	-	454
Other	362	(1,643)	2,064	-	(59)	(199)	525
	(106,311)	(4,127)	29,305	142	(59)	(199)	(81,249)
Unused tax losses and credits							
Tax (losses)/credits	535	(106)	-	-	-	-	429
	535	(106)	-	-	-	-	429
	(105,776)	(4,233)	29,305	142	(59)	(199)	(80,820)

Consolidated FY17	Opening balance	Recognised in profit or loss	Recognised on impairment [1]	Recognised directly in equity	Recognised in other comprehensive income	Acquisitions/ Disposals	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences							
Intangible assets	(114,722)	-	-	-	-	(3,369)	(118,091)
Unrealised exchange differences	66	(57)	-	-	-	-	9
Employee benefits	972	543	-	-	-	-	1,515
Provisions	437	3,154	-	-	-	1,695	5,286
Doubtful debts	2,184	303	-	-	-	540	3,027
Unearned income	1,067	63	-	-	-	-	1,130
Share issue costs	646	(358)	-	163	-	-	451
Other	99	(336)	-	-	529	70	362
	(109,251)	3,312	-	163	529	(1,064)	(106,311)
Unused tax losses and credits							
Tax (losses)/credits	737	(202)	-	-	-	-	535
	737	(202)	-	-	-	-	535
	(108,514)	3,110	-	163	529	(1,064)	(105,776)

(1) Refer to Note 6.

11. Deferred tax balances (continued)

Deferred tax balances are presented in the statement of financial position as follows:

Consolidated	1H18 $'000	FY17 $'000
Deferred tax assets	22,389	13,657
Deferred tax liabilities	(103,209)	(119,433)
	(80,820)	(105,776)

12. Borrowings

Consolidated	1H18 $'000	FY17 $'000
Secured at amortised cost **Current**		
Finance lease liabilities	399	679
Equipment loans	20	43
	419	722
Secured at amortised cost **Non-current**		
Bank loans [(1)]	259,000	246,500
Finance lease liabilities	3,249	3,400
Equipment loans	62	74
Borrowing Costs (Deferred)	(881)	(726)
	261,430	249,248
	261,849	249,970

(1) During the period, the Group extended its three-year debt facilities totalling $150 million, due to mature in December 2018, into longer dated maturities as follows:

- $100 million extended to facilities maturing in January 2020; and
- $50 million extended to facilities maturing in December 2020.

In addition, RFG has reduced existing five-year debt facilities maturing in December 2020 by $25 million, with the Group's total senior debt facilities now being $319 million.

Subsequent to 31 December 2017, the Company has been in negotiations with its senior debt lenders, to reset financial covenants attaching to the Group's debt facilities. Agreement has been reached between the Company and its lenders, subject to formal documentation of amendments to the debt facility agreements, to reset the covenants effective from 2 March 2018 for covenant testing periods commencing 1 January 2018. The key terms of the reset are:

- All financial covenants are to be measured quarterly commencing 31 March 2018 (previously 6 monthly);
- An Operating Leverage ratio increase for 12 months to 3.0x (previously 2.5x), reverting to 2.5x thereafter;
- A minimum budget for the financial year ending 30 June 2019 of underlying EBITDA $90 million;
- Introduction of a financial covenant based on comparing actual quarterly underlying EBITDA performance to budget, with a 20% variance trigger;
- Loan repayments of $12.5 million by 2 March 2019;
- 60% of the net proceeds of any disposal of assets (except for disposals under certain agreed exceptions) are to be applied as a mandatory prepayment of the amounts owing;
- Introduction of a Board-approved dividend and distribution policy in a form approved by the lenders;
- Representation and warranty for compliance with all statutory obligations relating to employee entitlements such as superannuation, pay-as-you-go and other tax obligations; and
- No change to current tenor of facilities.

These revised banking arrangements will also come at an increased cost to the Group, which has been factored into future cash flows.

13. Issued capital

Consolidated	1H18 $'000	FY17 $'000
182,745,510 fully paid ordinary shares (FY17: 176,736,066)	428,644	402,472
	428,644	402,472

Consolidated	1H18 No. '000	1H18 $'000	FY17 No. '000	FY17 $'000
Fully paid ordinary shares [1]				
Balance at beginning of period	176,736	402,472	164,968	324,072
Issue of ordinary shares [2]	6,009	26,503	11,768	78,780
Share issue costs	-	(473)	-	(543)
Related income tax	-	142	-	163
Balance at end of period	182,745	428,644	176,736	402,472

(1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
(2) During the period, a total of 6,009,444 ordinary shares were issued as follows:
  (a) 1,015,648 shares issued on 17 October 2017 in respect of the Company's Dividend Reinvestment Plan, attributable to the payment of the final dividend for the financial year ended 30 June 2017. The issue price per share was $4.47; and
  (b) 4,993,796 shares issued on 17 October 2017 in respect of a capital raising from institutional and sophisticated investors. The issue price per share was $4.40.

