RETAILFOODGROUP
STRENGTH IN BRANDS

A WORLD OF OPPORTUNITY

ANNUAL REPORT 2015

FY15 PERFORMANCE HIGHLIGHTS

Retail Food Group's unique business model, now encompassing meaningful international franchise and commercial operations, has delivered exceptional performance during FY15, demonstrating the Company's ability to concurrently reward shareholders whilst reinvesting in organic and acquisitive growth.

METRIC[1]	FY15	PCP CHANGE		CAGR SINCE LISTING
		VALUE	%	
Revenue[2]	$210.4m	+$81.6m	63.4% ↑	Not applicable
EBITDA	$88.8m	+$29.7m	50.2% ↑	27.6%
NPAT	$55.1m	+$18.2m	49.3% ↑	28.2%
EPS	35.6cps	+9.1cps	34.3% ↑	17.1%
Dividends	23.25cps	+1.25cps	5.7% ↑	19.1%
Outlets	2,446	+1,012	70.6% ↑	24.8%

(1) Underlying Results (2) Reported revenue less revenue associated with marketing pursuits.

"RFG's performance, growth and revenue diversification since Listing is best demonstrated by the fact that those assets which generated 100% of FY06 earnings now represent circa 12% of the Company's underlying EBITDA."

A.J. (Tony) Alford, **Managing Director, Retail Food Group Limited**

RFG: A GLOBAL ENTERPRISE

RFG's Brand Systems are now represented in 58 licensed territories.

MAP KEY

- RFG territories
- RFG roasting facilities
- Short term opportunity
- Long term opportunity

"FY15 acquisitions have genuinely transformed RFG, providing it with a global footprint, a robust international franchise complement and new markets for wholesaling operations and growth opportunities."

A.J. (Tony) Alford, **Managing Director, Retail Food Group Limited**

The Group operates four state-of-the-art coffee roasting facilities across Australia, New Zealand and North America.

"FY15 proved a defining year for RFG, with major acquisitions positioning the Company as the steward of a suite of quality assets resplendent with activated global application, diverse revenue streams, and multiple levers for driving sustainable performance."

CHAIRMAN'S **LETTER**

Colin Archer | **Chairman, Retail Food Group Limited**

During FY15, Retail Food Group (RFG) ascended from a leading Australian multi-food franchisor and significant wholesale coffee roaster into a genuine global organisation, with franchise operations across 12 Brand Systems in 58 licensed international territories, and four coffee roasting facilities supplying domestic and international markets.

Demonstrating the Company's aptitude for seamlessly integrating acquired business operations and leveraging scale to extract synergies, RFG delivered record underlying profit for the ninth consecutive year since Listing in 2006.

Consistent with upgraded guidance, underlying Net Profit After Tax (NPAT) of $55.1m represented a 49.3% increase over FY14, and at a shareholder level, represented Earnings per Share (EPS) growth of 34.3%.

These results enabled payment of a final FY15 fully franked dividend of 11.75 cents per share (cps), the Company's 18th consecutive biannual dividend increase, or in other words, an increase in every dividend period since Listing. When coupled with the Company's FY15 interim dividend, total dividends for the year were a record 23.25 cps, an increase of 5.7% on FY14, and contributed to a Total Shareholder Return (TSR) for the 12 months to 30 June 2015 of 26.9%.

The Company's record performance in FY15 was driven by organic growth across traditional business operations, supplemented by exemplary contributions from three strategic acquisitions: Cafe2U (the World's leading mobile coffee van franchise), Gloria Jean's Coffees Group (a leading global coffee franchise and roasting business) and Di Bella Coffee (Australia's leading specialty coffee brand).

These acquisitions are indeed 'Company-defining', securing for RFG genuine presence in the global coffee and franchise market. Importantly, not only did these transactions provide RFG with additional earnings from acquired franchise networks and a significantly enlarged wholesale customer base, they delivered a platform for enhanced growth and additional expertise, systems, processes and networks.

That platform, which will continue to support RFG's growth long into the future, is already being leveraged through projects currently in train, including the launch of Di Bella Coffee into the USA, the establishment of RFG's Brand Systems in new international markets, and the commissioning of new international distribution hubs and coffee roasting facilities across the globe.

Whilst the above projects represent encouraging news for shareholders, they are but a portent of the vast opportunities available to RFG in the coming years. Indeed, the proverbial 'blue sky' stretches well beyond the FY16 horizon.

The exceptional results achieved during FY15, together with the platforms laid for future growth, are a consequence of the work performed by the Company's dedicated management and staffing complement, who when added to RFG's fraternity of committed franchisee and master franchise partners, represent a highly skilled and motivated human element steadfastly focused on driving success.

On behalf of the Board, I would like to take this opportunity to thank each of them for their valuable contribution to RFG's success, and to also thank our valued shareholders for their support and commitment to Retail Food Group.

Colin Archer
Chairman
Retail Food Group Limited

> "Exceptional results in FY15 have once again demonstrated that RFG remains a company in growth, resolutely focused on a strategy to both diversify and fortify revenue streams whilst simultaneously broadening those organic and acquisitive opportunities available for delivery of enhanced outcomes, thereby future proofing the investment of franchisees, shareholders and other stakeholders."

MANAGING DIRECTOR'S **REPORT**

A.J. (Tony) Alford | **Managing Director, Retail Food Group Limited**

A GLOBAL **VISION**

Listing on the ASX in 2006, the RFG Board and management team were determined to execute upon the opportunity to pioneer consolidation within the Australian franchising industry and in doing so to achieve the mantle of Australia's leading multi-brand food franchise operator.

Reflecting upon the Company's achievements in FY15, there is no doubt those objectives have been accomplished.

Traversing every State and Territory in Australia, RFG's Brand Systems are some of the most successful and well recognised in the country, offering high quality products, innovative store designs and exceptional customer service.

With a network population approaching 2,500 franchised outlets, RFG's presence is no longer confined within Australia.

Likewise, as a direct consequence of the acquisition activity presided upon in FY15, the Company's vision now extends beyond domestic franchise penetration to new horizons including genuine global multi-brand retail food franchisor leadership and a comprehensive vertically integrated coffee business.

EXPEDITED **GROWTH**

During FY15, RFG embarked upon its most ambitious M&A program to date.

In September 2014 RFG solidified its position in the mobile coffee market with the acquisition of Cafe2U, the World's premiere mobile coffee van franchise. The transaction propelled the Company to undisputed leadership in the coffee van market, with a global presence of 341 units across The Coffee Guy and Cafe2U Brand Systems at the close of FY15.

Within three months of settlement of the Cafe2U transaction, RFG completed the acquisition of globally recognised coffee house franchise and roasting business, the Gloria Jean's Coffees Group. This transaction delivered RFG:

- Stewardship over a network of circa 800 outlets operating in some 45 countries;
- The benefit of an established international master franchise partner complement providing additional scope for accelerated exploitation of RFG's remaining Brand Systems within foreign markets;
- In excess of threefold growth in coffee roasting capacity via two state-of-the-art coffee roasting facilities situated in New South Wales and California, together with additional annualised coffee product throughput of circa 2.9m kilograms;
- Domestic and international packaging, warehousing and distribution infrastructure and networks;
- An experienced management team and human resources complement including on-boarding of Nabi Saleh, the architect of the Gloria Jean's Coffees Group's phenomenal development; and
- Access to the closed (patented) Caffitaly coffee capsule delivery system and a robust foothold within the growing 'in home' capsule market.

RFG closed its FY15 M&A program in February 2015 with the acquisition of Australia's leading specialty coffee brand wholesaler, Di Bella Coffee.

Complementing RFG's existing coffee business activity, Di Bella Coffee introduces an established brand by which the Group can extend its market penetration within the maturing domestic coffee market, and as well, a valuable platform for leveraging emerging espresso coffee culture within international markets.

Representing an initial investment that surpassed $200m, and attended over a truncated eight month period, the transformative program detailed above not only furnished the Company with elevated scale and leverage opportunity not previously witnessed, but facilitated the establishment of immediate and additional meaningful platforms for enhanced growth.

Importantly, the acquired assets have not only achieved but exceeded the acquisition key performance indicators established during the due diligence phase.

Indeed, acquired businesses achieved an 8.2% increase over budget, contributing $19.8m to the Group's FY15 underlying EBITDA, providing additional confidence of achieving FY16 guidance for acquisition assets of circa $35m in underlying EBITDA.

These outcomes bear testimony to the aspirational mindset the Company has maintained since Listing, together with RFG's historic resolve to elevate growth via acquisition activity.

HARNESSING **RECORD OUTCOMES**

Bolstered by the contribution from acquisition activity, underlying Group FY15 EBITDA grew 50.2% to a record $88.8m.

This performance translated into underlying Net Profit After Tax (NPAT) of $55.1m, an increase of $18.2m over FY14.

Consistent with revised guidance, this outcome represented a 49.3% increase on the prior period's result. Of note, it also marked a decade during which RFG has consistently delivered shareholders record annual underlying profit.

The uninterrupted record of NPAT increments has revealed RFG as a company endowed with multiple growth drivers, a motivated franchisee and staffing complement, and a dedicated Board and senior management team well able to drive enhanced outcomes notwithstanding a challenging retail environment and the inherent distraction associated with a demanding acquisitive agenda.

OPERATIONAL **SUCCESSES**

With respect to Brand System performance, weighted Same Store Sales (SSS) and Average Transaction Values (ATV) grew 2.9% and 3.4% respectively.

Whereas each of the Group's Brand Systems enjoyed positive SSS and ATV growth, the performance of both the Donut King and Michel's Patisserie Brand Systems was particularly encouraging given both are emerging from periods of significant transformation.

Being the first of RFG's Brand Systems to receive the Project EVO imprimatur, now represented in circa 34% of its outlet network, the Donut King Brand System achieved SSS growth of 3.9%, eclipsing ATV performance (3.7% growth) and evidencing positive customer patronage.

The foregoing outcome has validated the strategic decision to embark upon the Project EVO journey, and provides considerable optimism for enhanced future performance as the Project EVO blueprint is further refined and applied throughout the remainder of the Company's traditional Brand System networks.

In terms of the Michel's Patisserie Brand System, accelerated rollout of the National Bakery Solution (NBS) has driven early positive results, having reversed negative SSS performance for the first time since FY11.

Nowhere is this more pronounced than within the Queensland network which enjoyed SSS growth of circa 5% following NBS deployment in 1H15.

Completion of the NBS rollout remains on track for 1H16.

Facilitated by 81 international new outlet commissionings, the Group also excelled in FY15 new outlet commissionings of 200, a record result exceeding guidance by 25%.

RFG's strong organic outlet growth demonstrates the continuing relevance of the Company's Brand Systems and the innate advantage of possessing a multi-brand offer that covers a significant portion of the retail food franchise market spectrum.

SHAREHOLDER **REWARDS**

The record outcomes, expedited growth and operational successes accomplished in FY15 culminated in the delivery of exceptional value for RFG shareholders.

Underlying Earnings per Share (EPS) grew 34.3% to 35.6 cents per share (FY14: 26.5cps), notwithstanding the dilutive effect of the capital management initiatives employed during the course of FY15 to fund the Company's acquisitive activity.

Balancing shareholder rewards with increased investment in acquisitive and organic growth opportunity, the Company paid an FY15 fully franked final dividend of 11.75cps on 9 October 2015.

Representing RFG's 18th consecutive dividend increase, when coupled with the April 2015 interim dividend, the Company's full year dividends increased 5.7% to a record 23.25cps.

These outcomes are representative of the Group's performance throughout its public company journey. Indeed, since Listing in 2006, the Company has delivered a Total Shareholder Return CAGR of 30.3%, demonstrating both the security and return offered by long term investment in its unique business model.

A WORLD OF **OPPORTUNITY**

During FY15 RFG capitalised on a platform to drive both immediate and longer term growth, not just within Australia, but internationally.

An abridged summary of this platform, more particularly detailed in the Company's June 2015 market presentation, provides insight into the myriad initiatives, strategies and foundations which will drive RFG's accelerated performance in future periods:

- A strong human resources complement that extends from senior corporate management through Brand System and Divisional teams, bolstered by a growing reputation as an employer of choice and distinguished by a multi-faceted international business that attracts new talent;
- Driving continued and exceptional Brand System performance whilst consolidating subscale activities no longer material to Group outcomes;
- Building a stronger Coffee & Allied Beverages business, capitalising upon existing and acquired scale, infrastructure and distribution platforms both domestically and internationally;
- Leveraging the growing global scale of the Company's business, including existing penetration to build a significant international business, which will deliver an increasing contribution to Group EBITDA;
- Alignment and prioritisation of physical, financial and human resources to maximise growth initiatives;
- Leveraging the synergistic, structural and realignment opportunities inherent in the RFG business model and its acquired businesses to deliver upon a three year $16m additional EBITDA opportunity;
- Pursuit of further growth via domestic and international acquisition opportunity; and
- Execution on the organic growth platforms already built, or which are being developed, including Project EVO and the National Bakery Solution.

Ultimately, during FY15 RFG embellished its business and growth prospects whilst delivering shareholders record outcomes. The Group has positioned itself to exploit the innumerable opportunities now inherent in its business model, and is resolute in terms of realising further successes.

Your Board and management team firmly believe that the Company's achievements, activities and unwavering focus supports both confidence and positivity regarding the future for RFG, its franchisees, master franchise partners, staff and shareholders.

A.J (Tony) Alford
Managing Director
Retail Food Group Limited

GLORIA JEAN'S COFFEES
LEADING WORLDWIDE COFFEE COMPANY

RFG's ambitious FY15 M&A program was underscored by acquisition of the Gloria Jean's Coffees Group in December 2014. Having long been a prize sought by RFG, Gloria Jean's Coffees represents the largest acquisition yet undertaken by the Company, eclipsing all prior transactions in terms of value, network population, international penetration, coffee throughput and breadth of operations.

With activities that closely mirror and complement those of RFG, the acquisition provided the Company with a strong international and domestic footprint of circa 800 outlets across the Gloria Jean's Coffees and It's A Grind Brand Systems.

Incorporating a highly developed master franchisee partner complement represented in more than 40 international licensed territories, the Gloria Jean's Coffees Group provides immediate and meaningful access to global markets, a pathway into the World leading North American franchise market, and the opportunity to accelerate penetration of RFG's remaining Brand Systems internationally.

RFG's 2015 joint venture for exploitation of the Gloria Jean's Coffees Brand System in China, which delivered significant initial fee revenue, foreshadows the global opportunity now available and being actively pursued by the Group.

"The acquisition of Gloria Jean's Coffees Group in December 2014 dwarfed all acquistive activity attended by RFG, before or since."

A.J. (Tony) Alford, **Managing Director, Retail Food Group Limited**

DI BELLA COFFEE
NOT JUST A BAG OF BEANS

Founded in Brisbane during 2002, Di Bella Coffee has rapidly grown to become Australia's leading specialty coffee roaster, establishing a well-earned reputation through rigid adherence to a commitment to delivering customers the 'ultimate coffee experience'.

Joining RFG's stable of high profile brands in February 2015, Di Bella Coffee has complemented and extended the Company's existing wholesale market penetration by providing the Group with a reputable specialty coffee brand to grow scale amongst each of its Coffee & Allied Beverage distribution channels.

The transaction has also provided access to innovative boutique coffee based products including Coffee Kick (a ready-to-drink cold brew "coffee in a can" innovation) and Torq (an all-natural liquid coffee concentrate).

Di Bella Coffee affords the Group significant enlarged opportunity for growth coupled with enhanced coffee expertise, strengthened by the ongoing commitment of renowned coffee entrepreneur and brand founder, Phillip Di Bella.

In FY16, Di Bella Coffee will build upon existing distribution channels in New Zealand, Asia and India by launching into new markets, including the lucrative North American market where an increasing appetite for espresso coffee provides elevated optimism.

GLOBAL GATEWAY FOR EXPORT

The Gloria Jean's Coffees and Di Bella Coffee Group transactions delivered significant scale and leverage for RFG's Coffee & Allied Beverage business, increasing annualised coffee and allied product throughput by some 4m kilograms.

As well, the acquisitions increased the Group's roasting capacity to circa 30m kilograms including state-of-the-art roasting facilities in Brisbane, Sydney and Los Angeles. Further, Gloria Jean's Coffees has facilitated the establishment of enhanced international distribution channels and supply hubs which will be further driven by the redeployment of domestically surplus coffee roasting infrastructure.

Additionally, as a direct consequence of the Gloria Jean's Coffees acquisition, RFG procured immediate access to the closed (patented) Caffitaly coffee capsule delivery system, and a robust foothold within the growing 'in home' capsule market, fortified by strategic supply and product branding relationships.

