



2014

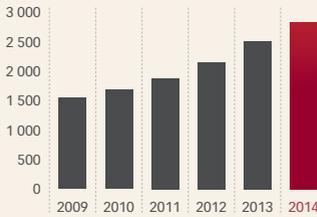


famous | brands
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Audited results for the year ended 28 February 2014

Financial highlights

Revenue (Rm)



Revenue up

↑ 12%

to **R2.83 billion**

Operating margin at record high of

↑ 20.0%

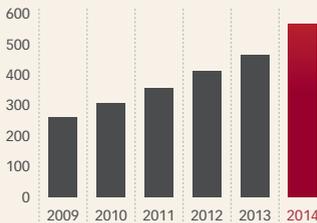
up from **18.5%**

Profit before tax up

↑ 23%

to **R567 million**

Operating profit (Rm)



Headline earnings per share up

↑ 20%

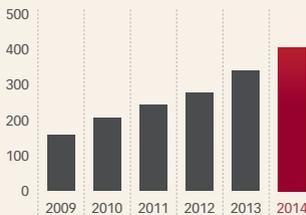
to **406 cents**

Dividend up

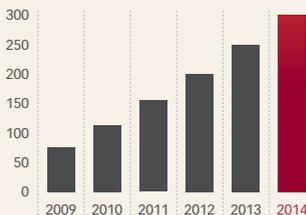
↑ 20%

to **300 cents per share**

Headline earnings per share (cents)



Dividends per share (cents)



Market capitalisation exceeds milestone

R10 billion

GROUP PERFORMANCE

Famous Brands' stated goal is to become Africa's first choice integrated branded food services franchisor by 2015 by building capability across our brands, logistics and manufacturing operations, providing a holistic solution to the Group's investment partners and consumers. It is therefore satisfying to report on a year which featured not only strong results but also substantial progress made on the programmes which will achieve this goal and drive the Group's future growth trajectory.

FINANCIAL RESULTS

In the Group's 13th consecutive year of reporting record turnover and profit, revenue increased by 12% to R2.83 billion (2013: R2.52 billion), while operating profit grew 21% to R566 million (2013: R466 million). The operating margin attained a record high of 20.0%, up from 18.5% in the prior year, and one year ahead of plan. This improvement is a remarkable achievement given higher input costs, and is a reflection of increased system-wide sales, intensive cost containment and improved efficiencies across the business.

Headline earnings per share grew 20% to 406 cents per share (2013: 339 cents).

Cash generated by operations, after changes in working capital, increased by 23% to a healthy R594 million (2013: R482 million).

After tax payments of R167 million and dividend payments of R271 million, totalling R438 million (2013: R360 million), net cash retained from operations grew to R152 million (2013: R119 million).

Net capital expenditure of R112 million (2013: R162 million) was incurred on acquisitions of businesses and associated companies, supply chain expansion, fleet upgrade and IT systems enhancement.

No bank finance was raised during the period (2013: R130 million), and loans of R101 million were repaid.

The Group is ungeared and has net cash on hand of R26 million. This strong position facilitates further growth, whether by acquisition or organically.

OPERATIONAL REVIEWS

Franchising

The Group's Franchising division comprises three regions, namely: South Africa, Rest of Africa and International (United Kingdom, Middle East, India and Mauritius).

System-wide sales across the franchise network grew 13.0%, while like-on-like sales increased 6.7%. Across the brand portfolio, the Group opened 165 new restaurants and revamped 185.

SOUTH AFRICA

Revenue increased 13% to R538 million (2013: R477 million), with operating profit rising in line with turnover growth to R325 million (2013: R287 million). The operating profit margin improved to 60.4% from 60.1% in the prior year.

System-wide sales, including new restaurants opened, increased 11.4%, while like-on-like sales grew 5.8%. During the period 144 restaurants were opened locally and 181 were revamped.

Solid performances were reported by the mainstream brands across the portfolio, while the Group's recently acquired and emerging brands continued to gain traction in their respective markets and play an important role in bolstering the repertoire.

An ambitious target of 243 new restaurants has been set for the year ahead.

REST OF AFRICA

The Group has traded in this region for almost 20 years and has a presence in 16 countries. Management foresees operations in the Rest of Africa becoming increasingly significant to the Group over time.

