



# ASX/media release

29<sup>th</sup> December 2010

## **ACQUISITION OF ESQUIRES COFFEE HOUSES**

Retail Food Group Limited (ASX:RFG) today announced that it had reached a conditional agreement to acquire the New Zealand master franchise business for the Esquires Coffee Houses franchise system ('the MF Contract').

The MF Contract is subject to usual and ordinary terms including that the transaction is conditional upon the contemporaneous settlement of a separate agreement ('the IP Contract') pursuant to which RFG shall also acquire the intellectual property rights for the Esquires Coffee Houses system for the territories of Australia and New Zealand from the owners thereof.

The salient commercial terms of the IP Contract (including transaction metrics) have been agreed, however, formal contract documentation is yet to be executed between the parties.

Completion of the aforesaid transactions will result in RFG being the intellectual property owner, franchisor and licensor of the Esquires Coffee Houses system within Australia and New Zealand.

The Esquires Coffee Houses system originated in Canada and was first established in New Zealand by way of master franchise in 2001. The New Zealand network has a current footprint of 46 outlets and is the largest franchised coffee chain within that country. It is yet to be established within Australia.

Following settlement of the transactions, further information will be provided to the market including import and effect for RFG's existing franchise system network and in particular the alignment with, and future development of, the bb's café franchise system.

In the interim, the Company confirms that:

- the Esquires Coffee House system is similar to, and is a direct competitor of, the bb's cafe system in New Zealand;
- total consideration in respect of the MF Contract and the IP Contract will be circa AUD\$9.0 million (assuming all vendor performance obligations are fulfilled);
- the proposed consideration, other than a small portion payable in RFG scrip, will be funded from existing cash reserves and or debt;
- settlement is anticipated in or about mid February 2011; and
- the transactions will be Earnings Per Share (EPS) accretive.

### **About Retail Food Group Limited**

Retail Food Group is a leading Australian retail food brand manager and franchisor. It is the franchisor and intellectual property owner of the Donut King, Michel's Patisserie, Brumby's Bakeries, bb's café and Big Dad's Pies franchise systems.

As at 30 June 2010, there were a total of 5 franchise systems and 1,122 franchised outlets under RFG's stewardship.