

**Appendix 4D**  
**Half Yearly Report to the Australian Stock Exchange**  
**under Listing Rule 4.2A**

Name of Entity

RCG Corporation Limited

ABN

85 108 096 251

Reporting period

Half year ended  
30 December 2007

Previous corresponding period

Half year ended  
31 December 2006

This report should be read in conjunction with the entity's most recent annual financial report

<b>Results for announcement to the market</b>	\$A '000	\$A '000
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Revenue from ordinary activities	Up	20%	from	8,906	to	10,721
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Profit/(Loss) from continuing operations after tax attributable to members	Up	233%	from	701	to	2,332
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Net Profit/(Loss) for the period attributable to members	Up	-	from	(8,884)	to	2,332
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Dividends (distributions)	Amount per security	Franked amount per security
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Interim Dividend	-	-
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Interim Dividend Previous corresponding period	-	-
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Record date for determining entitlements to the dividend	-
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	Current Period	Previous corresponding period
Net Tangible Assets (cents per share)	14.5	1.6

**Brief explanation of figures reported above and commentary on the results for the period:**

Revenue from ordinary activities includes revenue from continuing operations only.  
 For further commentary, please refer to the attached financial report, Directors' report and Chairman's review.

**Additional information on Dividends**

Date the dividend is payable	-
Amount per security of foreign sourced dividend or distribution	-

<b>Dividend reinvestment plan in operation?</b>	-
<b>The last date for receipt of an election notice for participation in the dividend reinvestment plans</b>	Not Applicable

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

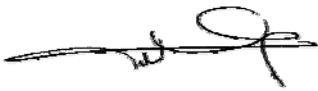

The company completed a transaction to sell King of Knives on 17 October 2007. As the buyer assumed responsibility for the financial performance of King of Knives from 2 July 2007, the group's financial results for the current period do not include those of King of Knives.

**Audit/Review Status**

The report is based on Accounts which have been subject to review

**Attachments forming part of Appendix 4D**

Financial Statements including the Auditor's Independent Review Report.

<b>Signed by Directors</b>	
	
Ivan Hammerschlag	Michael Hirschowitz
26 February 2008	26 February 2008

**RCG CORPORATION LIMITED**

**ABN 85 108 096 251**

## **Financial Report for the half-year ended 30 December 2007**

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# RCG Corporation Limited

ABN 85 108 096 251

## Directors

Ivan Hammerschlag  
Michael Cooper  
Michael Hirschowitz  
David Gordon  
Hilton Brett  
Stephen Kulmar  
(appointed 14 August 2007)

## Company Secretary

Howard Knapp

## Registered and Administration Office

Unit 7  
29 Bridge Road  
Stanmore NSW 2048  
Telephone: 02 8594-9292  
Fax: 02 9550-3573  
E-mail: [investors@rcgcorp.com.au](mailto: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

PKF  
Level 10, 1 Margaret Street  
Sydney  
NSW 2000

## Bankers

Westpac Banking Corporation

## Stock Exchange Listing

Australian Stock Exchange  
(ASX Code: RCG)

## Chairman's Review

Dear Fellow Shareholders,

I am pleased to be able to report that RCG has had an excellent six months and has achieved all of its financial, strategic and operational objectives for the period. These are described in more detail below.

### Financial performance

The group's profitability for the first half of the financial year exceeded expectations. The Athlete's Foot has continued to achieve double digit like-for-like sales growth and is substantially outperforming both its sector and specialty retail in general. Together with the revenue increases attributable to the growth in store numbers and other revenue initiatives, this has resulted in The Athlete's Foot increasing profit before tax by 97% compared to the same period last year.

At the same time, corporate restructuring and cost control initiatives resulted in a significant decrease in corporate overheads. In addition, because the group was significantly net cash positive during the period, we earned a substantial amount of interest, which compares favourably to the considerable interest cost for the same period last year.

As a result of all these factors, group net profit was \$2.33m for the period, an increase of 233% on the same period last year. There is no tax payable for the period as a result of carried forward tax losses.

The following table summarises some of the key financial metrics.

