RETAILFOODGROUP LIMITED

APPENDIX4D
INTERIMFINANCIALREPORT
HALF-YEAR ENDED 31 DECEMBER 2015

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

CONTENTS

	REPORTED					UNDERLYING OPERATIONS [1]	
	1H12	1H13	1H14	1H15	1H16	1H15	1H16
Financial							
Underlying Revenue[2]	$49.5m	$60.0m	$64.6m	$78.0m	$148.3m		
EBITDA	$24.4m	$25.6m	$28.1m	$34.5m	$49.2m	$39.3m	$53.5m
EBIT	$24.0m	$25.2m	$27.4m	$33.1m	$45.9m	$38.2m	$50.6m
NPAT	$14.5m	$14.6m	$17.3m	$21.5m	$28.9m	$25.3m	$32.1m
Basic EPS	13.4 cps	12.5 cps	12.9 cps	14.5 cps	17.6 cps	17.0 cps	19.6 cps
Dividend	8.5 cps	9.5 cps	10.75 cps	11.50 cps	13.00 cps		
Operating Performance							
Underlying Revenue Growth	(17.9%)	21.2%	7.7%	20.7%	90.2%		
EBITDA Growth	8.0%	5.0%	9.7%	22.5%	42.7%	39.7%	36.4%
EBIT Growth	8.1%	4.9%	8.7%	21.1%	38.5%	39.4%	32.5%
NPAT Growth	6.7%	0.7%	18.0%	24.4%	34.4%	46.4%	27.1%
Basic EPS Growth	5.3%	(6.7%)	3.2%	12.4%	21.4%	31.8%	15.3%
Outlets	1,126	1,391	1,401	2,476	2,509		

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

	1H15	1H16
EBIT - REPORTED	$33.1m	$45.9m
Acquisition transaction and integration costs (including restructuring costs)	$5.1m	$4.7m
EBIT - UNDERLYING OPERATIONS	$38.2m	$50.6m
NPAT results from 'Underlying Operations'		
NPAT - REPORTED	$21.5m	$28.9m
Post- tax impact of non-underlying EBIT adjustments	$3.8m	$3.2m
NPAT - UNDERLYING OPERATIONS	$25.3m	$32.1m

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

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

i. Revenue derived from marketing activities (1H16:$16.9m, 1H15: $16.0m; 1H14: $13.5m; 1H13:$10.8m; 1H12: $6.8m); and

ii. Revenue derived from warehousing and distribution activities (1H16: $1.6m, 1H15:$3.5m, 1H14 and prior: $nil).

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

Reporting Period

Current Reporting Period:	Half-Year Ended 31 December 2015.
Previous Corresponding Period:	Half-Year Ended 31 December 2014.

Revenue and Net Profit

Details		Growth PCP %		1H16 $'000
Revenue from operations	up	71.2%	to	166,828
Underlying Profit after tax attributable to member	up	27.1%	to	32,140
Profit from ordinary activities after tax attributable to members	up	34.4%	to	28,862
Net profit attributable to members	up	34.4%	to	28,862

Dividends

Details	Cents Per Share	Total Amount $'000	Franked / Unfranked	Payment Date
Declared and paid during the half-year				
Final FY15 dividend	11.75	19,145	100% Franked	9 October 2015
Declared after the end of the half-year				
Interim FY16 dividend	13.00	21,365	100% Franked	7 April 2016

Record date for determining entitlements to the interim FY16 dividend: 18 March 2016.

Net tangible assets per security

Details	31 December 2015	30 June 2015
Net tangible (liabilities) / assets per security (1)	(57.0 cents) (2)	(67.0 cents) (3)

(1) Net tangible assets defined as net assets less intangible assets.

(2) 31 December 2015 calculation based on 164,343,247 shares.

(3) 30 June 2015 calculation based on 162,937,484 shares.

APPENDIX 4D - SECTION B
COMMENTARY ON THE RESULTS

For comments on trading performance during the half-year, refer to the 1H16 media release, 1H16 Results Presentation and the Directors' Report.

The interim fully franked dividend of 13.00 cents per share was approved by the Directors on 25 February 2016. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the half-year financial statements. The Board also resolved that the interim dividend will constitute an eligible dividend for the purposes of the Company's Dividend Reinvestment Plan.

