



# **RETAILFOODGROUP LIMITED**

## **APPENDIX 4E**

### **PRELIMINARY FINAL REPORT**

#### **FINANCIAL YEAR ENDED – 30 JUNE 2011**

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

## **CONTENTS**

2	SUMMARY
	<u>SECTION A:</u>
3	RESULTS FOR ANNOUNCEMENT TO THE MARKET
	<u>SECTION B:</u>
3	COMMENTARY ON THE RESULTS
	<u>SECTION C:</u>
4	PRELIMINARY FINAL REPORT

# SUMMARY

	REPORTED						CORE OPERATIONS <sup>(1)</sup>	
	FY06	FY07	FY08	FY09	FY10	FY11	FY10	FY11
<b>Financial</b>								
Network Sales <sup>(2)</sup>	\$143.1m	\$158.2m	\$592.0m	\$632.0m	\$640.6m	\$651.1m		
Total Revenue <sup>(3)</sup>	\$20.5m	\$23.6m	\$114.1m	\$130.5m	\$118.6m	\$110.0m		
Adjusted Revenue <sup>(4)</sup>					\$66.6m	\$77.8m		
EBITDA	\$9.9m	\$12.4m	\$35.7m	\$41.6m	\$44.9m	\$45.9m	\$45.4m	\$46.8m
EBIT	\$9.8m	\$12.2m	\$34.4m	\$40.3m	\$43.8m	\$45.1m	\$44.3m	\$46.0m
NPAT	\$5.9m	\$7.5m	\$17.6m	\$23.5m	\$26.0m	\$27.2m	\$26.4m	\$27.9m
Basic EPS	8.6 cps	10.5 cps	19.9 cps	23.7 cps	25.3 cps	25.4 cps	25.6 cps	26.0 cps
Dividend		6.25 cps	8.5 cps	9.25 cps	11.75 cps	14.5 cps		
<b>Operating Performance</b>								
Network Sales Growth	10.4%	10.6%	274.2%	6.8%	1.4%	1.6%		
Total Revenue Growth	12.0%	15.1%	383.5%	14.4%	(9.1%)	(7.3%)		
Adjusted Revenue Growth						16.8%		
EBITDA Growth	8.8%	25.3%	187.9%	16.5%	7.9%	2.2%	9.4%	3.1%
EBIT Growth	10.1%	24.5%	182.0%	17.2%	8.7%	3.0%	10.5%	3.8%
NPAT Growth		27.1%	134.7%	33.4%	10.6%	4.6%	12.8%	5.7%
Basic EPS Growth		22.1%	89.5%	19.1%	6.8%	0.4%	8.5%	1.6%
<b>Franchise</b>								
Franchised Outlets	332	360	1,052	1,063	1,122	1,148		
New Outlets	27	37	742	59	97	87		

- (1) Results from 'Core Operations' exclude amounts recognised in the income statement relating to the pre-tax impact of:
- derivative financial instruments (interest rate swaps) (FY11: \$1.0m loss; FY10: \$0.5m loss); and,
  - derivative financial instruments (foreign exchange forward contract) (FY11: \$0.1m gain; FY10: \$nil).
- (2) Derived from financial information including franchisee-reported turnover and not subject to audit.
- (3) Excludes revenue derived from marketing activities (FY11: \$15.7m; FY10: \$15.4m; FY09: \$12.6m; FY08: \$10.3m; FY07: \$6.2m; FY06: \$6.4m).
- (4) Adjusted Revenue excludes sales derived from the wholesale bakery supply to Michel's Patisserie outlets (FY11: \$32.2m; FY10: \$52.0m).

# APPENDIX 4E-SECTION A

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### Reporting Period

Current Reporting Period: Financial Year Ended 30 June 2011

Previous Corresponding Period: Financial Year Ended 30 June 2010

### Revenue and Net Profit

Details		Growth PCP %		FY11 \$'000
Revenue from operations	down	6.4	to	125,655
Profit from ordinary activities after tax attributable to members	up	4.6	to	27,224
Net profit attributable to members	up	4.6	to	27,224

### Dividends

Details	Cents Per Share	Total Amount \$'000	Franked / Unfranked	Payment Date
---------	-----------------	------------------------	------------------------	--------------

#### Declared and paid during the financial year

Final FY10 dividend	6.50	6,934	100% Franked	7 October 2010
Interim FY11 dividend	7.00	7,515	100% Franked	6 April 2011

#### Declared after the end of the financial year

Final FY11 dividend	7.50	8,111	100% Franked	6 October 2011
---------------------	------	-------	--------------	----------------

Record date for determining entitlements to the final FY11 dividend: 13 September 2011

### Net Tangible Assets Per Security

Details	30 June 2011	30 June 2010
Net tangible assets (liabilities) per security <sup>(1)</sup>	(54.6 cents) <sup>(2)</sup>	(64.4 cents) <sup>(3)</sup>

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

(2) 30 June 2011 calculation based on 107,788,918 shares.