	Jul 07 – Dec 07 (\$000's)	Jul 06 – Dec 06 (\$000's)	Percentage improvement
<b>The Athlete's Foot group sales <sup>(1)</sup>:</b>			
• Like-for-like sales	62,075	56,113	11%
• Total sales	66,789	57,747	16%
<b>The Athlete's Foot net profit before tax</b>	<b>2,918</b>	<b>1,480</b>	<b>97%</b>
Net corporate costs	(586)	(1,260)	53%
<b>Net profit before tax</b>	<b>2,332</b>	<b>220</b>	<b>960%</b>
Income tax benefit / (expense)	-	481	-
<b>Consolidated net profit after tax</b>	<b>2,332</b>	<b>701</b>	<b>233%</b>

### Execution of strategy

Ensuring the smooth completion of the King of Knives sale transaction was the key strategic focus for the first quarter of the financial year. With the successful completion of the transaction in mid October 2007, the board turned its attention to developing and executing a growth strategy centred around making synergistic acquisitions, whilst at the same time continuing to drive growth from The Athlete's Foot.

In order to fund anticipated acquisitions, the group successfully raised \$15m in October 2007, predominantly from a select group of highly regarded small cap funds. In addition to this cash, RCG has also obtained support from its bankers for a substantial acquisition funding facility and we have access to considerable additional capital from our institutional investors if required. Together this provides RCG with a highly liquid balance sheet and ready access to funds to finance acquisitions.

We are now involved in identifying and examining potential acquisitions on a full-time basis. A number of potential acquisitions have already been identified, reviewed and rejected. We have a several opportunities under active consideration and our investigations and enquiries are continuing in earnest. We are keen to grow organically and through acquisitions of the right businesses.

(1) Group sales include both corporate and franchise sales

Operational objectives

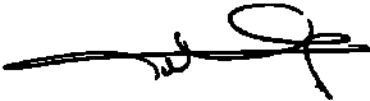
The sale of King of Knives provided us with an opportunity to reorganise our business administration functions more efficiently and run The Athlete's Foot as standalone business from an operational perspective. This has resulted in reduced corporate overhead and improved administrative and reporting efficiencies.

Operationally, The Athlete's Foot has continued to focus on improving its already outstanding service delivery and consistency across all customer interface touch points. In addition, the business is well on track to exceed its target of 10 new stores for the year, with 7 stores opened in the first half and at least 4 more scheduled for opening in the second half of the financial year.

Conclusion

It is clear that the decisions taken by your board during the 2007 financial year are now paying off. RCG has achieved all of its goals for the first half of the 2008 financial year and that strong financial performance together with continued double-digit like for like sales growth during January 2008 provides us with confidence that we will achieve or exceed our full year forecasts.

Yours Faithfully



**Ivan Hammerschlag**  
Chairman

## Directors' Report

Your directors submit the financial report of RCG Corporation Limited and its controlled entities for the half-year ended 30 December 2007.

### Directors

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

Ivan Hammerschlag  
David Gordon  
Hilton Brett  
Michael Hirschowitz  
Michael Cooper  
Stephen Kulmar (appointed on 14 August 2007)

### Company Secretary

Howard Knapp

### Principal Activities

RCG Corporation is an investment holding company. It currently owns The Athlete's Foot, Australia's largest specialty retailer of athletic footwear.

### Operating Results

The net profit for the half-year ended 30 December 2007 of the consolidated entity after providing for income tax was \$2.33m.

### Review of Operations

An overview of the operations of the various business units is provided in the Chairman's Review on page 2. Please refer there for further details.

### Dividends

The Company has not declared or paid a dividend during or since the end of the half year.

### Auditors' Independence Declaration

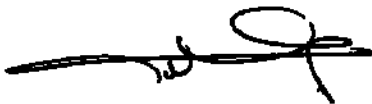
The auditors' independence declaration has been received and can be found on page 5 of the directors' report.

### Rounding off of Amounts`

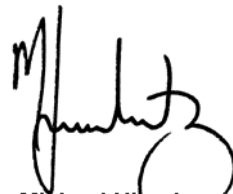
The Company is a company of the kind referred to in ASIC, class order 98/100, dated 10 July 1998, and in accordance with that class order amounts in the directors' report and in the financial report are rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Ivan Hammerschlag  
Chairman



Michael Hirschowitz  
Finance Director

Sydney, 26 February 2008

**Auditor's Independence Declaration  
Under section 307C of the Corporations Act 2001**

As lead auditor for the review of RCG Corporation Limited for the half year ended 30 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of RCG Corporation Limited and the entities it controlled during the half year.