RETAIL FOOD GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2015

INDEX

Overview

The Directors of Retail Food Group Limited (referred to hereafter as the Company) submit herewith the Financial Report of the Company for the period ended 31 December 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 half-year are:

Name	Particulars
Mr Colin Archer	Independent Non-executive Chairman.
Mr Anthony (Tony) Alford	Managing Director.
Ms Jessica Buchanan	Independent Non-executive Director.
Mr Stephen Lonie	Independent Non-executive Director.
Ms Kerry Ryan	Independent Non-executive Director.
Mr Russell Shields	Independent Non-executive Director.

Principal activities

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

- Intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia & New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems;
- Development and management of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems excluding Esquires Coffee Houses; and
- Development and management of the Coffee Roasting Facilities and the wholesale supply of coffee and allied products to the existing Brand Systems and third party accounts under the 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 half-year ended 31 December 2015.

Review of operations and financial condition

Group Overview

The following table summarises the Group's reported results for the half-years ended 31 December 2015 and 31 December 2014:

Item	1H16	1H15	Change
Underlying Revenue (1)	$148.3m	$78.0m	90.2%
EBITDA (Underlying)	$53.5m	$39.3m	36.4%
EBITDA	$49.2m	$34.5m	42.7%
NPAT (Underlying)	$32.1m	$25.3m	27.1%
NPAT	$28.9m	$21.5m	34.4%
EPS (Underlying)	19.6 cps	17.0 cps	15.3%
EPS	17.6 cps	14.5 cps	21.4%
Interim Dividend per Share (DPS)	13.00 cps	11.50 cps	13.0%

(1) Underlying Revenue excludes revenue derived from marketing pursuits (1H16: $18.5m; 1H15: $19.5m).

The result for the half-year ended 31 December 2015 reflects a solid performance from the Group's Cash Generating Units (CGU's), full contributions from the Café2U, Gloria Jean's Coffees and Di Bella Coffee acquisitions occurring throughout the 2015 financial year, and the benefits from organisational restructuring activities undertaken as a consequence of acquisition completion.

Review of operations and financial condition (cont.)

Underlying Revenue (excluding marketing related receipts) for 1H16 was $148.3 million, representing a 90.2% increase (or $70.3 million) on the prior corresponding period (PCP). The increase in underlying revenue is primarily attributable to the following factors:

- $71.1 million contribution from acquisitions (Cafe2U, Gloria Jean's Coffees & Di Bella Coffee);
- $2.5 million contribution from sale of the Master Franchise Licences in New Zealand for the Brumby's Bakery, Esquires Coffee Houses, bb's café, The Coffee Guy and Café 2U Brand System operations; offset by
- $3.3 million 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 and other licence fee revenue occurring in PCP.

The 36.4% EBITDA growth and 27.1% NPAT growth was attributable to positive contributions from FY15 acquisitions, synergistic benefits from restructuring and integration activities, organic new outlet growth, and scale benefits realised in the Group's coffee roasting activities.

Underlying EPS of 19.6 cps represented a 15.3% increase on PCP.

Underlying EBITDA and Underlying NPAT for 1H16 excludes $4.3 million (pre-tax) in acquisition integration costs and corporate restructuring activities more particularly detailed in the Group's Market Presentation of the 2nd June 2015. The 1H16 costs excluded from Underlying EBITDA include $0.5 million of restructuring costs associated with the closure of the New Zealand national office and discontinuation of associated franchise servicing activities.

Financial Position and Cash Flows

Net Assets of $421.9 million have increased by $18.1 million (or 4.5%) from 30 June 2015. Total assets have increased by $7.7 million primarily due to investment in Property, Plant and Equipment, Other Financial assets and an increase in Intangible Asset carrying values attributable to movements in foreign exchange. Total liabilities have reduced by $10.4 million primarily attributable to payment of earn-out milestones in relation to Gloria Jean's and Di Bella acquisitions, and a reduction in trade payables.

Return on Investment (EBIT/Total Assets) increased by 1.8% on PCP to 6.7% on reported earnings, primarily attributable to the EBIT contributions of FY15 acquisitions. On an underlying basis, Return on Investment increased by 1.7% to 7.4%.