This division reported an increase in system-wide sales of 32.5%, while like-on-like sales grew 17.9%. The Rest of Africa region now comprises 8.5% of total system-wide sales. During the period 16 new restaurants were opened and four revamped.

The plan is to open 41 new restaurants across the brand repertoire this year and to enter Angola and Ghana, where the Group has no representation.

Corporate action: Acquisition of 49% stake in UAC Restaurants Limited

On 1 October 2013 the Group concluded an agreement with UAC of Nigeria PLC, a leading diversified conglomerate, to acquire a 49% stake in their hitherto wholly-owned company UAC Restaurants Limited ("UACR"), which houses the flagship Mr Bigg's brand, the single largest food franchise brand in Africa, north of the South African border. UACR comprises 165 franchised restaurants across Nigeria and a small logistics and manufacturing component. The acquisition was funded out of cash reserves and fell below the threshold of a categorised transaction in terms of the Listings Requirements of the JSE Limited.

The Group plans to grow the Mr Bigg's footprint in Nigeria by 10 restaurants in the year ahead.

INTERNATIONAL

UNITED KINGDOM (UK)

Notwithstanding dire trading conditions in this market, the Group's UK operation recorded one of its best-ever results – a reflection of a significantly better-managed cost base.

Group overview (continued)

Revenue Sterling decreased by 6%, while revenue in Rand terms improved 11% to R92 million (2013: R83 million). Operating profit rose to R13 million (2013: R5 million) as no repeat impairment of the UK goodwill was required. The operating profit margin grew strongly to 14.0% from 6.5% in the prior year.

During the period the Group opened its first Steers UK restaurant, situated in Clapham, London. Three restaurants were also added to the Wimpy network during the year.

In the forthcoming period the existing Wimpy Twickenham restaurant will be converted to the Steers brand and an additional new Steers restaurant will be opened, while two new Wimpy restaurants are also planned.

INDIA

The Group opened its pilot Debonairs Pizza restaurant in Mumbai in July 2013 in collaboration with Master License partner Diwa Hospitality Pvt Ltd; a further restaurant has subsequently also been opened in the city. Management is satisfied with the progress delivered by these restaurants, and recognises that expansion in this market will be slow but steady.

MIDDLE EAST

Famous Brands established a strong platform for growth in the Middle East and North Africa regions with the signing of a Master License agreement for Saudi Arabia, Lebanon, Morocco, Iran and Egypt. The agreement applies to the Steers, Wimpy and Debonairs Pizza brands in all of these countries, as well as the Mugg & Bean brand in Morocco and Egypt.

The Group's premium offering, tashas, will open its first international restaurant in Dubai in May.

Supply chain

The Group's supply chain comprises its Logistics and Manufacturing businesses, which are managed and measured separately. The results delivered by both divisions were extremely pleasing. Consolidated revenue increased by 12% to R2.15 billion (2013: R1.92 billion), while operating profit rose 27% to R204 million (2013: R161 million). The operating margin was 9.5% up from 8.4% in the comparative period.

LOGISTICS

This division delivered strong growth, exceeding for the first time the milestone R2.0 billion mark, an improvement of 12% over the prior year. This result is in line with our brands' system-wide sales growth, together with the additional turnover derived from growing the basket of products supplied to franchisees. The division's operating profit improved 29% to R82 million, while a best-ever operating margin of 4.0% (2013: 3.5%) was reported despite a contextual environment characterised by above-inflation increases in labour and diesel and the impact of e-toll costs. Capital expenditure of R8 million was employed on new and replacement fleet and warehouse racking. A range of capability enhancing projects will be prioritised in the forthcoming period and capital expenditure of R8 million has been budgeted for.

MANUFACTURING

This division reported very creditable results for the period, attributable to significant improvements in yields and efficiencies and substantial savings on utilities usage.

Revenue increased by 30% to R927 million (2013: R715 million), while operating profit improved by 25% to R122 million (2013: R98 million). The division's operating margin declined to 13.1% (2013: 13.6%) due to deliberate margin absorption in certain plants, in line with the Group's strategy to support franchisees' value offering to consumers.

These results include the full-year contribution of Famous Brands Coffee Company for the first time and take on of additional franchised brand coffee business. In addition, the Coega Cheese business was successfully turned around after initial start-up shortcomings and produced an improved performance in the latter six months of the year. A range of integration projects were successfully concluded and capital expenditure of R23 million was incurred in the period.

