

APPENDIX 4D (Rule 4.2A) HALF-YEAR REPORT FOR THE PERIOD ENDED 25 DECEMBER 2016
Results for announcement to the market
(All comparisons to the period ended 27 December 2015)

Revenue and Profit	25 Dec 2016 \$'000	27 Dec 2015 \$'000	Up/ Down	Move- ment %
Revenues from ordinary activities	301,343	216,295	Up	39.3%
Net profit after tax	21,207	16,167	Up	31.2%
Profit after tax attributable to owners	21,196	16,098	Up	31.7%

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Final 2016 dividend per share	23 Sep 2016	3.00	3.00	30%
Interim 2017 dividend per share	23 Mar 2017	3.00	3.00	30%

Interim dividend dates

Ex-dividend date	2 March 2017
Record date for determining entitlements to dividend	3 March 2017
Payment date	23 March 2017

RCG's dividend reinvestment plan will not apply to this dividend.

Net tangible assets per share	25 Dec 2016	27 Dec 2015
Net tangible assets per share (cents)	4.1	2.7

Details of entities over which control has been gained or lost during the period

During the year the Company gained control over Hype DC Pty Ltd

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report and the notes thereto.

This report is based on the attached Half year Financial Report which has been subject to review.



RCG CORPORATION LIMITED

ABN 85 108 096 251

Condensed Consolidated Financial Statements for the half-year ended 25 December 2016

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RCG Corporation Limited

ABN 85 108 096 251

Directors	Ivan Hammerschlag Hilton Brett Michael Hirschowitz Michael Hapgood Daniel Agostinelli Craig Thompson David Gordon Stephen Kulmar Daniel Gilbert (appointed on 4 Aug 2016) Michael Cooper (resigned on 25 Nov 2016)
Company Secretary	Leanne Ralph
Registered and Administration Office	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310-0000 E-mail: investors@rcgcorp.com.au
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277 GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditors	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney, NSW 2000
Bankers	National Australia Bank
Stock Exchange Listing	Australian Securities Exchange (ASX Code: RCG)

DIRECTORS' REPORT

Your directors submit the condensed consolidated financial statements of RCG Corporation Limited ('the Company' or 'RCG') and its controlled entities ('the consolidated entity' or 'the Group') for the half-year ended 25 December 2016.

Directors

The names of the directors who held office during or since the end of the half-year:

Ivan Hammerschlag
Hilton Brett
Daniel Agostinelli
Michael Hirschowitz
Michael Hapgood
Craig Thompson
David Gordon
Stephen Kulmar
Daniel Gilbert (appointed on 4 August 2016)
Michael Cooper (resigned on 25 November 2016)

Company Secretary

Leanne Ralph

Principal Activities

RCG is an investment holding company which owns and operates a number of footwear and apparel businesses in the performance and active lifestyle sectors.

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

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

Operating Results

For the half-year ended 25 December 2016 the Group recorded Net Profit after Tax ("NPAT") attributable to owners of the company of \$21.2 million, an increase of 31% on the prior year's result. Underlying¹ NPAT increased 34% to \$23.3 million.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") was \$42.9 million, an increase of 42% on the prior year's \$30.3 million.

Underlying diluted Earnings Per Share was 4.30 cents, an increase of 17% on the prior year's 3.67 cents.

Review of operations

Accent Group

Accent is the Australian and New Zealand distributor of a number of international footwear, apparel and accessory brands including Vans, Skechers, Timberland, Dr Martens, Stance

¹ References to "underlying" results are references to non-IFRS financial information, which management believes is more meaningful for investors than reported (IFRS) financial information. A reconciliation between underlying and reported financial information is provided in the appendix to our investor presentations which can be downloaded from our website at rcgcorp.com.au

and Palladium and also owns and operates the Platypus Shoes sneaker stores, as well as a number of mono-branded Skechers, Vans and Timberland stores.

The Accent Division recorded total sales of \$191.5 million for the half-year, an increase of 18% on the prior year. Retail sales were \$153.3 million, up 28% on the same period in the prior year with like-for-like sales for the period growing by 7.6%. Wholesale sales for the period fell by 9% to \$38.3 million, mainly as a result of year-on-year timing differences.