**PKF**



**Tim Sydenham  
Partner**

**Sydney  
26 February 2008**

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**RCG Corporation Limited and its controlled entities**  
**Condensed consolidated income statement**  
**For the half-year ended 30 December 2007**

	Note	Consolidated	
		Dec 2007 \$'000	Dec 2006 \$'000
<b><u>Continuing operations</u></b>			
Revenue	2	10,721	8,906
Cost of sales		(3,174)	(3,028)
Employee benefits expense		(2,567)	(2,846)
Rental expenses on operating leases		(877)	(801)
Advertising and promotion - corporate store contribution		(193)	(192)
Depreciation and amortisation expense		(149)	(124)
Provision for doubtful debts		(53)	(70)
Finance costs		(47)	(246)
Other expenses		(930)	(1,124)
<b>Profit before share based payment, impairment and income tax</b>	3	<b>2,731</b>	475
Impairment of tangible assets	3	-	(131)
Share based payment expense		(399)	(124)
<b>Profit before income tax</b>	3	<b>2,332</b>	220
Income tax (expense)/benefit		-	481
<b>Profit for the period from continuing operations</b>		<b>2,332</b>	701
<b><u>Discontinued operations</u></b>			
<i>King of Knives</i>			
Impairment of intangible assets		-	(5,278)
Profit for the period from discontinued operations		-	450
Impairment of tangible assets		-	(1,528)
<i>Amazing Paints</i>			
Loss for the year from discontinued operations		-	(455)
Loss from discontinued operations placed in voluntary administration		-	(2,774)
<b>Profit/(Loss) attributable to members of the parent entity</b>		<b>2,332</b>	<b>(8,884)</b>
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic earnings per share (cents per share)		1.43	(10.17)
Diluted earnings per share (cents per share)		1.25	(10.17)
From continuing operations:			
Basic earnings per share (cents per share)		1.43	0.80
Diluted earnings per share (cents per share)		1.25	0.80
From discontinued operations:			
Basic earnings per share (cents per share)		-	(10.97)
Diluted earnings per share (cents per share)		-	(10.97)

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

**RCG Corporation Limited and its controlled entities**  
**Condensed consolidated balance sheet**  
**As at 30 December 2007**

	Note	Consolidated	
		Dec 2007 \$'000	June 2007 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		18,527	2,435
Trade and other receivables	4	6,101	1,382
Inventories		1,543	1,269
Other current assets	5	85	348
Assets classified as held for sale		-	8,835
<b>Total current assets</b>		<b>26,256</b>	<b>14,269</b>
<b>Non-current Assets</b>			
Property, plant and equipment	6	932	782
Intangible assets	7	9,661	9,661
Deferred tax assets		1,314	1,254
<b>Total non-current assets</b>		<b>11,907</b>	<b>11,697</b>
<b>TOTAL ASSETS</b>		<b>38,163</b>	<b>25,966</b>
<b>Current Liabilities</b>			
Trade and other payables		4,673	4,296
Short-term borrowings	8	37	437
Short-term provisions		153	156
Liabilities associated with assets classified as held for sale		-	4,362
<b>Total current liabilities</b>		<b>4,863</b>	<b>9,251</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	8	56	1,073
Long-term provisions		46	35
<b>Total non-current liabilities</b>		<b>102</b>	<b>1,108</b>
<b>TOTAL LIABILITIES</b>		<b>4,965</b>	<b>10,359</b>
<b>NET ASSETS</b>		<b>33,198</b>	<b>15,607</b>
<b>Equity</b>			
Issued capital		58,134	43,240
Reserves		782	418
Accumulated losses		(25,718)	(28,050)
<b>TOTAL EQUITY</b>		<b>33,198</b>	<b>15,607</b>

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

**RCG Corporation Limited and its controlled entities**  
**Condensed consolidated statement of changes in equity**  
**For the half-year ended 30 December 2007**

