2017

famous | brands

you're in good company

Integrated Annual Report 2017

Contents

This report contains icons and cross-references to assist the reader with navigating the information contained in this document, and are devised to prevent repetition in cases where an item is referred to in more than one section.

The following icons relate to our Strategy and Material issues:

Brands
Selected international markets
Information technology
The Group
Manufacturing
Transformation
Potential growth opportunities
Retail
Logistics
People
Environment

About our Integrated Annual Report

Introduction and scope of the report

We are pleased to present our 2017 Integrated Annual Report. The report covers the performance of Famous Brands Limited (Famous Brands or the Company) and its subsidiaries (together referred to as the Group) as well as its associates for the year ended 28 February 2017.

Our Integrated Annual Report contains summarised consolidated financial statements for the year ended 28 February 2017. A full set of the Group's audited 2017 Annual Financial Statements and the King Code of Corporate Governance for South Africa, 2009 (King III) checklist are available on the Company's website at www.famousbrands.co.za. Feedback on our Integrated Annual Report can be emailed to us on investorrelations@famousbrands.co.za.

Materiality

Our Integrated Annual Report focuses on information that is material to our business. It provides a concise overview of our performance, prospects and ability to create value for our key stakeholders on a sustainable basis. The legitimate interests of all our key stakeholders were taken into account in determining information that is considered to be material for inclusion in this report.

Assurance

The Board of Directors of the Company (the Board), assisted by the Audit and Risk Committee, is responsible for ensuring the integrity of the Integrated Annual Report. Accordingly, the Group applies the combined assurance model by using a combination of external and internal audit assurance, as well as assurance obtained from executive management. The audit opinion expressed by the external auditors on the Group's Annual Financial Statements is available online.

Forward-looking statements disclaimer

This report contains forward-looking statements which are based on assumptions and best estimates made by management with respect to the Company's performance in the future. Such statements are, by their nature, subject to risks and uncertainties which may result in the Company's actual performance in future being different from that expressed or implied in any forward-looking statements. These statements have not been audited by the Company's external auditors.

The Company neither accepts any responsibility for any loss arising from the use of information contained in this report, nor undertakes to publicly update or revise any of its forward-looking statements.

Approval of the Integrated Annual Report

The following reporting frameworks were applied and complied with in preparing this report:

- The Companies Act of South Africa;
- The Listings Requirements of the JSE Limited (JSE Listings Requirements);
- King III;
- International Financial Reporting Standards (IFRS), in particular IAS 34 Interim Financial Reporting; and
- International Integrated Reporting Council (IIRC) Integrated Reporting Framework.

The Board acknowledges its responsibility to ensure the integrity of this report, and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC Integrated Reporting Framework.

Santie Botha
Independent Chairman

Darren Hele
Chief Executive Officer

26 May 2017

About Famous Brands

Highlights

Core business delivered **strong organic growth**

New acquisitions integrated successfully

Built **scale** to **facilitate future growth**

Business model transformed with acquisition of GBK UK

Created wealth of over R2.0 billion

Employed 5 618 people across the business

Total network of **2 782 restaurants**

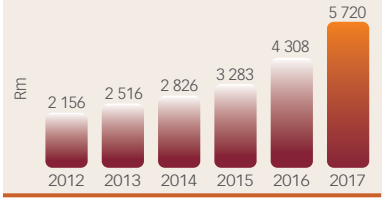
Refined and advanced Strategy 2020

Strong organic growth was reported by the **Brands, Logistics and Manufacturing operations,** complemented by **solid results** derived from the integration of **newly acquired business.**

Financial highlights

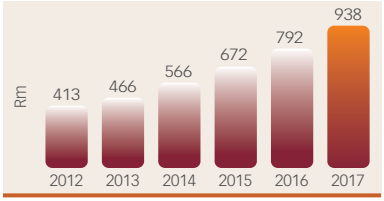
Revenue **up to R5.7 billion**

▲ 33%



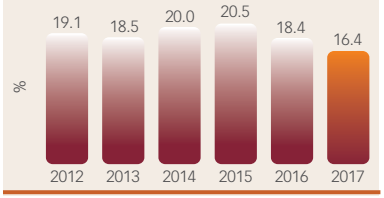
Operating profit before non-operational items and additional interest costs **up to R938 million**

▲ 18%



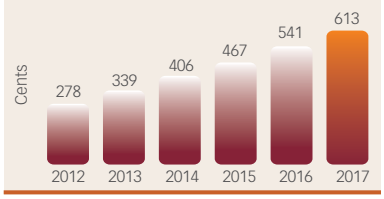
Operating margin before non-operational items

16.4%



Headline earnings per share before non-operational items and additional interest costs **up to 613 cents per share**

▲ 13%



www.famousbrands.co.za

About Famous Brands continued

Our business philosophy

We pride ourselves on **competing** to **win**. Always. Every single day we commit to **exploring opportunities** across the operations to **continuously improve**, **grow** and ensure we are **positioned** to **retain our market leadership** in all those categories in which we **compete**.

Famous Brands Limited is a holding company listed on the JSE Limited under the category Consumer Services: Travel and Leisure, and is Africa's largest branded food service franchisor. The Company was listed in November 1994 at a price of R1 per share, equating to a market capitalisation of R25 million. The past two decades have witnessed the Group expand almost beyond recognition from the business it was then, comprising only the Steers brand and a limited Supply Chain component, to the enterprise it is now, with a market capitalisation in excess of R15.0 billion, positioned within the JSE's top 100 companies. Famous Brands' vertically integrated business model comprises a portfolio of more than 20 brands represented by a franchise network of 2 782 restaurants across South Africa, the Rest of Africa, the United Kingdom and the Middle East, underpinned by substantial Logistics and Manufacturing operations.

Strategy 2020

To be the leading innovative branded franchised and food services business in South Africa and selected international markets by 2020.

Five-year key strategic thrusts

- **Grow our Signature Brands portfolio**
- **Fortify our Leading Brands portfolio**
- **Consolidate and elevate our UK business**
- **Flawlessly execute our out-of-home and food services strategy**
- **Develop leading capability in digital and social media**
- **Lead home delivery across all offerings**
- **Continue to pursue an appropriate acquisition strategy which includes local brands and upstream manufacturing opportunities**
- **Review participation strategy in Africa and Middle East**
- **Leverage synergies across Manufacturing plants**

Our strategic intent

Our business is focused on building capability and capacity to position ourselves to deliver unique consumer experiences in the branded franchised and food services space.

Our guiding principles

Champions, Speed, Agility, Quality, Innovation, Integrity, Humility.

Our vision

To be the leading innovative branded franchised and food services business in South Africa and selected international markets by 2020.

Our growth agenda

About Famous Brands continued

Our business model

BRAND PORTFOLIO AND RETAIL

Brand capabilities

Over the years we have deliberately embarked upon a strategy whereby we have developed a portfolio of brands, all of which are designed to be best in their class, offering a compelling business proposition to our franchise partners as well as a quality solution to a wide range of consumers.

Our Design and Development division provides a full turnkey service to all of our brands and their respective franchise partners.

Our central Marketing division is charged with ensuring that brands are properly positioned, are relevant and remain contemporary. All of our brands are supported via a wide range of through-the-line strategic marketing initiatives.

Below-the-line marketing services are provided by Sauce Advertising which is an associate company.