(3) 30 June 2010 calculation based on 106,020,137 shares.

## APPENDIX 4E-SECTION B

### COMMENTARY ON THE RESULTS

For comments on trading performance during the financial year, refer to the FY11 media release.

The final fully franked dividend of 7.50 cents per share was approved by the Directors on 16 August 2011. In complying with accounting standards, as the dividend was not approved prior to year end, no provision has been recognised for this dividend in the full year financial statements. The Board also resolved to suspend the Company's Dividend Reinvestment Plan ('DRP'). The final FY11 dividend will not constitute an eligible dividend for the purpose of the DRP.



# **RETAILFOODGROUP LIMITED**

## **PRELIMINARY FINAL REPORT**

### **FINANCIAL YEAR ENDED – 30 JUNE 2011**

#### **INDEX**

5	STATEMENT OF COMPREHENSIVE INCOME
6	STATEMENT OF FINANCIAL POSITION
7	STATEMENT OF CHANGES IN EQUITY
8	STATEMENT OF CASH FLOWS
9	NOTES TO THE PRELIMINARY FINAL REPORT

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Consolidated	Note	FY11 \$'000	FY10 \$'000
<b>Continuing operations</b>			
Revenue from sale of goods	4	56,360	72,493
Cost of sales		(36,471)	(48,321)
Gross profit		19,889	24,172
Other revenue	4	69,295	61,533
Other gains and losses	5	(96)	(623)
Selling expenses		(6,032)	(4,124)
Marketing expenses		(15,739)	(15,324)
Occupancy expenses		(1,899)	(1,881)
Administration expenses		(4,784)	(4,724)
Operating expenses		(13,030)	(13,322)
Finance costs	6	(6,939)	(7,606)
Other expenses		(2,229)	(1,530)
Profit before tax	7	38,436	36,571
Income tax expense		(11,212)	(10,552)
Profit for the year from continuing operations		27,224	26,019
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		-	-
<b>Profit for the year</b>		27,224	26,019
<b>Other comprehensive income</b>			
Net gain on cash flow hedges		1,616	1,616
Net gain on net investment hedge		72	-
Other comprehensive income for the year, net of tax		1,688	1,616
<b>Total comprehensive income for the year</b>		28,912	27,635
Profit attributable to:			
Equity holders of the parent		27,224	26,019
Total comprehensive income attributable to:			
Equity holders of the parent		28,912	27,635
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic (cents per share)	8	25.4	25.3
Diluted (cents per share)	8	25.2	25.0
From continuing operations:			
Basic (cents per share)	8	25.4	25.3
Diluted (cents per share)	8	25.2	25.0

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2011

Consolidated	Note	FY11 \$'000	FY10 \$'000
<b>Current assets</b>			
Cash and cash equivalents		15,173	13,105
Trade and other receivables		12,066	13,094
Other financial assets		3,103	2,591
Inventories		2,359	2,299
Other		179	432
<b>Total current assets</b>		<b>32,880</b>	<b>31,521</b>
<b>Non-current assets</b>			
Trade and other receivables		138	-
Property, plant and equipment		7,853	2,749
Deferred tax assets		1,242	2,104
Intangible assets		215,658	207,118
<b>Total non-current assets</b>		<b>224,891</b>	<b>211,971</b>
<b>Total assets</b>		<b>257,771</b>	<b>243,492</b>
<b>Current liabilities</b>			
Trade and other payables		6,210	7,474
Borrowings	9	-	85,852
Current tax liabilities		4,556	4,963
Provisions		1,645	1,855
Other		745	788
<b>Total current liabilities</b>		<b>13,156</b>	<b>100,932</b>
<b>Non-current liabilities</b>			
Borrowings	9	85,638	-
Provisions		356	293
Other		1,772	3,462
<b>Total non-current liabilities</b>		<b>87,766</b>	<b>3,755</b>
<b>Total liabilities</b>		<b>100,922</b>	<b>104,687</b>
<b>Net assets</b>		<b>156,849</b>	<b>138,805</b>
<b>Equity</b>			
Issued capital	10	98,772	95,146
Reserves	11	(829)	(2,472)
Retained earnings	12	58,906	46,131
<b>Total equity</b>		<b>156,849</b>	<b>138,805</b>