Accent delivered EBITDA of \$29.5 million for the half-year, an increase of 32% on the prior period.

Accent rolled out 28 new stores during the half-year, including 10 Platypus, 15 Skechers, 1 Vans and 1 Timberland store, taking Accent's total number of stores, including eCommerce sites, to 168 at 25 December 2016.

The Athlete's Foot

The Athlete's Foot ("TAF") is Australia's largest specialty retailer of athletic and performance footwear.

TAF recorded total group sales of \$96.2 million for the half-year, a decrease of 2% on the same period in the prior year, mainly as a result of the timing of Boxing Day which, unlike last the year, fell into the January trading period this year. Like-for-like sales for the period were in line with those of the prior year.

The Athlete's Foot's EBITDA for the half-year fell 15% to \$4.8 million. Approximately 60% of the decline is as a result of a combination of the timing of Boxing Day and the temporary closure of stores due to refitting for the new performance format.

TAF has converted seven stores to the new look performance format. The trading results from these stores are being used to gain further insights, allowing management to continue to refine the offer.

RCG Brands

RCG Brands is a wholesale and vertical retail business within the RCG stable. RCG Brands is the exclusive distributor of Merrell in Australia and exclusive distributor of CAT footwear and apparel, Saucony and Sperry in Australia and New Zealand. The business also operates a number of mono-branded Merrell retail stores as well as the Podium Sports outlet business and Grounded concept store.

RCG Brands recorded sales of \$34.2 million for the half-year, an increase of 2% on the previous year. Wholesale sales of 18.3 million were materially in line with those of the previous year. Retail sale for the period grew 5% to \$15.9 million, with like-for-like sales growing 1%.

RCG Brands EBITDA for the half-year was \$1.5 million, a decrease of 64% on the previous year's \$4.3 million. Much of this decrease was expected and was a result of reduced gross profit margin as a consequence of a significantly lower AUD/USD exchange rate than in the prior year. Weaker than expected sales and gross profit in the Merrell retail business also contributed to the decrease.

The new 'Grounded' concept store was opened at Chadstone in October 2016. Feedback has been positive and management is continuing to refine the range and consumer offering.

Hype DC

On 4 July 2016 RCG announced that it had entered into a binding agreement to acquire 100% of the shares in Hype DC, an Australian retailer of branded athleisure and style footwear with a purchase price based on six times Hype's normalised maintainable EBITDA for the financial year ending 30 June 2016. The transaction completed on 4 August 2016. The final purchase price was \$99m².

Hype's underlying EBITDA³ for the first-half of the financial year was \$9.3m on total sales of \$65.5m. Like-for-like sales for the period were in line with those of the previous year.

Dividends

On 25 August 2016, the Company declared an ordinary fully franked dividend of 3.00 cents per share. The dividend was paid on 23 September 2016. On 24 February 2017, the Company declared an interim dividend of 3.00 cents per share to be paid on 23 March 2017 to shareholders registered on the 3 March 2017 record date. RCG's dividend reinvestment plan will not apply to this dividend.

Auditor's Independence Declaration

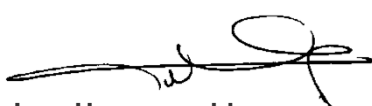
The auditor's independence declaration has been received and can be found on page 5 of the half-year report.

Rounding off of Amounts

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

Signed in accordance with a resolution of the Board of directors made pursuant to s306 (3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Ivan Hammerschlag'.

Ivan Hammerschlag
Chairman

A handwritten signature in black ink, appearing to read 'Hilton Brett'.

Hilton Brett
Co-CEO

Sydney, 24 February 2017

² As part consideration for Hype DC, 36.84 million shares were issued to the vendors at \$1.425 (\$52.5m).

However, under the accounting standards, the share price on the date of completion must be used to calculate the purchase price. That share price was \$1.71, which will have the effect of increasing the recorded purchase price of Hype DC to approximately \$110m.