Cash inflows from operating activities for 1H16 remained strong at $28.9 million (1H15: $15.5 million), with the increase in net operating cash inflow attributable to the positive impact of acquisitions net of certain restructuring and integration costs. The cash conversion to EBITDA ratio improved to 90.4% (1H15: 75.6%), again reflecting the positive cash generation of acquired businesses and improved cash collection within Traditional Brand Systems.

Debt Structure

On 23 December 2015, the Group entered into a bi-lateral Senior Finance Facility with National Australia Bank (NAB) and Westpac Bank, replacing its existing senior debt facility with NAB. The new facility increased the total available facilities from $269 million to $304 million, with extended maturity dates on senior debt facilities of December 2018 to December 2020.

As at 31 December 2015, the Group's total gross debt was $208.5 million, with cash reserves and facility headroom of circa $106 million.

The Group's weighted average interest rate as at 31 December 2015 was 3.99%.

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); and
- 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 1H16 was $45.3 million (1H15: $38.1 million), representing growth of 18.9% (or $7.2 million), primarily attributable to acquisitions completed by the Group during FY15 (Café2U, Gloria Jean's Coffees and Di Bella Coffee) and organic new outlet growth of 142.

$3.6 million of integration and corporate restructuring costs unallocated to individual Brand System segments are attributable to Franchise Operations.

Review of operations and financial condition (cont.)

New outlet growth for 1H16 was 142 (PCP:75), including 73 new international outlets across 41 countries. Net outlet growth for 1H16 was 63 (PCP: 26), which comprised 79 total outlet closures consistent with guidance, including 12 Michel's outlets not suitable for alignment with National Bakery Solution (NBS). Outlet population statistics are detailed in the Segment information note (note 3).

Compared to 1H15 and attributable to the operating activities previously discussed, the Group's Brand Systems exhibited weighted same store sales (SSS) growth of 1.7% and weighted average transaction value (ATV) growth of 3.7%. SSS by segment included Donut King 2.8%, Michel's 2.3%, Brumby's 2.2%, QSR (0.8% decline) and Coffee Retail 2.2%.

In December 2015, the Group granted Master Franchise Licences in New Zealand for the Brumby's Bakery, Esquires Coffee Houses, bb's café, The Coffee Guy and Café2U Brand System operations, devolving day-to-day network management and operational obligations in New Zealand to an experienced licensee. Costs associated with exiting the direct franchise operations in New Zealand post licencing of the territory, including employee redundancies, are included in the 1H16 result.

Coffee and Allied Beverage

Coffee and Allied Beverage results represent the Group's wholesale product sales in the contract roasting, commercial and in-home market segments. Underlying Coffee and Allied Beverage Operations EBITDA for 1H16 was $8.2 million (1H15: $1.2 million), representing growth of $7.0 million, primarily attributable to acquisitions completed by the Group during FY15 (Roasting Australia Holdings - RAH - and Maranatha LLC, via the Gloria Jean's Coffees acquisition, and Di Bella Coffee).

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 completion of integration and restructuring activities commenced 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 period, 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 items:

Interim Dividend

On 25 February 2016, the Board of Directors declared to pay an interim dividend in respect of profits of the financial year ending 30 June 2016. The interim dividend of 13.00 cents per share (based on 164,343,247 shares on issue at 25 February 2016), franked to 100% at 30% corporate income tax rate will be paid on 7 April 2016. The interim dividend was approved by the Directors following the conclusion of 1H16 and, therefore, was not provided for in the half-year financial report. It was resolved that the interim 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	1H16			1H15	
	Cents Per Share	Total $'000		Cents Per Share	Total $'000
Declared and paid during the half-year					
Fully paid ordinary shares					
Final dividend – fully franked at 30% tax rate [1]	11.75	19,145		11.25	16,299
Declared after the end of the half-year					
Fully paid ordinary shares					
Interim dividend – fully franked at 30% tax rate[2]	13.00	21,365		11.50	18,437

(1) In respect of profits of the financial year ended 30 June 2015, as detailed in the Directors' Report for that financial year, a final dividend of 11.75 cents per share (based on 162,937,484 shares on issue), franked to 100% at 30% corporate income tax rate, was paid on 9 October 2015.