**Consolidated Entity**

	Issued Capital No. in '000	Issued Capital \$'000	Foreign Currency Reserves \$'000	Share Reserve \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 July 2006</b>	87,377	39,517	(113)	27	(19,578)	19,853
Executive Long Term Share Incentive Plan	-	-	-	10	-	10
Directors and Employees Options Plan	-	-	-	88	-	88
Transaction costs relating to issue of shares	-	(99)	-	-	-	(99)
Exchange differences on translation of foreign operations	-	-	90	-	-	90
Loss for the period	-	-	-	-	(8,884)	(8,884)
Sub-total	87,377	39,418	(23)	125	(28,462)	11,058
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 31 December 2006</b>	87,377	39,418	(23)	125	(28,462)	11,058
<b>Balance at 2 July 2007</b>	131,511	43,240	10	408	(28,050)	15,607
Shares issued during the period						
Placement of shares	66,617	15,403	-	-	-	15,403
Executive Long Term Share Incentive Plan	-	-	-	20	-	20
Directors and Employees Options Plan	437	-	-	379	-	379
Transaction costs relating to issue of shares	-	(509)	-	-	-	(509)
Exchange differences on translation of foreign operations	-	-	(35)	-	-	(35)
Profit for the period	-	-	-	-	2,332	2,332
Sub-total	198,565	58,134	(25)	807	(25,718)	33,198
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 30 December 2007</b>	198,565	58,134	(25)	807	(25,718)	33,198

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

**RCG Corporation Limited and its controlled entities**  
**Condensed consolidated cash flow statement**  
**For the half-year ended 30 December 2007**

	<b>Consolidated</b>	
	<b>Dec 2007</b>	<b>Dec 2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and franchisees	10,199	27,508
Interest received	198	8
Payments to suppliers and employees	(6,956)	(19,213)
Payments for operating leases	(877)	(3,494)
Income tax refund/(paid)	346	(25)
Finance costs paid	(42)	(257)
<b>Net cash provided by operating activities</b>	<b>2,868</b>	<b>4,527</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(253)	(497)
<b>Net cash used in investing activities</b>	<b>(253)</b>	<b>(497)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(1,400)	(200)
Lease payments	(16)	(399)
Capital raising	15,403	-
Costs of capital raising	(509)	(99)
<b>Net cash provided by/(used in) financing activities</b>	<b>13,478</b>	<b>(698)</b>
<b>Net increase in cash held</b>	<b>16,092</b>	<b>3,332</b>
<b>Cash at beginning of the financial year</b>	<b>2,435</b>	<b>(1,858)</b>
<b>Cash at end of the half year</b>	<b>18,527</b>	<b>1,474</b>

*Note: The previous period includes cash flows from discontinued operations.*

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

## **RCG Corporation Limited and its controlled entities**

### **Notes to the Condensed financial statements for the half-year ended 30 December 2007**

#### **1. Summary of Significant Accounting Policies**

##### **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 134 'International Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual report and shall be read in conjunction with the most recent annual financial report.

##### **Basis of Preparation**

The condensed 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.

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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2007 annual financial report for the year ended 1 July 2007.

##### **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable value is expensed to the income statement.

##### **Intangibles**

###### *Goodwill*

Goodwill representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually and wherever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement.

There was no impairment of goodwill for the half-year ended 30 December 2007.

###### *Trademarks*

There was no impairment of trademark for the half-year ended 30 December 2007.

##### **Share-based payments**

Share based payments were provided to directors and employees through the issue of options.

The fair value of options is recognised as a benefit to the directors/employees. The fair value is measured at the grant date and recognised over the period during which the options vest to the directors/employees.

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

The fair value of these options at the grant date is determined using either a Monte Carlo simulation pricing model or the Black-Scholes binomial convergence model. These models take into account the exercise price of the option, the life of the option, the current price of the underlying share, the expected volatility of the share price, dividends expected on the share and the risk-free interest rate from the life of the option.

	<b>Consolidated</b>	
	<b>Dec 2007</b>	Dec 2006
	<b>\$'000</b>	\$'000
<b>2. Revenue</b>		
Sale of goods	5,675	5,041
Royalties and other franchise related income	3,985	3,454
Profit from sale of operations to franchisees	-	26
Interest received	394	8
Other revenue	667	377
<b>Total Revenue</b>	<b>10,721</b>	<b>8,906</b>
<b>3. Profit/(loss) for the period:</b>		
<b>(a) Expenses</b>		
<b>Depreciation and amortisation expense</b>		
Property, plant and equipment	137	112
Depreciation of leased assets	12	12
	<b>149</b>	<b>124</b>
<b>Impairment of tangible assets</b>		
Property, plant and equipment	-	131
	<b>-</b>	<b>131</b>
<i>Impairment of tangible assets denotes a write down based on an assessment of the realisable value of tangible assets in the Athletes Foot.</i>		
<b>External Finance costs</b>		
Interest on finance leases	5	8
Interest on bank borrowings	42	238
	<b>47</b>	<b>246</b>
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	<b>877</b>	<b>801</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

	<b>Consolidated</b>	
	<b>Dec 2007</b>	<b>June 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4. Trade and Other Receivables</b>		
CURRENT		
Trade receivables	1,850	1,221
Provision for doubtful debts	(242)	(200)
Other receivables <sup>(a)</sup>	4,473	-
Tax receivable	20	361
	<b>6,101</b>	<b>1,382</b>

(a) Consideration receivable in respect of the sale of the King of Knives business.

