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ALLIED BRANDS LIMITED (ASX:ABQ)

ALLIED BRANDS ANNOUNCES THE FIRST CONTRACT UNDER NEW FRANCHISE SERVICE DIVISION

Leading owner, operator and developer of franchises, Allied Brands Limited (ASX:ABQ) today announced that agreement had been reached with Steinhoff Asia Pacific Limited, owner of the Freedom Home & Cafe and Bayswiss concepts, for the rights to re-brand and franchise the 13 stores that comprise these businesses. The stores will be re-branded to Villa & Hut and franchised in accordance with the Villa & Hut business model. The roll-out of these additional stores will take the Villa & Hut store inventory to 38 outlets with a further 6 committed for the 2009/10 financial year.

The stores operate in the same retail market space as Villa & Hut with a focus on the cafe concept and homewares and are predominately located in shopping centres as against the current portfolio of Villa & Hut locations which have tended to operate mainly in airports and DFO outlets.

The stores will be progressively handed over from 16th November 2009. The handover will be completed by May 2010 and re-branding to Villa & Hut completed by that time. The company has arranged a small capital raising of \$1.6m to facilitate the purchase of the fixtures, equipment and stock within these stores during the roll-out period. The final amount used for this purpose will be determined by the amount of fixtures and equipment and the level of stock required as each store is handed over and will be in the range of \$1.2m to \$1.8m. The new capital will also assist with the introduction of new franchise owners for the new stores via Allied Brands Finance. This is part of the company's continuing roll-out program where Allied Brands Finance assists new franchisees with their finance packages during the current tight credit conditions.

This roll-out of these new franchise stores will accelerate the development of Allied Brands' Villa & Hut business whilst at the same time allowing the organic growth already predicated to continue in the highly successful airports and DFO divisions.

Additionally, these new stores will provide at least an additional 13 tonnes of coffee roasting to the Cookie Man plant in Mt Kuring-gai Sydney as well as the supply of additional baked products and consumables to the new cafe outlets.

This transaction does not affect the operation of the Freedom brand which operates in 68 Freedom stores in Australia and New Zealand.

ABQ will use the roll-out of these new franchised stores to launch a new Franchise Service Division to take advantage of the numerous opportunities evident in the franchising industry

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with an obvious number of companies wishing to use franchising to grow but who need assistance in achieving a successful franchising business model. ABQ has identified this segment of the franchising market as a growing sector that enables it to use its franchising expertise and at the same time generate additional profits and acquire new businesses without the need for large capital outlays.

ABQ is currently in discussion with 2 other leading retail chains with a view to providing franchising expertise to roll-out those stores into a franchising model over the next 2 to 3 years. The number of stores currently under negotiation exceeds 150.

The capital raising of \$1.6m has been achieved through the issue of 10,666,665 shares at an issue price of 15c. 3,866,665 shares of which will be issued under the current 15% cap raising \$580,000 with the balance of 6,800,000 shares raising \$1,020,000 to be approved at the forthcoming AGM.

ABQ has requested immediate reinstatement to trading of the company's securities on the ASX.

ENDS

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