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Fully Paid Ordinary Shares	Equity Settled Employee Benefits Reserve	Hedging Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2009	80,959	606	(4,867)	30,318	107,016
Profit for the year	-	-	-	26,019	26,019
Other comprehensive income	-	-	1,616	-	1,616
Total comprehensive income	-	-	1,616	26,019	27,635
Issue of ordinary shares	12,124	-	-	-	12,124
Share issue costs	(204)	-	-	-	(204)
Related income tax	61	-	-	-	61
Issue of ordinary shares under DRP	1,326	-	-	-	1,326
Recognition of share-based payments	-	363	-	-	363
Issue of shares under executive share option plan	690	-	-	-	690
Transfer from equity-settled employee benefits reserve	190	(190)	-	-	-
Payment of dividends	-	-	-	(10,206)	(10,206)
<b>Balance as at 30 June 2010</b>	<b>95,146</b>	<b>779</b>	<b>(3,251)</b>	<b>46,131</b>	<b>138,805</b>
Balance as at 1 July 2010	95,146	779	(3,251)	46,131	138,805
Profit for the year	-	-	-	27,224	27,224
Other comprehensive income	-	-	1,688	-	1,688
Total comprehensive income	-	-	1,688	27,224	28,912
Share issue costs	(25)	-	-	-	(25)
Related income tax	8	-	-	-	8
Issue of ordinary shares under DRP	2,535	-	-	-	2,535
Recognition of share-based payments	-	194	-	-	194
Issue of shares under executive share option plan	869	-	-	-	869
Transfer from equity-settled employee benefits reserve	239	(239)	-	-	-
Payment of dividends	-	-	-	(14,449)	(14,449)
<b>Balance as at 30 June 2011</b>	<b>98,772</b>	<b>734</b>	<b>(1,563)</b>	<b>58,906</b>	<b>156,849</b>

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

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Note	FY11 \$'000	FY10 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		136,830	147,726
Payments to suppliers and employees		(92,013)	(103,618)
Interest and other costs of finance paid		(6,555)	(6,877)
Income taxes paid		(11,422)	(7,990)
<b>Net cash provided by operating activities</b>		<b>26,840</b>	<b>29,241</b>
<b>Cash flows from investing activities</b>			
Payments to acquire financial assets		(2,200)	-
Proceeds from sale of financial assets		3,021	-
Interest received		345	154
Amounts advanced to other entities		(42)	(346)
Payments for property, plant and equipment		(5,800)	(644)
Proceeds from sale of property, plant and equipment		64	23
Payment for intangible assets		(1,517)	(5,200)
Payment for business	16	(6,920)	(6,300)
<b>Net cash used in investing activities</b>		<b>(13,049)</b>	<b>(12,313)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		869	10,004
Payment for share issue costs		(25)	(204)
Proceeds from borrowings		8,638	-
Payment for debt costs		(291)	(157)
Repayment of borrowings		(9,000)	(10,000)
Dividends paid		(11,914)	(8,880)
<b>Net cash used in financing activities</b>		<b>(11,723)</b>	<b>(9,237)</b>
Net (decrease) / increase in cash and cash equivalents		2,068	7,691
Cash and cash equivalents at the beginning of year		13,105	5,414
<b>Cash and cash equivalents at the end of year</b>		<b>15,173</b>	<b>13,105</b>

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



# NOTES TO THE PRELIMINARY FINAL REPORT

## 1. Significant Accounting Policies

### Statement Of Compliance

The Preliminary Final Report has been prepared to satisfy the financial reporting requirements prescribed by ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The Preliminary Final Report has been prepared in accordance with the recognition and measurement principles prescribed by Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The Preliminary Final Report does not include notes of the type normally included in an annual financial report. Accordingly, this Preliminary Final Report should be read in conjunction with the most recent annual financial report, most recent half-year financial report, and any public announcements made to the ASX by the Company during the reporting period in accordance with the Continuous Disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The Preliminary Final Report was authorised for issue by the Directors on 16 August 2011.

### Basis Of Preparation

The Preliminary Final Report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Preliminary Final Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the Preliminary Final Report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 30 June 2010. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 reporting period.