14. Reserves

Equity-settled employee benefits reserve	1H18 $'000	FY17 $'000
Balance at beginning of period	85	-
Recognition of share-based payments	142	85
Balance at end of period	227	85

Foreign Currency Translation Reserve	1H18 $'000	FY17 $'000
Balance at beginning of period	1,254	1,495
Exchange difference on translation of foreign operations	(669)	(241)
Balance at end of period	585	1,254

Hedging reserve	1H18 $'000	FY17 $'000
Balance at beginning of period	(1,233)	-
Changes in the fair value of Cashflow Hedges	197	(1,762)
Deferred tax	(59)	529
Balance at end of period	(1,095)	(1,233)

Total Reserves	(283)	106

15. Retained earnings

Consolidated	1H18 $'000	FY17 $'000
Balance at beginning of period	62,594	50,555
Net profit attributable to members of the parent entity	(87,760)	61,927
Dividends provided for or paid	(26,510)	(49,888)
Balance at end of period	(51,676)	62,594

16. Dividends

Company	1H18		1H17	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend - fully franked at 30% tax rate[1]	15.00	26,510	14.50	23,920
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend - fully franked at 30% tax rate	-	-	14.75	25,968

(1) In respect of profit for the financial year ended 30 June 2017, as detailed in the Directors' Report for that financial year, a final dividend of 15.00 cents per share (based on 176,736,066 shares on issue), franked to 100% at 30% corporate income tax rate, was paid on 17 October 2017.

17. Financial instruments - Fair value

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate to their fair values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable.

Recognised fair value measurements

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2017.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Recurring fair value measurements At 31 December 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Derivatives used for hedging - interest rates swaps	-	1,643	-	1,643
Contingent consideration	-	-	337	337
Total financial liabilities	-	1,643	337	1,980

Recurring fair value measurements At 30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Derivatives used for hedging - interest rates swaps	-	1,810	-	1,810
Contingent consideration	-	-	6,965	6,965
Total financial liabilities	-	1,810	6,965	8,775

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Consolidated	Contingent consideration payable $'000
Opening balance 30 June 2017	6,965
Gains recognised in other income	(224)
Cash payments	(6,404)
Closing balance 31 December 2017	337

18. Acquisitions

18.1 FY17 Acquisitions

Name of businesses / intellectual property acquired	Principal activity	Date of acquisition	Total cost of acquisition $'000	Cash cost of acquisition $'000	Scrip cost of acquisition $'000	Contingent cost of acquisition $'000
Hudson Pacific Corporation	Procurement, warehousing, manufacturing and distribution business	22 September 2016	86,394	49,493	36,178	723
Associated Foodservice Distribution	Procurement, warehousing and distribution business	12 May 2017	6,252	6,252	-	-
	Total consideration:		92,646	55,745	36,178	723

Hudson Pacific Corporation

On 22 September 2016, the Group acquired 100% of the issued share capital of Hudson Pacific Corporation through a Sales and Purchase Agreement (SPA). The acquisition has offered significant integration opportunities and substantially increased the scale of food service activities undertaken by the Group in support of its franchise community.

This transaction was accounted for on a provisional basis using the acquisition method of accounting as at 30 June 2017, pending further assessment of identifiable intangible assets and deferred tax liabilities. These valuations have since been completed and accordingly the acquisition accounting has been finalised, resulting in a decrease in the valuation of Property, plant and equipment by $1.3 million, a $0.2 million increase to deferred tax liabilities and a $0.1 million increase in intangible assets at 31 December 2017.

Details of the purchase consideration are as follows:

Consideration	$'000
Cash	49,493
Scrip consideration	36,178
Contingent consideration	723
Total	86,394

Shares issued as scrip consideration relates to 5,379,747 shares which are held in escrow and will be released in tranches from 2017 - 2019. The fair value of these shares is based on the share price as at settlement date, discounted for the impact of the escrow terms.

Additional amounts payable contingent on key persons remaining associated with Hudson Pacific Corporation for periods of 12, 24 and 36 months have not been included in contingent consideration of the business. In accordance with the Group's accounting policy on acquisitions, the contingent payments will be recognised in profit or loss as incurred. The potential undiscounted amount payable at 31 December 2017 is $1.0 million.

The acquired businesses' contribution of gross revenues and earnings before interest, tax, depreciation and amortisation (EBITDA) to the Group for the period from 1 July 2017 to 31 December 2017 are included in the Commercial Food Services segment note (Note 3.3) of this report.

18. Acquisitions (continued)

18.1 FY17 Acquisitions (continued)

Hudson Pacific Corporation (continued)

Net assets acquired	Fair value on acquisition $'000
Current assets	
Cash and cash equivalents	577
Trade and other receivables	25,004
Inventories	11,500
Other current assets	470
Current tax assets	106
Total current assets	37,657
Non-current assets	
Property, plant and equipment	18,808
Deferred tax asset	2,197
Intangible assets	11,300
Total non-current assets	32,305
Total assets	69,962
Current liabilities	
Trade and other payables	36,085
Provisions	4,453
Total current liabilities	40,538
Non-current liabilities	
Deferred tax liability	3,589
Total non-current liabilities	3,589
Total liabilities	44,127
Net Assets	25,835
Goodwill on acquisition of business	60,559
Acquisition price	86,394

Net cash flow on acquisition	FY17 $'000
Total purchase consideration	86,394
Less: non-cash consideration	(36,901)
Consideration paid in cash	49,493
Less: Cash and cash equivalent balances acquired	(577)
Total	48,916

18. Acquisitions (continued)

18.1 FY17 Acquisitions (continued)

Associated Foodservice

On 12 May 2017, the Group acquired 100% of the issued share capital of Associated Foodservice through a Sales and Purchase Agreement (SPA). The acquisition also offers significant integration opportunities and further increased the scale of food service activities undertaken by the Group in support of its franchise community.