³ Although RCG acquired Hype DC with effect from 1 July 2016, under the accounting standards, profits can only be consolidated from the date of Completion of the transaction (4 August 2016). Earnings from the Effective date to the Completion date have been included in Underlying EBITDA

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

24 February 2017

Dear Board Members

RCG Corporation Limited

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

As lead audit partner for the review of the financial statements of RCG Corporation Limited for the half-year ended 25 December 2016, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 25 December 2016

		Consolidated	
		Dec 2016	Dec 2015
	Note	\$'000	\$'000
Continuing operations			
Revenue	2	301,343	216,295
Finished goods used		(158,215)	(113,188)
Changes in merchandise inventories		23,812	13,485
Employee benefits expense		(58,099)	(40,119)
Rental expenses on operating leases		(33,365)	(19,471)
Advertising and promotion expenses		(8,577)	(6,500)
Travel and telecommunications expenses		(1,891)	(1,853)
Warehouse and freight expenses		(10,020)	(8,928)
Depreciation and amortisation expense		(9,649)	(6,077)
Finance costs		(1,942)	(2,172)
Other expenses		(13,137)	(8,883)
Profit before income tax		30,260	22,589
Income tax expense		(9,053)	(6,422)
Profit for the period		21,207	16,167
Other comprehensive income for the period net of tax			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation		242	442
Net change in the fair value of cash flow hedges taken to equity, net of tax		4,443	(2,490)
Total comprehensive income for the period		25,892	14,119
Profit for the period attributable to:			
Owners of the Company		21,196	16,098
Non-controlling interests		11	69
		21,207	16,167
Total comprehensive income attributable to:			
Owners of the Company		25,881	14,050
Non-controlling interests		11	69
		25,892	14,119
Earnings per share			
Basic earnings per share (cents per share)	11	4.07	3.55
Diluted earnings per share (cents per share)	11	4.01	3.47

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of financial position
As at 25 December 2016

		Consolidated	
		Dec 2016	Jun 2016
Note		\$'000	\$'000
Current Assets			
	Cash and cash equivalents	43,975	44,573
4	Trade and other receivables	26,285	25,472
5	Inventories	113,310	78,534
	Other current assets	2,686	2,730
	Total current assets	186,256	151,309
Non-current Assets			
4	Trade and other receivables	869	869
6	Property, plant and equipment	70,273	42,620
7	Intangible assets	358,575	245,875
	Deferred tax assets	14,788	10,652
	Total non-current assets	444,505	300,016
	TOTAL ASSETS	630,761	451,325
Current Liabilities			
8	Trade and other payables	100,509	58,986
9	Borrowings	4,000	10,013
	Current tax liabilities	6,577	5,236
10	Derivative financial instruments	779	6,608
	Short-term provisions	4,503	3,203
	Deferred incentives	4,949	3,160
	Total current liabilities	121,317	87,206
Non-current Liabilities			
9	Borrowings	91,125	40,000
	Deferred tax liabilities	17,319	7,314
10	Derivative financial instruments	681	1,968
	Long-term provisions	609	332
	Deferred incentives	19,277	8,218
	Total non-current liabilities	129,011	57,832
	TOTAL LIABILITIES	250,328	145,038
	NET ASSETS	380,433	306,287

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of financial position
As at 25 December 2016

	Consolidated	
	Dec 2016	Jun 2016
Note	\$'000	\$'000
Equity		
Issued capital	383,711	319,319
Reserves	6,254	1,390
Accumulated losses	(11,325)	(16,282)
Equity attributable to the owners of the company	378,640	304,427
Non-controlling interest	1,793	1,860
TOTAL EQUITY	380,433	306,287