## 2. Commentary On Results

For comments on trading performance during the year, refer to the FY11 media release.

# NOTES TO THE PRELIMINARY FINAL REPORT

## 3. Segment Information

AASB 8 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 two major operating divisions – franchising operations and wholesale / retail operations. These divisions are the basis on which the Group reports its primary segment information. The Group's reportable segments under AASB 8, and the principal products and services of each, are as follows:

Segment	Description
Franchising Operations	<p>Franchising Operations incorporates the development and management of the Group's retail franchise systems – Donut King, bb's café, Brumby's Bakeries, Michel's Patisserie and Esquires Coffee Houses – and involves the following principal activities:</p> <ul style="list-style-type: none"> <li>the establishment and grant of new franchises;</li> <li>the administration of royalties collection, supplier licensing, franchise compliance, franchise training and administration; and,</li> <li>the performance of marketing and promotional activities, brand development and awareness, and product research and development.</li> </ul>
Wholesale / Retail Operations	<p>Wholesale / Retail Operations incorporates the development and management of the Group's Procurement &amp; Distribution division, Wholesale &amp; Manufacturing division and Non-Voluntary Company Store division. These divisions are managed and reported separate to the Franchising Operations segment, and involve the following principal activities:</p> <ul style="list-style-type: none"> <li>the procurement, sale and distribution of bakery and other related items to Michel's Patisserie franchisees;</li> <li>the manufacture and sale of roasted coffee and related products to franchisees and external customers;</li> <li>the interim operation of non-voluntary company owned or company managed stores across each of the franchise systems; and,</li> <li>the sale of company owned stores.</li> </ul>

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

Segment	Segment Revenues		Segment Profit	
	FY11 \$'000	FY10 \$'000	FY11 \$'000	FY10 \$'000
Franchising Operations	68,950	61,340	36,221	30,133
Wholesale / Retail Operations	56,360	72,493	9,653	15,488
	125,310	133,833	45,874	45,621
Other gains and losses			(96)	(623)
Interest revenue	345	155	345	155
Finance costs			(6,939)	(7,606)
Unallocated	-	38	(748)	(976)
Profit before tax			38,436	36,571
Income tax expense			(11,212)	(10,552)
Revenue and profit for the year	125,655	134,026	27,224	26,019

Revenue reported above represents revenue generated from external customers.

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, disposals of financial assets and plant and equipment, interest revenue, finance costs, depreciation, corporate expenses and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

# NOTES TO THE PRELIMINARY FINAL REPORT

## 4. Revenue

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

Consolidated	FY11 \$'000	FY10 \$'000
Revenue from the sale of goods <sup>(1)</sup>	56,360	72,493
Revenue from the rendering of services	68,950	61,340
	125,310	133,833
Interest revenue:		
Bank deposits	306	148
Other loans and receivables	39	7
	345	155
Rental revenue – operating lease rental revenue	-	38
	125,655	134,206

(1) Excluding sales derived from wholesale bakery sales (relating to Michel's Patisserie outlets), adjusted revenue from the sale of goods for FY11 was \$24.2 million (FY10: \$20.5 million).

## 5. Other Gains And Losses

Consolidated	FY11 \$'000	FY10 \$'000
Gain on disposal of financial assets	821	-
Gain on foreign exchange forward contract	70	-
Gain / (loss) on disposal of property, plant and equipment	2	(94)
Loss on cash flow hedges	(989)	(529)
	(96)	(623)

## 6. Finance Costs

Consolidated	FY11 \$'000	FY10 \$'000
Interest on bank overdrafts and loans	6,673	7,210
Interest on obligations under finance leases	-	-
Total interest expense	6,673	7,210
Other finance costs	266	396
	6,939	7,606

# NOTES TO THE PRELIMINARY FINAL REPORT

## 7. Profit For The Year From Continuing Operations

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

Consolidated	FY11 \$'000	FY10 \$'000
Cost of sales	36,471	48,321
Inventory write-down of inventory to net realisable value	360	300
Impairment of trade receivables	1,104	543
Depreciation of property, plant and equipment	748	1,108
Employee benefits expenses:		
Post employment benefits (defined contribution plans)	1,343	1,234
Share-based payments (equity-settled share-based payments)	194	363
Termination benefits	6	97
Other employee benefits (wages and salaries)	20,623	18,758
	<b>22,166</b>	<b>20,452</b>