DRIVING MOBILE PENETRATION

The September 2014 acquisition of the Cafe2U Brand System complemented RFG's existing The Coffee Guy concept and cemented RFG's position as the World's leading mobile coffee franchise operator.

The award winning Cafe2U Brand System increased RFG coffee roasting throughput whilst delivering an additional 236 mobile units operating within five international territories. The transaction also provided the Group with enhanced experience and the expertise of the Cafe2U senior management team, who have seamlessly integrated within the RFG management team and now preside over the entire Mobile Division.

"The performance of RFG's Mobile Division following the acquisition of Cafe2U in 2014, and The Coffee Guy in late 2012, has validated the Company's entry into the mobile segment."

A.J. (Tony) Alford, **Managing Director, Retail Food Group Limited**

TRADITIONAL BRAND SYSTEMS

Now penetrating 27% of RFG's traditional Brand System network population, Project EVO traction across the Donut King, Michel's Patisserie and Brumby's Bakery networks is driving increased customer engagement and same store sales growth.

46 new outlets were established in FY15, demonstrating the continuing relevance of the Company's traditional Brand Systems and contributing to a record new outlet growth for the financial year of 200 across the Group.

Each of RFG's traditional Brand Systems is focused on excelling within a challenged and structurally changing retail environment by driving customisation, consumer experience and product quality through innovative marketing, operational and digital projects.

Whereas the Group's traditional Brand Systems are instantly recognisable and highly successful domestically, the acquisition program undertaken during FY15 has provided a conduit for their exportation and growth across international markets.

QSR DIVISION

Having resolved not to participate in the relentless price discounting practices evident within the industry, RFG's QSR Division performed strongly in FY15, growing both Same Store Sales and Average Transaction Values.

A focus on digital marketing and electronic direct mail strategies continue to drive enhanced online sales results, allowing implementation of embellished targeted and segmented promotional activity that highlights the premium ingredients and unique flavour combinations offered by the Pizza Capers and Crust Gourmet Pizza Brand Systems.

Customer engagement, product innovation, digital campaigns and local area marketing will continue to support QSR Brand System growth and RFG's leadership within the gourmet pizza segment.

BUILDING A LEADING VERTICALLY INTEGRATED **GLOBAL COFFEE ENTERPRISE**

RFG established its inaugural coffee roasting facility in 2008, laying the foundations for becoming one of Australia's largest coffee manufacturers. Today, coffee and coffee related pursuits now represent a fundamental revenue driver of the Group as well as an integral platform to drive growth.

Coffee Wholesale, that portion of RFG's Coffee & Allied Beverage operations undertaken to fulfill third party accounts and customer orders, represented less than 1% of Group EBITDA in FY14. Through strategic acquisitive and organic growth undertaken throughout the past year, these operations have grown to represent circa 9% of FY15 underlying Group EBITDA.

Evidencing the developing dynamic nature of the Group's business model, coffee throughput has likewise grown rapidly, with annualised coffee and coffee product throughput totaling circa 6m kilograms by the close of FY15.

The continued commitment to the growth of Coffee & Allied Beverage pursuits attests to the recognition of an international market resplendent with untapped opportunity, and indeed recently emerging in many major consumer markets.

The Division's proven experience in leading the domestic espresso coffee market places RFG in a unique position to further leverage the growth of this commodity across the globe. Major initiatives to harness growth include consolidation and refinement of the Group's green bean origin and purchasing platforms, the establishment of international distribution hubs and coffee roasting facilities, and further investment in the growing coffee capsule category.

WANT TO KNOW MORE?
CLICK HERE or scan with your QR code reader App to learn more about RFG's Coffee & Allied Beverage operations.

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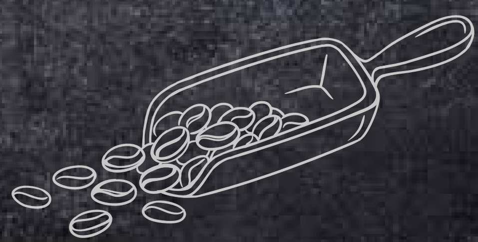

SUMMARY

Item	REPORTED					UNDERLYING OPERATIONS [1]	
	FY11	FY12	FY13	FY14	FY15	FY14	FY15
Financial							
Underlying Revenue[2]	$110.0m	$101.9m	$117.0m	$128.8m	$210.4m		
EBITDA	$45.9m	$48.4m	$53.8m	$59.1m	$59.4m	$59.1m	$88.8m
EBIT	$45.1m	$47.5m	$52.8m	$57.5m	$55.7m	$57.5m	$85.3m
NPAT	$27.2m	$28.5m	$32.0m	$36.9m	$34.2m	$36.9m	$55.1m
Basic EPS	25.4 cps	26.4 cps	26.0 cps	26.5 cps	22.1 cps	26.5 cps	35.6 cps
Dividend	14.5 cps	17.5 cps	19.75 cps	22.00 cps	23.25 cps		
Operating Performance							
Underlying Revenue Growth	(7.3%)	(7.4%)	14.8%	10.1%	63.4%		
EBITDA Growth	2.2%	5.4%	11.2%	9.8%	0.5%	9.8%	50.2%
EBIT Growth	3.0%	5.3%	11.3%	8.9%	(3.1%)	8.9%	48.3%
NPAT Growth	4.6%	4.9%	12.1%	15.2%	(7.2%)	15.2%	49.3%
Basic EPS Growth	0.4%	3.9%	(1.5%)	1.9%	(16.6%)	1.9%	34.3%
Outlets	1,148	1,251	1,374	1,434	2,446		

(1) 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:

	FY14	FY15
EBIT - REPORTED	$57.5m	$55.7m
Acquisition and integration costs	-	$5.7m
Outlet rationalisation and Brand System realignment	-	$11.4m
Asset impairment and provision charges	-	$12.5m
EBIT - UNDERLYING OPERATIONS	$57.5m	$85.3m
NPAT results from 'Underlying Operations'		
NPAT - REPORTED	$36.9m	$34.2m
Post- tax impact of non-underlying EBIT adjustments	-	$20.9m
NPAT - UNDERLYING OPERATIONS	$36.9m	$55.1m

(2) Underlying Revenue excludes revenue associated with marketing pursuits including:

i. Revenue derived from marketing activities (FY15: $30.7m; FY14: $34.1m; FY13: $24.0m; FY12: $14.5m; FY11: $15.7m); and

ii. Revenue derived from warehousing and distribution activities (FY15: $6.4m, FY14: $5.5m; FY13 and prior: $nil).

CORPORATE DIRECTORY

Directors	Mr Colin Cameron Archer *Chairman & Independent Non-Executive Director*
	Mr Anthony James Alford *Managing Director*
	Ms Jessica Buchanan *Independent Non-Executive Director*
	Mr Stephen Edward Lonie *Independent Non-Executive Director*
Company Secretary	Mr Anthony Mark Connors
Registered Office	RFG House 1 Olympic Circuit Southport QLD 4215
Principal Place Of Business	RFG House 1 Olympic Circuit Southport QLD 4215
Share Register	Computershare Investor Services Level 19, 307 Queen Street Brisbane QLD 4000
Solicitors	McCullough Robertson Lawyers Level 11, 66 Eagle Street Brisbane QLD 4000
Auditors	Deloitte Touche Tohmatsu Level 25, 123 Eagle Street Brisbane QLD 4000
Bankers	National Australia Bank Limited Level 20, 100 Creek Street Brisbane QLD 4000
Stock Exchange Listings	Retail Food Group Limited shares are listed on the Australian Securities Exchange (ASX: RFG).
Website Address	www.rfg.com.au

DIRECTORS' REPORT

Overview

The Directors of Retail Food Group Limited (referred to hereafter as the Company) submit herewith the Annual Report of the Company for the financial year ended 30 June 2015 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 financial year are:

Name	Particulars
Mr Colin Archer	Independent non-executive Director and Chairman, Bachelor of Economics, Dip. Financial Planning, Chartered Accountant. Mr Archer joined the Board on 12 April 2006 and was appointed as Chairman of the Board on 30 April 2013. Mr Archer is a member of the Company's Audit and Risk Management Committee and Chairman of the Nominations and Remuneration Committees. Mr Archer was re-elected to the Board at the Company's AGM held on 25 November 2014, following retirement by rotations.
Mr Anthony (Tony) Alford	Managing Director, Bachelor of Business (Accountancy), CPA, CTA. Mr Alford joined the Board on 28 October 2003, having been a Chartered Accountant in public practice for in excess of 20 years. Mr Alford commenced his involvement with Retail Food Group Limited in 1994 in an advisory role, thereafter becoming the Group Financial Controller. In December 1999, he was appointed Managing Director of the Group.
Ms Jessica Buchanan	Independent non-executive Director. Ms Buchanan joined the Board on 29 May 2012. Ms Buchanan has over 13 years' experience in branding, marketing and advertising, having commenced her career in the advertising industry working with multi-national agencies such as Wunderman, Young & Rubicam Mattingly and EHS Brann (UK). Ms Buchanan also managed campaigns for various blue chip companies including Ericsson, Tabcorp, Du Pont, Cadbury Schweppes, The Australian Defence Force, British Gas and BMW. Ms Buchanan is a member of the Company's Nominations, Remuneration, and Audit and Risk Management Committees. Ms Buchanan was re-elected to the Board at the Company's AGM held on 29 November 2013, following retirement by rotations.
Mr Stephen Lonie	Independent non-executive Director, Bachelor of Commerce, MBA, FCA, FFin, FAICD, FIMCA. Mr Lonie joined the Board on 24 June 2013. Mr Lonie is a Chartered Accountant by profession and director of listed corporations, MyState Limited and Corporate Travel Management Limited. Mr Lonie is the Chairman of the Company's Audit and Risk Management Committee and a member the Nomination and Remuneration Committee. Mr Lonie was elected to the Board at the Company's AGM held on 29 November 2013, following retirement by rotations.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period Of Directorship
Mr Stephen Lonie	Corporate Travel Management Limited	23 June 2010 to present
	MyState Limited	12 December 2011 to present
	Dart Energy Limited	26 November 2013 to 15 October 2014
	CMI Limited	1 December 2012 to 28 February 2013

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report:

Directors	Fully paid ordinary shares	Executive share options
	Number	Number
Mr Anthony (Tony) Alford	21,110,875	-
Mr Colin Archer	361,410	-
Mr Stephen Lonie	47,373	-
Ms Jessica Buchanan	23,256	-

Remuneration of Directors and senior executive management

Information about the remuneration of Directors and senior executive management is set out in the "Remuneration Report" of this Directors' Report.

Share options granted to Directors and senior executive management

During and since the end of the financial year, there were no share options granted to the Directors and senior executive management of the Company as part of their remuneration.

Directors' meetings

The following table sets out the number of Directors' meetings, including meetings of Committees of Directors, held during the financial year and the number of meetings attended by each Director, while they were a Director or Committee member. During the financial year, 14 Board meetings, 5 Audit and Risk Management Committee meetings, 3 Remuneration Committee meetings and 2 Nominations Committee meetings were held.

Directors	Board of Directors		Audit Committee		Remuneration Committee		Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Colin Archer	14	14	5	5	3	3	2	2
Mr Anthony (Tony) Alford	14	14	5	5	3	3	2	2
Ms Jessica Buchanan	14	12	5	5	3	3	2	2
Mr Stephen Lonie	14	12	5	5	3	3	2	2

Company Secretary

The Company Secretary is Mr Anthony Mark Connors. Mr Connors was appointed as Company Secretary on 26 April 2006, having prior to that time and until 2 June 2015 acted as the Company's Legal Counsel. Mr Connors is a Solicitor of the Supreme Court of Queensland. Mr Connors was appointed to the role of Chief Operating Officer, effective 2 June 2015.

Corporate governance

The Company is committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. The 2015 Corporate Governance Statement is dated as at 30 June 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. The 2015 Corporate Governance Statement was approved by the Board on 27 August 2015. A description of the Group's current Corporate Governance Practices is set out in the Group's Corporate Governance Statement which can be viewed at www.rfg.com.au.

Principal activities

The Group's principal activities during the course of the financial 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, Cafe2U, 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, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Cafe2U, 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 excluding Esquires Coffee Houses; and
- Development and management of coffee roasting facilities and the wholesale supply of coffee and allied products to 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.

Changes in state of affairs

No significant changes in the nature of the Group's core business activities occurred during the financial year other than as detailed herein including the acquisition of:

- the Gloria Jean's Coffees, It's A Grind, Cafe2U and Di Bella Coffee Brand Systems; and
- Di Bella Coffee and Maranatha roasting and wholesale operations.

Review of operations and financial condition

Group Overview

The following table summarises the Group's results for the financial years ending 30 June 2015 and 30 June 2014:

Item	FY15	FY14	Change
Underlying Revenue (1)	$210.4m	$128.8m	63.4%
EBITDA (Underlying)	$88.8m	$59.1m	50.2%
EBITDA	$59.4m	$59.1m	0.5%
NPAT (Underlying)	$55.1m	$36.9m	49.3%
NPAT	$34.2m	$36.9m	(7.2%)
EPS (Underlying)	35.6 cps	26.5 cps	34.3%
EPS	22.1 cps	26.5 cps	(16.6%)
Dividend per Share (DPS)	23.25 cps	22.0 cps	5.7%

(1) Underlying Revenue excludes revenue derived from marketing activities (FY15: $37.1m; FY14: $39.6m).

The results for the 2015 financial year reflect a continuation of the historic solid performance from the Group's Cash Generating Units (CGU's), contributions from the Café2U, Gloria Jean's Coffees and Di Bella Coffee acquisitions during the year, and benefits from organisational restructuring activities undertaken as a consequence of acquisition completion.

Underlying EBITDA and Underlying NPAT for FY15 excludes $29.6 million (pre-tax) in acquisition transaction and integration costs including corporate restructuring activities as a consequence of the Café2U, Gloria Jean's Coffees and Di Bella Coffee acquisitions, more particularly detailed in the Company's Market Presentation of the 2nd June 2015.

Underlying Revenue (excluding marketing related receipts) for FY15 was $210.4 million, representing a 63.4% increase (or $81.6 million) on FY14. The increase in underlying revenue is primarily attributable to the following factors:

- $94.4m contribution from acquisitions completed in FY15 (Café2U, Gloria Jean's Coffees & Di Bella Coffee); offset by
- $11.3m decline in traditional Brand Systems (Donut King, Brumby's and Michel's) revenue predominantly due to reduction in Sales revenue from trading of corporate stores.

The 50.2% EBITDA growth and 49.3% NPAT growth was attributable to positive contributions from FY15 acquisitions, organic new outlet growth and increased per outlet contributions from traditional Brand Systems, and scale benefits realised in the Group's coffee roasting activities.

Underlying EPS of 35.6 cps represented a significant 34.3% increase on PCP, reflecting:

- the impact of acquisition transaction and integration costs on earnings;
- a 12.5% increase in shares on issue to approximately 162.9 million, whereby the Group issued 18.1 million shares during the year, including raising capital of $68.3 million (before costs);
- securing an additional $134.0 million under its senior debt facilities - to support the Gloria Jean's Coffees and Di Bella Coffee acquisitions.

Review of operations and financial condition (cont.)

Total Shareholder Return (TSR) for the 12 months to 30 June 2015 was 26.9% (pre-tax), representing TSR growth of 35.2% on PCP.

Financial Position and Cash Flows

Net Assets of $403.8 million have increased by $93.8 million (or 30.3%) from 30 June 2014, primarily as a result of the Group's FY15 acquisitions, associated debt and capital raising activities and positive operating cash flow. The acquisition note (note 26) to the accompanying financial statements presents the net assets acquired by the Group in respect of the Café2U, Gloria Jean's Coffees and Di Bella Coffee acquisitions.

Return on Investment (EBIT/Total Assets) decreased by 6.3% on PCP to 8.2% on reported earnings, primarily attributable to the less than 12 month EBIT contributions of FY15 acquisitions. On an underlying basis, Return on Investment decreased by 2.0% to 12.5%.

Cash inflows from operating activities for FY15 remained strong at $34.7 million (FY14: $29.9 million), with the increase in net operating cash inflow attributable to the positive impact of acquisitions net of certain acquisition transaction and integration costs. The cash conversion to EBITDA ratio improved to 109.6% (FY14: 85.8%), again reflecting the positive cash generation of acquired businesses, and enhanced by the non-cash expense provisions and impairment charges arising from integration and restructuring costs.

The Group received $68.3 million (before costs) in cash arising from the issue of shares via the October 2014 and April 2015 Share Placement and December 2014 Share Purchase Plan (SPP), and securing an additional $134 million of available funding under its corporate debt facilities, primarily to fund acquisitions.