(2) In respect of profits of the financial year ending 30 June 2016, an interim dividend of 13.00 cents per share, based on 164,343,247 shares on issue at 25 February 2016, franked to 100% at 30% corporate income tax rate, will be paid on 7 April 2016. The interim dividend was approved by the Directors on 25 February 2016 and, therefore, was not provided for in the Company's financial report. It was resolved that the interim dividend will constitute an eligible dividend for the purpose of the Company's Dividend Reinvestment Plan.

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the half-year 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 half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

RETAIL FOOD GROUP LIMITED

COLIN ARCHER
Chairman

A J (TONY) ALFORD
Managing Director

Southport, 25 February 2016

Deloitte.

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The Board of Directors
Retail Food Group Limited
1 Olympic Circuit
Southport, QLD 4215

25 February 2016

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 review of the financial statements of Retail Food Group Limited for the half-year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tendai Mkwananzi
Partner
Chartered Accountant

Deloitte.

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Independent Auditor's Review Report to the Members of Retail Food Group Limited

We have reviewed the accompanying half-year financial report of Retail Food Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 28.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Retail Food Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tendai Mkwananzi
Partner
Chartered Accountants
Brisbane, 25 February 2016

DIRECTORS` DECLARATION

The Directors declare that:

(i) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the Directors

RETAIL FOOD GROUP LIMITED

A J (TONY) ALFORD
Managing Director

Southport, 25 February 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Note	1H16 $'000	1H15 $'000
Continuing operations			
Revenue from sale of goods	4	92,851	33,766
Cost of sales	5	(58,888)	(20,744)
Gross profit		33,963	13,022
Other revenue	4	73,977	63,672
Other gains and losses		(309)	-
Selling expenses		(10,100)	(8,292)
Marketing expenses		(15,849)	(13,541)
Occupancy expenses		(4,230)	(1,929)
Administration expenses		(10,623)	(5,223)
Operating expenses		(15,501)	(9,798)
Finance costs		(4,960)	(2,503)
Other expenses		(5,412)	(4,770)
Profit before tax	5	40,956	30,638
Income tax expense		(12,094)	(9,160)
Profit for the period from continuing operations		28,862	21,478
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		2,522	514
Other comprehensive income for the period, net of tax		2,522	514
Total comprehensive income for the period		31,384	21,992
Profit attributable to:			
Equity holders of the parent		28,862	21,478
Total comprehensive income attributable to:			
Equity holders of the parent		31,384	21,992
Earnings per share			
From continuing operations:			
Basic (cents per share)		17.6	14.5
Diluted (cents per share)		17.6	14.5

The condensed consolidated financial statements should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Note	1H16 $'000	FY15 $'000
Current assets			
Cash and cash equivalents	6	14,911	17,149
Trade and other receivables		40,610	41,077
Other financial assets		8,127	7,122
Inventories		20,949	20,901
Current tax assets		319	1,595
Other		2,328	2,338
Total current assets		87,244	90,182
Non-current assets			
Trade and other receivables		1,872	2,832
Other financial assets		25,443	22,464
Property, plant and equipment		48,090	42,927
Deferred tax assets		8,817	8,664
Intangible assets	7	515,567	512,979
Other		740	-
Total non-current assets		600,529	589,866
Total assets		687,773	680,048
Current liabilities			
Trade and other payables		23,622	29,768
Borrowings	8	346	50,475
Provisions		4,967	5,558
Other		17,897	11,224
Total current liabilities		46,832	97,025
Non-current liabilities			
Borrowings	8	208,660	156,169
Provisions		287	272
Other		10,128	22,800
Total non-current liabilities		219,075	179,241
Total liabilities		265,907	276,266
Net assets		421,866	403,782
Equity			
Issued capital	9	320,896	315,051
Reserves	10	3,798	1,276
Retained earnings	11	97,172	87,455
Total equity		421,866	403,782