## 8. Earnings Per Share

Consolidated	FY11 Cents Per Share	FY10 Cents Per Share
<b>Basic earnings per share</b>		
From continuing operations	25.4	25.3
From discontinued operations	-	-
	<b>25.4</b>	<b>25.3</b>
<b>Diluted earnings per share</b>		
From continuing operations	25.2	25.0
From discontinued operations	-	-
	<b>25.2</b>	<b>25.0</b>

### Basic Earnings Per Share

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

Consolidated	FY11 \$'000	FY10 \$'000
Profit for the year	27,224	26,019
Earnings used in the calculation of basic EPS	27,224	26,019
Adjustments to exclude profit from discontinued operations	-	-
Earnings used in the calculation of basic EPS from continuing operations	<b>27,224</b>	<b>26,019</b>
	FY11 No. '000	FY10 No. '000
Weighted average number of ordinary shares for the purpose of basic EPS	107,160	102,922

# NOTES TO THE PRELIMINARY FINAL REPORT

## 8. Earnings Per Share (cont.)

### Diluted Earnings Per Share

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

Consolidated	FY10 \$'000	FY10 \$'000
Profit for the year	27,224	26,019
Earnings used in the calculation of diluted EPS	27,224	26,019
Adjustments to exclude profit from discontinued operations	-	-
Earnings used in the calculation of diluted EPS from continuing operations	27,224	26,019
	FY11 No. '000	FY10 No. '000
Weighted average number of ordinary shares for the purpose of basic EPS	107,160	102,922
Shares deemed to be issued for no consideration in respect of executive options	685	1,031
Weighted average number of ordinary shares for the purpose of diluted EPS	107,845	103,953

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted EPS:

	FY11 No. '000	FY10 No. '000
Executive share options	260	-

## 9. Borrowings

Consolidated	FY11 \$'000	FY10 \$'000
<b>Secured at amortised cost</b>		
<b>Current</b>		
Bank loans	-	85,852
	-	85,852
<b>Non-current</b>		
Bank loans	85,638	-
	85,638	-
	85,638	85,852

During 1H11, the Company completed the refinance of its \$85.0m Senior Debt Facility, with the appointment of the National Australia Bank (NAB) as its debt facility provider and transaction banker. The refinance and transfer of the Company's banking facility was completed on 31 August 2010. The Group's core debt is shown as a non-current liability, reflecting its maturity date of 31 August 2013.

# NOTES TO THE PRELIMINARY FINAL REPORT

## 10. Issued Capital

Consolidated	FY11 \$'000	FY10 \$'000
107,788,918 fully paid ordinary shares (FY10: 106,020,137)	98,772	95,146
	98,772	95,146

	FY11		FY10	
	No. '000	\$'000	No. '000	\$'000
<b>Fully paid ordinary shares</b>				
Balance at beginning of period	106,020	95,146	100,263	80,959
Issue of ordinary shares	-	-	4,601	12,124
Share issue costs	-	(25)	-	(204)
Related income tax	-	8	-	61
Issue of ordinary shares under DRP <sup>(1)</sup>	995	2,535	516	1,326
Issue of shares under executive share option plan <sup>(2)</sup>	774	869	640	690
Transfer from equity-settled employee benefits reserve	-	239	-	190
Balance at end of period	107,789	98,772	106,020	95,146

(1) Issue of ordinary shares under Dividend Reinvestment Plan (DRP):

- On 7 October 2010, the Company issued a total of 566,118 fully-paid ordinary shares in accordance with the DRP, attributable to the payment of the final dividend for the financial year ended 30 June 2010. The issue price of the shares was \$2.42 per share.
- On 6 April 2011, the Company issued a total of 428,991 fully-paid ordinary shares in accordance with the DRP, attributable to the payment of the interim dividend for the financial year ended 30 June 2011. The issue price of the shares was \$2.72 per share.

(2) Issue of ordinary shares under Executive Share Option Plan (ESOP):

- During the year a total of 773,671 shares were issued following the exercise of options.