**5. Other Current Assets**

Security deposits	23	23
Prepayments	52	108
Others	10	217
	<b>85</b>	<b>348</b>

**6. Property, Plant and Equipment**

Plant and equipment - at cost	2,546	2,452
Less: Accumulated depreciation	(1,798)	(1,660)
	<b>748</b>	<b>792</b>
Less: Accumulated impairment of assets	(131)	(131)
	<b>617</b>	<b>661</b>
Plant and equipment under finance lease - at cost	157	157
Less: Accumulated depreciation	(59)	(47)
	<b>98</b>	<b>110</b>
Assets under construction	217	11
	<b>932</b>	<b>782</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

	<b>Consolidated</b>	
	<b>Dec 2007</b>	<b>June 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>7. Intangibles</b>		
<b>Trademark</b>		
Trademarks at cost		
Trademark - The Athlete's Foot	<b>3,466</b>	3,466
Accumulated impairment write-down	-	-
	<b>3,466</b>	3,466
<b>Goodwill</b>		
Purchased goodwill - at cost	<b>94</b>	94
Goodwill on consolidation		
Goodwill - The Athlete's Foot	<b>6,101</b>	6,101
Accumulated impairment write-down	-	-
	<b>6,101</b>	6,101
	<b>6,195</b>	6,195
<b>Total Intangibles</b>	<b>9,661</b>	9,661

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

	<b>Consolidated</b>	
	<b>Dec 2007</b>	<b>June 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>8. Borrowings</b>		
<b>Secured, at amortised cost</b>		
Current		
Bank bill <sup>(a)</sup>	-	400
Finance lease <sup>(b)</sup>	<b>37</b>	37
	<b>37</b>	437
Non-current		
Bank bill <sup>(a)</sup>	-	1,000
Finance lease <sup>(b)</sup>	<b>56</b>	73
	<b>56</b>	1,073
Total Current and non-current secured liabilities	<b>93</b>	1,510

a) The company had a bank bill of \$1,400,000 secured by a fixed and floating charge over the company's assets which was repaid during the period.

b) Finance Leases are secured by the assets under finance.

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

	<b>Consolidated</b>	
	<b>Dec 2007</b>	<b>June 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>9. Commitments</b>		
a. Capital Expenditure Commitments		
Estimated capital expenditure contracted for at reporting date, but not provided for in the financial statements and payable pertaining to plant and equipment expenditure		
- not later than one year	<b>43</b>	290
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	<b>1,777</b>	1,520
- later than one year but not later than five years	<b>4,756</b>	3,621
- later than five years	<b>322</b>	96
	<b>6,856</b>	5,237
<i>Operating lease commitments predominantly relate to stores being leased.</i>		
c. Finance Lease Commitments		
Finance lease rentals are payable as follows:		
- not later than one year	<b>41</b>	45
- later than one year but not later than five years	<b>70</b>	88
- later than five years	<b>-</b>	-
Minimum finance lease payments	<b>111</b>	133
Deduct future finance charges	<b>(18)</b>	(23)
	<b>93</b>	110
<i>Finance leases predominantly relate to leasehold improvements. Finance leases on plant and equipment are generally over a 4 year period.</i>		
Disclosed as follows:		
Current (Note 8)	<b>37</b>	37
Non-current (Note 8)	<b>56</b>	73
	<b>93</b>	110

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

**10. Segment Information**

**a. Accounting policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Whilst most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**b. Business Segments**

The consolidated entity is organised into the following business units:

**The Athlete's Foot**

Retailers of general sports footwear.

**Corporate**

Provides company secretarial, legal, financial, human resources management, investor and public relations.

**c. Geographical Segments**

The consolidated entity operates in two identified geographical areas:

**Australia**

The home of the parent entity and its material subsidiaries.

**New Zealand**

The entities trade as branch operations in New Zealand.