This transaction was accounted for on a provisional basis using the acquisition method of accounting as at 30 June 2017, pending further assessment of identifiable intangible assets, acquisition liabilities and deferred tax liabilities. These valuation have since been completed and accordingly the acquisition accounting has been finalised, resulting in the recognition of an additional $0.2 million of inventory provisions and $0.4 million of make good provisions in the acquired net assets at 31 December 2017. A $0.6 million retention payment was paid to the vendor during 1H18.

Details of the purchase consideration are as follows:

Consideration	$'000
Cash	6,252
Total	6,252

The acquired businesses' contribution of gross revenues and earnings before interest, tax, depreciation and amortisation (EBITDA) to the Group for the period from 1 July 2017 to 31 December 2017 are included within the Commercial Food Services segment in Note 3.3 of this report.

18. Acquisitions (continued)

18.1 FY17 Acquisitions (continued)

Associated Foodservice (continued)

Net assets acquired	Fair value on acquisition $'000
Current assets	
Cash and cash equivalents	61
Trade and other receivables	3,180
Inventories	1,116
Total current assets	4,357
Non-current assets	
Property, plant and equipment	431
Deferred tax asset	109
Total non-current assets	540
Total assets	4,897
Current liabilities	
Trade and other payables	3,743
Provisions	350
Total current liabilities	4,093
Total liabilities	4,093
Net Assets	804
Goodwill on acquisition of business	5,448
Acquisition price	6,252

Net cash flow on acquisition	FY17 $'000
Total purchase consideration	6,252
Consideration paid in cash	6,252
Less: Cash and cash equivalent balances acquired	(61)
Total	6,191

19. Events after the reporting period

Except for the subsequent agreement with its senior debt lenders to reset financial covenants, refer Borrowings, Note 12, 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 Board of Directors has resolved that no interim dividend will be paid in FY18.

20. Contingent liabilities

The Group has been the subject of media coverage throughout December 2017 to February 2018, including speculation that class actions may be entered into against the Group. At the date of this report, the Group has not received notice of any litigation. Where any such notice is received in the future the Group would vigorously defend any such actions.

The Group is currently in dispute with certain franchisees over minor matters. No liability has been recognised in relation to these matters as the Directors are confident that these matters will be successfully resolved.

21. Restatement of comparative period

As detailed in the Annual Report for the year end 30 June 2017, the Group conducted a detailed review of its accounting policies with respect to intangible assets, contingent consideration payments for acquisitions, and accounting for Brand System marketing funds, and as a consequence, the Group's accounts for the half-year ended 31 December 2016 were restated.

The impact of these restatements on the 1H17 comparative period Financial Statements are summarised in the following tables:

Consolidated Statement of Profit or Loss and Other Comprehensive Income	31-Dec-16 Reported	Marketing expenditure reclassification	De-recognition of Marketing Fund receivables	31-Dec-16 Restated
	$'000	$'000	$'000	$'000
Continuing operations				
Cost of sales	(68,833)	287	-	(68,546)
Other revenue	66,915	(13,110)	-	53,805
Marketing expenses	(14,728)	12,192	-	(2,536)
Administration expenses	(12,359)	418	-	(11,941)
Operating expense	(13,723)	112	-	(13,611)
Other expenses	(5,416)	101	(1,136)	(6,451)
Profit before tax	47,841	-	(1,136)	46,705
Income tax expense	(14,352)	-	341	(14,011)
Profit for the period	33,489	-	(795)	32,694
Total comprehensive income	33,824	-	(795)	33,029
Earnings per share				
From continuing operations:				
Basic (cents per share)	19.6	-	(0.4)	19.2
Diluted (cents per share)	19.6	-	(0.4)	19.2

Consolidated Statement of Changes in Equity	Fully Paid Ordinary Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
Balance as at 1 July 2016	324,072	1,495	50,555	376,122
Profit for the period (Reported)	-	-	33,489	33,489
De-recognition of Marketing Fund receivables	-	-	(795)	(795)
Profit for the period (Restated)	-	-	32,694	32,694
Other comprehensive income	-	335	-	335
Issue of ordinary shares net of costs	74,816	-	-	74,816
Payment/provision of dividends	-	-	(23,920)	(23,920)
Recognition of share-based payments	-	45	-	45
Balance as at 31 December 2016 (Restated)	398,888	1,875	59,329	460,092

Company Secretary	Registered Office	Principal Administration Office	Share Registry
Mr Anthony Mark Connors RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	Computershare Investor Services Level 1 200 Mary Street QLD 4000