## 11. Reserves

Consolidated	FY11 \$'000	FY10 \$'000
Equity-settled employee benefits reserve	734	779
Hedging reserve	(1,563)	(3,251)
	(829)	(2,472)

Equity-settled employee benefits reserve	FY11 \$'000	FY10 \$'000
Balance at beginning of year	779	606
Share-based payments	194	363
Transfer to share capital	(239)	(190)
Balance at end of year	734	779

# NOTES TO THE PRELIMINARY FINAL REPORT

## 11. Reserves (cont.)

Hedging reserve	FY11 \$'000	FY10 \$'000
Balance at beginning of year	(3,251)	(4,867)
Gain / (loss) recognised on:		
Cash flow hedges (interest rate swaps)	2,308	2,309
Net investment hedge	103	-
Income tax related to amounts recognised in equity	(723)	(693)
Balance at end of year	(1,563)	(3,251)

## 12. Retained Earnings

Consolidated	FY11 \$'000	FY10 \$'000
Balance at beginning of year	46,131	30,318
Net profit attributable to members of the parent entity	27,224	26,019
Dividends provided for or paid	(14,449)	(10,206)
Balance at end of year	58,906	46,131

## 13. Dividends

Company	FY11		FY10	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
<b>Recognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend – fully franked at 30% tax rate <sup>(1)</sup>	6.500	6,934	4.750	4,765
Interim dividend – fully franked at 30% tax rate <sup>(2)</sup>	7.000	7,515	5.250	5,441
	13.500	14,449	10.000	10,206
<b>Unrecognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend – fully franked at 30% tax rate <sup>(3)</sup>	7.500	8,111	6.500	6,934

(1) In respect of the financial year ended 30 June 2010, as detailed in the Directors' report for that financial year, a final dividend of 6.50 cents per share (based on 106,680,807 shares on issue), franked to 100% at 30% corporate income tax rate was paid on 7 October 2010. The final dividend was approved by the Directors following the conclusion of the 30 June 2010 financial year and therefore was not provided for in the Company's financial report. It was resolved that the final dividend would constitute an eligible dividend for the purpose of the Company's dividend reinvestment plan.

(2) In respect of profits of the financial year ended 30 June 2011, an interim dividend of 7.00 cents per share (based on 107,359,927 shares on issue), franked to 100% at 30% corporate income tax rate was paid on 6 April 2011. The interim dividend was approved by the Directors on 17 February 2011 and it was resolved that the interim dividend would constitute an eligible dividend for the purposes of the Company's dividend reinvestment plan.

(3) In respect of profits of the financial year ended 30 June 2011, a final dividend of 7.50 cents per share (based on 108,146,283 shares on issue), franked to 100% at 30% corporate income tax rate will be paid on 6 October 2011. The final dividend was approved by the Directors on 16 August 2011 and therefore was not provided for in the Company's financial report. The Board resolved to suspend the Company's DRP therefore the final FY11 dividend will not constitute an eligible dividend for the purpose of the DRP.

# NOTES TO THE PRELIMINARY FINAL REPORT

## 14. Net Tangible Assets Per Security

Consolidated	FY11 \$'000	FY10 \$'000
Net tangible assets / (liabilities) per security <sup>(1)</sup>	(54.6 cents) <sup>(2)</sup>	(64.4 cents) <sup>(3)</sup>

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

(2) 30 June 2011 calculation based on 107,788,918 shares.

(3) 30 June 2010 calculation based on 106,020,137 shares.

## 15. Details Of Entities Over Which Control Has Been Gained Or Lost During The Period

Name Of Entity	Country Of Incorporation	Date Control Gained	Ownership Interest	
			FY11 (%)	FY10 (%)
<b>Subsidiaries</b>				
Albany Coffee Limited	New Zealand	7 Feb 2011	100	-
Bayfair Coffee Limited	New Zealand	7 Feb 2011	100	-
Birkenhead Coffee Limited	New Zealand	7 Feb 2011	100	-
Botany Pavillions Coffee Limited	New Zealand	7 Feb 2011	100	-
Chartwell Coffee Limited	New Zealand	7 Feb 2011	100	-
Courtenay Place Coffee Limited	New Zealand	7 Feb 2011	100	-
Customs St Coffee No2 Limited	New Zealand	7 Feb 2011	100	-
Devon Coffee Limited	New Zealand	7 Feb 2011	100	-
Devonport Coffee Limited	New Zealand	7 Feb 2011	100	-
Esquires Coffee Auckland Limited	New Zealand	7 Feb 2011	100	-
Ferry Building Coffee Limited	New Zealand	7 Feb 2011	100	-
Gibraltar Coffee Limited	New Zealand	7 Feb 2011	100	-
Goddards Coffee Limited	New Zealand	7 Feb 2011	100	-
Greenlane Coffee Limited	New Zealand	7 Feb 2011	100	-
Hobson Coffee No 2 Limited	New Zealand	7 Feb 2011	100	-
Hornby Coffee Limited	New Zealand	7 Feb 2011	100	-
Howick Coffee Limited	New Zealand	7 Feb 2011	100	-
Library Coffee Limited	New Zealand	7 Feb 2011	100	-
Lorne Street Coffee Limited	New Zealand	7 Feb 2011	100	-
Manukau Coffee House Limited	New Zealand	7 Feb 2011	100	-
Mercer Coffee Limited	New Zealand	7 Feb 2011	100	-
Metropolis Coffee Limited	New Zealand	7 Feb 2011	100	-
Mills Lane Coffee Limited	New Zealand	7 Feb 2011	100	-
Napier Coffee Limited	New Zealand	7 Feb 2011	100	-
Nelson Coffee Limited	New Zealand	7 Feb 2011	100	-
North City Coffee Limited	New Zealand	7 Feb 2011	100	-
Northwood Coffee Limited	New Zealand	7 Feb 2011	100	-
Papkurua Coffee Limited	New Zealand	7 Feb 2011	100	-
Plaza Corner Coffee Limited	New Zealand	7 Feb 2011	100	-
PWC Coffee Limited	New Zealand	7 Feb 2011	100	-