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

**d. Primary Reporting – Business Segments**

Half-year ended 30 December 2007	TAF \$'000	RCG \$'000	Consolidated Entity \$'000
<b>Continuing operations</b>			
Sales to external customers	5,675	-	5,675
Other revenue	4,632	414	5,046
<b>Total segment revenue</b>	<b>10,307</b>	<b>414</b>	<b>10,721</b>
Direct costs and overheads	(7,241)	(553)	(7,794)
Segment profit before interest, impairment, tax, depreciation and amortisation	3,066	(139)	2,927
Depreciation and amortisation	(143)	(6)	(149)
Segment result before interest and impairment	2,923	(145)	2,778
Finance costs	(5)	(42)	(47)
<b>Segment result before share based payment, impairment, discontinued operations and income tax expense</b>	<b>2,918</b>	<b>(187)</b>	<b>2,731</b>
Impairment of tangible assets	-	-	-
Share based payment	-	(399)	(399)
<b>Profit/(Loss) before income tax expense</b>	<b>2,918</b>	<b>(586)</b>	<b>2,332</b>
Income tax benefit	-	-	-
<b>Profit/(Loss) after income tax expense</b>	<b>2,918</b>	<b>(586)</b>	<b>2,332</b>
<b>Segment assets</b>	<b>5,555</b>	<b>32,608</b>	<b>38,163</b>
<b>Segment liabilities</b>	<b>2,830</b>	<b>2,135</b>	<b>4,965</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

Half-year ended 31 December 2006	KOK \$'000	APD \$'000	TAF \$'000	RCG \$'000	Consolidated Entity \$'000
<b>Continuing operations</b>					
Sales to external customers	-	-	5,042	-	5,042
Other revenue	-	-	3,837	27	3,864
<b>Total segment revenue</b>	<b>-</b>	<b>-</b>	<b>8,879</b>	<b>27</b>	<b>8,906</b>
Direct costs and overheads	-	-	(7,148)	(913)	(8,061)
Segment profit before interest, impairment, tax, depreciation and amortisation	-	-	1,731	(886)	845
Depreciation and amortisation	-	-	(120)	(4)	(124)
Segment result before interest and impairment	-	-	1,611	(890)	721
Finance costs	-	-	-	(246)	(246)
<b>Segment result before share based payment, impairment, discontinued operations and income tax expense</b>	<b>-</b>	<b>-</b>	<b>1,611</b>	<b>(1,136)</b>	<b>475</b>
Impairment of tangible assets	-	-	(131)	-	(131)
Share based payment	-	-	-	(124)	(124)
<b>Profit/(Loss) before income tax expense</b>	<b>-</b>	<b>-</b>	<b>1,480</b>	<b>(1,260)</b>	<b>220</b>
Income tax benefit	-	-	-	481	481
<b>Profit/(Loss) for the period from continuing operations</b>	<b>-</b>	<b>-</b>	<b>1,480</b>	<b>(779)</b>	<b>701</b>
<b>Discontinued operations</b>					
Impairment of assets	(5,278)	-	-	-	(5,278)
Profit/(Loss) for the year from discontinued operations	450	(455)	-	-	(5)
Impairment loss on net assets held for sale	(1,528)	-	-	-	(1,528)
Loss from placing discontinued operations into voluntary administration	-	(2,774)	-	-	(2,774)
<b>Profit/(Loss) after income tax expense</b>	<b>(6,356)</b>	<b>(3,229)</b>	<b>1,480</b>	<b>(779)</b>	<b>(8,884)</b>
<b>Segment assets</b>	<b>12,818</b>	<b>-</b>	<b>4,467</b>	<b>8,886</b>	<b>26,171</b>
<b>Segment liabilities</b>	<b>6,852</b>	<b>-</b>	<b>2,571</b>	<b>5,690</b>	<b>15,113</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