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year ended 25 December 2016

	Issued Capital No. in 000	Issued Capital \$'000	Foreign Currency Reserves \$'000	Share Plan Reserve \$'000	Hedge Reserve \$'000	Accum- ulated Losses \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 28 June 2015	436,265	257,741	2,790	3,519	1,471	(22,693)	1,547	244,375
Shares issued during the period								
Exercise of options	3,550	1,091	-	-	-	-	-	1,091
Share placement	14,366	10,056	-	-	-	-	-	10,056
Capitalised option fees	-	136	-	-	-	-	-	136
Issue under Employee Share Scheme	1,700	-	-	-	-	-	-	-
Treasury shares	(1,700)	-	-	-	-	-	-	-
Payment for Treasury shares	3,000	900	-	-	-	-	-	900
Share based payment	-	-	-	202	-	-	-	202
Profit for the period	-	-	-	-	-	16,098	69	16,167
Other Comprehensive Income for the period net of tax	-	-	442	-	(2,490)	-	-	(2,048)
Total Comprehensive Income	-	-	442	-	(2,490)	16,098	69	14,119
Dividends paid or provided for	-	-	-	-	-	(11,752)	(79)	(11,831)
Balance at 27 December 2015	457,181	269,924	3,232	3,721	(1,019)	(18,347)	1,537	259,048
Balance at 26 June 2016	490,304	319,319	3,136	3,721	(5,467)	(16,282)	1,860	306,287
Shares issued during the period								
Exercise of options	2,862	395	-	-	-	-	-	395
Issue of shares for acquisition	36,842	62,926	-	-	-	-	-	62,926
Capitalised option fees	-	30	-	-	-	-	-	30
Treasury shares	-	-	-	-	-	-	-	-
Payment for Treasury shares	2,117	1,041	-	-	-	-	-	1,041
Treasury shares	(2,117)	-	-	-	-	-	-	-
Share based payment	-	-	-	179	-	-	-	179
Profit for the period	-	-	-	-	-	21,196	11	21,207
Other Comprehensive Income for the period	-	-	242	-	4,443	-	-	4,685
Total Comprehensive Income	-	-	242	-	4,443	21,196	11	25,892
Dividends paid or provided for ^(a)	-	-	-	-	-	(16,239)	(78)	(16,317)
Balance at 25 December 2016	530,008	383,711	3,378	3,900	(1,024)	(11,325)	1,793	380,433

a) The Company declared an ordinary fully franked dividend of 3.00 cents per share on 25 August 2016 and paid on 23 September 2016.

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 25 December 2016

	Consolidated	
	Dec 2016	Dec 2015
Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and franchisees	333,012	215,615
Payments to suppliers and employees	(255,897)	(170,092)
Interest received	546	652
Payments for operating leases	(28,783)	(21,712)
Net income tax paid	(10,137)	(5,235)
Finance costs paid	(1,942)	(2,171)
Net cash provided by operating activities	36,799	17,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of business	14 (30,579)	(15,275)
Payment for property, plant and equipment	(23,858)	(10,030)
Net cash used in investing activities	(54,437)	(25,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	31,987	11,349
Net proceeds from issue of shares	1,224	12,045
Repayment of loans from option recipients	210	29
Dividends paid	(16,317)	(11,831)
Net cash provided by financing activities	17,104	11,592
Net increase/(decrease) in cash held	(534)	3,344
Cash at beginning of the period	44,573	29,990
Effects of exchange rate changes on the balance of cash held in foreign currencies	(64)	(459)
Cash at end of the period	43,975	32,875

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year condensed consolidated financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year condensed consolidated financial statements do not include notes of the type normally included in an annual report and are to be read in conjunction with the most recent annual consolidated financial statements and any public announcements made by RCG during the interim reporting period in accordance with the continuous reporting requirements of the Corporations Act 2001.

Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

The financial report covers the consolidated entity of RCG Corporation Limited and controlled entities. RCG Corporation Limited is a listed public company incorporated and domiciled in Australia.

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Changes in comparative financial information have been made where necessary to correspond with accounting policies adopted in the current period.

Critical accounting estimates

The preparation of the half-year condensed consolidated financial statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year condensed consolidated financial statement, the judgements made by management in applying the consolidated entities accounting policies and the key source of estimation uncertainty were the same as those applied to the consolidated financial report as at 26 June 2016.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year include:

- Annual improvements to IFRSs 2012-2014 Cycle
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs (AASB 8, AASB 133 & AASB 1057)
- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-2 Disclosure Initiative: Amendments to AASB 101
- AASB 2014-3 Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 116 and AASB 138)
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

The adoption of the above accounting standards has had no material impact on the Group.

Application of new and revised Accounting Standards not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
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', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 2016-5 Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
IFRS 2 Share-based Payment – amendments clarifying how to account for certain types of share-based payment transactions	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

The potential impact of these Standards and Interpretations has not yet been fully determined. The Group does not intend to adopt any of these announcements before their effective dates.