# NOTES TO THE PRELIMINARY FINAL REPORT

## 15. Details Of Entities Over Which Control Has Been Gained Or Lost During The Period (cont.)

Name Of Entity	Country Of Incorporation	Date Control Gained	Ownership Interest	
			FY11 (%)	FY10 (%)
<b>Subsidiaries</b>				
Quay St Coffee Limited	New Zealand	7 Feb 2011	100	-
Sky Met Coffee Limited	New Zealand	7 Feb 2011	100	-
St Lukes Coffee House Limited	New Zealand	7 Feb 2011	100	-
Sunset Terrace Coffee Limited	New Zealand	7 Feb 2011	100	-
Trentham City Coffee Limited	New Zealand	7 Feb 2011	100	-
Vincent Street Coffee Limited	New Zealand	7 Feb 2011	100	-
Waitakere Coffee Limited	New Zealand	7 Feb 2011	100	-
Wards St Coffee Limited	New Zealand	7 Feb 2011	100	-
Waterfront Coffee Limited	New Zealand	7 Feb 2011	100	-
Whangarei Coffee Limited	New Zealand	7 Feb 2011	100	-
Woodward Coffee Limited	New Zealand	7 Feb 2011	100	-
Wyndham Coffee Limited	New Zealand	7 Feb 2011	100	-

## 16. Acquisitions

Name Of Businesses / Intellectual Property Acquired	Principal Activity	Date Of Acquisition	Total Cost Of Acquisition \$'000	Cash Cost Of Acquisition \$'000	Scrip Cost Of Acquisition \$'000
---	--------------------	---------------------	----------------------------------	---------------------------------	----------------------------------

### *Acquisition Of Businesses:*

Esquires Coffee Houses	Sub-Franchisor of the Esquires Coffee Houses franchise system for New Zealand (MF Contract)	7 February 2011	6,920	6,920	-
------------------------	---	-----------------	-------	-------	---

### *Acquisition Of Intangible Assets:*

Esquires Coffee Houses	Intellectual property rights (IP Contract)	7 February 2011	1,444	1,444	-
Total Consideration:			8,364	8,364	-

### *Esquires Coffee Houses Franchise System*

On 29 December 2010, the Group announced that it had reached an agreement, subject to normal contractual terms and finalisation of due diligence enquiry, by which the New Zealand master franchise business for the Esquires Coffee Houses (ECH) franchise system would be acquired ('the MF Contract').

The MF Contract transaction was conditional upon the contemporaneous settlement of a separate agreement ('the IP Contract') pursuant to which RFG would also acquire the intellectual property rights for the ECH system for the territories of Australia and New Zealand from the owners thereof.

Settlement was completed on 7 February 2011, with control of the New Zealand master franchise business (MF Contract) and the intellectual property rights for the ECH system for the territories of Australia and New Zealand (IP Contract), transferring to the Group at that time.

The purchase price for the ECH business (under the MF Contract) comprised:

- \$6.9 million (NZD\$9.1 million) cash paid to the vendor on settlement; and,
- an earnout payable in scrip in the Company to a maximum value of NZD\$0.6 million.

The consideration paid under the IP Contract was \$1.4 million (NZD\$1.9 million).