Debt Structure

As at 30 June 2015, the Group's total gross debt increased to $206 million, primarily attributable to the funding of acquisition activity previously discussed. This amount is presented as $50 million in current borrowings and $156 million as non-current borrowings in the Statement of Financial Position.

On 3 December 2014, coinciding with the settlement of the Gloria Jean's Coffees acquisition, the Group completed an amendment to its existing senior debt facility, increasing the total facility from $135 million to $278 million, including an increase in senior debt facilities to $219 million, with an extended maturity date to 30 September 2017, and an additional $50 million bridging facility, repayable by 31 October 2015.

As at 30 June 2015, 24.3% ($50 million) of the Group's gross debt was subject to fixed interest rates, with the remaining 75.7% ($156 million) subject to variable interest rates. The Group's weighted average interest rate as at 30 June 2015 was 4.01%.

At the conclusion of FY15, the Group's gross debt was $206 million, with cash reserves and facility headroom of $77.4 million.

Operating Segment Review

The Group is organised into seven major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

- Donut King Brand System;
- Michel's Patisserie Brand System;
- Brumby's Bakery Brand System;
- QSR Systems (incorporating Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Mobile Systems (incorporating Café2U and The Coffee Guy Brand Systems);
- Coffee Retail Systems (incorporating Gloria Jeans Coffees and Esquires Brand Systems);
- Coffee and Allied Beverage (incorporates Wholesale Coffee operations and other un-allocable amounts).

Brand System Operations

All Brand System segments with the exception of Coffee and Allied Beverage are referred to collectively by management as Franchise Operations. Underlying Franchise Operations EBITDA for FY15 was $81.7 million (FY14: $59.2 million), representing growth of 37.8% (or $22.5 million), primarily attributable to acquisitions completed by the Group during the period (Café2U and Gloria Jean's Coffees), organic new outlet growth of 200, and a decrease in operational costs arising from the reduced number of Corporate Stores under the Group's stewardship.

$22.9 million of integration and corporate restructuring costs unallocated to individual Brand System segments are attributable to Franchise Operations.

New outlet growth for FY15 increased 33.3% to 200 (FY14: 150) and was derived from growth in QSR Systems (32 outlets) and non-QSR Brand Systems (168 outlets). Net outlet growth for FY15 was 1,012, comprising 1,016 through Brand System acquisitions, 200 commissionings by organic growth and 204 closures of existing outlets – which included 84 outlet closures as a consequence of restructuring. Outlet population statistics are detailed in the Segment information note (note 1).

Compared to FY14 and attributable to the operating activities previously discussed, the Group's Brand Systems exhibited weighted same store sales (SSS) growth of 2.9% and weighted average transaction value (ATV) growth of 3.4%. SSS by segment included Donut King 3.9%, Michel's 1.1%, Brumby's 1.9%, QSR 1.3%, and Coffee Retail 5.5%.

Review of operations and financial condition (cont.)

Coffee and Allied Beverage

Underlying Coffee and Allied Beverage Operations EBITDA for FY15 was $7.7 million (FY14: $0.4 million), representing growth of $7.3 million, primarily attributable to acquisitions completed by the Group during the financial year (Roasting Australia Holdings - RAH - and Maranatha LLC, via the Gloria Jean's Coffees acquisition, and Di Bella Coffee). Coffee and Allied Beverage results represent the Group's wholesale product sales in the contract roasting, commercial and in-home market segments.

The Group's primary roasting facility at Granville in NSW was decommissioned during the year, with roasting operations transferred to the RAH (Castle Hill, NSW) and Di Bella Coffee (Brisbane, Qld) operations.

Acquisitions

Acquisition of Café2U

On 28 August 2014, the Group announced its entry into an SPA, subject to normal contractual terms, for the acquisition of 100% of the issued share capital of Café2U International Pty Ltd (and associated entities) for cash consideration of $15 million.

Café2U International Pty Ltd is the owner and franchisor of the Café2U Brand System, consisting of 236 mobile coffee vans. Settlement was completed on 11 September 2014, with control of the business and intellectual property transferring to the Group at that time.

Acquisition of Gloria Jean's Coffees Group

On 24 October 2014, the Group announced that it had entered into a conditional SPA, subject to normal and customary contractual terms and customary terms to acquire Gloria Jean's Coffees Group for total consideration of $164.6 million, including cash and RFG shares, plus contingent consideration payable up to $15.7 million.

Settlement was completed on 3 December 2014, with control of Gloria Jean's Coffees Group transferring to the Group at that time.

Acquisition of Di Bella Coffee

On 25 November 2014, the Group announced its entry into an SPA, subject to normal and customary contractual terms to acquire Di Bella Coffee for total consideration of $29.9 million, including cash and RFG shares, plus contingent consideration payable up to $ 17.3 million.

Settlement was completed on 18 February 2015, with control of Di Bella Coffee transferring to the Group at that time.

Future developments

The Group will continue to pursue key organic growth platforms of its Brand Systems, advancing the Coffee & Allied Beverages strategy, and focus on integration and restructuring activities subsequent to the most recent acquisitions.

The Group continues to investigate and evaluate potential retail food franchise systems and other complementary asset acquisitions. These acquisition targets include both competitor and complementary systems which provide system growth opportunities, synergies, increased scale benefits, intellectual property enhancement, and are EPS accretive. In this respect, the Company will keep the market informed in accordance with its reporting obligations.

Disclosure of 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.

Significant events after the balance date

There has not been any matter or circumstance occurring, other than that referred to in this Directors' Report, the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or in the reasonable opinion of the Directors, 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, other than the following:

Final Dividend

On 27 August 2015, the Board of Directors declared a final dividend in respect of profits of the financial year ending 30 June 2015. The final dividend of 11.75 cents per share (based on 162,937,484 shares on issue at 27 August 2015), franked to 100% at 30% corporate income tax rate will be paid on 9 October 2015. The final dividend was approved by the Directors following the conclusion of FY15 and, therefore, was not provided for in the year-end financial report. It was resolved that the final FY15 dividend will constitute an eligible dividend for the purpose of the Company's Dividend Reinvestment Plan.

Dividends

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

Company	FY15		FY14	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Declared and paid during the financial year				
Fully paid ordinary shares				
Final dividend – fully franked at 30% tax rate [1]	11.250	16,299	10.250	13,356
Interim dividend – fully franked at 30% tax rate [2]	11.500	18,437	10.750	15,485
	22.750	34,736	21.000	28,841
Declared after the end of the financial year				
Fully paid ordinary shares				
Final dividend – fully franked at 30% tax rate [3]	11.750	19,145	11.250	16,299

(1) In respect of the financial year ended 30 June 2014, as detailed in the Directors' Report for that financial year, a final dividend of 11.25 cents per share, based on 144,878,508 shares on issue at 15 September 2014, franked to 100% at 30% corporate income tax rate, was paid on 10 October 2014. The final dividend was approved by the Directors following the conclusion of the 30 June 2014 financial year and, therefore, was not provided for in the Company's financial report. It was resolved that the FY14 final dividend would constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan. The issue price of the shares was $4.66 per share.

(2) In respect of profits of the financial year ended 30 June 2015, an interim dividend of 11.50 cents per share, based on 160,321,903 shares on issue at 23 March 2015, franked to 100% at 30% corporate income tax rate, was paid on 9 April 2015. The interim dividend was approved by the Directors on 25 February 2015 and it was resolved that the interim dividend would constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan. The issue price of the shares was $7.05 per share.

(3) In respect of profits of the financial year ended 30 June 2015, a final dividend of 11.75 cents per share, based on 162,937,484 shares on issue at 27 August 2015, franked to 100% at 30% corporate income tax rate, will be paid on 9 October 2015. The final dividend was approved by the Directors on 27 August 2015 and, therefore, was not provided for in the Company's financial report. It was resolved that the FY15 final dividend will constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan.

Shares under option or issued on exercise of options

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	No. Of Shares Under Option	Class Of Shares	Amount Paid For Shares	Amount Unpaid On Shares
Retail Food Group Limited	10,000	Ordinary	$13,200	$nil

There were nil unissued shares, or interests under option, as at the date of this report.

Environmental regulations

The Group, due to the nature of its operations, is not required to be environmentally licensed nor is it subject to any conditions which have been imposed by an environmental regulator specifically related to the Group or its operations.

In circumstances where the nature of the Group's operations requires, the Group is committed to compliance with all prescribed environmental laws and regulations.

Indemnification of Officers and Auditors

During the financial year, the Company entered into a contract insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has also entered into a Deed Poll indemnifying the Directors, officers and certain other parties in respect of certain claims that may be raised against them relative to the operations of the Company, its former and current subsidiaries.

To the maximum permitted by the Corporations Act, the Deed Poll indemnifies those persons from liabilities incurred as a consequence of the acts of those persons, including the giving of personal guarantees on behalf of the Company and its former and current subsidiaries.

The Company has not, otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements.

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

The Directors are of the opinion that the services, as disclosed in note 32 to the financial statements, do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence, as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 21 of the financial report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and, in accordance with that Class Order, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Retail Food Group Limited's Directors and its senior executive management for the financial year ended 30 June 2015.

The prescribed details for each person covered by this report are contained below under the following headings:

- Director and senior executive management details;
- Remuneration policy;
- Relationship between the remuneration policy and Group performance;
- Remuneration of Directors and senior executive management;
- Directors and senior executive management equity holdings;
- Key terms of employment contracts;
- Loans to Directors and senior executive management; and
- Other transactions with Directors and senior executive management.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

1. Key management personnel

The Company does not directly remunerate any of its Directors, key management personnel or specific executives. Rather, the Directors, key management personnel and specific executives are remunerated through subsidiaries of the Company.

The Directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors	Position
Mr Colin Archer	Chairman and Independent Non-Executive Director
Mr Anthony (Tony) Alford	Managing Director
Ms Jessica Buchanan	Independent Non-Executive Director
Mr Stephen Lonie	Independent Non-Executive Director

Senior executive management	Position
Mr Gary Alford	Chief Executive Officer – Commercial
Mr Andre Nell	Chief Executive Officer – Franchising
Mr Peter McGettigan	Chief Financial Officer
Mr Anthony Mark Connors	Chief Operating Officer and Company Secretary
Ms Tracey Catterall	Director of Marketing & Innovation

The term 'senior executive management' is used in this Remuneration Report to refer to these persons.

The above named persons were senior executive management through the whole of the financial year and since the end of the financial year, however, certain roles were realigned within the Company as announced in the market release to the ASX on 2 June 2015.

2. Remuneration Policy

The Board considers that it is critical to its long term success, and the building of shareholder value, that it attracts, retains and motivates appropriate personnel to lead, manage and serve the Group in an increasingly competitive marketplace for senior executive talent.

The objectives of the Group's remuneration policy are to:

- Motivate executive and non-executive personnel to successfully lead and manage the Group, with a focus on driving long term growth and shareholder value;
- Drive successful performance and achievement of long and short term goals and otherwise reinforce the objectives of the Group;
- Deliver competitive remuneration packages necessary to attract and retain appropriate personnel;
- Ensure fair remuneration, having regard to duties, responsibilities and other demands;
- Ensure flexibility, to enable the Group to cope with planned or unforeseen threats and opportunities;
- Ensure compliance with relevant laws; and
- Ensure sustainable value for all stakeholders.

Remuneration Report (cont.)

2. Remuneration Policy (cont.)

When determining executive remuneration packages, the Board may have regard to:

- The need to attract, retain and motivate appropriate personnel;
- Market practices;
- Alternative benefits including incentive programs, fringe benefits and equity schemes;
- Assessment of individual performance against set goals and targets; and
- The scope of responsibility, duties and other demands.

Executive remuneration shall generally take the form of a base salary plus superannuation, however, may comprise performance bonuses and other benefits or rewards in certain circumstances.

When determining non-executive remuneration packages, the Board may have regard to:

- The need to attract, retain and motivate appropriately qualified and experienced Directors with diverse backgrounds and experiences to ensure the Board is comprised of a range of skills necessary to properly understand the business environment in which the Group operates;
- The scope and complexity of the responsibilities assumed by such Directors in connection with the oversight and leadership of the Group;
- Comparative market practices; and
- Alternative benefits, including equity schemes.

Role of the Remuneration Committee

The Board has a Remuneration Committee to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices, including those policies and practices for senior executive management and non-executive Directors.

The functions performed by the Committee are to:

- Review and evaluate the market practices and trends on remuneration matters;
- Make recommendations to the Board in relation to the Group's remuneration policies and practices;
- Oversight of the performance of the Managing Director, Chief Executive Officers, Chief Operating Officer, Chief Financial Officer and other members of senior executive management and non-executive Directors; and
- Make recommendations to the Board in relation to the remuneration of senior executive management and non-executive Directors.

The Remuneration Committee has adopted the following policies to which it will continue to have regard when determining the remuneration of executives and senior executive management members, being to:

- Annually review executive and senior executive management member packages by reference to Group performance, executive performance, comparable information from industry sectors and other listed companies;
- Reward performance which results in long-term growth in shareholder value;
- Link all bonuses, options and incentives to pre-determined performance criteria; and
- Reference any changes to measurable performance criteria.

3. Relationship between Remuneration Policy and Group Performance

The following compensation structures are designed to attract suitably qualified executives, reward the achievement of strategic objectives, and to achieve the broader outcome of long-term success and the building of shareholder value. The compensation structures take into account:

- The capability and experience of the executive;
- The executive's ability to manage and deliver the Group's forecast results;
- The attainment of pre-determined KPIs developed specially for the executive's role;
- The Group's overall performance including:
  - The Group's earnings;
  - The growth in earnings per share and return on shareholder wealth; and
- The relative size incentives within each executive's remuneration package.

Remuneration packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives. The mix of these components is based on the role the individual performs.

In addition to their salaries, the Group also provides non-cash benefits to its executives and contributes to a post-employment superannuation plan on their behalf, in accordance with its statutory obligations.

Remuneration Report (cont.)

3. Relationship between Remuneration Policy and Group Performance (cont.)

Fixed Compensation

Fixed compensation consists of base compensation, which is calculated on a total cost basis and includes any fringe benefits tax (FBT) charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee and the Managing Director, through a process that considers the individual responsibilities and the achievement of pre-determined KPIs, and the overall performance of the Group.

An executive's remuneration is also reviewed on promotion.

Executives receive a superannuation guarantee contribution required by the Government, which is currently 9.5% (FY14: 9.25%) and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice a further part of their salary to increase payments towards superannuation.

Performance-linked Compensation

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Share Option Plan (ESOP). In respect of the options granted, there is no performance criteria required to be achieved in order for the option to vest. Rather, the decision to grant options to executives is based on past performance.

Short-term Incentive Bonus

Each year, the Remuneration Committee sets pre-determined key performance indicators (KPIs) for certain key executives. The KPIs generally include performance measures relating to the Group and the individual and include financial, people, customer, strategy and risk measures. The measures chosen directly align the individual's reward to the KPIs of the Group and to its strategy and performance. The Group undertakes a rigorous and detailed annual forecasting and budget process. The Board considers that the achievement of the annual forecast and budget is, therefore, the most relevant short-term performance condition.

The financial performance objectives may include but not be limited to "Net Profit", "Revenue", "Franchise Revenue", "Corporate Expenditure" and "Minimum Earnings Per Share" compared to budget and forecast amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic objectives, compliance with governance and regulatory requirements, new store commissionings, growth in network sales from effective brand marketing and promotions, growth in average weekly sales, growth in customer counts, customer satisfaction and staff development.

At the end of the financial year, the Remuneration Committee assesses the actual performance of the Group and the relevant individual against the KPIs set at the beginning of the financial year. No bonus is awarded where performance objectives are not achieved. The Managing Director recommends to the Remuneration Committee the performance bonus amounts of individuals for approval by the Board. This method of assessment was chosen as it provides the Remuneration Committee with an objective assessment of the individual's performance.

Long-term Incentive Bonus

Options can be issued over ordinary shares under the ESOP, in accordance with thresholds set in plans approved by the Board on 9 May 2006, as determined by the Board. Once granted, the ability to exercise the options is conditional upon the executive remaining an employee of the Group. The Remuneration Committee considers this equity performance-linked compensation structure to be appropriate as executives only receive a benefit where there is a corresponding benefit to shareholders.

Remuneration Report (cont.)