	Consolidated	
	Dec 2016	Dec 2015
	\$'000	\$'000
2. REVENUE		
a) Sales revenue		
Sales to customers	289,874	205,499
Royalties and other franchise related income	7,426	7,398
	297,300	212,897
b) Other revenue		
Marketing levies received from TAF stores	1,871	1,922
Interest	547	571
Other revenue	1,625	905
Total Revenue	301,343	216,295
3. EXPENSES		
Profit from continuing operations before income tax includes the following specific expenses		
Depreciation and amortisation expense		
Property, plant and equipment depreciation expense	7,983	4,411
Intangible amortisation expense	1,666	1,666
	9,649	6,077
Finance costs		
Finance costs	1,942	2,172
	1,942	2,172
Rental expense relating to operating leases		
Minimum lease payments	33,365	19,471
Others		
Salaries, bonus and commission		
Defined contribution Superannuation plan expense	3,419	1,870

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

		Consolidated	
		Dec 2016	Jun 2016
		\$'000	\$'000
4. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		23,660	22,331
Other receivables		3,618	4,266
Provision for doubtful debts		(993)	(1,125)
		26,285	25,472
NON-CURRENT			
Loans to outside shareholders in TAF Partnership stores ^(a)		869	869
		869	869
a) Secured over the minority shareholders' share in the underlying TAF Partnership store entities.			
5. CURRENT ASSETS - INVENTORIES			
Finished goods at cost, less provision for obsolescence		113,310	78,534

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

	Consolidated	
	Dec 2016 \$'000	Jun 2016 \$'000
6. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost	118,943	75,253
Less: Accumulated depreciation	(49,167)	(33,376)
	69,776	41,877
Assets under construction	497	743
	70,273	42,620
	Dec 2016 \$'000	Dec 2015 \$'000
Movements in carrying amounts		
Property, plant and equipment - at cost		
At cost		
Balance at beginning of year	75,253	53,493
Additions	24,447	9,465
Acquisitions through business combination	22,699	-
Disposals	(3,456)	-
	118,943	62,958
Accumulated depreciation		
Balance at beginning of year	33,376	25,426
Depreciation expense	7,983	4,408
Acquisitions through business combination	10,287	-
Effect of foreign currency exchange differences	90	-
Disposals	(2,569)	-
	49,167	29,834
	69,776	33,124
Assets under construction	497	542
Net book value	70,273	33,666

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

	Consolidated	
	Dec 2016 \$'000	Jun 2016 \$'000
7. INTANGIBLE ASSETS		
a.Brands and Trademarks		
The Athlete's Foot - at cost	3,466	3,466
Accent Group - at cost	11,100	11,100
Hype DC Group - at cost	30,259	-
	44,825	14,566
b.Goodwill		
The Athlete's Foot ^(a)	18,019	18,019
Accent Group ^(b)	182,681	182,681
RCG Brands ^(c)	9,755	9,755
Hype DC ^(d)	84,107	-
	294,562	210,455
c. Licence fee		
The Athlete's Foot - at cost	7,832	7,832
Amortisation	(219)	(202)
	7,613	7,630
d. Distribution rights		
Accent Group - at cost	16,800	16,800
Amortisation	(5,225)	(3,576)
	11,575	13,224
Total Intangibles	358,575	245,875

(a) CGU's consisting of franchising and retail activities of The Athlete's Foot operating segment.

(b) CGU's consisting of wholesale and retail activities of the Accent Group operating segment.

(c) CGU's consisting of wholesale and retail activities of the RCG Brands operating segment.

(d) CGU's consisting of retail activities of the Hype DC operating segment. The values identified in relation to the acquisition of Hype DC, in particular allocations of synergistic benefits to other CGU's, are provisional as at 25 December 2016 and will be finalised within 12 months from acquisition date.

8. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade creditors	69,674	38,886
Other creditors and accruals	30,835	20,100
	100,509	58,986

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

	Consolidated	
	Dec 2016	Jun 2016
	\$'000	\$'000
9. BORROWINGS		
Secured, at amortised cost		
Current		
Bank borrowing facilities	4,000	10,013
	4,000	10,013
Non-current		
Vendor loan notes ^(a)	13,125	-
Bank borrowing facilities	78,000	40,000
	91,125	40,000
 Total Borrowings	 95,125	 50,013

(a) Vendor loan notes were issued in connection with the Hype DC acquisition and are repayable on 4 August 2018.