Our brand portfolio comprises

Selected international markets

- Steers
- Wimpy
- Debonairs Pizza
- FishAways
- Mugg & Bean
- Milky Lane
- Wakaberry™
- Europa
- Fego Caffé
- Gourmet Burger Kitchen
- Mr Bigg's
- Pubs:
  - KEG
  - O'Hagan's

South Africa

- Steers
- Wimpy
- Debonairs Pizza
- FishAways
- Mugg & Bean
- Milky Lane
- Europa
- Fego Caffé
- NetCafé
- House of Coffees
- Coffee Couture
- 14 on Chartwell
- Catch
- Lupa Osteria
- Salsa Mexican Grill
- Giramundo
- Vovo Telo
- tashas
- Turn 'n Tender
- The Bread Basket
- Wakaberry™
- Thrupps
- PAUL
- Mythos
- By Word of Mouth
- Pubs:
  - KEG
  - The Brewers Guild
  - O'Hagan's

Retail

The core thrust of this division is the extension of the Group's trademarks into the FMCG retail and wholesale markets. A secondary market comprises supplying selected food service and catering for customers where spare manufacturing capacity exists to do so.

The brands through which we compete in the retail and food services space include:

- Steers
- Wimpy
- TruFruit
- Mugg & Bean
- Milky Lane
- Aqua Monte
- Baltimore

Our Brand, Logistics and Manufacturing capabilities are supported by a range of Corporate Services which include:
Finance, Human Resources, Information Technology, Legal, Procurement, Logistics Services and Operations Services.

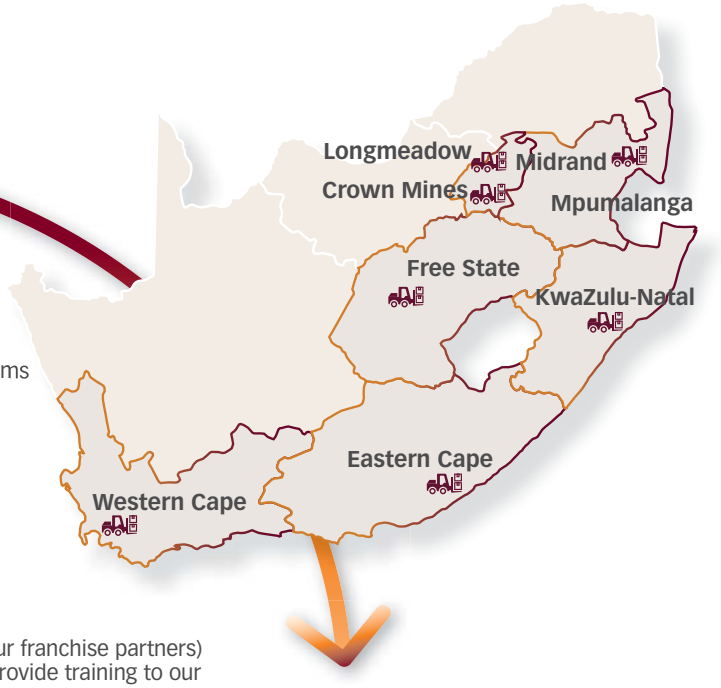
Logistics capabilities

The Logistics division represents the Group's route-to-market, delivering to the franchise network a comprehensive basket of products required to cater for brand-specific menus. The Logistics function represents a key strategic and competitive advantage to the Group in terms of its overall franchise system.

The division is supported by six **centres of excellence** which are based in:

- **Midrand (including Crown Mines and Longmeadow)**
- **Western Cape**
- **Eastern Cape**
- **Mpumalanga**
- **KwaZulu-Natal**
- **Free State**

The **centres of excellence** enable us to get closer to our customers (our franchise partners) by aligning our Franchising and Logistics businesses. The centres also provide training to our employees and franchise partners.



Manufacturing capabilities

The Manufacturing division represents a key part of the Group's backward integration model, and is tasked with manufacturing a range of licensed products for use by both the franchise network and selected food service and retail customers.

Wholly owned	
Product	*Location*
Meat and chicken	Gauteng and Western Cape
Bakery	Gauteng and Western Cape
Sauces and spices	Gauteng
Ice-cream	Gauteng and KwaZulu-Natal
Fruit juice	KwaZulu-Natal
French fries	Western Cape
Serviettes	Gauteng
Tomato paste	Eastern Cape
Joint venture	
Product	*Location*
Coffee	Gauteng
Cheese	Eastern Cape (Coega)
Speciality breads	Gauteng
Choice meat cuts	Gauteng
Red meat, chicken, pork, ribs and frozen storage	Gauteng (City Deep)

SUPPLY CHAIN

About Famous Brands continued

Supporting South Africa's economic growth

Contribution to South Africa's gross domestic product

1. Wealth created

Direct – Famous Brands Group **R2.0 billion**
(refer Value Added Statement, page 26)

Tax revenue paid to the South African Revenue Services by **Famous Brands Group**:

Corporate Tax	R213 million
Value Added Tax	R202 million
Pay As You Earn	R91 million
Skills Development Levy	R4.5 million

Indirect – Franchise partners **R2.1 billion***

Tax revenue paid to the South African Revenue Services by **our franchise partners**:

Corporate Tax	R596 million*
Value Added Tax	R1.6 billion*

*Estimate

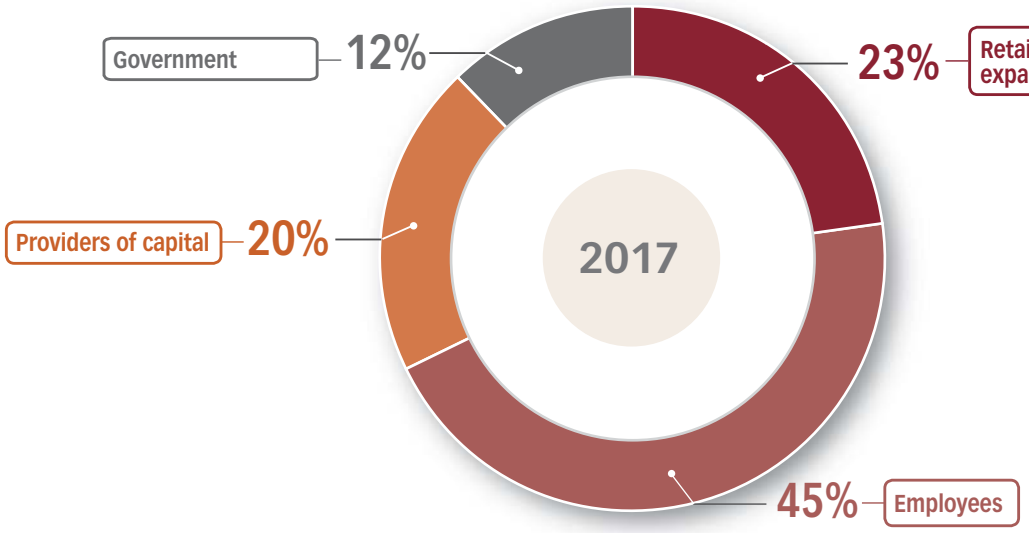
TAX PAID

Distribution of direct wealth created

2. Employment created

Direct employment – Famous Brands employees **5 618** across the business

Indirect employment – Employees of our franchise partners **over 60 000**



Famous Brands is optimistic and enthusiastic about the opportunities presented by the food service industry in this country.

This contribution is achieved through continued investment in the Group's key relationships, particularly with our franchise partners and consumers.

Famous Brands makes a **substantial contribution to economic and social growth in South Africa** through **creating economic value** and **employment**, **providing training and skills development**, upholding the country's **transformation agenda** and **supporting local communities**.