3. Relationship between Remuneration Policy and Group Performance (cont.)

The following table sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2015:

Metrics	FY11	FY12	FY13	FY14	FY15
EBIT	$45.1m	$47.5m	$52.8m	$57.5m	$55.7m
NPAT	$27.2m	$28.5m	$32.0m	$36.9m	$34.2m
Share price at start of financial year	$2.65	$2.41	$2.65	$3.95	$4.54
Share price at end of financial year	$2.41	$2.65	$3.95	$4.54	$5.43
Interim dividend	7.00 cps	8.50 cps	9.50 cps	10.75 cps	11.50 cps
Final dividend	7.50 cps	9.00 cps	10.25 cps	11.25 cps	11.75 cps
Basic EPS	25.4 cps	26.4 cps	26.0 cps	26.5 cps	22.1 cps
Diluted EPS	25.2 cps	26.3 cps	25.9 cps	26.5 cps	22.1 cps

4. Remuneration of Directors and Senior Executive Management

FY15	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments	Total	Consisting of Options
	Salary & Fees	Bonus	Other	Super-annuation			
Name	$	$	$	$	$	$	%
Non-Executive Directors							
Mr Colin Archer	136,284	-	-	12,947	-	149,231	-
Ms Jessica Buchanan	86,250	-	-	-	-	86,250	-
Mr Stephen Lonie	82,894	-	-	7,875	-	90,769	-
Executive Directors							
Mr Anthony (Tony) Alford	697,276	-	-	18,783	-	716,059	-
Senior Executive Management							
Mr Gary Alford	226,094	132,356	-	34,053	-	392,503	
Mr Andre Nell	232,021	132,179	1,800	21,935	-	387,935	-
Mr Peter McGettigan	247,123	103,453	1,800	24,477	-	376,853	-
Mr Anthony Mark Connors	239,026	101,915	1,800	18,783	-	361,524	-
Ms Tracey Catterall	189,090	65,096	1,652	24,148	-	279,986	-
	2,136,058	534,999	7,052	163,001	-	2,841,110	-

Remuneration Report (cont.)

4. Remuneration of Directors and Senior Executive Management (cont.)

FY14	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments	Total	Consisting of Options
Name	Salary & Fees	Bonus	Other	Super-annuation			
	$	$	$	$	$	$	%
Non-Executive Directors							
Mr Colin Archer	103,943	-	-	9,615	-	113,558	-
Ms Jessica Buchanan	72,074	-	-	-	-	72,074	-
Mr Stephen Lonie	70,319	-	-	6,505	-	76,824	-
Executive Directors							
Mr Anthony (Tony) Alford	698,225	-	-	17,775	450,000	1,166,000	-
Senior Executive Management							
Mr Gary Alford	227,403	-	-	17,995	-	245,398	-
Mr Andre Nell	228,786	-	1,800	20,064	-	250,650	-
Mr Peter McGettigan	243,043	107,500	1,800	17,467	-	369,810	-
Mr Anthony Mark Connors	236,179	-	1,800	17,997	-	255,976	-
Ms Tracey Catterall	155,870	-	1,454	13,785	-	171,109	-
	2,035,842	107,500	6,854	121,203	450,000	2,721,399	-

The relative proportions of remuneration that are linked to performance and those proportions that are fixed are as follows:

Person	Fixed		Short-Term Incentive		Long-Term Incentive	
	FY15	FY14	FY15	FY14	FY15	FY14
Non-Executive Directors						
Mr Colin Archer	100.0%	100.0%	-	-	-	-
Ms Jessica Buchanan	100.0%	100.0%	-	-	-	-
Mr Stephen Lonie	100.0%	100.0%	-	-	-	-
Executive Directors						
Mr Anthony (Tony) Alford	100.0%	61.4%	-	-	-	38.6%
Senior Executive Management						
Mr Gary Alford	66.3%	100.0%	33.7%	-	-	-
Mr Andre Nell	65.9%	100.0%	34.1%	-	-	-
Mr Peter McGettigan	72.5%	70.9%	27.5%	29.1%	-	-
Mr Anthony Mark Connors	71.8%	100.0%	28.2%	-	-	-
Ms Tracey Catterall	76.8%	100.0%	23.2%	-	-	-

Bonuses

Key management personnel were granted a cash bonus of $534,999 in respect of their performance during the year ended 30 June 2015. The bonuses were approved by the Board.

Remuneration Report (cont.)

4. Remuneration of Directors and Senior Executive Management (cont.)

Executive Share Option Plan

The Group has an ownership-based compensation scheme for Directors, executives and senior employees. In accordance with the provisions of 'ESOP', Directors, executives and senior employees may be granted options to purchase parcels of ordinary shares on terms resolved by the Board. Certain Directors and senior executive management have also been granted options pursuant to the terms of formal Option Deeds which are outside the scope of, but substantially in accordance with, the terms of the ESOP.

Each share option granted converts into one ordinary share on exercise. No amounts are paid or payable by the option-holder on grant of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. All share options are non-transferable in accordance with the provisions of the ESOP.

During the financial year, the number of share options granted, vested, lapsed, cancelled and/or forfeited in respect of Directors and senior executive management was nil.

During the financial year, the following share-based payment arrangements were in existence:

Option Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price
Tier 3C	10,000	01/08/08	31/07/14	01/08/11	$1.32

There are no performance criteria that need to be met in relation to the options granted before the beneficial interest vests in the recipient, other than the continued service of the Director, executive or senior executive management to the Group. Options are forfeited if the Director, executive or senior executive management ceases to be employed by the Group prior to the exercise of the option.

During the financial year, the following Directors and senior executive management exercised options that were granted to them as part of their remuneration. Each option converts into one ordinary share of Retail Food Group Limited.

Name	No. Of Options Exercised	No. Of Ordinary Shares Issued	Amount Paid	Amount Unpaid
Senior Executive Management				
Mr Gary Alford	10,000	10,000	$13,200	$nil

The following table summarises the value of options granted, exercised, lapsed or that were cancelled to Directors and senior executive management during the financial year:

Name	Value Of Options Granted At The Grant Date	Value Of Options Exercised At The Exercise Date (1)	Value Of Options Lapsed At The Date Of Lapse	Value Of Options Cancelled At The Date Of Cancellation
	$	$	$	$
Senior Executive Management				
Mr Gary Alford	-	13,200	-	-

(1) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Remuneration Report (cont.)

5. Key management personnel equity holdings

Fully paid ordinary shares of Retail Food Group Limited:

FY15	Balance 1 July 2014	Granted As Compensation	Received On Exercise Of Options	Net Other Change	Balance 30 June 2015	Balance Held Nominally
Name	Number	Number	Number	Number	Number	Number
Non-Executive Directors						
Mr Colin Archer	375,842	-	-	(14,432)	361,410	-
Ms Jessica Buchanan	23,256	-	-	-	23,256	-
Mr Stephen Lonie	45,139	-	-	2,234	47,373	-
Executive Directors						
Mr Anthony (Tony) Alford	22,947,004	-	-	(1,836,129)	21,110,875	867,160
Senior Executive Management						
Mr Gary Alford	819,567	-	10,000	-	829,567	-
Mr Andre Nell	10,000	-	-	1,478	11,478	-
Mr Peter McGettigan	26,750	-	-	2,124	28,874	-
Mr Anthony Mark Connors	195,567	-	-	-	195,567	-
Ms Tracey Catterall	7,889	-	-	323	8,212	-
	24,451,014	-	10,000	(1,844,402)	22,616,612	867,160

FY14	Balance 1 July 2013	Granted As Compensation	Received On Exercise Of Options	Net Other Change	Balance 30 June 2014	Balance Held Nominally
Name	Number	Number	Number	Number	Number	Number
Non-Executive Directors						
Mr Colin Archer	374,793	-	-	1,049	375,842	-
Ms Jessica Buchanan	-	-	-	23,256	23,256	-
Mr Stephen Lonie	-	-	-	45,139	45,139	-
Executive Directors						
Mr Anthony (Tony) Alford	22,500,214	104,408	-	342,382	22,947,004	852,410
Senior Executive Management						
Mr Gary Alford	963,659	-	43,334	(187,426)	819,567	-
Mr Andre Nell	20,000	-	-	(10,000)	10,000	-
Mr Peter McGettigan	-	-	-	26,750	26,750	-
Mr Anthony Mark Connors	170,567	-	25,000	-	195,567	-
Ms Tracey Catterall	-	-	20,000	(12,111)	7,889	-
	24,029,233	104,408	88,334	229,039	24,451,014	852,410

Remuneration Report (cont.)

5. Key management personnel equity holdings (cont.)

Executive share options of Retail Food Group Limited:

FY15	Balance 1 July 2014	Granted As Compensation	Exercised	Net Other Change	Balance 30 June 2015	Balance Vested 30 June 2015	Vested And Exercisable	Options Vested During The Year
Name	Number	Number	Number	Number	Number	Number	Number	Number
Senior Executive Management								
Mr Gary Alford	10,000	-	(10,000)	-	-	-	-	-
	10,000	-	(10,000)	-	-	-	-	-

FY14	Balance 1 July 2013	Granted As Compensation	Exercised	Net Other Change	Balance 30 June 2014	Balance Vested 30 June 2014	Vested And Exercisable	Options Vested During The Year
Name	Number	Number	Number	Number	Number	Number	Number	Number
Senior Executive Management								
Mr Gary Alford	53,334	-	(43,334)	-	10,000	10,000	10,000	-
Mr Anthony Mark Connors	25,000	-	(25,000)	-	-	-	-	-
Ms Tracey Catterall	20,000	-	(20,000)	-	-	-	-	-
	98,334	-	(88,334)	-	10,000	10,000	10,000	-

During the financial year, 10,000 options (FY14: 88,334) were exercised by key management personnel at an exercise price of $1.32 per option for 10,000 ordinary shares (FY14: 88,334). No amounts remain unpaid on the options exercised during the financial year at year end.

Details of the Executive Share Option Plan and of share options granted during FY15 and FY14 are contained in note 22.

Remuneration Report (cont.)

6. Key terms of employment contracts

The employment specifics of the non-executive Directors are as follows:

Name	Particulars
Mr Colin Archer	The letter of appointment entered into with the Company requires the Director to give notice of resignation in accordance with the Company's Constitution. The Company may also terminate the Director's appointment in accordance with the Company's Constitution.
Ms Jessica Buchanan	The letter of appointment entered into with the Company requires the Director to give notice of resignation in accordance with the Company's Constitution. The Company may also terminate the Director's appointment in accordance with the Company's Constitution.
Mr Stephen Lonie	The letter of appointment entered into with the Company requires the Director to give notice of resignation in accordance with the Company's Constitution. The Company may also terminate the Director's appointment in accordance with the Company's Constitution.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Director remuneration takes the form of a set fee plus superannuation entitlements, however, may comprise other benefits or rewards in certain circumstances.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount which has been approved by the Company's shareholders for payment to non-executive Directors is $950,000. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are granted share options.

The employment specifics of the key executive Directors and senior executive management are as follows:

Name	Particulars
Mr Anthony (Tony) Alford	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of six (6) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least twelve (12) months notice or payment of the equivalent salary of the required notice in lieu.
Mr Gary Alford	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of three (3) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least three (3) months notice or payment of the equivalent salary of the required notice in lieu.
Mr Andre Nell	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of three (3) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least three (3) months notice or payment of the equivalent salary of the required notice in lieu.
Mr Peter McGettigan	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of four (4) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least four (4) months notice or payment of the equivalent salary of the required notice in lieu.
Mr Anthony Mark Connors	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of three (3) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least three (3) months notice or payment of the equivalent salary of the required notice in lieu.
Ms Tracey Catterall	The contract of employment entered into with RFGA Management Pty Ltd (subsidiary of the Company) requires the employee to give a minimum of three (3) months notice to the employer. RFGA Management Pty Ltd may terminate the employee by giving at least three (3) months notice or payment of the equivalent salary of the required notice in lieu.

The Directors consider that the compensation for each executive is appropriate for the duties allocated to them, the size of the Group's business and the industry in which the Group operates. The service contracts outline the components of compensation paid to the executives, including executive Directors, but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any changes in the scope of the role performed by the executive and any changes required to meet the principles of the Remuneration Policy.

Remuneration Report (cont.)

7. Loans to key management personnel

There were no loans outstanding at the end of the financial year (FY14: $nil) to Directors or senior executive management or their related parties.

8. Other transactions with key management personnel of the Group

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:

Consolidated	FY15 $	FY14 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group and their related parties:		
Franchise revenue	65,832	35,625
	65,832	35,625
Consolidated profit includes the following expenses arising from transactions with key management personnel of the Group or their related parties:		
Rental expense	-	22,079
Consulting services	-	144,287
	-	166,366

The following transactions are made on arm's length terms within the meaning of Section 210 of the Corporations Act.

Harbour Town Investments Pty Ltd, a related party of Mr Anthony (Tony) Alford, owned and operated one Donut King outlet during the year. Included in revenue for the year is an amount of $65,832, excluding GST, earned by the Group in respect of royalties and product sales to this store (FY14: $35,625). As at 30 June 2015, trading debts of $766 were outstanding (FY14: $706).

In the prior year, The Group utilised a storage / archive facility that is owned by the Cranot Superannuation Fund. The Cranot Superannuation Fund is a related party of Mr Anthony (Tony) Alford and Mr Gary Alford. A total of $22,079, excluding GST, was paid or payable during FY14.

In the prior year, The Group engaged the services of Brands R People 2 Pty Ltd, a related party of Ms Jessica Buchanan, during the year, to provide marketing consulting services to the Group. Amounts were billed to the Group based on normal market rates for such services and were due and payable under normal payment terms. A total of $50,400, excluding GST, was paid or payable to Brands R People 2 Pty Ltd during FY14.

In the prior year, The Group engaged the services of Consumerology Pty Ltd, a related party of Ms Jessica Buchanan, during the year, to provide marketing consulting services to the Group. Amounts were billed to the Group based on normal market rates for such services and were due and payable under normal payment terms. A total of $93,886, excluding GST, was paid or payable to Consumerology Pty Ltd during FY14.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

RETAIL FOOD GROUP LIMITED

COLIN ARCHER
Chairman
Southport, 27 August 2015

A J (TONY) ALFORD
Managing Director

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Retail Food Group Limited
RFG House
1 Olympic Circuit
Southport QLD 4215

27 August 2015

Dear Directors

Retail Food Group Limited

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

As lead audit partner for the audit of the financial statements of Retail Food Group Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tendai Mkwananzi
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Retail Food Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Retail Food Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 80.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. On page 30, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Retail Food Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed on page 30.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 20 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Retail Food Group Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tendai Mkwananzi
Partner
Chartered Accountants
Brisbane, 27 August 2015

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;

(ii) In the Directors' opinion, the following financial statements are in compliance with International Financial Reporting Standards, as disclosed in the notes to the financial statements of the 2015 Annual Report;

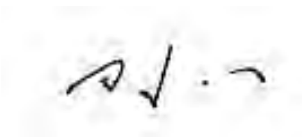
(iii) In the Directors' opinion, the following financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(iv) The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

RETAIL FOOD GROUP LIMITED



A J (TONY) ALFORD
Managing Director
Southport, 27 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

Item	Note	FY15 $'000	FY14 $'000
Continuing operations			
Revenue from sale of goods	2	120,768	56,247
Cost of sales	5	(75,310)	(29,387)
Gross profit		45,458	26,860
Other revenue	2	126,477	112,196
Other gains and losses		279	-
Selling expenses		(17,552)	(24,206)
Marketing expenses		(27,269)	(28,011)
Occupancy expenses		(10,984)	(2,051)
Administration expenses		(17,882)	(6,658)
Operating expenses		(26,161)	(17,983)
Finance costs	3	(7,299)	(4,795)
Other expenses	5	(16,683)	(2,601)
Profit before tax		48,384	52,751
Income tax expense	4	(14,165)	(15,890)
Profit for the year from continuing operations	5	34,219	36,861
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Net gain on net investment hedge		922	378
Other comprehensive income for the year, net of tax		922	378
Total comprehensive income for the year		35,141	37,239
Profit attributable to:			
Equity holders of the parent		34,219	36,861
Total comprehensive income attributable to:			
Equity holders of the parent		35,141	37,239
Earnings per share			
From continuing operations:			
Basic (cents per share)	6	22.1	26.5
Diluted (cents per share)	6	22.1	26.5

The 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 JUNE 2015

Item	Note	FY15 $'000	FY14 $'000
Current assets			
Cash and cash equivalents	7	17,149	11,559
Trade and other receivables	8	41,077	22,350
Other financial assets	9	7,122	6,218
Inventories	10	20,901	10,092
Current tax assets	4	1,595	-
Other	11	2,338	440
Total current assets		90,182	50,659
Non-current assets			
Trade and other receivables	8	2,832	1,380
Other financial assets	9	22,464	17,689
Property, plant and equipment	12	42,927	27,713
Deferred tax assets	4	8,664	1,542
Intangible assets	13	512,979	299,121
Total non-current assets		589,866	347,445
Total assets		680,048	398,104
Current liabilities			
Trade and other payables	14	29,768	8,308
Borrowings	17	50,475	-
Current tax liabilities	4	-	5,006
Provisions	15	5,558	1,887
Other	16	11,224	3,833
Total current liabilities		97,025	19,034
Non-current liabilities			
Borrowings	17	156,169	68,949
Provisions	15	272	78
Other	16	22,800	-
Total non-current liabilities		179,241	69,027
Total liabilities		276,266	88,061
Net assets		403,782	310,043
Equity			
Issued capital	18	315,051	221,703
Reserves	19	1,276	368
Retained earnings	20	87,455	87,972
Total equity		403,782	310,043