10. DERIVATIVE INSTRUMENTS

a. Financial liabilities - Current

Derivatives designated and effective as hedging
instruments carried at fair value

Interest rate swap contracts

Foreign currency forward contracts

779	6,608
779	6,608

b. Financial assets - Non-current

Derivatives designated and effective as hedging

Foreign currency forward contracts

-	593
-	593

Financial liabilities - Non-current

Derivatives designated and effective as hedging

Interest rate swap contracts

681	1,375
681	1,375

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

Consolidated	
Dec 2016	Dec 2015
\$'000	\$'000
11. EARNINGS PER SHARE	
Earnings used for calculation of basic and diluted earnings per share	
Profit for the period attributable to owners of the company from continuing operations	
21,196	16,098
Number of shares	
'000	'000
Weighted average number of shares	
Weighted average number of shares used in the calculation of basic EPS	
521,099	454,121
Weighted average number of options and ESS on issue	
7,329	9,462
Weighted average number of shares used in the calculation of diluted EPS	
528,428	463,583
Earnings per share	
Cents per share	
From continuing operations	
Basic earnings per share attributable to the owners of the company	
4.07	3.55
Diluted earnings per share attributable to the owners of the company	
4.01	3.47

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

Consolidated	
Dec 2016	Jun 2016
\$'000	\$'000
12. COMMITMENTS	
a. Capital Expenditure Commitments	
Estimated capital expenditure at reporting date, not provided for in the financial statements pertaining to plant and equipment	
- not later than one year	
10,000	8,813
b. Operating Lease Commitments	
Future operating lease rentals (minimum lease payments) of premises, plant and equipment not provided for in the financial statements and payable under non-cancellable operating leases.	
- not later than one year	
61,603	39,467
- later than one year but not later than five years	
189,466	111,636
- later than five years	
41,043	17,457
292,112	168,560

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

13. Operating Segments

a. Identification of reportable operating segments

The Group is presently organised into five operating segments: The Athlete's Foot, RCG Brands, Accent Group, Hype DC and Corporate. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The financial information reported to the CODM is on a monthly basis.

b. Types of products and services

The principal products and services of each of these operating segments are as follows:

The Athlete's Foot - franchisor and retailer of general sports footwear;
 RCG Brands - wholesalers and retailers of Merrell, Caterpillar, Sperry and Saucony branded footwear/apparel in Australia and New Zealand and operators of Merrell Retail, Podium Sports and Grounded stores;
 Accent Group - wholesalers and retailers of Skechers, Vans, Dr. Martens, Timberland and Palladium branded footwear/apparel and accessories, and operators of Skechers, Vans, Timberland and Platypus retail stores;
 Hype DC - retailer of branded athleisure and style footwear;
 Corporate - RCG corporate which provides company secretarial, legal, financial, human resources management, investor and public relations services

c. Intersegment transactions

Intersegment transactions were made on an arms-length basis. Intersegment transactions are eliminated on consolidation.

d. Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

13. SEGMENT INFORMATION (Continued)

Consolidated - half year ended	The Athlete's Foot	RCG Brands	Accent Group	Hype DC	Corporate/ Unallocated ^(a)	Intercompany Eliminations	Total
Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016	Half year ended Dec 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate & Partnership Stores (No.)	14	30	166	67	-	-	277
Online Stores (No)	1	4	2	1	-	-	8
Franchise Stores (No.)	132	-	-	-	-	-	132
Total (No.)	147	34	168	68	-	-	417
Total Group Sales (including franchised stores)	96,227	34,179	191,517	54,795	-	-	376,718
Corporate Store Sales	9,383	15,896	153,252	54,795	-	-	233,326
Wholesale Sales	-	18,283	38,265	-	-	-	56,548
Sales to Customers	9,383	34,179	191,517	54,795	-	-	289,874
Less: Cost of goods sold	4,922	19,733	85,142	24,606	-	-	134,403
Gross Profit	4,461	14,446	106,375	30,189	-	-	155,471
Net Revenue from Franchising activity	7,426	-	-	-	-	-	7,426
Realised and unrealised FX gain	-	(4)	-	-	-	-	(4)
Other Income	367	109	440	709	-	-	1,625
Dividend received	-	-	-	-	17,000	(17,000)	-
Net Revenue	12,254	14,551	106,815	30,898	17,000	(17,000)	164,518
Less: Employee benefits expense	4,136	5,479	34,777	11,880	1,827	-	58,099
Less: Rental expenses on operating leases	1,770	2,663	20,247	8,589	96	-	33,365
Less: Total Other Expenses	1,536	4,877	22,291	2,736	309	-	31,749
EBITDA from continuing operations	4,812	1,532	29,500	7,693	14,768	(17,000)	41,305
Amortisation	542	309	5,890	1,226	1,682	-	9,649
EBIT from continuing operations	4,270	1,223	23,610	6,467	13,086	(17,000)	31,656
Interest received/(paid)	38	-	(177)	(6)	(1,251)	-	(1,396)
Segment profit before tax from continuing operations	4,308	1,223	23,433	6,461	11,835	(17,000)	30,260
Segment Assets	31,568	29,805	177,432	42,978	382,757	(33,779)	630,761
Segment Liabilities	21,244	23,501	95,440	33,249	110,673	(33,779)	250,328

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

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

13. SEGMENT INFORMATION (Continued)

Consolidated - half year ended	The Athlete's Foot	RCG Brands	Accent Group	Corporate/ Unallocated ^(a)	Intercompany Eliminations	Total
Dec 2015	Half year ended Dec 2015 \$'000	Half year ended Dec 2015 \$'000	Half year ended Dec 2015 \$'000	Half year ended Dec 2015 \$'000	Half year ended Dec 2015 \$'000	Half year ended Dec 2015 \$'000
Corporate & Partnership Stores (No.)	13	27	126	-	-	166
Online Stores (No)	1	1	1	-	-	3
Franchise Stores (No.)	132	-	-	-	-	132
Total (No.)	146	28	127	-	-	301
Total Group Sales (including franchised stores)	98,123	33,653	162,018	-	-	293,794
Corporate Store Sales	9,828	15,208	120,015	-	-	145,051
Wholesale Sales	-	18,445	42,003	-	-	60,448
Sales to Customers	9,828	33,653	162,018	-	-	205,499
Less: Cost of goods sold	5,014	16,876	77,813	-	-	99,702
Gross Profit	4,814	16,777	84,205	-	-	105,796
Net Revenue from Franchising activity	7,398	-	-	-	-	7,398
Realised and unrealised FX gain	-	(2)	71	-	-	69
Other Income	414	98	324	-	-	836
Dividend received	-	-	-	-	-	-
Net Revenue	12,626	16,873	84,600	-	-	114,099
Less: Employee benefits expense	3,754	5,214	29,852	1,299	-	40,119
Less: Rental expenses on operating leases	1,703	2,457	15,216	95	-	19,471
Less: Total Other Expenses	1,520	4,917	17,212	593	-	24,242
EBITDA from normal operations	5,649	4,285	22,320	(1,987)	-	30,267
Less: Acquisition costs of Accent Group	-	-	-	-	-	-
EBITDA from continuing operations	5,649	4,285	22,320	(1,987)	-	30,267
Less: Depreciation and Amortisation	539	287	3,571	1,680	-	6,077
EBIT from continuing operations	5,110	3,998	18,749	(3,667)	-	24,190
Interest (paid)/received	48	-	(224)	(1,425)	-	(1,601)
Segment profit before tax from continuing operations	5,158	3,998	18,525	(5,092)	-	22,589
Segment Assets	30,512	33,785	138,560	269,802	(35,524)	437,135
Segment Liabilities	14,374	30,534	73,591	95,112	(35,524)	178,087

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

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

14. BUSINESS COMBINATIONS

On 4 August 2016, the Group completed the acquisition of 100% of the ordinary shares of Hype DC Pty Limited, an Australian retailer of branded athleisure and style footwear, for the total consideration transferred of \$109,853,000. The provisional goodwill of \$84,107,000 represents the present values of future cash flows.