Several capacity- and capability-building projects will be implemented over the next year aimed at leveraging opportunities in the supply chain. Capital expenditure of R18 million has been budgeted for.

Subsequent event

Acquisition of Wakaberry™ Frozen Yoghurt Bar

With effect from 1 April 2014, the Group acquired a 70% stake in the Wakaberry™ Frozen Yoghurt Bar business, the pioneer and brand leader in the frozen yoghurt category in South Africa. Established in 2011, this first-to-market self-serve frozen yoghurt brand currently consists of 33 franchised stores extending across eight provinces. It is anticipated that by June 2014, the total network will comprise 40-plus restaurants, with further openings scheduled for the balance of the year. The purchase consideration fell below the threshold of a categorised transaction in terms of the Listings Requirements of the JSE Limited and was settled from cash reserves.

Directorate

During the reporting period several changes were made to the composition of the Board in line with the Group's continued efforts to improve compliance with King III.

Non-executive Chairman, Panagiotis Halamandaris was succeeded by Lead Independent Director, Santie Botha, in the position of Independent Chairman in October 2013. Mr Halamandaris remains on the Board as a Non-executive Director.

Hymie Levin retired as a Non-executive Director in February 2014. Hymie served on and provided wise counsel to the Board since 1994. The Group extends its sincere appreciation for his invaluable contribution to Famous Brands.

Khumo Shuenyane was appointed as an independent Non-executive Director with effect from February 2014, while Chris Boule's status changed from Alternate Non-executive Director to Non-executive Director.

Prospects

A major step-change strategy, aimed at ensuring the Group's continued vigorous growth in future years, is in the process of being implemented. This strategy centres on cautious expansion into the related leisure sector by leveraging Famous Brands' core competencies: leadership, brands, manufacturing, logistics and retail, and will be underpinned by the Group's strong balance sheet.

Integral to this strategy is the continued growth of the Group's bedrock Food Services business through organic, numeric and acquisitive growth of franchising; down-stream growth through expansion of logistics and manufacturing services and products; and up-stream growth through expanding our retail range. Potential expansion prospects in the leisure sector must meet the following key criteria: provide synergistic opportunities which grow the existing business; enhance shareholder value; and ensure continued market confidence.

Management anticipates the period ahead to feature intense competition as operators strive to retain and gain market share; new and non-traditional participants joining the industry will exacerbate this competitiveness. Value and quality will remain the key drivers of growth as cash-strapped consumers selectively spend reduced disposable income. Margin pressure, which has been the watchword for several years will become more acute, both at Group and franchisee level.

The Rest of Africa will remain an appealing expansion prospect for South African and international players; in this regard, the race to be first-to-market will intensify. The Group's long-standing experience, sought-after brands and solid partnerships in the region will continue to facilitate its strong position.

Famous Brands' cash generative, integrated business model is optimally structured to continue to satisfy all stakeholders as we build further capability across the organisation through our existing business and explore new opportunities in the leisure sector to optimise our growth prospects.

On behalf of the Board

S I Botha

Independent Chairman

K A Hedderwick

Group Chief Executive

Declaration of ordinary dividend

Notice is hereby given that a final gross dividend No. 39 of 170 cents (2013: 142 cents) per ordinary share payable out of income has been declared in respect of the financial year ended 28 February 2014. This will bring the total cash dividends to 300 cents (2013: 250 cents) per share for the 2014 financial year, an increase of 20%.

The salient dates for the payment of the final dividend are detailed below:

Last day to trade cum-dividend

Friday, 4 July 2014

Shares commence trading ex-dividend

Monday, 7 July 2014

Record date

Friday, 11 July 2014

Payment of dividend

Monday, 14 July 2014

Share certificates may not be dematerialised or rematerialised between Monday, 7 July 2014 and Friday, 11 July 2014, both dates inclusive.

In terms of the Dividends Tax legislation, the following additional information is disclosed:

- The local dividend tax rate is 15% before utilisation of Secondary Tax on Companies (STC) credits.
- There are no STC credits used or to carry forward. The net local dividend amount is 144,5 cents per share for shareholders liable to pay the Dividends Tax and 170 cents per share for shareholders exempt from paying the Dividends Tax.
- The issued share capital of Famous Brands is 99 242 435 ordinary shares.
- Famous Brands' tax reference number is 9208085846.