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

Item	Note	Fully Paid Ordinary Shares $'000	Equity Settled Employee Benefits Reserve $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 July 2013		160,469	62	(24)	79,952	240,459
Profit for the year		-	-	-	36,861	36,861
Other comprehensive income		-	-	378	-	378
Total comprehensive income		-	-	378	36,861	37,239
Issue of ordinary shares	18	62,271	-	-	-	62,271
Share issue costs		(1,909)	-	-	-	(1,909)
Related income tax		573	-	-	-	573
Issue of shares under executive share option plan	18	251	-	-	-	251
Transfer from equity-settled employee benefits reserve		48	(48)	-	-	-
Payment of dividends		-	-	-	(28,841)	(28,841)
Balance as at 30 June 2014		221,703	14	354	87,972	310,043
Balance as at 1 July 2014		221,703	14	354	87,972	310,043
Profit for the year		-	-	-	34,219	34,219
Other comprehensive income		-	-	922	-	922
Total comprehensive income		-	-	922	34,219	35,141
Issue of ordinary shares	18	94,481	-	-	-	94,481
Share issue costs		(1,657)	-	-	-	(1,657)
Related income tax		497	-	-	-	497
Issue of shares under executive share option plan	18	13	-	-	-	13
Transfer from equity-settled employee benefits reserve		14	(14)	-	-	-
Payment of dividends		-	-	-	(34,736)	(34,736)
Balance as at 30 June 2015		315,051	-	1,276	87,455	403,782

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

Item	Note	FY15 $'000	FY14 $'000
Cash flows from operating activities			
Receipts from customers		263,555	175,530
Payments to suppliers and employees		(198,447)	(124,886)
Interest and other costs of finance paid		(7,242)	(5,439)
Income taxes paid		(23,166)	(15,261)
Net cash provided by operating activities	7	34,700	29,944
Cash flows from investing activities			
Interest received		265	289
Amounts advanced to other entities		(10,086)	(7,791)
Payments for property, plant and equipment		(6,551)	(15,363)
Proceeds from sale of property, plant and equipment		197	32
Payment for intangible assets		(465)	(1,696)
Payment for business	26	(194,280)	(2,000)
Net cash used in investing activities		(210,920)	(26,529)
Cash flows from financing activities			
Proceeds from issues of equity securities	18	68,280	58,575
Payment for share issue costs		(1,657)	(1,909)
Proceeds from borrowings		205,000	23,500
Repayment of borrowings		(68,000)	(63,500)
Payment for debt issue costs		(445)	-
Dividends paid		(24,122)	(25,344)
Net cash provided by/(used in) financing activities		179,056	(8,678)
Net increase / (decrease) in cash and cash equivalents		2,766	(5,263)
Effects of currency translation on cash and cash equivalents		70	-
Cash and cash equivalents at the beginning of year		11,559	16,822
Cash and cash equivalents at the end of year	7	14,395	11,559

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

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About this Report

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.

The principal activities of the Company and its subsidiaries (the Group) during the course of the financial 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 Coffee, 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, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Café2U, Gloria Jean's Coffees Coffee, It's A Grind and Di Bella Coffee Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems excluding Esquires Coffee Houses; and
- Development and management of coffee roasting facilities and the wholesale supply of coffee and allied products to 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.

Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 27 August 2015.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain 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 Class Order 98/100, dated 10 July 1998, and, in accordance with that Class Order, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Early adoption of Accounting Standards

The Directors have elected not to early adopt Accounting Standards that are not applicable to the reporting period ended 30 June 2015.

(d) Going concern basis

The financial report has been prepared on a going concern basis. The Directors are of the opinion that the Group will be able to continue to operate as a going concern having regard for available non-current debt facilities and the Group's internally generated cash resources.

(e) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Basis of preparation (cont.)

(e) Foreign currencies (cont.)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

(f) Use of estimates and judgements

The preparation of 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 revised 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 financial statements are included in the following notes:

Note 4 – Deferred tax assets.
Note 12 – Estimation of useful lives of assets.
Note 12 – Impairment of non-financial assets other than goodwill and indefinite life intangible assets.
Note 13 – Impairment of goodwill and indefinite life intangible assets.
Note 15 – Estimation of onerous lease provisions and make-good provisions.
Note 16 – Fair value of contingent consideration arising in a business combination.
Note 22 – Measurement of equity-settled share-based payment transactions.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Basis of preparation (cont.)

(h) Adoption of new and revised Accounting Standards

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, except for the following:

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Consolidated entity only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year, the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the Remuneration Report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the following Standards and Interpretations were in issue but not yet effective. Initial application is not expected to have any material impact on the financial statements of the Group.

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 AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017 or 1 January 2018	30 June 2018 or 30 June 2019
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

Operations

Results for the year

1. Segment information

1.1 Products and services from which reportable segments derive their results

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 maker, in order to allocate resources to the segments and to assess their performance.

For management purposes, the Group is organised into seven 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:

- Donut King Brand System;
- Michel's Patisserie Brand System;
- Brumby's Bakery Brand System;
- QSR Systems (incorporating Crust Gourmet Pizza and Pizza Capers Brand Systems);
- Mobile Systems (incorporating Café2U and The Coffee Guy Brand Systems);
- Coffee Retail Systems (incorporating Gloria Jean's Coffees and Esquires Brand Systems); and
- Coffee and Allied Beverage (incorporating Wholesale Coffee operations and other un-allocable amounts).

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit represents the profit earned by each segment without allocation of gains derived / losses incurred from derivative financial instruments, interest revenue, finance costs, depreciation, corporate expenses and income tax expense. This measure is reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

1.2 Segment revenues and results

Information related to the Group's operating results per segment is presented in the following table. Inter-CGU (cash-generating unit) revenue is eliminated on consolidation for statutory reporting. Group expenses are allocated on a consistent basis in determination of the respective segment's contribution to Group EBITDA.

1. Segment information (cont.)

1.2 Segment revenues and results (cont.)

CGU	Donut King		Michel's Patisserie		Brumby's Bakery		QSR Systems		Mobile Systems		Coffee Retail Systems		Coffee and Allied Beverage		Total	
	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000
External revenue	23,480	26,847	31,991	37,939	21,509	23,516	25,833	24,577	6,193	1,655	60,114	9,654	41,286	4,641	210,406	128,829
Inter-CGU revenue	192	566	451	1,083	355	333	178	215	-	-	246	399	-	34	1,422	2,630
CGU revenue [1]	23,672	27,413	32,442	39,022	21,864	23,849	26,011	24,792	6,193	1,655	60,360	10,053	41,286	4,675	211,828	131,459
CGU EBITDA	14,759	13,293	17,567	17,271	10,834	12,403	12,888	13,465	2,243	620	23,486	2,189	7,667	453	89,444	59,694
Depreciation & amortisation															(3,707)	(1,568)
Interest revenue															264	286
Finance costs															(7,299)	(4,795)
Acquisition & Integration costs															(5,728)	-
Outlet rationalisation & Brand System realignment															(11,384)	-
Asset impairment & provision charges															(12,527)	-
Unallocated															(679)	(866)
Profit before tax															48,384	52,751
Income tax expense															(14,165)	(15,890)
Profit after tax for the period															34,219	36,861
Outlets	341	347	294	316	250	279	333	342	341	73	887	77			2,446	1,434

[1] CGU – revenue reconciliation	FY15 $'000	FY14 $'000
Revenue for the period – Statutory	247,524	168,443
Less: revenue associated with marketing pursuits	(37,118)	(39,614)
Underlying revenue for the period	210,406	128,829
Inter-CGU revenue: eliminated on consolidation	1,422	2,630
Total CGU revenue	211,828	131,459

1. Segment information (cont.)

1.3 Geographical information

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

2. Revenue

Consolidated	FY15 $'000	FY14 $'000
Revenue from the sale of goods	120,768	56,247
Revenue from the rendering of services	126,078	111,900
	246,846	168,147
Interest revenue:		
Bank deposits	145	176
Other loans and receivables	119	110
	264	286
Rental revenue	135	10
	247,245	168,443

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services

Revenue from the rendering of services comprises franchisor income and royalty revenue.

Franchisor income is recognised on an accrual basis, in accordance with the substance of the relevant agreement.

Royalty revenue and revenue from suppliers (supplier licence fees) are recognised on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

New Accounting Policy - Initial network access fee revenue

Initial network access fees are received on execution of certain contracts with approved suppliers to the Group's Brand Systems. This class of revenue is recognised over the corresponding term of the contract period.

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Finance costs

Consolidated	FY15 $'000	FY14 $'000
Interest on bank overdrafts and loans	7,076	4,728
Total interest expense	7,076	4,728
Other finance costs	223	67
	7,299	4,795

4. Income taxes

4.1 Income tax recognised in profit or loss

Consolidated	FY15 $'000	FY14 $'000
Current tax:		
In respect of the current year	17,097	15,554
Tax concessions received in relation to research & development	-	(5)
	17,097	15,549
Deferred tax:		
In respect of the current year	(2,932)	341
	(2,932)	341
Total income tax expense recognised in the current year relating to continuing operations	14,165	15,890

The expense for the year can be reconciled to the accounting profit as follows:

Consolidated	FY15 $'000	FY14 $'000
Profit from continuing operations	48,384	52,751
Income tax expense calculated at 30% (FY14: 30%)	14,515	15,825
Effect of:		
Expenses that are not deductible in determining taxable profit	24	5
Concessions (research and development and other allowances)	-	(5)
Different tax rates of subsidiaries operating in other jurisdictions (1)	(12)	(21)
Benefit of tax losses in foreign jurisdictions not brought to account as a deferred tax asset	(362)	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	86
Income tax expense recognised in profit or loss (relating to continuing operations)	14,165	15,890

The tax rate used for the FY15 and FY14 reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(1) A corporate tax rate of 28% is payable by New Zealand corporate entities, and 35% is payable by United States corporate entities.

4. Income taxes (cont.)

4.2 Income tax recognised directly in equity

Consolidated	FY15 $'000	FY14 $'000
Share issue costs	497	573
Total income tax recognised directly in equity	497	573

4.3 Current tax assets

Consolidated	FY15 $'000	FY14 $'000
Income tax receivable	1,595	-
	1,595	-

4.4 Current tax liabilities

Consolidated	FY15 $'000	FY14 $'000
Income tax payable	-	5,006
	-	5,006

4.5 Deferred tax balances

Consolidated – FY15	Opening balance	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Acquisitions/ disposals	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences						
Intangible assets	(205)	424	-	-	-	219
Exchange difference on foreign operations	-	(9)	-	-	47	38
Employee benefits	559	(29)	-	-	499	1,029
Provisions	133	1,755	-	-	985	2,873
Doubtful debts	311	234	-	-	1,051	1,596
Unearned income	-	981	-	-	32	1,013
Share issue costs	786	(325)	497	-	-	958
Other	(42)	(34)	-	-	212	136
	1,542	2,997	497	-	2,826	7,862
Unused tax losses and credits						
Tax (losses)/credits	-	(65)	-	-	867	802
	-	(65)	-	-	867	802
	1,542	2,932	497	-	3,693	8,664

4. Income taxes (cont.)

4.5 Deferred tax balances (cont.)

Consolidated – FY14	Opening balance	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Closing balance
	$'000	$'000	$'000	$'000	$'000
Temporary differences					
Intangible assets	(205)	-	-	-	(205)
Employee benefits	556	3	-	-	559
Provisions	94	39	-	-	133
Doubtful debts	403	(92)	-	-	311
Share issue costs	453	(240)	573	-	786
Other	9	(51)	-	-	(42)
	1,310	(341)	573	-	1,542

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

Consolidated	FY15 $'000	FY14 $'000
Deferred tax assets	8,664	1,542
	8,664	1,542

4.6 Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is Retail Food Group Limited. Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company, as head entity in the tax-consolidation group.

Due to the existence of a tax funding agreement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group, in accordance with the arrangement.

Nature of tax funding arrangements and tax sharing arrangements

Entities within the tax-consolidation group have entered into a tax funding agreement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Retail Food Group Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. No amounts have been recognised in the financial statements in respect of this agreement as payment of any such amounts under the tax sharing agreement is considered remote.

Accounting policy

Income tax expense represents the sum of the tax currently payable and deferred tax.

4. Income taxes (cont.)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax balances

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Critical accounting judgments and key sources of estimation uncertainty

The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those deferred tax assets arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows, which, in turn, depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

These judgements and assumptions are subject to risk and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit and loss and other comprehensive income.

5. Profit for the year from continuing operations

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

Consolidated	FY15 $'000	FY14 $'000
Cost of sales	75,310	29,387
Inventory write-down of inventory to net realisable value [1] [2]	3,956	-
Impairment loss on trade receivables [2]	2,056	1,427
Impairment loss on intangible assets [1] [2]	2,950	-
Impairment loss on loans carried at amortised cost [1] [2]	4,350	-
Acquisition transaction and integration costs (including restructuring costs) [1]	17,112	-
Depreciation and amortisation expense		
Depreciation of property, plant and equipment [2]	3,189	1,472
Amortisation [2]	518	96
Total depreciation and amortisation expense	3,707	1,568
Employee benefits expense:		
Post-employment benefits (defined contribution plans)	3,316	2,906
Other employee benefits (wages and salaries)	48,497	39,719
Total employee benefits expense	51,813	42,625

[1] As a consequence of the Café2U, Gloria Jean's Coffees, and Di Bella Coffee acquisitions, the Company accelerated certain restructuring activities, more particularly detailed in the Company's market presentations on the 24 October 2014 and 2 June 2015.

[2] Amounts are included in other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

6. Earnings per share

Consolidated	FY15 Cents per share	FY14 Cents per share
Basic earnings per share		
From continuing operations	22.1	26.5
	22.1	26.5
Diluted earnings per share		
From continuing operations	22.1	26.5
	22.1	26.5

6. Earnings per share (cont.)

6.1 Basic earnings per share

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

Consolidated	FY15 $'000	FY14 $'000
Profit for the year	34,219	36,861
Earnings used in the calculation of basic EPS from continuing operations	34,219	36,861

	FY15 No. '000	FY14 No. '000
Weighted average number of ordinary shares for the purpose of basic EPS	154,876	139,185

6.2 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	FY15 $'000	FY14 $'000
Profit for the year	34,219	36,861
Earnings used in the calculation of diluted EPS from continuing operations	34,219	36,861

	FY15 No.'000	FY14 No.'000
Weighted average number of ordinary shares for the purpose of basic EPS	154,876	139,185
Shares deemed to be issued for no consideration in respect of executive options	-	7
Weighted average number of ordinary shares for the purpose of diluted EPS	154,876	139,192

Operations

Assets and liabilities

7. Cash and cash equivalents

7.1 Reconciliation of 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:

Consolidated	FY15 $'000	FY14 $'000
Cash and bank balances	17,149	11,559
Less: cash not available for use	(2,754)	-
	14,395	11,559

7.2 Cash balances not available for use

Cash balances not available for use relate to cash reserved for marketing specific pursuits, in accordance with Franchise Agreements, and unclaimed dividends. As at 30 June 2015 cash balances not available for use totalled $2.75 million (2014: nil). These restricted cash balances have not been included in the year end cash balances for the purposes of the Consolidated Statement of Cash Flows.