**e. Secondary Reporting – Geographical Segments**

Half-year ended 30 December 2007	Australia \$'000	New Zealand \$'000	Consolidated Entity \$'000
<b>Continuing operations</b>			
Sales to external customers	3,766	1,909	5,675
Other revenue	4,805	241	5,046
<b>Total segment revenue</b>	<b>8,571</b>	<b>2,150</b>	<b>10,721</b>
Direct costs and overheads	(5,622)	(2,173)	(7,794)
Segment profit before interest, impairment, tax, depreciation and amortisation	2,949	(23)	2,927
Depreciation and amortisation	(111)	(38)	(149)
<b>Segment result before interest and impairment</b>	<b>2,838</b>	<b>(61)</b>	<b>2,778</b>
Finance costs	(47)	-	(47)
<b>Segment result before share based payment, impairment, discontinued operations and income</b>	<b>2,792</b>	<b>(61)</b>	<b>2,731</b>
Impairment of tangible assets	-	-	-
Share based payment	(399)	-	(399)
<b>Profit/(Loss) before income tax expense</b>	<b>2,393</b>	<b>(61)</b>	<b>2,332</b>
<b>Income tax benefit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) before income tax</b>	<b>2,393</b>	<b>(61)</b>	<b>2,332</b>
<b>Segment assets</b>	<b>37,553</b>	<b>610</b>	<b>38,163</b>
<b>Segment liabilities</b>	<b>4,669</b>	<b>296</b>	<b>4,965</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

<b>Half-year ended 31 December 2006</b>	<b>Australia \$'000</b>	<b>New Zealand \$'000</b>	<b>Consolidated Entity \$'000</b>
<b>Continuing operations</b>			
Sales to external customers	4,023	1,019	5,042
Other revenue	3,807	57	3,864
<b>Total segment revenue</b>	<b>7,830</b>	<b>1,076</b>	<b>8,906</b>
Direct costs and overheads	(6,930)	(1,130)	(8,061)
Segment profit before interest, impairment, tax, depreciation and amortisation	900	(54)	845
Depreciation and amortisation	(101)	(23)	(124)
<b>Segment result before interest and impairment</b>	<b>799</b>	<b>(77)</b>	<b>721</b>
Finance costs	(246)	-	(246)
<b>Segment result before share based payment, impairment, discontinued operations and income</b>	<b>553</b>	<b>(77)</b>	<b>475</b>
Impairment of tangible assets	(131)	-	(131)
Share based payment	(124)	-	(124)
<b>Profit/(Loss) before income tax expense</b>	<b>297</b>	<b>(77)</b>	<b>220</b>
<b>Income tax benefit</b>	<b>481</b>	<b>-</b>	<b>481</b>
<b>Profit/(Loss) for the period from continuing operations</b>	<b>778</b>	<b>(77)</b>	<b>701</b>
Impairment of assets	(5,278)	-	(5,278)
Loss for the year from discontinued operations	(5)	-	(5)
Impairment loss on net assets held for sale	(1,528)	-	(1,528)
Loss from placing discontinued operations into voluntary administration	(2,774)	-	(2,774)
<b>Profit/(Loss) before income tax</b>	<b>(8,807)</b>	<b>(77)</b>	<b>(8,884)</b>
<b>Segment assets</b>	<b>25,580</b>	<b>591</b>	<b>26,171</b>
<b>Segment liabilities</b>	<b>14,871</b>	<b>242</b>	<b>15,113</b>

**Notes forming part of the condensed financial statements for the half-year ended 30 December 2007**

**11. Contingent Liabilities**

- a) Bank guarantees outstanding as of 30 December 2007 amounted to approximately \$597,600 (\$614,638 in 2006)
- b) The Athletes 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 3 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 \$32.07 million (less than one year \$10.90 million; between one and five years \$21.16 million). This would arise only in the event that all franchisees defaulted at the same time.

**12. Company Details**

The registered office and principal place of business is:

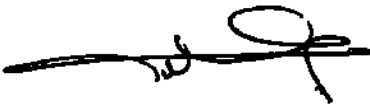
RCG Corporation Limited  
7/29, Bridge Road  
Stanmore  
NSW 2048  
AUSTRALIA

## Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 21, are in accordance with the Corporations Act 2001:
  - a. comply with Accounting Standards and Corporation Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 December 2007 and performance for the half-year ended on that date of the economic entity.
2. 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.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Ivan Hammerschlag**  
Chairman



**Michael Hirschowitz**  
Finance Director

Sydney, 26 February 2008



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of RCG Corporation Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RCG Corporation Limited and controlled entities, which comprises the condensed balance sheet as at 30 December 2007 and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising RCG Corporation Limited and the entities it controlled at 30 December 2007 or from time to time during the half year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of RCG Corporation Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of RCG Corporation Limited's financial position as at 30 December 2007 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.

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*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 30 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**PKF**



**Tim Sydenham**

**Partner**

**Sydney, 26 February 2008**