By order of the Board

J G Pyle

Company Secretary

Midrand

15 May 2014

Condensed consolidated statement of comprehensive income

For the year ended 28 February 2014

	2014 R000	2013 R000	% change
Revenue	2 825 979	2 516 287	12
Gross profit	1 227 396	1 052 566	17
Selling and administrative expenses	(661 879)	(586 724)	
Operating profit	565 517	465 842	21
Share of profit of associates	5 140	—	
Net interest paid	(3 212)	(3 969)	
Profit before taxation	567 445	461 873	23
Taxation	(161 985)	(130 821)	
Profit for the year	405 460	331 052	22
Foreign currency translation differences	59 029	19 337	
Total comprehensive income for the year	464 489	350 389	
Profit attributable to			
Equity holders of Famous Brands Limited	401 637	328 805	22
Non-controlling interests	3 823	2 247	
Total comprehensive income attributable to			
Equity holders of Famous Brands Limited	460 666	348 142	
Non-controlling interests	3 823	2 247	
Reconciliation to headline earnings for the year			
Earnings attributable to equity holders of Famous Brands Limited	401 637	328 805	22
Impairment of goodwill	—	1 469	
Loss/(profit) on disposal of property, plant and equipment and shares	433	(86)	
Less the re-measurements included in equity-accounted earnings of associates	(128)	—	
Headline earnings for the year	401 942	330 188	22
Earnings per share – cents			
– basic	406	338	20
– diluted	405	334	21
Headline earnings per share – cents			
– basic	406	339	20
– diluted	405	335	21
Dividends to shareholders – cents			
– interim dividend declared	130	108	20
– final dividend declared	170	142	20
Total dividends for the year	300	250	20
Ordinary shares			
– in issue	99 242 435	97 827 435	
– weighted average	98 942 130	97 377 435	
– diluted weighted average	99 577 130	99 377 435	

Condensed consolidated statement of financial position

At 28 February 2014

	2014 R000	2013 R000
ASSETS		
Non-current assets	1 139 928	1 006 137
Property, plant and equipment	205 575	194 080
Intangible assets	870 344	800 470
Investments in associates	52 934	—
Deferred taxation	11 075	11 587
Current assets	552 911	504 330
Inventories	177 511	167 277
Taxation	6 834	2 780
Trade and other receivables	277 867	249 537
Cash and cash equivalents	90 699	84 736
Total assets	1 692 839	1 510 467
EQUITY AND LIABILITIES		
Equity attributable to equity holders of Famous Brands Limited	1 224 365	991 743
Non-controlling interests	10 583	8 345
Total equity	1 234 948	1 000 088
Non-current liabilities	53 735	130 456
Interest-bearing borrowings	—	77 313
Deferred taxation and lease liabilities	53 735	53 143
Current liabilities	404 156	379 923
Trade and other payables	327 622	281 752
Short-term portion of interest-bearing borrowings	65 000	88 514
Taxation	11 534	9 657
Total liabilities	457 891	510 379
Total equity and liabilities	1 692 839	1 510 467

Condensed consolidated segmental information – business unit and geographical

For the year ended 28 February 2014

	2014 R000	2013 R000	% change
Revenue			
Franchising and Development	537 817	476 896	13
Supply Chain	2 145 105	1 919 400	12
Manufacturing	926 911	715 418	
Logistics	2 021 417	1 812 358	
Eliminations	(803 223)	(608 376)	
Corporate	1 355	1 296	
South Africa	2 684 277	2 397 592	12
UK	91 916	83 030	11
Rest of Africa	49 786	35 665	40
Total	2 825 979	2 516 287	12
Operating profit			
Franchising and Development	324 925	286 639	13
Supply Chain	203 513	160 694	27
Manufacturing	121 855	97 618	
Logistics	81 658	63 076	
Corporate	1 248	722	
South Africa	529 686	448 055	18
UK	12 872	5 391	
Rest of Africa	22 959	12 396	85
Total	565 517	465 842	21