3. Training and skills development (refer page 41)

Employees of Famous Brands trained: certified training **148 delegates**

Employees of franchise partners trained

Franchise workshops	Brand product training	Fundamental Restaurant Management training	Other ad-hoc training
14 602 delegates	13 578 delegates	1 353 delegates	537 delegates

4. Supporting local communities

Sports sponsorships	R14 million
Donation of product	R380 thousand
Other corporate social investment initiatives	R4 million

(refer page 18 and 38)

5. Supporting South Africa's transformation agenda (refer page 40)

Cases delivered by owner-drivers	50%
Permanent female employees	28%
Permanent black* employees	50.34%

* *Black as defined by the Department of Trade and Industry Codes of Good Practice relating to B-BBEE.*

6. Scale of our business operations

Milk used in cheese production
53 million litres – Coega Cheese plant

The milk is procured from local farmers in the Eastern Cape

Raw materials and finished goods:

Beef	7 210 kgs (000)
Cheese	8 200 kgs (000)
Pork	5 202 kgs (000)
Chicken	4 688 kgs (000)
Fish	2 276 kgs (000)

7. Environmental awareness

Packaging waste recycled	2 339 tons

Energy consumption:

Diesel	1 932 kilolitres
Petrol	761 kilolitres
Gas	514 kilolitres
Electricity	24 931 mWh

(refer page 43)

About Famous Brands continued

Our brands

STEERS® South Africa's iconic burger brand has been serving South Africans its legendary 100% pure beef flame-grilled burgers and hand-cut chips for almost 50 years. Frequent winner of Best Burger and Best Chips accolades, Steers is the leader in its category.

Consumers remain **loyal** to **reputable brands** that are relevant, **offer value**, **afford convenience** and are **accessible**. The **Group's portfolio** is **deliberately crafted** to **fulfil** these **requirements**.

WIMPY

Established in 1967, Wimpy, South Africa's largest casual dining franchise with a footprint exceeding 500 restaurants, is loved for its sizzling selection of breakfasts, burgers, grills and its famous Wimpy coffee.

DEBONAIRS PIZZA

Debonairs Pizza is the pioneer and leader of the takeaway and home delivery pizza category in Africa. As South Africa's best loved pizza brand with over 600 restaurants, Debonairs Pizza is multi-awarded for its high-quality, innovative offering and service delivery.

MUGG & BEAN

GIVING YOU MORE AND MORE

Famous for its bottomless coffee, giant muffins and substantial portion sizes, the spirit of generosity which epitomises Mugg & Bean ensures the brand is a South African favourite.

GOURMET BURGER KITCHEN

Market leader in the UK premium burger category, GBK is renowned for unrivalled farm-to-fork provenance and quality; menu differentiation; and creativity and innovation centred on pioneering and perfecting handcrafted "burger comfort".

fishaways

CATCH IT FRESH

FishAways is South Africa's leading quick-service seafood restaurant. The brand offers fresh, nutritious quality seafood-based meals to the health-conscious consumer, while delivering excellent value for money.

MYTHOS

Mythos offers an authentic vibrant Greek dining experience serving both traditional Greek and contemporary cuisine. The brand has been awarded Best Greek Restaurant accolades over the past three years.

catch

catch is a premium sushi and seafood restaurant that offers consumers a delectable culinary experience in a contemporary setting.

SALSA MEXICAN GRILL

Salsa is a contemporary Fast Casual dining concept centred on traditional Mexican food and beverages, served in an authentic festive environment.

LUPA OSTERIA

Lupa's full service casual family dining restaurants serve authentic craft-style food, including wood-fired oven pizza and home-made pasta, in a relaxed, neighbourhood trattoria ambience.

PAUL depuis 1889

With a legacy dating back nearly 130 years to its origins in Northern France, PAUL is an internationally renowned artisanal boulangerie, patisserie and delicatessen.

WAKABERRY

Wakaberry is a self-service soft-serve frozen yoghurt bar which encourages customers to be the masters of their own colourful froyo creations.

Mr Bigg's

Mr Bigg's, a quick-service restaurant network represented across Nigeria, is the single largest food franchise brand in West Africa, North of South Africa. Its extensive offering ranges from pastries and pies to burgers and grilled chicken.

THE BREAD BASKET BAKERY

The Bread Basket is a boutique food emporium that offers freshly baked specialist breads, pastries, confectionery and deli products.

THRUPPS

Thrupps, upmarket "Grocers of Distinction", offer exclusive delicatessen and bakery products at a selection of Total's premium-end metropolitan service stations.

coffee couture

Coffee Couture, represented in Mediclinic hospitals nationwide, is a specialised coffee shop, offering light meals, refreshments and a selection of gifts and retail items.

14 on Chartwell in Umhlanga, is a craft pub and restaurant that offers a trendy but unpretentious dining experience. The ideal setting for both casual dining with friends and family or an intimate evening.

Since the 1960s, House of Coffees has been respected as a purveyor of high quality freshly roasted and masterfully blended coffee.

Baltimore is our quality ice cream range served in our restaurants and sold to the catering services market.

Aqua Monte produces still and sparkling bottled spring water which is sold in our restaurants and at select cinema outlets.

Lamberts Bay Foods processes French fries and other value-added potato products for the Group's restaurants as well as other retail customers.

TruFruit is a range of fruit juices manufactured for and sold in our restaurants, at select cinemas and to the catering market.

Milky Lane, the leader in the ice-cream and indulgence category in South Africa, is the destination of choice for families, and is equally popular among teens. The brand serves signature ice-cream-based treats, waffles, its trademark Whizzers and delicious coffees.

Europa is a mediterranean style restaurant that offers freshly prepared flavourful meals across all day parts. Europa is all about warmth and passion.

FEGO Caffé is the coffee connoisseurs' choice for an extraordinary coffee experience and a tasty light meal in a comfortable café-style environment.

NetCafé is a bespoke restaurant concept situated in Netcare hospitals across South Africa, providing light meals to staff, patients and visitors.

The KEG chain of pub restaurants is a South African institution, serving traditional pub food and modern fare. A local hub for meetings, evenings out and televised sport, the KEG is enjoyed by the young and not-so-young.

tashas is a bespoke boutique café concept that effortlessly brings together innovative comfort food, personalised service and chic signature design interiors to create memorable dining experiences.

Vovo Telo is an authentic artisan bakery that serves scrumptious hand-made bakery and deli products and sublime coffee.

This multi-awarded commercial catering company is the leader in world-class cutting-edge event production, offering a portfolio of services ranging from exquisite designer food and beverage menus to comprehensive event management.

Awarded Best Steakhouse accolades on numerous occasions, Turn 'n Tender is the leader in the upmarket steakhouse category. The brand enjoys an enviable reputation for perfectly pairing great food and wine.