The condensed consolidated financial statements should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Note	Fully Paid Ordinary Shares $'000	Equity Settled Employee Benefits Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 July 2014		221,703	14	354	87,972	310,043
Profit for the period		-	-	-	21,478	21,478
Other comprehensive income		-	-	514	-	514
Total comprehensive income		-	-	514	21,478	21,992
Share issue costs		(1,419)	-	-	-	(1,419)
Related income tax		426	-	-	-	426
Issue of ordinary shares		70,444	-	-	-	70,444
Issue of shares under executive share option plan		13	-	-	-	13
Transfer from equity-settled employee benefits reserve	10	14	(14)	-	-	-
Payment of dividends	12	-	-	-	(16,299)	(16,299)
Balance as at 31 December 2014		291,181	-	868	93,151	385,200
Balance as at 1 July 2015		315,051	-	1,276	87,455	403,782
Profit for the period		-	-	-	28,862	28,862
Other comprehensive income		-	-	2,522	-	2,522
Total comprehensive income		-	-	2,522	28,862	31,384
Share issue costs	9	(22)	-	-	-	(22)
Related income tax		7	-	-	-	7
Issue of ordinary shares	9	5,860	-	-	-	5,860
Issue of shares under executive share option plan		-	-	-	-	-
Transfer from equity-settled employee benefits reserve	10	-	-	-	-	-
Payment of dividends	12	-	-	-	(19,145)	(19,145)
Balance as at 31 December 2015		320,896	-	3,798	97,172	421,866

The condensed consolidated financial statements should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Note	1H16 $'000	1H15 $'000
Cash flows from operating activities			
Receipts from customers		179,296	92,462
Payments to suppliers and employees		(134,841)	(66,412)
Interest and other costs of finance paid		(4,670)	(2,604)
Income taxes paid		(10,882)	(7,993)
Net cash provided by operating activities		28,903	15,453
Cash flows from investing activities			
Interest received		207	99
Amounts advanced to other entities		(3,453)	(3,810)
Proceeds from sale of property, plant and equipment		70	10
Payments for property, plant and equipment		(6,242)	(6,440)
Payment for intangible assets		(284)	(519)
Payment for business, net of cash acquired		(7,362)	(167,839)
Net cash used in investing activities		(17,064)	(178,499)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	55,015
Payment for share issue costs		(22)	(1,419)
Payment for debt issue costs		(802)	(445)
Proceeds from borrowings		124,000	180,000
Repayment of borrowings		(121,637)	(40,000)
Dividends paid		(13,285)	(10,856)
Net cash used in financing activities		(11,746)	182,295
Net (decrease) / increase in cash and cash equivalents		(48)	19,249
Effects of currency translation on cash and cash equivalents		141	-
Cash and cash equivalents at the beginning of the period		14,395	11,559
Cash and cash equivalents at the end of the period	6	14,488	30,808

The condensed consolidated financial statements should be read in conjunction with the accompanying notes.

1. General information

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

Registered Office	Principal Administration Office
RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215

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

- Intellectual property ownership of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses (Australia and New Zealand), Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems;
- Development and management of the Donut King, bb's café, Brumby's Bakery, Michel's Patisserie, Esquires Coffee Houses, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar, The Coffee Guy, Café2U, Gloria Jean's Coffees, It's A Grind and Di Bella Coffee Brand Systems throughout the world, whether directly managed and/or as licensor for all Brand Systems 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 Evolution Coffee Roasters Group, Caffe Coffee, Roasted Addiqtion, Barista's Choice and Di Bella Coffee brands.

2. Significant accounting policies

2.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The half-year financial report was authorised for issue by the Directors on 25 February 2016.

2.2 Basis of preparation

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

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

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.

2. Significant accounting policies (cont.)

2.2 Basis of preparation (cont.)

All other accounting policies

All other accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those policies and methods adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the following Standards and Interpretations. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

2.3 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', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	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 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
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 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	30 June 2017

2. Significant accounting policies (cont.)

2.3 Standards and interpretations in issue not yet adopted (cont.)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 16 Leases	1 January 2019	30 June 2020
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	30 June 2018

2.4 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:

Standard/Interpretation	
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

3. Segment information

3.1 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.

3.2 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.

3. Segment information (cont.)

3.2 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	
	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000	1H16 $'000	1H15 $'000
External revenue	12,425	12,666	14,227	17,518	12,906	10,230	12,377	13,825	4,615	2,741	48,591	15,831	42,964	5,061	148,105	77,872
Inter-CGU revenue	145	94	64	319	290	117	43	105	-	-	461	141	-	-	1,003	776
CGU revenue [1]	12,570	12,760	14,291	17,837	13,196	10,347	12,420	13,930	4,615	2,741	49,052	15,972	42,964	5,061	149,108	78,648
CGU EBITDA	7,834	7,441	8,586	8,447	5,331	5,693	6,915	6,768	1,749	960	14,902	8,760	8,204	1,190	53,521	39,259
Depreciation & amortisation															(3,250)	(1,312)
Interest revenue															207	99
Other gains/(losses)															(76)	-
Finance costs															(4,960)	(2,503)
Unallocated															(4,486)	(4,905)
Profit before tax															40,956	30,638
Income tax expense															(12,094)	(9,160)
Profit after tax for the period															28,862	21,478
Outlets	341	350	281	317	256	277	335	354	351	321	945	857			2,509	2,476