Condensed consolidated statement of changes in equity

For the year ended 28 February 2014

	2014 R000	2013 R000
Balance at beginning of year	1 000 088	840 370
Group total comprehensive income for the year	460 666	348 142
Group dividends to shareholders	(269 067)	(222 866)
Share-based payments	3 248	5 456
Movement in share capital	37 775	26 219
Increase in non-controlling interests	2 238	2 767
Total equity	1 234 948	1 000 088

Condensed consolidated statement of cash flows

For the year ended 28 February 2014

	2014 R000	2013 R000
Cash generated before changes in working capital	601 756	503 396
Increase in inventories	(9 955)	(47 281)
Increase in receivables	(22 674)	(46 911)
Increase in payables	24 432	73 075
Cash generated by operations	593 559	482 279
Net interest paid	(3 212)	(3 969)
Taxation paid	(166 748)	(136 507)
Dividends paid	(271 125)	(223 173)
Net cash retained from operating activities	152 474	118 630
Cash flow from investing activities		
Acquisition of businesses including intangible assets	(14 522)	(92 257)
Net cash outflow on disposal of subsidiary	(221)	—
Net cash outflow on acquisition of associates	(47 794)	—
Expansion capital expenditure of:		
– property, plant and equipment	(25 642)	(49 608)
– intangible assets	(7 492)	(4 291)
Replacement capital expenditure on property, plant and equipment	(18 428)	(18 433)
Proceeds from disposal of property, plant and equipment and intangibles	2 059	2 239
Net cash flow from investing activities	(112 040)	(162 350)
Cash flow from financing activities		
Movement in share capital and reserves	37 775	26 219
Cash contributed by non-controlling shareholders	17 061	12 283
Interest-bearing borrowings raised	—	130 000
Decrease in interest-bearing borrowings	(100 827)	(86 325)
Net cash flow from financing activities	(45 991)	82 177
Change in cash and cash equivalents	(5 557)	38 457
Foreign currency effect	11 520	5 699
Cash and cash equivalents at beginning of year	84 736	40 580
Cash and cash equivalents at end of year	90 699	84 736

1. Basis of preparation

These condensed annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the Listings Requirements of the JSE Limited. These condensed results were prepared under the supervision of NS Richards, in his capacity as Group Financial Director.

2. Accounting policies

The accounting policies applied by the Group are consistent with those applied in the comparative financial periods, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the year ended 28 February 2013 is Rnil.

3. Auditors

These condensed financial statements have been audited by RSM Betty & Dickson (Johannesburg) and their unqualified audit opinion is available for inspection at the company's registered office.

	28 February 2014 R000	28 February 2013 R000
4. Operating profit		
The following have been accounted for in operating profit:		
– Amortisation of intangible assets	4 871	3 083
– Auditors' remuneration	3 998	3 635
– Depreciation of property, plant and equipment	33 555	30 472
– Foreign exchange profit	(508)	(270)
– Impairment of goodwill	—	2 040
– Loss/(profit) on sale of property, plant, equipment, intangibles and shares	602	(119)
– Operating lease charges on immovable property net of recoveries from sub-leases	28 197	42 958
– Operating lease charges on movable property	3 554	2 750
– Share of profit of associates	5 140	—
– Share-based payments – equity-settled	3 248	5 456
– Share-based payments – cash-settled	2 068	691
5. Capital commitments		
Capital expenditure approved not contracted	52 389	46 942

Famous Brands Limited

("Famous Brands" or "the Group")

Incorporated in the Republic of South Africa

Registration number 1969/004875/06

JSE Share code: FBR

ISIN code: ZAE000053328.

Directors and administration**Non-executive:**

SL Botha (Independent Chairman), CH Boulle, P Halamandaris, P Halamandaris (Jnr), T Halamandaris, JL Halamandres, KL Shuenyane, BL Sibiya.

Executive:

KA Hedderwick (Group Chief Executive), DP Hele (Chief Executive Officer Food Services), NS Richards (Group Financial Director).

Registered office:

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Email: investorrelations@famousbrands.co.za

Transfer secretaries:

Link Market Services (Pty) Ltd. (Registration number 2000/007239/07),
Rennie House, 19 Ameshoff Street, Braamfontein 2001,
PO Box 4844, Johannesburg 2000.

Sponsor:

The Standard Bank of South Africa Limited (Registration number 1969/017128/06),
30 Baker Street, Rosebank 2196.

www.famousbrands.co.za