About Famous Brands continued

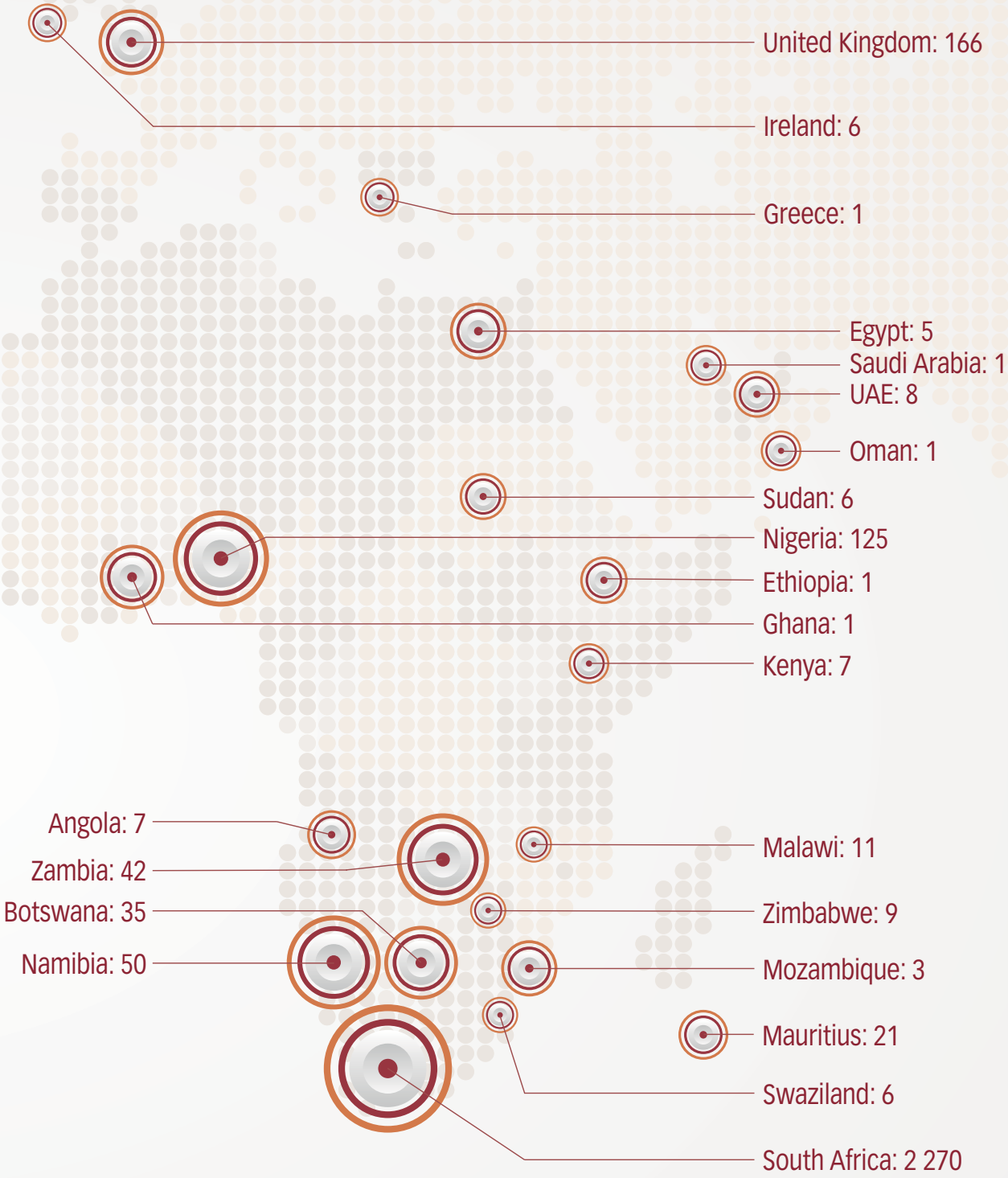
Restaurant network

	Domestic	International	Total
Steers	561	46	607
Steers UK	–	1	1
Wimpy	481	27	508
Wimpy UK	–	81	81
Debonairs Pizza	511	96	607
FishAways	226	14	240
Mugg & Bean	203	16	219
Gourmet Burger Kitchen	–	97	97
Milky Lane	68	8	76
Wakaberry™	24	1	25
Fego Caffé	35	1	36
NetCafé	26	–	26
Europa	15	1	16
Giramundo	11	–	11
KEG	11	3	14
tashas	15	1	16
Vovo Telo	15	–	15
The Bread Basket	6	5	11
Creative Coffees	13	–	13
Turn 'n Tender	15	–	15
Mythos	10	–	10
House of Coffees	4	–	4
The Brewers Guild	2	–	2
O'Hagan's	2	1	3
14 On Chartwell	1	–	1
Juicy Lucy	1	–	1
Thrupps	5	–	5
Mr Bigg's	–	113	113
Lupa Osteria	4	–	4
Salsa Mexican Grill	3	–	3
Catch	2	–	2

The Group's **resilience in the face of adverse trading conditions** is attributable to a **strategic and integrated business model, dedicated leadership,** and an **unwavering focus** on **constant innovation** across our branded food services solutions.

Trading footprint

Total restaurants 2017: 2 782



Performance overview


HEI HEI
SALT

Chairman's statement

Highlights

Business model
transformed
with acquisition
of **GBK UK**

Refined and advanced
Strategy 2020

Grew revenue by
33% in
challenging environment

Created wealth
of over
R2.0 billion

Employed
5 618
people
across the business

Overview

In the context of persistent socio-political uncertainty and economic hardship, discretionary spend remained constrained and consumer sentiment deteriorated further. As a result, margin pressure was a key feature in the market as players sought to deliver value offerings to attract and retain price-sensitive customers.

Furthermore, with the entry of international participants in the industry, competition intensified as local and global brands vied to gain and grow market share.

In this context, I am pleased to report that Famous Brands reported a very strong set of results for the year under review. The Group's resilience in the face of adverse trading conditions is attributable to a strategic and integrated business model, dedicated leadership, and unwavering focus on constant innovation in our branded food service solutions which are designed to ensure relevance to consumers, competitive advantage for our franchise partners and rewarding returns for all our stakeholders.

Group performance

Management

On 1 March 2016, Darren Hele was appointed as the new CEO of Famous Brands, taking over from Kevin Hedderwick, who retired. I am delighted to report that over the period under review, the leadership transition was effected seamlessly, and Darren and his accomplished management team are to be congratulated on delivering impressive results in very challenging market conditions.

On his retirement at the end of February 2016, Kevin was appointed as Group Strategic Adviser for a 12-month period with responsibility for pursuing new growth opportunities. He fulfilled this role admirably, concluding seven acquisitions during the year under review, including the Group's largest to date – the acquisition of Gourmet Burger Kitchen (GBK) Restaurants Limited in the United Kingdom, the market leader in the premium burger category.

Strategy

The Group's 2016 strategic intent, as discussed in my statement last year, was to "focus on building capability and scale across Brands, Logistics and Manufacturing to position ourselves to compete aggressively in the leisure and consumer product sectors".

After a remarkable year for the Group – one which delivered robust organic growth, complemented by a range of transformational acquisitions across the business – Management, together with the Board, has resolved to refine the 2017 strategic intent to better reflect the Group's evolving business model, its related goals and the dynamic global trading landscape.

In the context of a strong local and rapidly growing international presence, an expanded network of 2 782 restaurants, 16 manufacturing sites nationwide, 25 500 m^2 of warehousing capacity, and a fleet of 117 trucks, the Group's strategy has been narrowed to focus specifically on "Building capability and capacity to position ourselves to deliver unique consumer experiences in the branded franchise and food service space". I am satisfied that this strategy will serve the Group well in continuing to compete aggressively in the categories in which we participate and to realise the stretch targets the leadership has set for the business.

Results

Revenue for the period grew by 33% to R5.7 billion (2016: R4.3 billion), which includes 20 weeks of turnover contribution from the newly acquired GBK business. Operating profit increased 18% to R938 million (2016: R792 million) excluding non-operational items.

The Group's results for the year under review have been impacted by the following once-off non-operational items related to the GBK acquisition: a realised derivative loss of R33 million on the call option that was utilised to hedge the purchase price of the acquisition; a realised foreign exchange loss of R23 million arising from the unfavourable movement in the ZAR:GBP exchange rate between the acquisition

payment date and the effective date; and professional fees related to the acquisition of R50 million.

As previously disclosed in the interim results announcement on 24 October 2016, the Group recognised an impairment loss of R20 million on the investment made in 2013 in UAC Restaurants Limited in Nigeria.

Net finance costs incurred for the period were R132 million compared to R7 million in the prior corresponding period mainly as a result of interest-bearing borrowings raised to fund growth in operations and to optimise the Group's capital structure.

Accordingly, headline earnings per share (HEPS) decreased 21% to 428 cents per share (2016: 541 cents per share). HEPS before non-operational items and additional interest costs, rose 13% to 613 cents per share (2016: 541 cents per share).

Cash generated by operations before changes in working capital increased to R932 million (2016: R875 million). Working capital changes improved to R137 million (2016: R156 million). After changes in working capital, cash generated by operations increased to R795 million (2016: R718 million).

The Group raised interest-bearing borrowings of R2.4 billion to fund its operating activities, while employing the cash generated from operations to fund among others, the GBK acquisition and related transaction costs. Cash utilised in investing activities was R2.3 billion (2016: R202 million).

The effective tax rate for the period increased to 34% from 29% in the prior year as a result of the once-off non-operational items related to the GBK acquisition. Tax payments were R215 million (2016: R244 million).

At the end of the period, net cash increased to R405 million (2016: R6 million). The Group's gearing ratio relative to its market capitalisation as at 28 February 2017 was 16%.