7.3 Financing facilities

The Group has access to financing facilities at reporting date, as set out in the following table. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Consolidated	FY15 $'000	FY14 $'000
Secured bank loan facility:		
Amount used (before deducting debt issue costs)	206,000	69,000
Amount unused	63,000	66,000
	269,000	135,000
Secured ancillary bank facilities (guarantees):		
Amount used	2,838	1,660
Amount unused	1,162	1,340
	4,000	3,000
Secured ancillary bank facilities (asset finance):		
Amount used	644	33
Amount unused	1,356	967
	2,000	1,000
Secured ancillary bank facilities (supply chain finance):		
Amount used	-	-
Amount unused	5,034	-
	5,034	-

7. Cash and cash equivalents (cont.)

7.4 Reconciliation of profit for the period to net cash flows from operating activities

Consolidated	FY15 $'000	FY14 $'000
Profit for the year	34,219	36,861
Depreciation of non-current assets	3,189	1,472
Amortisation	518	-
Impairment loss on intangible assets	2,950	-
Impairment loss on loans carried at amortised cost	4,350	-
Gain on disposal of property, plant & equipment	(80)	-
Net foreign exchange loss	554	-
Interest income received and receivable	(265)	(289)
Amortisation of borrowing costs	223	67
Effect of concessions received in relation to research & development	-	(5)
Increase / (decrease) in current tax liability	(6,740)	212
Increase / (decrease) in deferred tax balances	(2,936)	341
Movements in working capital:		
Trade and other receivables	(5,202)	(4,684)
Inventories	3,919	177
Other assets	(920)	(3,053)
Trade and other payables	(1,165)	(1,669)
Provisions	312	(15)
Other liabilities	1,774	529
Net cash generated by operating activities	34,700	29,944

Accounting policy

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

8. Trade and other receivables

8.1 Trade receivables

Consolidated	FY15 $'000	FY14 $'000
Current		
Trade receivables	40,313	18,433
Allowance for doubtful debts	(5,324)	(1,039)
	34,989	17,394
Accrued income	3,650	4,500
Sundry debtors	2,438	456
	41,077	22,350
Non-Current		
Trade receivables	2,806	1,380
Sundry debtors	26	-
	2,832	1,380
	43,909	23,730

Trade receivables disclosed in this table are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on sales of goods and rendering of services is 30 days. No interest is charged. The Group has recognised an allowance for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Trade receivables disclosed in this table include amounts (summarised 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 receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral over the majority of these balances in the form of the franchised outlets.

8.2 Ageing of past due but not impaired receivables

Consolidated	FY15 $'000	FY14 $'000
31 – 60 days	3,333	3,636
61 – 90 days	1,478	1,694
91 + days	15,317	8,344
	20,128	13,674

8.3 Movement in the allowance for doubtful debts

Consolidated	FY15 $'000	FY14 $'000
Balance at the beginning of the year	1,039	1,361
Amounts acquired through business combinations	3,659	-
Impairment losses recognised on receivables	2,056	1,427
Amounts written off as uncollectable	(1,430)	(1,749)
Balance at the end of the year	5,324	1,039

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors consider that there is no further credit provision required in excess of the allowance for doubtful debts.

8. Trade and other receivables (cont.)

8.3 Movement in the allowance for doubtful debts (cont.)

The allowance for doubtful debts includes individually impaired trade receivables amounting to $5,324 thousand (FY14: $1,039 thousand). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the estimated recoverable amount. The Group holds collateral over these balances in the form of the franchised outlets.

8.4 Ageing of impaired trade receivables

Consolidated	FY15 $'000	FY14 $'000
1 – 30 days	355	-
31 – 60 days	86	12
61 – 90 days	367	20
91 + days	4,516	1,007
	5,324	1,039

9. Other financial assets

Consolidated	FY15 $'000	FY14 $'000
Current		
Loans and receivables carried at amortised cost		
Vendor finance (1)	2,451	2,063
Amounts advanced to associated national marketing funds (2)	4,661	4,139
Other	10	16
	7,122	6,218
Non-Current		
Loans and receivables carried at amortised cost		
Vendor finance (1)	4,391	1,166
Amounts advanced to associated national marketing funds (2)	18,073	16,523
	22,464	17,689
	29,586	23,907

(1) Vendor finance represents funding provided to franchisees for the purpose of acquiring a franchised outlet or undertaking refurbishment, and are primarily secured by the franchised outlet, including the business and shop fittings.

(2) Amounts advanced to associated national marketing funds represent funding of expenditure provided to certain marketing funds associated with the Group's Brand Systems.

10. Inventories

Consolidated	FY15 $'000	FY14 $'000
Stock held for wholesale supply	15,284	1,454
Equipment held for resale	1,928	306
Stores held for resale	3,689	8,332
	20,901	10,092

The cost of inventories recognised as an expense during the period in respect of continuing operations was $75,310 thousand (FY14: $29,387 thousand). Additionally, an amount of $3,956 thousand has been expensed in the year (FY14: nil expensed) in respect of write-downs of stores held for resale to their assessed net realisable value.

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with all categories being valued on a first in first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

11. Other assets

Consolidated	FY15 $'000	FY14 $'000
Current		
Prepayments	2,338	440
	2,338	440

12. Property, plant and equipment

Consolidated	Land & buildings at cost	Leasehold improvements at cost	Plant & equipment at cost	Motor vehicles at cost	Total
	$'000	$'000	$'000	$'000	$'000
Gross carrying amount					
Balance as at 1 July 2013	9,725	1,269	12,534	373	23,901
Additions	381	16	11,436	106	11,939
Disposals	-	-	(80)	(79)	(159)
Reclassification to Inventories	-	-	(1,665)	-	(1,665)
Effect of movements in exchange rates	-	16	64	4	84
Balance as at 1 July 2014	10,106	1,301	22,289	404	34,100
Additions	240	-	5,969	342	6,551
Disposals	-	-	(174)	(180)	(354)
Reclassification to Inventories	-	-	(1,217)	-	(1,217)
Acquisitions through business combinations	-	939	11,238	456	12,633
Effect of movements in exchange rates	-	(7)	176	-	169
Balance as at 30 June 2015	10,346	2,233	38,281	1,022	51,882
Accumulated depreciation					
Balance as at 1 July 2013	(155)	(169)	(4,693)	(165)	(5,182)
Disposals	-	-	59	68	127
Reclassification to Inventories	-	-	140	-	140
Depreciation expense	(110)	(98)	(1,214)	(50)	(1,472)
Balance as at 1 July 2014	(265)	(267)	(5,708)	(147)	(6,387)
Disposals	-	-	116	121	237
Reclassification to Inventories	-	-	384	-	384
Depreciation expense	(171)	(138)	(2,774)	(106)	(3,189)
Balance as at 30 June 2015	(436)	(405)	(7,982)	(132)	(8,955)
Net book value					
As at 30 June 2014	9,841	1,034	16,581	257	27,713
As at 30 June 2015	9,910	1,828	30,299	890	42,927

12. Property, plant and equipment (cont.)

Accounting policy

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Voluntary company stores (VCS) including leasehold improvements and fixtures and equipment are included as items of property, plant and equipment until such time as the VCS becomes held for sale, and is, thereafter, reclassified to Inventories.

The following useful lives are used in the calculation of depreciation:

- buildings 40 years;
- leasehold improvements 5 – 25 years; and
- plant and equipment 2 – 25 years.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of non-financial assets other than goodwill and indefinite life intangible assets

The Group assesses impairment of all assets at the end of each reporting period by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These assessments include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

Management does not consider that there have been any indicators of impairment and, as such, these assets have not been tested for impairment in this financial period.

13. Intangible asset

13.1 Intangible assets

Consolidated	Goodwill	Indefinite Life		Finite Life	Total
		Brand Networks	Intellectual Property Rights	Other	
	$'000	$'000	$'000	$'000	$'000
Gross carrying amount					
Balance as at 1 July 2013	30,345	261,533	5,337	231	297,446
Additions	-	1,413	-	283	1,696
Acquisitions through business combinations	-	-	-	-	-
Balance as at 1 July 2014	30,345	262,946	5,337	514	299,142
Additions	361	242	-	25	628
Reclassification	-	-	-	(163)	(163)
Acquisitions through business combinations	48,199	165,372	-	3,000	216,571
Balance as at 30 June 2015	78,905	428,560	5,337	3,376	516,178
Accumulated amortisation					
Balance as at 1 July 2013	-	-	-	(21)	(21)
Balance as at 1 July 2014	-	-	-	(21)	(21)
Amortisation expense	-	-	-	(228)	(228)
Impairment losses recognised in profit or loss	-	(2,950)	-	-	(2,950)
Balance as at 30 June 2015	-	(2,950)	-	(249)	(3,199)
Net book value					
As at 30 June 2014	30,345	262,946	5,337	493	299,121
As at 30 June 2015	78,905	425,610	5,337	3,127	512,979

13.2 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Goodwill allocation	FY15 $'000	FY14 $'000
Donut King Brand System	246	246
Michel's Patisserie Brand System	23,438	23,438
Evolution Coffee Roasters	3,171	2,810
QSR Systems (incorporating Pizza Capers & Crust)	3,789	3,789
Mobile Systems (incorporating Café2U & The Coffee Guy)	6,072	-
Coffee Retail Systems (incorporating Gloria Jean's Coffees, bb's Café & Esquires Coffee Houses)	14,682	62
Coffee and Allied Beverage (incorporating Wholesale Coffee operations)	27,507	-
	78,905	30,345

13. Intangible assets (cont.)

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

Indefinite life intangibles allocation	FY15 $'000	FY14 $'000
Donut King Brand System	38,523	38,476
Coffee Retail Systems (incorporating Gloria Jean's, bb's Café & Esquires Coffee Houses)	153,633	14,551
Brumby's Bakery Brand System	56,533	56,533
Michel's Patisserie Brand System	82,200	82,200
QSR Brand System (incorporating Pizza Capers & Crust)	72,581	72,386
Mobile Systems (incorporating Café2U & The Coffee Guy)	13,379	4,137
Coffee and Allied Beverage (incorporating Wholesale Coffee operations)	14,098	-
	430,947	268,283

13.4 Assessments of cash-generating units

There are a total of seven CGU's in existence, with six CGU's attributable to the operation of the Group's Brand Systems, and the seventh CGU attributable to the coffee roasting business.

The recoverable amounts of the CGU's are based primarily on a "value in use" calculation, which uses cash flow projections based on the financial budget approved by the Board for FY16 as the year one cash flow.

The key assumptions used in the value in use calculation for the various significant CGU's are budgeted system cash flows that are assumed to increase, driven by higher average weekly sales, increased market share, increased customer counts and new store commissionings. The budgeted cash flows for Project Evolution are assumed to increase, driven by higher sales, increased market share and an increased customer list.

The cash flows in years two to five are based on the expected average percentage growth rate of 2.5% for the Donut King, Brumby's Bakery, Michel's Patisserie and Wholesale Coffee CGU's, 3% for the QSR, and Mobile CGU's and 0% for the Esquires Coffee Houses (incorporating bb's Café) CGU. The growth rates applied are based on management's estimate of forecast cash flow by Brand System/business after considering FY15 with the FY16 budget year. Management considers that the growth rates applied are reasonable.

A pre-tax nominal discount rate of 16% has been used in preparing the "value in use" calculations. An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base. A growth rate of 2% for the Donut King, Brumby's Bakery and Michel's Patisserie CGU's, 2.5% for the QSR, Mobile, and Wholesale Coffee CGU's and 0% for the Esquires Coffee Houses Brand System (incorporating bb's Café) CGU has been used in determining the terminal value for each of the CGU's.

With the acquisition of Gloria Jean's Coffee group, the Esquires Coffee Houses Brand System (incorporating bb's Café) will be grouped with the Gloria Jean's Coffee group as a single CGU called Coffee Retail Systems.

Management considers that any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the System's carrying amount to exceed its recoverable amount.

Accounting policy

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives (which are estimated to be between 3 - 5 years). The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

13. Intangible assets (cont.)

Franchise networks and intellectual property

Intangible assets include franchise networks (consisting of identifiable franchise systems and brand names) and intellectual property (consisting of trademarks, recipes, manuals and systems).

Franchise networks are identified and recognised at the time of a business combination and recorded at their fair value, if their fair value can be measured reliably. Franchise networks acquired separately and intellectual property are recorded at cost.

Franchise networks and intellectual property are not amortised on the basis that they have an indefinite life and are reviewed annually.

Expenditure incurred in maintaining intangible assets is expensed in the period in which it is occurred.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of goodwill and indefinite life intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset (or cash generating unit) is carried at a revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

13. Intangible assets (cont.)

13.5 Determination as indefinite life

No amortisation is provided against the carrying value of franchise networks and intellectual property rights on the basis that these assets are considered to have an indefinite life.

Key factors taken into account in assessing the useful life of franchise networks and intellectual property rights were:

- These assets are all well established and have experienced strong sales and profit growth over time;
- None of the assets have a foreseeable limit to when they will stop generating net cash inflows to the Group in the future; and
- There are currently no legal, technical or commercial obsolescence factors applying to the assets or products to which they attach which indicate that the life should be considered limited.

Specifically, in respect of the intellectual property rights, the Group holds a significant number of registered trademarks for each franchise network. Since inception, all of the trademarks have demonstrated significant growth and this growth is forecast to continue. It is noted that the trademark registrations have a finite legal life, however, renewal of the registrations is simple, with little cost involved. Management oversees the registration of the trademarks, as well as the protection of these trademarks. The Group intends to renew all trademarks as they expire and has the infrastructure and allocated resources to ensure this renewal occurs.

Therefore, consistent with AASB 138 '*Intangible Assets*', the Group treats each of its franchise networks and intellectual property rights as having an indefinite life. All such assets are tested for impairment annually.

14. Trade and other payables

Consolidated	FY15 $'000	FY14 $'000
Current		
Trade payables [1]	16,290	3,848
Accruals and other creditors	13,112	4,123
Goods and services tax (GST) payable	366	337
	29,768	8,308

(1) The average credit period on purchases is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. Provisions

Consolidated	FY15 $'000	FY14 $'000
Current		
Employee benefits	3,241	1,785
Onerous leases and make-good	2,094	102
Warranties	223	-
	5,558	1,887
Non-current		
Employee benefits	272	78
	5,830	1,965

Consolidated	Onerous Leases and Make-Good $'000
Balance at 1 July 2014	102
Amounts acquired through business combinations	646
Additional provisions recognised	1,448
Payments made	(102)
Balance at 30 June 2015	2,094

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

15. Provisions (cont.)

Onerous leases and make-good

A provision has been made for the present value of future lease payments where the Group is presently obliged to make payments under non-cancellable onerous lease contracts relating to certain loss-making non-voluntary company stores. A provision has been made for the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required to restore site occupied by the loss-making non-voluntary company stores that existed at the end of the reporting period, to a condition specified in the relevant lease agreement. The estimate has been made on the basis of quotes obtained from restoration specialists or past experience.

The calculation of both provisions requires assumptions such as the likelihood of sale of the non-voluntary company store, the estimated lease termination costs, and the expected costs of making-good the premises. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. The exit from onerous leases and make-good activities are expected to be completed by the Group within twelve months.

Warranties

The provision for warranties represents repairs on coffee machines. Management has estimated the provision based on historical warranty trends which may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

16. Other Liabilities

Consolidated	FY15 $'000	FY14 $'000
Current		
Retention bonds and deposits	1,971	1,552
Unearned income	1,551	484
Other (contingent consideration) [1]	7,702	1,797
	11,224	3,833
Non-current		
Retention bonds and deposits	61	-
Unearned income	2,097	-
Other (contingent consideration) [1]	20,642	-
	22,800	-
	34,024	3,833

(1) Other liabilities represent the estimated fair value of the contingent consideration relating to the acquisition of Gloria Jean's Coffees Brand System and Di Bella Coffee (see note 26). There has been an issuance of shares in payment of $3.0 million against contingent consideration since the acquisition date.

Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

Capital

17. Borrowings

Consolidated	FY15 $'000	FY14 $'000
Secured at amortised cost		
Current		
Bank loans	50,000	-
Equipment loans	475	-
	50,475	-
Non-current		
Bank loans	156,000	68,949
Equipment loans	169	-
	156,169	68,949
	206,644	68,949

The Bank loan facility is secured over the Group's non-current consolidated assets (excluding goodwill and deferred taxes). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

On 3 December 2014, coinciding with the settlement of the Gloria Jean's Coffees acquisition, the Group completed an amendment to its existing senior debt facility, increasing the total facility from $135 million to $278 million, including an increase in senior debt facilities to $219 million, with an extended maturity date to 30 September 2017, and an additional $50 million bridging facility, repayable by 31 October 2015.