[1] CGU – revenue reconciliation	1H16 $'000	1H15 $'000
Revenue for the period – Statutory	166,828	97,438
Less: revenue associated with marketing pursuits	(18,516)	(19,467)
Underlying revenue for the period	148,312	77,971
Inter-CGU revenue: eliminated on consolidation	1,003	776
Less: interest revenue	(207)	(99)
Total CGU revenue	149,108	78,648

3. Segment information (cont.)

3.3 Geographical information

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

4. Revenue

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

Consolidated	1H16 $'000	1H15 $'000
Revenue from the sale of goods	92,851	33,766
Revenue from the rendering of services	73,456	63,573
	166,307	97,339
Interest revenue:		
Bank deposits	52	55
Other loans and receivables	155	44
	207	99
Rental revenue	314	-
Total	166,828	97,438

During the period, the Group recorded $2.5 million in revenue from sale of International Territory Master Franchise licences, and $1 million in "Other Revenue" considered non-recurring in nature.

5. Profit for the period from continuing operations

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

Consolidated	1H16 $'000	1H15 $'000
Cost of sales	58,888	20,744
Inventory write-down to net realisable value(2)	30	120
Impairment of trade receivables(2)	707	562
Impairment of loans carried at amortised cost(2)	1,285	-
Acquisition transaction and integration costs (including restructuring costs)(1)	3,371	5,100
Depreciation of property, plant and equipment(2)	2,896	1,017
Amortisation of property, plant and equipment(2)	354	295
Employee benefits expenses:		
Post employment benefits (defined contribution plans)	2,045	1,406
Other employee benefits (wages and salaries)	30,125	18,932
Total	32,170	20,338

(1) In 1H15, as a consequence of the Café2U and Gloria Jean's Coffees acquisitions, and pending Di Bella transaction, the Company accelerated certain restructuring activities more particularly detailed in the Company's market presentation of the 24th October 2014 and 2 June 2015. The 1H16 costs include restructuring costs associated with the closure of the New Zealand national office and discontinuation of associated franchise servicing activities.

(2) Amounts are included in other expenses in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

6. Cash and cash equivalents

6.1 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	1H16 $'000	FY15 $'000
Cash and bank balances	14,911	17,149
Less: cash not available for use	(423)	(2,754)
	14,488	14,395

6.2 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 31 December 2015, cash balances not available for use totalled $0.4 million (2015: $2.75 million). 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. 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 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
Additions	-	86	-	198	284
Acquisitions through business combinations [1]	405	-	-	-	405
Effects of foreign currency translation	491	799	928	-	2,218
Balance as at 31 December 2015	79,801	429,445	6,265	3,574	519,085
Accumulated amortisation					
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)
Amortisation expense	-	-	-	(319)	(319)
Balance as at 31 December 2015	-	(2,950)	-	(568)	(3,518)
Net book value					
As at 30 June 2015	78,905	425,610	5,337	3,127	512,979
As at 31 December 2015	79,801	426,495	6,265	3,006	515,567

[1] Adjustment following finalisation of acquisition values.

8. Borrowings

Consolidated	1H16 $'000	FY15 $'000
Secured at amortised cost		
Current		
Bank loans	-	50,000
Equipment loans	346	475
	346	50,475
Non-current		
Bank loans	208,500	156,000
Equipment loans	160	169
	208,660	156,169
	209,006	206,644

On 23 December 2015, the Group entered into a bi-lateral Senior Finance Facility with National Australia Bank (NAB) and Westpac Bank, replacing its existing senior debt facility with NAB. The new facility increases the total available facilities from $269 million to $304 million, with extended maturity dates on senior debt facilities of December 2018 to December 2020.