Acquisitions, enterprise development and entrepreneurship

As mentioned, the acquisition of GBK from 7 October 2016 is a game-changing transaction for the Group. The acquisition affords the Group ownership of a financially robust business in a first-world market, an extensive network of 97 restaurants with a secure pipeline of sites to support a bold expansion programme, and the opportunity to earn hard currency outside of Africa. GBK's restaurants are company-owned, which also instantly fast-tracked the Group's stated goal to up-weight its company-owned restaurant base.

With effect from 1 December 2016, the Group acquired a 49.9% stake in By Word of Mouth, a multi-awarded commercial catering company. This acquisition advances the Group's strategy to expand into the broader food services category; in the short to medium term, the goal is to enter the home-meal replacement sector and expand the existing customer base from Johannesburg to other major cities. The purchase consideration fell below the threshold of a categorised transaction in terms of the JSE Listings Requirements.

Santie Botha
Independent Chairman

Chairman's statement continued

I announced in my 2016 report that subsequent to year-end, joint venture partnerships had been established with emerging restaurant brands, Catch, Lupa Osteria and Salsa Mexican Grill. Since then, these businesses have all been integrated successfully into the Group's operations and are gaining traction in their market niches. Furthering the goal to grow its complement of company-owned restaurants, the Group has subsequently invested in one company-owned Lupa Osteria restaurant.

During the year the Group also acquired two strategic manufacturing businesses to boost its drive to build capability across its operations, namely, Lamberts Bay Food Limited (LBF), a manufacturer of French fries and other value-added potato products, and Coega Concentrate, a state-of-the-art tomato paste manufacturing plant in the Eastern Cape. LBF's operations were integrated into the business in the review period, and now, in addition to third-party retail customers, the plant also manufactures for the Group's entire franchise network. To capitalise on the growing season, the Coega Concentrate plant was partially commissioned during the year. While final commissioning of the operation is scheduled by mid-year, management's challenge will be to ensure full utilisation of the plant's capacity.

The businesses listed above are discussed in more detail in the CEO's report on page 20 of this document.

The Group's owner-driver programme, which centres on empowering former employees to set up their own transport businesses, continues to gain momentum. In the year under review the owner-driver complement increased from 31 to 37 drivers, representing 35% of the total number of drivers contracted by the Group. Significantly, owner-drivers distributed 50% of the total volumes delivered, up from 20% in the prior year, reinforcing management's view that these owner-managed businesses are more productive than company-owned or independent outsourced operations. The programme has been key to optimising the Group's fleet utilisation and growing the Logistics division's critical mass, resulting in enhanced earnings potential for the drivers.

Human capital development

Training and development is a priority activity across the Group. During the review period, Famous Brands' delegates received certified training, while employees of our franchised partners also attended a range of development initiatives including: franchise workshops (14 602 delegates); brand product training (13 578 delegates); and fundamental restaurant management training (1 353 delegates).

The Group's "Manager's Challenge", a management development programme, was successfully concluded in the review period and will be implemented again in the year ahead. In addition, in partnership with the Wits Business School, a programme was conducted to mentor high-potential candidates at executive and senior management level for future roles in executive management.

In line with the Group's goal to build its leadership resource, further investment was made in recruiting fit-for-purpose personnel at senior management and executive level.

Business sustainability

Corporate governance and remuneration

The Group's executive leadership subscribes to sound corporate governance in all areas of the business and ongoing development and implementation of best practices.

In terms of the King IV Report published in 2016, the company will address compliance with the principles, and where appropriate, the recommended practises outlined in the report.

Stakeholder engagement and material issues

Our stakeholders' interests and concerns are important to us. The narrative on page 36 of this report details how we engage with them on key issues, while the report on page 32 details the material risks which might impact stakeholders and outlines the actions we have identified to mitigate such risks.

Information technology

In my 2016 statement I noted that the Group had commenced a 15-month project to replace the existing constrained financial management and reporting system with a fit-for-purpose Enterprise Resource Planning system designed to support the Group's future growth. I am delighted to report that the R50 million project will be concluded within budget and on schedule in July 2017. It is anticipated that this development will substantially enhance operations in the Finance, Logistics, Manufacturing and Procurement divisions.

Corporate social investment

The Group's corporate social investment initiatives are implemented through its major brands, being Steers, Wimpy, Debonairs Pizza and Mugg & Bean. Designed to make a meaningful impact in the communities in which they operate, these programmes recorded pleasing highlights in the review period.

Steers is a sponsor of the Let's Play physical education challenge, which encourages play, activity and sport in schools and at home to promote healthier lifestyles. During the year the programme interacted with 600 schools and 660 000 children, and awarded the winning school in the competition a R1.3 million multi-purpose sports facility.

In conjunction with the SHOUT Foundation, Steers launched the SHOUT Burger Combo which raised R2 million towards building four libraries in underprivileged primary schools. The Foundation, whose philosophy is that education can make a difference in the fight against crime and violence, has to date built three libraries in the needy communities of Soweto, Mitchells Plain and Phalaborwa.

Wimpy partnered with the Reach for a Dream foundation for the third consecutive year, and through selling R1.1 million worth of stickers for the charity, helped to make 220 children's dreams come true.

Debonairs Pizza's Doughnation initiative is a daily, year-round community project which encourages the brand's restaurants to use the excess dough resulting from the pizza-making process to make flat breads, which are then donated to charities in underprivileged communities every day.

Mugg & Bean supports the Cupcakes 4 Kids with Cancer foundation, whose goal it is to raise awareness that early detection of cancer can save a child's life. During the year the brand raised R500 000 in its restaurants, up from the R100 000 it donated to the foundation in the previous year.

The four brands also continued to invest in their sponsorship alliance with Varsity Sports, a programme which serves to bridge the funding gap for athletes in the stage between competing at school level and turning professional, thereby promoting the development of future sporting stars in South Africa. Steers sponsored 7s rugby, cricket and beach volleyball; Wimpy funded athletics and netball; Mugg & Bean supported the continued development of hockey and Debonairs Pizza sponsored football.

Directorate and Company Secretary

During the year and as announced on SENS, the Board of Directors was restructured as follows:

- With effect from 1 June 2016, Ms Thembisa Skweyiya was appointed as an independent non-executive director to the Board.
- Effective 1 July 2016, Mr Norman Richards, formerly Group Financial Director, was appointed as Group Commercial Executive, and Ms Kelebogile Ntlha, formerly Group Financial Executive and Company Secretary, was appointed as Group Financial Director.
- Mr Ian Isdale assumed the position of Company Secretary on a consultancy basis for six months with effect from 31 August 2016. As of 28 February 2017, Mr Isdale's appointment was extended to 28 February 2018.

Subsequent to the year-end and effective 2 May 2017, Mr Kevin Hedderwick was appointed as a non-executive director to the Board.

The Group remains committed to transforming the composition of the Board to ensure JSE listing rules compliance as well as to enhance the range of expertise and experience available to the business.

Dividends and dividend policy

As discussed throughout this report, the Group made a number of acquisitions during the year to support its robust growth targets. Consequently, the business's gearing is substantially higher than in prior years and the Board has therefore resolved that no final dividend will be declared for the period. As reported in the interim results announcement, it is anticipated that, subject to future acquisitions, payment of dividends will resume in the 2018 financial year.

Outlook

Famous Brands' strong track record over the past two decades provides reassurance that the business has the experience, ability and determination to continue to thrive in a trading environment which will inevitably become more difficult as negligible economic growth, increasing unemployment and rising inflation continue to dampen consumer sentiment and constrain discretionary spend.

Management is mindful that optimum resourcefulness and innovation will be its key watchwords as the competitive landscape becomes more challenging.

I am satisfied that the Group's unwavering goal to build capacity, capability and scale across its Brands and Manufacturing operations will be advanced by capitalising on the opportunities identified in the business. Acquisitive by nature, Famous Brands will also remain vigilant regarding potential investment prospects which align with its vision to be the leading innovative branded franchised and food services business in South Africa and selected international markets by 2020.