18. Issued capital

Consolidated	FY15 $'000	FY14 $'000
162,937,484 fully paid ordinary shares (FY14: 144,868,508)	315,051	221,703
	315,051	221,703

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	FY15		FY14	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares (1)				
Balance at beginning of period	144,868	221,703	130,278	160,469
Issue of ordinary shares (2)	18,059	94,481	14,487	62,271
Share issue costs	-	(1,657)	-	(1,909)
Related income tax	-	497	-	573
Issue of shares under executive share option plan (3)	10	13	103	251
Transfer from equity-settled employee benefits reserve	-	14	-	48
Balance at end of period	162,937	315,051	144,868	221,703

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

(2) During the period, a total of 18,058,976 ordinary shares were issued as follows:

- a. 1,168,051 shares issued on 10 October 2014 in respect of the Company's Dividend Reinvestment Plan, attributable to the payment of the final dividend for the financial year ended 30 June 2014. The issue price of the shares was $4.66 per share.
- b. 8,333,334 shares issued on 27 October 2014 in respect of a capital raising from institutional and sophisticated investors.
- c. 1,882,814 shares issued on 3 December 2014 in respect of the consideration for the acquisition of the Gloria Jean's Coffees group.
- d. 3,124,021 shares issued on 31 December 2014 in respect of a Share Purchase Plan (SPP) offered to shareholders on the shareholder register as at 7 p.m. on 23 October 2014.
- e. 446,575 shares issued on 19 February 2015 in respect of consideration for the acquisition of the Di Bella Coffee.
- f. 488,600 shares issued on 26 February 2015 in respect of the satisfaction of the 1st milestone payment due to the vendor under Share Purchase Agreement to acquire the Gloria Jean's Coffees Group.
- g. 734,063 shares issued on 9 April 2015 in respect of the Company's Dividend Reinvestment Plan, attributable to the payment of the interim dividend for the financial year ended 30 June 2015. The issue price of the shares was $7.05 per share.
- h. 1,881,518 shares issued on 10 April 2015 in respect of the Company's Dividend Reinvestment Plan shortfall placement. The issue price of the shares was $7.05 per share.

(3) During the period, a total of 10,000 shares were issued following the exercise of options.

18.1 Share options granted under the Executive Share Option Plan

In accordance with the provisions of the executive share option plan, as at 30 June 2015, Directors, executives and senior employees have options over nil ordinary shares which are all vested. As at 30 June 2014, Directors, executives and senior employees had options over 10,000 ordinary shares which are all vested, in aggregate, expiring on 31 July 2014.

Share options granted under the executive share option plan carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in note 22 to the financial statements.

19. Reserves

Consolidated	FY15 $'000	FY14 $'000
Equity-settled employee benefits reserve	-	14
Hedging reserve	1,276	354
	1,276	368

Equity-settled employee benefits reserve	FY15 $'000	FY14 $'000
Balance at beginning of year	14	62
Transfer to share capital	(14)	(48)
Balance at end of year	-	14

The equity-settled employee benefits reserve arises on the grant of share options to Directors, executives and senior executive management in accordance with the provisions of RFG's Executive Share Option Plan (ESOP). Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is set out in note 22.

Hedging reserve	FY15 $'000	FY14 $'000
Balance at beginning of year	354	(24)
Gain / (loss) recognised on:		
Net investment hedge	922	378
Balance at end of year	1,276	354

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges, and foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (net investment in the foreign operation or net investment hedge).

The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policies, as set out in note 23.

20. Retained Earnings

Consolidated	FY15 $'000	FY14 $'000
Balance at beginning of year	87,972	79,952
Net profit attributable to members of the parent entity	34,219	36,861
Dividends provided for or paid	(34,736)	(28,841)
Balance at end of year	87,455	87,972

21. Dividends

Company	FY15		FY14	
	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]	11.250	16,299	10.250	13,356
Interim dividend – fully franked at 30% tax rate [2]	11.500	18,437	10.750	15,485
	22.750	34,736	21.000	28,841
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend – fully franked at 30% tax rate[3]	11.750	19,145	11.250	16,299

(1) In respect of the financial year ended 30 June 2014, as detailed in the Directors' Report for that financial year, a final dividend of 11.25 cents per share, based on 144,878,508 shares on issue at 15 September 2014, franked to 100% at 30% corporate income tax rate, was paid on 10 October 2014. The final dividend was approved by the Directors following the conclusion of the 30 June 2014 financial year and, therefore, was not provided for in the Company's financial report. It was resolved that the FY14 final dividend would constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan. The issue price of the shares was $4.66

(2) In respect of profits of the financial year ended 30 June 2015, an interim dividend of 11.50 cents per share, based on 160,321,903 shares on issue at 23 March 2015, franked to 100% at 30% corporate income tax rate, was paid on 9 April 2015. The interim dividend was approved by the Directors on 25 February 2015 and it was resolved that the interim dividend would constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan. The issue price of the shares was $7.05 per share.

(3) In respect of profits of the financial year ended 30 June 2015, a final dividend of 11.75 cents per share, based on 162,937,484 shares on issue at 27 August 2015, franked to 100% at 30% corporate income tax rate, will be paid on 9 October 2015. The final dividend was approved by the Directors on 27 August 2015 and, therefore, was not provided for in the Company's financial report. It was resolved that the FY15 final dividend will constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan.

Company	FY15 $'000	FY14 $'000
Adjusted franking account balance	48,472	39,406

22. Share-based payments

22.1 Executive Share Option Plan

The Group has an ownership-based compensation scheme for Directors, executives and senior employees. In accordance with the provisions of RFG's Executive Share Option Plan (ESOP), Directors, executives and senior employees may be granted options to purchase parcels of ordinary shares on terms resolved upon by the Board. Certain Directors and employees have also been granted options pursuant to the terms of formal Option Deeds which are outside the scope of, but substantially in accordance with, the terms of the ESOP.

Each share option granted converts into one ordinary share of Retail Food Group Limited on exercise. No amounts are paid or payable by the recipient on grant of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

22. Share-based payments (cont.)

22.1 Executive Share Option Plan (cont.)

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option series	Number	Grant date	Expiry date	Vesting date	Exercise price	Grant date fair value
Tier 2C	150,740	01/08/07	31/07/13	01/08/10	$1.15	$0.5927
Tier 3B	123,333	01/08/08	31/07/13	01/08/10	$1.32	$0.3068
Tier 3C	123,334	01/08/08	31/07/14	01/08/11	$1.32	$0.3250
Tier 9	260,000	16/11/10	19/10/13	20/10/11	$2.78	$0.4661

22.2 Fair value of share options granted in the year

No share options were granted during the financial year (FY14: nil).

22.3 Movements in share options during the financial year

The following table reconciles the outstanding share options granted under the ESOP at the beginning and the end of the financial year:

Item	FY15		FY14	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	10,000	$1.32	113,334	$2.35
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(10,000)	$1.32	(103,334)	$2.43
Cancelled during the financial year	-	-	-	-
Balance at end of the financial year	-	-	10,000	$1.32
Exercisable at end of the financial year	-	-	10,000	$1.32

22.4 Share options exercised during the financial year

The following share options were exercised during the financial year:

FY15 – Option series	Number exercised	Exercise date	Share price at exercise date
Tier 3C – Issued 1 August 2008	10,000	21/07/2014	$1.32
Total	10,000		

FY14 – Option series	Number exercised	Exercise date	Share price at exercise date
Tier 2C – Issued 1 August 2007	13,334	05/07/2013	$4.30
Tier 3B – Issued 1 August 2008	10,000	05/07/2013	$4.30
Tier 9 – Issued 16 November 2010	45,000	15/10/2013	$4.35
	35,000	21/10/2013	$4.42
Total	103,334		

There were no share options outstanding at the end of the financial year (FY14: 10,000).

22. Share-based payments (cont.)

Accounting policy

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Measurement of equity-settled share-based payments

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

Risk

23. Financial instruments

23.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from FY14.

The capital structure of the Group consists of net debt (borrowings disclosed in note 17, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings, as disclosed in notes 18, 19 and 20).

The Group is not subject to any externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of tax, dividends and repayment of debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

23.2 Gearing ratio

The Group's Board and management review the capital structure on an annual basis. As a part of this review, the Board and management consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40 - 60% as the proportion of net debt to equity. Based on recommendations of management to the Board, the Group will continue to balance its overall capital structure through the payment of dividends, and new share issues, as well as the issue of new debt or the redemption of existing debt.

The gearing ratio of 46.9% at the end of the reporting period is in line with the target gearing ratio range.

The gearing ratio at the end of the reporting period is presented in the following table:

Consolidated	FY15 $'000	FY14 $'000
Debt [1]	206,644	68,949
Cash and bank balances	(14,395)	(11,559)
Net debt	192,249	57,390
Equity [2]	403,782	310,043
Gearing ratio [3]	47.6%	18.5%

(1) Debt is defined as long and short term borrowings, net of deferred borrowing costs (excluding derivatives and financial guarantee contracts), as described in note 17.

(2) Equity includes all capital and reserves of the Group that are managed as capital.

(3) The Group's gearing ratio for covenant reporting under the senior debt facility with the National Australia Bank (net debt/net debt + equity) was 33.1% (FY14: 16.6%).

23. Financial instruments (cont.)

23.3 Categories of financial instruments

Consolidated	FY15 $'000	FY14 $'000
Financial assets		
Loans and receivables		
Trade and other receivables	43,909	23,730
Loans and receivables	29,585	23,907
Cash and cash equivalents	17,149	11,559
Financial liabilities		
Trade payables	16,290	3,848
Other payables	13,478	4,460
Retention bonds and deposits	2,032	1,552
Contingent consideration	28,344	1,797
Loans (at amortised cost)	206,644	68,949

23.4 Financial risk management objectives

The Group's finance department co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group in line with the Group's policies. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's senior executive management team reports to the Board on a monthly basis in relation to the risks and policies implemented to mitigate risk exposure.

23.5 Market risk

The Group's activities expose it primarily to the financial risks changes in foreign currency exchange rates (refer note 23.7) and interest rates (refer note 23.8).

At a Group level, market risk exposures are measured using sensitivity analysis.

23.6 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at variable (floating) interest rates. During the year, the Group held fixed rate bank bills to manage interest rate exposure. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest rate expense through different interest rate cycles.

Interest rate sensitivity analysis

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net profit would decrease by $730 thousand (FY14: $230 thousand) and increase by $730 thousand (FY14: $230 thousand), which is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

23. Financial instruments (cont.)

23.7 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	FY15 $'000	FY14 $'000	FY15 $'000	FY14 $'000
US Dollar	7,972	-	7,201	-
Euro	2,358	-	1,274	-
New Zealand Dollar	3,775	3,807	835	623

Foreign currency sensitivity analysis

The following table summarises the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

Impact of Sensitivity to Equity	FY15 $'000		FY14 $'000	
	10%	-10%	10%	-10%
US Dollar	(49)	60	-	-
Euro	(69)	84	-	-
New Zealand Dollar	(187)	229	(203)	248
Total increase/(decrease)	(305)	373	(203)	248

23.8 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a measure of mitigating the risk of financial loss from defaults. Credit exposure is reviewed continually.

Trade receivables consist of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial conditions of accounts receivable and, where appropriate, additional collateral is obtained for balances identified as "at risk". Often this collateral is in the form of franchised outlets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, assigned by international credit rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recognised in the financial statements, which is net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Financial assets and other credit exposures	FY15 $'000	FY14 $'000
Contingent liabilities		
Financial guarantees	814	814
Rental guarantees	2,838	1,660
	3,652	2,474

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23. Financial instruments (cont.)

23.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and undrawn borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Note 7.3 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The information has been presented based on the undiscounted cash flows of financial liabilities, using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are at floating rate, the undiscounted amount is derived from forward interest rate curves at the end of the reporting period.

Consolidated	Weighted average effective interest rate	Less than 1 year	1 – 5 years	Total
	%	$'000	$'000	$'000
FY15				
Trade payables	-	16,290	-	16,290
Other payables	-	13,478	-	13,478
Retention bonds and deposits	-	1,971	61	2,032
Bank loan	4.3	56,941	164,377	221,318
Equipment loans	6.9	475	169	644
Contingent consideration	-	7,702	22,993	30,695
Rental guarantee contracts	0.9	2,838	-	2,838
Financial guarantee contracts	-	814	-	814
		100,509	187,600	288,109
FY14				
Trade payables	-	3,848	-	3,848
Other payables	-	4,460	-	4,460
Retention bonds and deposits	-	1,552	-	1,552
Bank loan	4.8	3,330	71,481	74,811
Contingent consideration	-	2,000	-	2,000
Rental guarantee contracts	0.9	1,660	-	1,660
Financial guarantee contracts	-	814	-	814
		17,664	71,481	89,145

The maximum amount the Group could be forced to settle under the rental and financial guarantee contracts, if the fully guaranteed amount is claimed by the counterparty to the guarantee, is $3,652 thousand (FY14: $2,474 thousand). At the end of the reporting period, it was not considered probable that the counterparties to the rental or financial guarantee contracts will claim under those contracts.

23. Financial instruments (cont.)

23.9 Liquidity risk management (cont.)

The following table details the Group's expected maturity for its non-derivative financial assets. The information has been presented based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management, as the liquidity is managed on a net asset and liability basis.

Consolidated	Weighted average effective interest rate	Less than 1 year	1 – 5 years	Total
	%	$'000	$'000	$'000
FY15				
Cash and cash equivalents	-	17,149	-	17,149
Loans and receivables	-	48,199	25,296	73,495
		65,348	25,296	90,644
FY14				
Cash and cash equivalents	-	11,559	-	11,559
Loans and receivables	-	28,568	19,069	47,637
		40,127	19,069	59,196

The Group has access to financing facilities, as described in note 7.3, of which $70,552 thousand was unused at the end of the reporting period (FY14: $68,307 thousand). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

23.10 Fair value of financial instruments

The fair values of derivative instruments are determined as the estimated amount that the Group and the Company would receive or pay to terminate the interest rate swap at the end of the reporting period, taking into account the current interest rate.

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. The different levels have been identified as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

As at 30 June 2015, the Group has contingent consideration which is classified as a level 3 financial instrument. There are no level 1 or level 2 financial instruments. As at 30 June 2014, the Group had contingent consideration which was classified as a level 3 financial instrument. There were no level 1 or level 2 financial instruments.

Accounting policy

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

23. Financial instruments (cont.)

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values, and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; or
- The amount initially recognised less, where appropriate, cumulative amortisation, recognised in accordance with the revenue recognition policies set out at note 2.

Financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Group structure

24. Subsidiaries

Significant subsidiaries of the Group, which are those subsidiaries with contribution to the Group's net profit or net assets, are as follows:

Entity	FY15 %	FY14 %	Entity	FY15 %	FY14 %
Retail Food Group Limited [1]			Esquires Coffee Houses System Pty Ltd [2]	100	100
Addiqtion Holdings Pty Ltd [2]	100	-	Espresso Kick Pty Ltd [2]	100	-
Adonai International Pty Ltd [2]	100	-	Freezer Rental Pty Ltd [2]	100	100
bb's Café System Pty Ltd [2]	100	100	Gloria Jeans Coffees Australasia Pty Ltd [2]	100	-
BDP Franchise Pty Ltd [2]	100	100	Gloria Jeans Coffees Holdings Pty Ltd [2]	100	-
BDP System Pty Ltd [2]	100	100	Gloria Jeans Coffees International Pty Ltd [2]	100	-
Booming Pty Ltd [2]	100	100	Gloria Jeans Coffees Supply Pty Ltd [2]	100	-
Brumby's Bakeries Corporate Retail Division Pty Ltd [2]	100	100	Gourmet Foods Australia Pty Ltd [2]	100	-
Brumby's Bakeries Holdings Pty Ltd [2]	100	100	Hot Dog Construction Zone (Aust) Pty Ltd [2]	100	100
Brumby's Bakeries Pty Ltd [2]	100	100	International Franchisor Pty Ltd [2]	100	100
Brumby's Bakeries System Pty Ltd [2]	100	100	Jireh Group Pty Ltd [2]	100	-
Café 2U Pty Ltd [2]	100	-	Jireh International Pty Ltd [2]	100	-
Café 2U (NZ) Pty Ltd [2]	100	-	Jireh International Retail Pty Ltd [2]	100	-
Café 2U International Pty Ltd [2]	100	-	Jireh International Warehouse and Distribution Pty Ltd [2]	100	-
Caffe Coffee Pty Ltd [2]	100	100	Jonamill Pty Ltd [2]	100	100
Capercorp Pty Ltd [2]	100	100	Michel's Patisserie (SA) Pty Ltd [2]	100	100
Capers Construction Pty Ltd [2]	100	100	Michel's Patisserie (VQ) Pty Ltd [2]	100	100
Capers Gourmet Kitchen Pty Ltd [2]	100	100	Michel's Patisserie (VQL) Pty Ltd [2]	100	100
CGP Systems Pty Ltd [2]	100	100	Michel's Patisserie (WA) Pty Ltd [2]	100	100
Coffee Houses CRD Pty Ltd [2]	100	100	Michel's Patisserie Corporate Retail Division Pty Ltd [2]	100	100
Coffee in a Can Pty Ltd [2]	100	-	Michel's Patisserie Management Pty Ltd [2]	100	100
Coleville Enterprises Pty Ltd [2]	100	100	Michel's Patisserie Operations Pty Ltd [2]	100	100
Crust Franchise Pty Ltd [2]	100	100	Michel's Patisserie System Pty Ltd [2]	100	100
DBC IP Holdings Pty Ltd [2]	100	-	Patisserie Delights Pty Ltd [2]	100	100
DBC Services Pty Ltd [2]	100	-	Pizza Capers Franchise Pty Ltd (formally PCGK Holdings Pty Ltd) [2]	100	100
DCM System Pty Ltd [2]	100	100	Pizza Corporate Retail Division Pty Ltd [2]	100	100
DK China Pty Ltd [2]	100	100	PRCH Holdings Pty Ltd [2]	100	-
Donquay Pty Ltd [2]	100	100	Regional Franchising Systems Pty Ltd [2]	100	100
Donut King Corporate Retail Division Pty Ltd [2]	100	100	RFG Finance Pty Ltd [2]	100	100
Donut King Franchise Pty Ltd [2]	100	100	RFGA Equitech Pty Ltd (formerly RFGA CMF Pty Ltd) [2]	100	100
Donut King System Pty Ltd [2]	100	100	RFGA Holdings (Aust) Pty Ltd [2]	100	100
Espresso Concepts Pty Ltd [2]	100	-	RFGA Holdings Pty Ltd [2]	100	100
			RFGA Management Pty Ltd [2]	100	100

24. Subsidiaries (cont.)

Entity	FY15 %	FY14 %	Entity	FY15 %	FY14 %
Roasted Addiqtion Pty Ltd (2)	100	-	Michel's Patisserie Systems (NZ) Limited Δ	100	100
Roasting Australia Holdings Pty Ltd (2)	100	-	RFG (NZ) Holdings Limited Δ	100	100
Systems Franchisor Pty Ltd (2)	100	100	RFG (NZ) Limited Δ	100	100
TCG Iprop Pty Ltd (2)	100	100	TCG Franchising Limited Δ	100	100
The Michel's Group Australia Pty Ltd (2)	100	100	Gloria Jean's Coffees India Private Limited ■	100	-
bb's New Zealand Limited Δ	100	100	Gloria Jean's Gourmet Coffee Corp ■	100	-
Brumby's Bakeries System (NZ) Limited Δ	100	100	Gloria Jean's Gourmet Coffee Franchising Corp ■	100	-
Café 2U (NZ) Limited Δ	100	-	Maranatha Import Export LLC ■	100	-
Caffe Coffee (NZ) Limited Δ	100	100	Praise IAG Franchisor LLC ■	100	-
CGP (NZ) Limited Δ	100	100	Praise IAG Stores LLC ■	100	-
Donut King (NZ) Limited Δ	100	100	Praise North America IP LLC ■	100	-
ECH System (NZ) Limited Δ	100	100	Praise Operations Company LLC ■	100	-
HDCZ (NZ) Limited Δ	100	100			

All entities utilise the functional currency of the country of incorporation.