# NOTES TO THE PRELIMINARY FINAL REPORT

## 16. Acquisitions (cont.)

Consideration Transferred	FY11 \$'000
Cash	6,920
Contingent consideration <sup>(1)</sup>	-
Total	6,920

(1) Under the contingent consideration arrangement, the Group was required to pay the vendors an earnout payable in scrip in the Company to a maximum value of \$NZD0.6 million on 7 August 2011 subject to a sliding scale mechanism dependent upon the vendor meeting certain performance conditions with regard to the establishment of additional ECH outlets. At the acquisition date, the Directors determined that a further payment would not be probable and estimated the fair value of this obligation to be nil.

The transaction has been accounted for using the acquisition method of accounting. The net assets acquired in the business combination, and the goodwill arising, are as follows:

Net Assets Acquired	Book Value	Fair Value Adjustment	Fair Value On Acquisition
	\$'000	\$'000	\$'000
<b>Non-current assets</b>			
Intangible assets (franchise network)	-	6,920	6,920
	-	6,920	6,920
Goodwill on acquisition of business			-
			6,920

Net Cash Flow On Acquisition	FY10 \$'000
Total purchase consideration	6,920
Less: non-cash consideration for Esquires Coffee Houses	-
Consideration paid in cash	6,920
Less: cash and cash equivalent balances acquired	-
	6,920

## 17. Details Of Associates And Joint Venture Entities

Name Of Entity	Ownership Interest	
	FY11 (%)	FY10 (%)
<b>Joint Venture Entity</b>		
Nil		

# NOTES TO THE PRELIMINARY FINAL REPORT

## 18. Events After The Reporting Date

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

### Final Dividend

On 16 August 2011, the Board of Directors declared a final dividend in respect of profits of the financial year ending 30 June 2011. The final dividend of 7.50 cents per share (based on 108,146,283 shares on issue), franked to 100% at 30% corporate income tax rate will be paid on 6 October 2011. The final dividend was approved by the Directors following the conclusion of FY11 and therefore was not provided for in the year end financial report. The Board also resolved to suspend the Company's Dividend Reinvestment Plan ('DRP'). The final FY11 dividend will not constitute an eligible dividend for the purpose of the DRP.

### Debt Management

On 4 July 2011, as part of the Group's debt facility management strategy, the Group made a voluntary debt reduction of \$10.0 million, thereby reducing the drawn amount of the Group's Debt Facility to \$75.6 million.

### Acquisition Of Esquires Coffee Houses

On 29 December 2010, the Group announced that it had reached an agreement, subject to normal contractual terms and finalisation of due diligence enquiry, by which the New Zealand master franchise business for the Esquires Coffee Houses (ECH) franchise system would be acquired ('the MF Contract').

The MF Contract provided for the issue of scrip in the Company subject to a sliding scale mechanism dependent upon the vendor meeting certain performance conditions with regard to the establishment of additional ECH outlets.

On 7 August 2011, the Group determined that the contingent consideration payable in accordance with the sliding scale mechanism would be nil.

### Acquisition Of New Zealand Coffee Assets

On 28 July 2011, the Group announced that it had reached an agreement, subject to normal contractual terms and finalisation of due diligence enquiry, by which the business and intellectual property assets of the New Zealand domiciled Evolution Coffee Roasters Group, would be acquired. The Evolution Roasters Group comprises:

- (1) Evolution Coffee Roasters: operator of a state-of-the-art coffee roasting facility in Auckland that presently manufactures and distributes approximately 170 tonnes annually of premium coffee products on a wholesale and contract roasting basis throughout New Zealand (including 60 tonnes presently supplied to RFG's Esquires Coffee Houses franchise system), Asia and the Middle East;
- (2) Roasted Addition Coffee Dealers: merchandiser of a range of proprietary premium coffee blends and syrups (under the 'Roasted Addition' brand) to an existing customer base of approximately 150 cafes, restaurants and supermarkets throughout New Zealand; and,
- (3) Evil Child Beverage Co.: manufacturer of premium drinking chocolate powders and frappe blends (under the 'Evil Child Beverages' brand) supplying cafes, restaurants and supermarkets throughout New Zealand.

Settlement is scheduled to be completed on or before 1 September 2011, with control of the business and intellectual property transferring to the Group at that time.

## 19. Information On Audit

This Preliminary Final Report is based on accounts to which one of the following applies:

- |                                     |  |                          |   |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/>            | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.           |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review: none advised.

Description of dispute or qualification if the accounts have been audited or subjected to review: none advised.



Company Secretary	Registered Office	Principal Administration Office	Share Registry
Mr Anthony Mark Connors 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