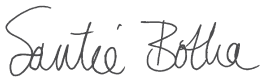
Appreciation

On behalf of the Board, I would like to pay tribute to Darren Hele, his leadership team and all the people of Famous Brands who contributed to a very successful year of trading. The strong results delivered in a very demanding environment are testament to your unrelenting high-performance culture.

As noted at the outset of my report, Kevin Hedderwick has concluded a very successful year in which he served as Group Strategic Adviser. I would like to extend sincere thanks to him for his invaluable contribution during his tenure.

The continued investment and positive feedback we receive from our private and institutional shareholders is rewarding, and every effort is made to ensure that the business strives consistently to meet your expectations.

In closing, I would like to thank my fellow Board members for their constructive counsel and their keen interest, support and endorsement of the Group's goals and strategies.



Santie Botha
Independent Chairman

Chief Executive Officer's report

Highlights

Core business delivers
strong organic growth

New acquisitions
integrated successfully

Built scale
to facilitate future growth

Total
network of 2 782 restaurants

Year in review

Macro-economic environment

The Group's trading environment deteriorated over the period against a backdrop of sustained low economic growth, widespread rising consumer prices exacerbated by currency volatility, severe drought, and record low levels of business and consumer confidence.

Overview of the Group's performance

Notwithstanding this difficult climate, I am pleased to report strong organic growth by our Brands, Logistics and Manufacturing operations, complemented by solid results derived from the integration of newly acquired businesses.

In our Brands division, both the Leading and Signature portfolios reported rewarding performances, underpinned by the Group's unwavering focus on innovation and best practice disciplines across the offering.

The Logistics and Manufacturing divisions successfully integrated higher volumes of existing business as well as new volumes arising from acquisitions, as reflected in their excellent results.

The individual performances of these three operations are discussed in more detail under the respective divisional reports in this document.

Results

Famous Brands' strong results track record is exemplified by another consecutive year of improved turnover and profits.

Combined revenue across the divisions increased by 33% to R5.7 billion (2016: R4.3 billion), while operating profit (before non-operational items) grew by 18% to R938 million (2016: R792 million). The operating margin declined to 16.4% (2016: 18.4%) due to a higher percentage of joint-venture entities and company-owned restaurants in the system; the incorporation of high-volume lower-margin manufacturing business; and continued investment in resources to enhance operational capabilities.

Industry overview

A range of trends has recently evolved in the industry, and management endeavours, through constant innovation and vigilance, to capitalise on the opportunities that they present.

- In light of constrained discretionary income and an increasingly fast-paced lifestyle, consumers continue to prize value and convenience offerings.
- The focus on food ecology and mindful dining is gaining momentum as consumers become more concerned about the components of the farm-to-table chain, ranging from producers and the production process, to security of supply and the provenance of ingredients. Allied to this focus is the intensifying trend to healthier eating by a growing segment of consumers.
- Technology has become an indispensable feature of the food services sector, advancing from online and mobile ordering to the introduction of bespoke apps. The use of technology has facilitated improved levels of convenience, customisation and self-automation, and leveraging this trend will become increasingly important in capturing the powerful, growing Millennial market.
- The Quick Service sector gained market share at the expense of the Casual Dining category primarily due to constrained disposable income and a blurring of traditional differences between the two segments. Increasingly, Quick Service offerings are viewed as "restaurant dining experiences", but with the benefits of lower prices and quicker service.
- The entry of international brands over the past few years is well documented and while intensifying competition, has served to grow the categories in which they participate.

Divisional report

Brands

The Group's Brands portfolio is strategically structured to appeal to a wide range of consumers across the income and demographic spectrum and across meal preferences and value propositions.

Our Brands division comprises the following regions: South Africa, Rest of Africa and the Middle East (AME), and the United Kingdom (UK).

Throughout this division we focused on building capability and advancing our market penetration.

During the review period, 192 restaurants were opened and 220 were revamped. The Group's total brand network consists of 2 782 restaurants (2016: 2 614). Our New Business Development division closely monitors the broad trading environment to ensure the Group is optimally represented in its market segments, and restaurant openings and closures are aligned with market demand. While new restaurant openings were in line with the prior year, in the current economic environment and changing demographic landscape, there is a general trend to more closures than in previous years. The Group's restaurant revamp programme continued to gain traction, and post-revamp results have been rewarding.

In terms of evolving trends, and to ensure we continue to meet our customers' expectations, we responded as follows:

With regard to our value and convenience offerings, we revisited menu pricing and portion sizing to ensure optimal value, and continue to offer popular promotional programmes. We made substantial improvements to our home delivery offering and will continue to prioritise this strategy. Additionally, we extended our drive-through, on-the-move and other grab-and-go offerings to improve access for our customers.

While certain of our brands have strong online offerings, we have commenced a major initiative to up-weight our technological capability in the digital and social media arenas.

In response to our customers' demands for mindful dining and healthier eating, the Group continues to introduce a variety of healthier meal options on our standard and children's menus, in addition, Management actively ensures that the business remains compliant with industry best practice in terms of all relevant food product legislation.

Our brands' sustained appeal to customers is reflected in the plethora of consumer accolades achieved across the Leading and Signature portfolios. Among our Leading brands, these include: Best Burger and Chips and first place in the Mail & Guardian's Top Companies Reputation index (Steers); Best Pizza Place and Best Home Delivery Service (Debonairs Pizza); Best use of Technology and Best Pretoria restaurant (Wimpy); Best Coffee and Best Breakfast Place (Mugg & Bean); Best Fish Take-Away and Best Fish and Chips (FishAways); and Best Ice-cream Shop and maiden entry into the Sunday Times Top 10 Brands award (Milky Lane).

The Signature portfolio also received a vast array of awards, ranging from the Best: Breakfast, Brunch, Business lunch and Design (tashas); New Restaurant (Salsa Mexican Grill); Steak Restaurant, Platinum Diners Club Award and Luxury Travel Guide Gastronomic Excellence Award (Turn 'n Tender); Frozen Yoghurt category (Wakaberry™); and Neighbourhood, Greek and Budget restaurant (Mythos).

The performance of the Group's brands in the three operating regions is discussed below.

South Africa

Revenue increased 15% to R781 million (2016: R681 million). Operating profit rose by 10% to R427 million (2016: R389 million), while the operating margin declined to 54.7% (2016: 57.1%). System-wide sales grew 11.5%.

Darren Hele
Chief Executive Officer

Leading brands portfolio

The Group's Quick Service brands recorded another excellent set of results, while the Casual Dining brands performed solidly in a category that experienced intensified pressure as the economy worsened over the review period.

Quick Service brands

A selection of key highlights achieved during the period follows:

Steers reported strong system-wide and like-on-like sales during the year and opened 25 restaurants, bringing the network to 607 restaurants. The brand launched its refreshed drive-through concept, which proved popular and will be rolled out in line with market demand. The reintroduction of the Wacky Wednesday Buy 1 get 1 Free offering continues to boost sales and build brand loyalty among cash-strapped consumers. This tactical promotion is a carefully constructed and deliberate strategy to underpin the Group's value offering.

Debonairs Pizza achieved outstanding system-wide and like-on-like growth reflecting its widespread appeal to consumers despite fierce competition in the sector. The brand succeeded in delivering an above-inflation increase in individual transaction value as well as a rise in customer count. By responding effectively to customers' demands for convenience, the delivery and online ordering channels grew 30% and 150% respectively. The brand opened 42 restaurants in the period including its milestone 600th restaurant.

FishAways concluded another excellent trading year, reporting gratifying increases in system-wide and like-on-like sales. The brand's consistent growth over recent years is evidence of its attraction to consumers seeking high quality healthier meal options. FishAways' network now comprises 240 restaurants and the brand has entrenched itself as a leading competitor in the premium seafood takeaway category.