9. Issued capital

Consolidated	1H16 $'000	FY15 $'000
164,343,247 fully paid ordinary shares (FY15: 162,937,484)	320,896	315,051
	320,896	315,051

	1H16		FY15	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares (1)				
Balance at beginning of period	162,937	315,051	144,868	221,703
Issue of ordinary shares (2)	1,406	5,860	18,059	94,481
Share issue costs	-	(22)	-	(1,657)
Related income tax	-	7	-	497
Issue of shares under executive share option plan	-	-	10	13
Transfer from equity-settled employee benefits reserve	-	-	-	14
Balance at end of period	164,343	320,896	162,937	315,051

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

(2) During the period, a total of 1,405,763 ordinary shares were issued as follows:

a. 1,405,763 shares issued on 9 October 2015 in respect of the Company's Dividend Reinvestment Plan, attributable to the payment of the final dividend for the financial year ended 30 June 2015. The issue price of the share was $4.17.

10. Reserves

Foreign currency translation reserve	1H16 $'000	FY15 $'000
Balance at beginning of period	1,276	354
Exchange differences on translating foreign operations	2,522	922
Balance at end of period	3,798	1,276

Equity-settled employee benefits reserve	1H16 $'000	FY15 $'000
Balance at beginning of period	-	14
Transfer to share capital	-	(14)
Balance at end of period	-	-

11. Retained earnings

Consolidated	1H16 $'000	FY15 $'000
Balance at beginning of period	87,455	87,972
Net profit attributable to members of the parent entity	28,862	34,219
Dividends provided for or paid	(19,145)	(34,736)
Balance at end of period	97,172	87,455

12. Dividends

Company	1H16		1H15	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend – fully franked at 30% tax rate	11.75	19,145	11.25	16,299
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend – fully franked at 30% tax rate (1)	13.00	21,365	11.50	18,437

(1) In respect of profits of the financial year ending 30 June 2016, an interim dividend of 13.00 cents per share, based on 164,343,247 shares on issue at 25 February 2016, franked to 100% at 30% corporate income tax rate, will be paid on 7 April 2016. The interim dividend was approved by the Directors on 25 February 2016 and, therefore, was not provided for in the Company's financial report. It was resolved that the interim dividend will constitute an eligible dividend for the purpose of the Company's Dividend Reinvestment Plan.

13. Acquisitions

13.1 FY15 Acquisitions

Di Bella Coffee

This transaction was accounted for on a provisional basis using the acquisition method of accounting as at 30 June 2015, pending further assessment of identifiable intangible assets and deferred tax liabilities. These valuations have since been finalised.

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
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:	45,496	27,254	2,600	15,642

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 initial consideration of $29.9 million, comprising cash and RFG shares, plus 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. Earn out payments of $4.9 million have been made since acquisition date.

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

13.1 FY15 Acquisitions (cont.)

Di Bella Coffee (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	51
Trade and other receivables	1,071
Inventories	576
Other current assets	49
Total current assets	1,747
Non-current assets	
Property, plant and equipment	3,659
Deferred tax assets	110
Intangible assets	15,198
Total non-current assets	18,967
Total assets	20,714
Current liabilities	
Trade and other payables	1,639
Borrowings	571
Current tax liabilities	167
Provisions – Current	372
Total current liabilities	2,749
Non-current liabilities	
Borrowings	381
Total non-current liabilities	381
Total liabilities	3,130
Net assets	17,584
Goodwill on acquisition of business	27,912
Acquisition Price	45,496

13.1 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

14. Events after the reporting period

Interim Dividend

On 25 February 2016, the Board of Directors declared to pay an interim dividend in respect of profits of the financial year ending 30 June 2016. The interim dividend of 13.00 cents per share (based on 164,343,247 shares on issue at 25 February 2016), franked to 100% at 30% corporate income tax rate, will be paid on 7 April 2016. The interim dividend was approved by the Directors following the conclusion of 1H16 and, therefore, was not provided for in the half-year financial report. It was resolved that the interim dividend will constitute an eligible dividend for the purpose of the Company's Dividend Reinvestment Plan.

Joint Company Secretaries	Registered Office	Principal Administration Office	Share Registry
Mr Anthony Mark Connors & Mrs Tracy Bartley RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	RFG House 1 Olympic Circuit Southport QLD 4215	Computershare Investor Services 117 Victoria Street West End QLD 4000