Details of the acquisition are as follows:

	Dec 2016
	\$'000
Purchase consideration	
Cash paid	33,425
Issue of shares	62,926
Vendor note	13,125
Interest paid to vendors	377
Total purchase consideration	<u>109,853</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair Value
	\$'000
Cash and cash equivalents	2,846
Inventory	10,964
Property, plant and equipment	11,778
Brands	30,259
Trade and other payables	(14,914)
Tax liabilities	(1,055)
Deferred tax	(7,238)
Lease incentives	(4,822)
Other current liabilities	(1,015)
Employee entitlements	(1,057)
Net identifiable assets acquired	<u>25,746</u>
Add: Goodwill	<u>84,107</u>
Acquisition-date fair value of the total consideration transferred	<u>109,852</u>

	Dec 2016
	\$'000
Cash flow information	
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	33,425
Less: cash acquired	(2,846)
Net outflow of cash	<u>30,579</u>

(a) The values identified in relation to the acquisition of Hype DC, in particular allocations of synergistic benefits to other CGU's, are provisional as at 25 December 2016 and will be finalised within 12 months from acquisition date.

RCG Corporation Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended
25 December 2016

15. NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

a. Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	Dec 2016 \$'000	Jun 2016 \$'000		
Foreign currency forward contracts	(779)	(7,201)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contracts	(681)	(1,375)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	Dec 2016 \$'000	Jun 2016 \$'000
Financial assets		
Trade and other receivables	26,285	25,472
Cash and cash equivalents	43,975	44,573
Financial liabilities		
Trade and other payables	100,509	58,986
Borrowings	95,125	88,013

16. ISSUES OF EQUITY

Issued capital as at 25 December 2016 amounted to \$383,711,000 represented by 530,007,891 shares (541,291,224 equity shares less treasury shares 11,283,333). During the half-year the company issued ordinary shares for \$63,321,000 (36,842,000 ordinary shares as part consideration to the Hype DC vendors and 2,862,000 options issued under the Employee Option Plan being exercised).

17. DIVIDENDS

On 25 August 2016, the Company declared an ordinary fully franked dividend of 3.00 cents per share amounting to \$16.3 million. The dividend was paid on 23 September 2016. On 24 February 2017 the Company declared an interim dividend of 3.00 cents per share to be paid on 23 March 2017 to shareholders registered on the 3 March 2017 record date. RCG's dividend reinvestment plan will not apply to this dividend.

18. SUBSEQUENT EVENTS

Since the end of the period, the Directors are not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial periods subsequent to 25 December 2016.



RCG Corporation Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 25 December 2016

19. CONTINGENT LIABILITIES

Bank guarantees outstanding as of 25 December 2016 amounted to \$6.28 million (\$6.67 million in December 2015) and open letters of credit of \$2.65 million (\$12.41 million in December 2015).

The Athlete's Foot has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by its franchisees. However, its franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. In addition, some franchisees have provided bank guarantees (generally for a maximum period of three months' rent) and in some instances personal guarantees to the landlords of the properties. The company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be \$51.4 million (less than one year \$16.5 million; between one and five years \$32.2 million; and \$2.7 million over five years). This would arise only in the event that all franchisees defaulted at the same time.

20. COMPANY DETAILS

The registered office and principal place of business is:

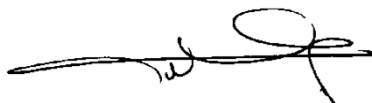
RCG Corporation Limited
719 Elizabeth Street, Waterloo
NSW 2017, AUSTRALIA

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes to RCG Corporation Limited ('the consolidated entity'), as set out on pages 6 to 26, are in accordance with the Corporations Act 2001; including that they:
 - a. comply with Australian Accounting Standards AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the financial position as at 25 December 2016 and performance for the half-year ended on that date of the consolidated entity.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. 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



Ivan Hammerschlag
Chairman



Hilton Brett
CEO

Sydney, 24 February 2017

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

We have reviewed the accompanying half-year financial report of RCG Corporation Limited, which comprises the condensed consolidated statement of financial position as at 25 December 2016, 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, 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 end of the half-year or from time to time during the half-year as set out on pages 6 to 27.

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 gives a true and fair view and 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 25 December 2016 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 RCG Corporation 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.

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 RCG Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

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 RCG Corporation 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 25 December 2016 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

Michael Kaplan

Michael Kaplan
Partner
Chartered Accountants
Sydney, 24 February 2017