Milky Lane continued its upward trajectory delivering strong system-wide and like-on-like sales growth. Key to the brand's success has been menu innovation and the introduction of a new restaurant design which is now in place across the bulk of the network. During the period 11 restaurants were added to bring the total network to 76 restaurants.

Casual Dining

Wimpy delivered solid like-on-like sales in the period in the context of severe pressure on the Casual Dining category. An extensive revamp programme was rolled out during the year, with 62 restaurants refurbished. Double-digit post-revamp sales growth is pleasing endorsement of this intervention. The six new restaurants opened in the period have all attained projected turnover targets and the brand's flagship restaurant situated in the new Mall of Africa has exceeded expectations since its launch in April 2016. Wimpy's redesigned menu, featuring improved value for money offerings and weekly promotional activities, has started to recapture price sensitive consumers.

Mugg & Bean continued to experience intensified competition in its market segment, and as a mature 20-year-old brand recognised the need to revolutionise its offering. During the period the brand launched a range of innovative menu items as well as a transformative new restaurant design. The re-engineered menu has proved popular, and the five restaurants revamped with the new look have subsequently achieved double-digit growth. An additional seven new restaurants were opened in the year.

A strategic partnership has been formed with Pick 'n Pay, resulting in one full Mugg & Bean restaurant and three on-the-move outlets being opened to date in Pick 'n Pay stores. The brand's alliance with Total once again delivered strong double-digit system-wide and like-on-like sales.

Fego Caffé has launched a campaign to grow its 36-restaurant footprint through a strategic partnership with Kaap Agri. The new concept, Fego Caffé To Go is predominantly represented in AgriMark stores in the Western Cape, but will be rolled out further afield as demand is established.

Signature brands portfolio

Most of the Group's Signature brands reported pleasing results for the year, with a few underperforming management's expectations. The Group's stated goal is to grow, and where appropriate, streamline this portfolio in the forthcoming period.

As noted in the Chairman's statement, the recently acquired businesses of Catch, Lupa Osteria and Salsa Mexican Grill have been fully integrated. A restaurant roll-out programme is underway for each of the three brands, with several new restaurants already under construction.

The joint venture partnership instituted with Mythos in the previous financial year performed well and the brand continued to gain traction in its niche market segment. During the review period the business launched its new restaurant concept, Nostimo, a contemporary Greek offering with a strong family-friendly focus. Opened in Waterfall Estate in Gauteng, the restaurant is trading successfully.

Among our established Signature brands, strong double-digit system-wide sales were reported by tashas; Turn 'n Tender (with the brand also opening its first two restaurants outside of Gauteng); NetCafé; Coffee Couture and Thrupps; the growth reported across these brands is derived primarily from consistent menu innovation and new restaurant openings.

Despite retaining its market leadership position in the frozen yoghurt category, Wakaberry™ continues to be negatively affected by the general contraction of the category locally, mirroring the global trend. Management will continue to evaluate this brand to ensure it is optimally aligned with market demand.

In line with our policy to rigorously manage the brand portfolio to ensure it delivers superior returns, the Giramundo brand will be phased out given its sustained failure to meet management's expectations. The Group is working with franchise partners to provide them with replacement offerings. Management is satisfied that the introduction of flame grilled chicken to the Steers offering ensures the business retains representation in the chicken category, a strategy that is proving successful.

As announced in November 2015, Famous Brands signed an exclusive license agreement with global bakery-café business, **PAUL**, to become the brand's

South African licensed partner for a ten-year period. On 2 March of this year, the Group opened its flagship PAUL restaurant in Melrose Arch, Gauteng to widespread acclaim from customers.

The restaurant is a combination of bakery-patisserie-café, comprising a 180-seater table service restaurant, signature display counter for grab-and-go orders and full bakery and patisserie facilities. Over 80 local employment positions have been created with the opening of the restaurant.

While PAUL supplies a wide range of licensed products for use in its restaurants, Famous Brands has been certified to procure other approved specified items locally, through its integrated supply chain.

In terms of the license agreement, Famous Brands is contracted to open five company-owned PAUL restaurants over a five year period, thereby advancing the Group's investment strategy to grow its company-owned restaurant portfolio.

I am pleased to report that in the period since opening, the restaurant has enjoyed an exceptional customer response, with budgeted sales exceeded by 40%. Significantly, take-away sales have also surpassed initial targets.

Hospitality portfolio

By Word of Mouth

This internationally acclaimed commercial catering company, in which we acquired a 49.9% stake in December 2016, affords the Group access to the broader food services category, and will advance the goal to expand our repertoire in this sector. The alignment of this business with the Group's operations was concluded by year-end, and has leveraged a number of synergies, including optimising By Word of Mouth's premises to accommodate certain of the Group's manufacturing facilities.

Key strategic initiatives for the business include growing its existing presence in the premium corporate market, establishing a footprint in Cape Town and Durban, and entering the home meal replacement retail space through high-end stand-alone stores retailing bespoke products created by founder, Karen Short.

Rest of Africa and the Middle East (AME)

Overview

Combined revenue in Rand terms grew to R249 million (2016: R145 million). Operating profit rose by 47% to R50 million (2016: R34 million), while the operating margin declined to 19.9% (2016: 23.3%).

System-wide sales for the period rose 8.3%. The AME region contributes 9.3% to the Group's total system-wide Brand division sales.

The Group has in excess of 20 years of experience in the Rest of Africa and is represented in 15 countries.

Seventeen restaurants (2016: 33) were opened in the review period, substantially fewer than management's initial forecasts. This disappointing new restaurant roll-out is a function of weak trading conditions in the region, financial institutions' tighter lending criteria and restricted access to foreign exchange for prospective franchisees.

Debonairs Pizza and Mugg & Bean were once again the best performing brands in the region.

The Group's joint venture partnership in Botswana (Retail Group (Pty) Ltd) delivered another good set of results, with the business growing system-wide sales by 16% in a largely stagnant economy. The network now comprises 35 restaurants, 23 of which are company-owned, across seven brands.

The strategic alliance partnerships with Total (Mugg & Bean in Ghana and Malawi; and Debonairs Pizza and Steers in Malawi) and Shoprite (Debonairs Pizza in Angola) gained traction and the groundwork undertaken in the review period will facilitate an increase in new restaurants in the 2018 financial year.

The UAC Restaurants Limited (UACR) business in Nigeria, trading through 125 Mr Bigg's restaurants, remained in repair and consolidation mode during the year. A number of underperforming restaurants were closed, while opportunities to open new restaurants remained constrained in the recessionary trading environment. In light of the prevailing difficult economic climate and the introduction of a flexible exchange rate policy which resulted in the devaluation of the Naira, the Group recognised a R20 million impairment on its investment in the business. Management's outlook for the UACR operation remains cautiously optimistic.

Management continues to assess and evaluate the Group's participation in the region and in line with the stated policy to implement a narrow and deep strategy, the business exited three underperforming markets, Ivory Coast, Democratic Republic of Congo and Tanzania, while additional resources have been allocated to more favourable markets, including Malawi, Zambia and Mauritius.

Debonairs Pizza in the UAE benefited from the introduction of new management, resulting in improved sales growth. The brand will focus on sourcing new franchisees in the forthcoming period.

tashas' maiden restaurant in the UAE, launched in Jumeirah in 2015, has traded strongly since opening. Based on this success, extensive groundwork has been conducted over the past two years in preparation for the brand's robust expansion in the UAE. Subsequent to year-end, one "classic" restaurant was opened in Abu Dhabi and another in Dubai. The classic restaurants conform to local custom and do not serve alcohol. Three additional restaurants will be opened in Dubai during the remainder of the 2018 financial year, two of them classic restaurants and the other a signature concept, "The Flamingo Room by tashas", which will be licensed and offer entertainment.