(1) Head entity within the tax consolidated group.

(2) Members of the tax consolidated group.

All entities are incorporated in Australia unless identified with one of the following symbols:

Δ New Zealand.

■ USA.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has power over an entity, is exposed or has rights to variable returns from the entity and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

25. Parent entity disclosures

The parent entity in the Group is Retail Food Group Limited.

25.1 Financial position

Parent entity	FY15 $'000	FY14 $'000
Assets		
Current assets	6,628	14,157
Non-current assets	547,442	321,889
Total assets	554,070	336,046
Liabilities		
Current liabilities	50,011	5,014
Non-current liabilities	156,000	68,949
Total liabilities	206,011	73,963
Equity		
Issued capital	315,051	221,703
Retained earnings	33,008	40,367
Reserves		
Equity-settled employee benefits	-	13
Total equity	348,059	262,083

25.2 Financial performance

Parent entity	FY15 $'000	FY14 $'000
Profit for the year	27,378	35,863
Other comprehensive income	-	-
Total comprehensive income	27,378	35,863

25.3 Other Commitments

The parent entity has no contingent liabilities or expenditure commitments as at 30 June 2015 (FY14: nil).

26. Acquisitions

26.1 FY15 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
Acquisition of businesses:						
Café2U ('C2U')	Owner/Franchisor of the C2U Brand System	11 September 2014	15,000	15,000	-	-
Gloria Jean's Coffees Group ('GJC')	Owner/Franchisor of the Gloria Jean's and It's A Grind Brand Systems Coffee Roaster and wholesaler of coffee/allied product	3 December 2014	180,329	154,595	10,000	15,734
Di Bella Coffee ('DIB')	Coffee Roaster and wholesaler of coffee/allied product	18 February 2015	45,496	27,254	2,600	15,642
		Total Consideration:	240,825	196,849	12,600	31,376

Café2U

On 28 August 2014, the Group announced that it had entered into a conditional Share Purchase Agreement (SPA), subject to normal contractual terms and finalisation of due diligence enquiry, by which the business and intellectual property assets of the C2U Brand System ('C2U') would be acquired.

On 11 September 2014, the Group completed the acquisition of C2U for consideration of $15 million, paid on settlement in the form of cash.

Consideration	FY15 $'000
Cash	15,000
Contingent consideration	-
Total	15,000

26. Acquisitions (cont.)

26.1 FY15 acquisitions (cont.)

Café2U (cont.)

The net assets acquired in the business combination are as follows:

Net assets acquired	Fair value on acquisition $'000
Current assets	
Trade and other receivables	370
Other financial assets	40
Inventories	175
Other current assets	74
Total current assets	659
Non-current assets	
Intangible assets	9,242
Total non-current assets	9,242
Total assets	9,901
Current liabilities	
Trade and other payables	793
Current tax liabilities	17
Provisions – current	67
Other current liabilities	96
Total current liabilities	973
Total liabilities	973
Net assets	8,928
Goodwill on acquisition of business	6,072
Acquisition price	15,000

Net cash flow on acquisition	FY15 $'000
Total purchase consideration	15,000
Less: non-cash consideration	-
Consideration paid in cash	15,000
Less: cash and cash equivalent balances acquired	-
Total	15,000

26. Acquisitions (cont.)

26.1 FY15 acquisitions (cont.)

Gloria Jean's Coffees

On 24 October 2014, the Group announced that it had entered into a conditional Sale and Purchase Agreement (SPA), subject to normal contractual terms and customary terms to acquire Gloria Jean's Coffees for total consideration of $164.6 million, comprising cash and RFG shares, plus contingent consideration payable up to $16.4 million.

On 3 December 2014, the Group completed the acquisition of GJC for the following consideration:

- $154.6 million payable in cash;
- RFG ordinary shares to the value of $10 million; and
- Earn out payments up to a maximum of $16.4 million, contingent upon Gloria Jean's Coffees achieving future performance milestones. $15.7 million was brought to account on acquisition, representing the present value of the estimated fair value of the contingent earn-out.

Consideration	FY15 $'000
Cash	154,595
Scrip consideration	10,000
Contingent consideration	15,734
Total	180,329

26. Acquisitions (cont.)

26.1 FY15 acquisitions (cont.)

Gloria Jean's Coffees (cont.)

The net assets acquired in the business combination are as follows:

Net assets acquired	Fair value on acquisition $'000
Current assets	
Cash and cash equivalents	4,923
Trade and other receivables	12,423
Inventories	13,144
Current tax asset	45
Other current assets	730
Total current assets	31,265
Non-current assets	
Trade and other receivables	703
Property, plant and equipment	8,724
Intangible assets	143,932
Deferred tax asset	3,579
Total non-current assets	156,938
Total assets	188,203
Current liabilities	
Trade and other payables	16,638
Provisions – Current	2,937
Other current liabilities	1,716
Total current liabilities	21,291
Non-current liabilities	
Trade and other payables	883
Provisions – Non-current	262
Other non-current liabilities	58
Total non-current liabilities	1,203
Total liabilities	22,494
Net assets	165,709
Goodwill on acquisition of business	14,620
Acquisition Price	180,329

26. Acquisitions (cont.)

26.1 FY15 Acquisitions (cont.)

Gloria Jean's Coffees (cont.)

Net cash flow on acquisition	FY15 $'000
Total purchase consideration	180,329
Less: consideration payable	1,395
Less: non-cash consideration	25,734
Consideration paid in cash	153,200
Less: Cash and cash equivalent balances acquired	4,923
Add: Cash and cash equivalent balances not available for use	1,800
Total	150,077

26. Acquisitions (cont.)

26.1 FY15 Acquisitions (cont.)

Di Bella Coffee

On 25 November 2014, the Group announced that it had entered into a conditional Sale and Purchase Agreement (SPA), subject to normal contractual terms and customary terms to acquire Di Bella Coffee for total consideration of $29.9 million, comprising cash and RFG shares, and contingent consideration payable up to $17.3 million.

On 18 February 2015, the Group completed the acquisition of the Di Bella Coffee for the following consideration:

- $27.3 million initial cash payment;
- RFG ordinary shares to the value of $2.6 million; and
- Earn out payments up to a maximum of $17.3 million, contingent upon Di Bella Coffee achieving future performance milestones. $15.6 million was brought to account on acquisition, representing the present value of the estimated fair value of the contingent earn-out.

Consideration	FY15 $'000
Cash	27,254
Scrip consideration	2,600
Contingent consideration	15,642
Total	45,496

26. Acquisitions (cont.)

26.1 FY15 Acquisitions (cont.)

Di Bella Coffee (cont.)

The transaction has been accounted for on a provisional basis using the acquisition method of accounting. The Company is currently undertaking further assessment of identifiable intangible assets and deferred tax balances. The net assets acquired in the business combination are as follows:

Net assets acquired	Fair value on acquisition
	$'000
Current assets	
Cash and cash equivalents	51
Trade and other receivables	1,141
Inventories	576
Other current assets	49
Total current assets	1,817
Non-current assets	
Property, plant and equipment	3,909
Deferred tax assets	110
Intangible assets	15,198
Total non-current assets	19,217
Total assets	21,034
Current liabilities	
Trade and other payables	1,639
Borrowings	571
Current tax liabilities	167
Provisions – Current	287
Total current liabilities	2,664
Non-current liabilities	
Borrowings	381
Total non-current liabilities	381
Total liabilities	3,045
Net assets	17,989
Goodwill on acquisition of business	27,507
Acquisition Price	45,496

26. Acquisitions (cont.)

26.1 FY15 Acquisitions (cont.)

Di Bella Coffee (cont.)

Net cash flow on acquisition	FY15 $'000
Total purchase consideration	45,496
Less: non-cash consideration	18,242
Consideration paid in cash	27,254
Less: Cash and cash equivalent balances acquired	51
Total	27,203

26.2 Impact of acquisitions on the results of the Group

Included in Revenue for the year is $94.4m attributable to contributions generated by the Café2U ($4.5m), Gloria Jean's Coffees ($80.1m, including the $6.0m China JV licence fee) and Di Bella Coffee ($9.8m) acquisitions. Profit for the year (before tax) includes $20.1m attributable to the additional business generated by the above acquisitions, net of associated acquisition and integration costs.

26.3 FY14 Acquisitions

There were no acquisitions during the financial year ended 30 June 2014.

Accounting policy

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was sold.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based Payment'; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum time of one year.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

27. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed in the following sections.

27.1 Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

Equity interests in associates and joint ventures

There are no equity interests in associates or joint ventures.

Equity interests in other related parties

There are no equity interests in other related parties.

27.2 Transactions with Key Management Personnel

Details of all transactions with key management personnel are disclosed in the Directors' Report to the financial statements.

Other

28. Events after the reporting period

There has not been any matter or circumstance occurring, other than that referred to in this Annual Report, that has arisen since the end of the year, that has significantly affected, or, in the reasonable opinion of the Directors, may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the group in future financial periods, other than the following items:

Final dividend

On 27 August 2015, the Board of Directors declared a final dividend for the financial year ended 30 June 2015, as set out in the "Dividends" section of this financial report.

29. Contingent liabilities

Consolidated	FY15 $'000	FY14 $'000
Contingent liabilities		
Financial guarantees (1)	814	814
Rental guarantees (2)	2,838	1,660
	3,652	2,474

(1) During FY08, RFGA Management Pty Ltd, a subsidiary of Retail Food Group Limited, guaranteed the repayment of borrowings in the amount of $814 thousand made by the Australia and New Zealand Banking Group (the ANZ Bank) to certain franchisees. The guarantees had been given as security in respect of loans made by the ANZ Bank to enable certain franchisees to commission their outlets. Each guarantee is expected to be extinguished without cost to the Group in future financial periods.

(2) The Group, through various subsidiaries, is guarantor to a number of leases occupied and licensed to franchisees. No liabilities have been recognised as part of these rental guarantees.

29.1 Other - franchisee disputation

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.

30. Commitments for expenditure

Consolidated	FY15 $'000	FY14 $'000
Plant and equipment	9,753	7,121
Inventories	15,799	2,382
	25,552	9,503

31. Operating leases

31.1 Leasing arrangements

Operating leases relate to property leases (company stores and office premises) with lease terms of mainly five years, motor vehicle leases with lease terms of three years and office equipment leases with lease terms between two and four years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

31.2 Amounts recognised in profit or loss

Consolidated	FY15 $'000	FY14 $'000
Lease expense	12,126	5,378
	12,126	5,378

31. Operating leases (cont.)

31.3 Future minimum lease payments

Consolidated	FY15 $'000	FY14 $'000
Less than one year	5,420	4,366
Between one and five years	15,169	10,071
More than five years	4,169	648
	24,758	15,085

31.4 Liabilities recognised in respect of non-cancellable operating leases

Consolidated	FY15 $'000	FY14 $'000
Onerous leases and make-good (note 15)	2,094	102
	2,094	102

Accounting policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

32. Remuneration of auditors

Consolidated	FY15 $	FY14 $
Audit services		
Auditors of the parent entity		
Audit of the financial report	330,000	195,870
Review of the half-year financial report	65,000	44,900
Audit services – opening balances of acquired entities	202,000	-
	597,000	240,770
Other auditors		
Audit of the financial statements	19,539	18,988
	19,539	18,988

The auditor of Retail Food Group Limited is Deloitte Touche Tohmatsu.

Number of holders of equity securities as at 19 August 2015

Ordinary share capital

- 162,937,484 fully paid ordinary shares are held by 7,113 individual shareholders.

All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

	Total holders fully paid ordinary shares	Fully paid ordinary shares	% Issued capital	Total holders options	Options
1 – 1,000	2,360	1,155,018	0.7%	-	-
1,001 – 5,000	3,262	8,453,304	5.2%	-	-
5,001 – 10,000	820	5,900,167	3.6%	-	-
10,001 – 100,000	604	13,353,688	8.2%	-	-
100,001 and over	67	134,075,307	82.3%	-	-
	7,113	162,937,484	100.0%	-	-

Substantial shareholders

Ordinary shareholders	Fully paid		Partly paid	
	Number	Percentage	Number	Percentage
Mr Anthony (Tony) Alford	21,110,875	13.0%	-	-
Mawer Investment Management Limited	14,554,948	8.9%	-	-
Thorney Holdings Pty Ltd / Tiga Trading Pty Ltd	8,710,000	5.3%	-	-

ADDITIONAL STOCK EXCHANGE INFORMATION
AS AT 19 AUGUST 2015

Twenty largest holders of quoted equity instruments

Ordinary shareholders		Fully paid		Partly paid	
		Number	Percentage	Number	Percentage
1.	HSBC Custody Nominees	37,246,748	22.9%	-	-
2.	JP Morgan Nominees Australia	25,127,447	15.4%	-	-
3.	Citicorp Nominees Pty Ltd	11,619,334	7.1%	-	-
4.	National Nominees Limited	10,197,795	6.3%	-	-
5.	CGFH C2 Pty Ltd	9,378,947	5.8%		
6.	Alfords Holdings (Qld) Pty Ltd	6,637,309	4.0%	-	-
7.	RBC Investor Services Australia Nominees Pty Ltd	3,096,526	1.9%	-	-
8.	BNP Paribas Noms Pty Ltd	2,982,281	1.8%	-	-
9.	Anttra Pty Ltd	2,738,717	1.7%	-	-
10.	Brecot Pty Ltd	2,423,588	1.5%	-	-
11.	Brecot No 1 Pty Ltd	2,180,000	1.3%	-	-
12.	Tea & Coffee Traders Pty Ltd	1,882,814	1.2%	-	-
13.	AMP Life Limited	1,485,901	0.9%	-	-
14.	AMA Holdings (Qld) Pty Ltd	1,294,042	0.8%	-	-
15.	C G F H Holdings Pty Ltd	1,040,839	0.6%	-	-
16.	WSS Holdings (Aust) Pty Ltd	927,217	0.6%	-	-
17.	Risby Investments Pty Ltd	882,008	0.5%	-	-
18.	UBS Nominees Pty Ltd	843,296	0.5%	-	-
19.	Bexlie Holdings (QLD) Pty Ltd	737,365	0.5%	-	-
20.	CSF Investments (QLD) Pty Ltd	727,612	0.5%	-	-
Total		123,449,786	75.8%	-	-

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