International

United Kingdom

Overview

As discussed in the Chairman's statement, the Group acquired the business of GBK, the market leader in the UK's premium burger category, during the review period. The acquisition's effective date was 7 October 2016, and therefore GBK's contribution to this division's total results is for a period of 20 weeks only. In the interests of continuity and in order to present an accurate comparison with the prior corresponding year, the pre-existing (Wimpy and Steers) UK business will be reported on separately for the purposes of

this report. Henceforth the combined results of the entire UK operation will be presented.

Economic uncertainty, largely due to Brexit concerns, was a key feature during the period, and the consequent devaluation of the currency, while encouraging an influx of tourists, exacerbated existing inflationary pressure on disposable income.

Wimpy

This business reported a marginal decline in revenue in Sterling. Revenue in Rand terms decreased to R105 million (2016: R116 million), mainly as a function of foreign exchange translation loss, which amounted to R8 million (2016: R15 million gain). Operating profit decreased to R19 million (2016: R33 million), while the operating margin declined to 18.1% (2016: 28.2%).

Several constructive initiatives were introduced during the period, including a new restaurant design, which has had a positive impact on sales growth and in attracting a younger customer base. Further investment in strengthening the operations team has also delivered benefits to the business. Management is confident that Wimpy's offering is structured to capitalise on growth opportunities as the economy improves.

The Steers brand has failed to gain traction in the UK market, with only one restaurant remaining. There are no plans to grow this footprint.

GBK

In the 20-week period from the acquisition of GBK to Famous Brands' 28 February year-end, the business contributed £35 million in revenue (R599 million) and £2 million (R36 million) in operating profit to the Group's Brands division results.

Higher system-wide and like-on-like turnover was driven by increased sales derived from online, entertainment venue restaurants and London city restaurants. Industry statistics confirm that the brand's results outperformed the market average.

Eight restaurants were opened and two revamped in the specified period.

In June 2016, GBK acquired its five formerly franchised restaurants in Ireland and converted them to company-owned sites. Over the past year, three of the restaurants underwent major revamps to align them with the brand's current look and feel. In the short term, revenue from this operation was negatively affected by temporary closures conducted to facilitate refurbishments. The focus in the period ahead will be on streamlining the performance of these restaurants.

Management is satisfied that the integration of GBK into the business has proceeded according to programme and is optimistic that the operation will add significant value to the Group over time.

Supply chain

Overview

The Group's Supply Chain division comprises its Logistics and Manufacturing businesses, which are managed and measured separately.

Consolidated revenue for the period increased 18% to R4.0 billion (2016: R3.4 billion), while operating profit rose 31% to R455 million (2016: R348 million). The operating profit margin improved to 11.4% (2016: 10.3%).

Divisional report

Logistics

Revenue for the period increased 17% to R3.4 billion (2016: R2.9 billion), while operating profit improved 24% to R125 million (2016: R100 million). The operating margin improved to 3.6% (2016: 3.4%).

These pleasing results are a reflection of the integration of new brand business into the distribution network and a full-year contribution from Crown Mines Distribution Centre, versus 10 months in the prior corresponding period (this facility manages the previously outsourced frozen and chilled product basket in Gauteng). In addition, efficiencies were improved with the significant increase in fleet size and the opening of the Longmeadow Distribution Centre in August 2016, which added substantial storage capacity to the operation.

The owner-driver complement, which increased from 31 to 37 drivers, was responsible for distributing 50% of the Group's total volumes in the review period – a remarkable achievement.

Capital expenditure of R32 million was incurred on facility and fleet upgrades.

Divisional report

Manufacturing

This division reported an impressive performance in the year under review, delivering a 28% increase in revenue to R2.3 billion (2016: R1.8 billion), while operating profit rose 33% to R330 million (2016: R247 million). These results are attributable to continued improvements across the operation with particularly strong performances recorded by the Famous Brands Cheese Company and Famous Brands Meat Company.

Despite the extended drought which resulted in higher beef, pork and chicken prices, the operating margin improved to 14.3% (2016: 13.7%) due to intensive cost containment achieved through enhanced efficiencies in the business.

Capital expenditure of R29 million was incurred on plant upgrades, machinery and equipment.

Several important developments were recorded in the period:

- The final integration phase of the previously outsourced pork business into Famous Brands Meat Company (FBMC) was completed in April 2017. FBMC also supplies the bulk of the Group's Halaal requirements. The Group is now the operation's largest client, which has enabled FBMC to rationalise non-profitable product lines to previously supplied third-party customers.
- Famous Brands Coffee Company integrated additional ranges of the Group's brand volumes as well as new external customer business.
- In a significant boost for the business, Famous Brands Cheese Company took on the Group's formerly outsourced sliced cheese volumes.
- In May 2016, Famous Brands Great Bakery Company commissioned a muffin plant to supply Wimpy's requirements.

Lamberts Bay Foods Limited (LBF)

Effective 1 August 2016, the Group acquired this manufacturer of French fries and other value-added potato products. During the review period, the business was successfully integrated into Famous Brands' operations, including migrating onto the Group's IT platform. In addition to supplying its pre-existing retail customers, LBF now also supplies the Group's entire restaurant network.

Trading conditions over the summer peak period were exceptionally difficult, with farmers unable to honour their contracts due to extreme and unseasonal weather conditions. As a result of critically low stock levels, potatoes were sourced from non-traditional suppliers at a significant (52%) premium. Notwithstanding these challenges, I am pleased to report that the business succeeded in meeting its customer commitments.

In the forthcoming months, a range of strategies will be employed to ensure that adequate stock levels are attained ahead of peak periods. Furthermore, initiatives have been identified within the plant to improve capacity and ramp up production to meet growing demand.

Famous Brands Coega Concentrate

This state-of-the-art tomato paste manufacturing plant was acquired out of liquidation in June 2016. During the period, an experienced management team was appointed and the plant was recommissioned with a small volume of tomatoes, successfully producing quality paste.

While the business commenced with building a robust farmer-supplier pipeline for the forthcoming season, our key challenge for the foreseeable future will be to establish a strong long-term procurement base to ensure full, sustainable utilisation of the plant's substantial capacity. It is anticipated that this process will take considerable time and in this regard, we view realisation of this operation's profitability as a protracted scenario.

Prospects

The Group will remain strongly focused on growth, however, Management does not envisage an improvement in our home market economy in the near future, and inevitably the downgrade of the country's sovereign credit rating to sub-investment status will harm business and consumer confidence. In the UK market, we anticipate continued short-term uncertainty as Brexit negotiations proceed.

Notwithstanding this context, as outlined in this report, there are a range of opportunities within the business to build scale across our Brands and Manufacturing divisions and we will implement these vigorously, while also remaining receptive to prospective acquisitions which will further our ambitious growth plans.

Among our key priorities are to leverage synergies and enhance efficiencies across the operations to contain costs. Constant innovation and improvement in our business aimed at delivering unique customer experiences will remain our firm intent.

The acquisition of GBK has been significant in furthering the Group's goal to diversify its earnings and expand its geographic footprint and we are enthusiastic about the opportunities presented by the business and the UK market.

We anticipate that higher levels of capital expenditure will be incurred in line with our strategy to open additional company-owned restaurants in the UK and invest in building capacity and scale across the Group. This investment includes bolstering our human capital component and fortifying the depth of our leadership structures across the business to align with our growth ambitions. We are confident that this investment is prudent and will deliver the anticipated benefits.

Reviewing the business and the team which I am privileged to lead, gives me confidence that we are on track to execute our future strategies to continue to deliver good growth and satisfying returns for our stakeholders.

Appreciation

The Group's rewarding performance reported for the year is testament to a powerful team effort involving each member of the Famous Brands family. I would like to thank every one of you for your commitment to achieving our shared goals and the vision to be the leading innovative branded franchised and food services business in our key markets by 2020.

We refer to our franchise partners as the lifeblood of the business because we recognise the value of your investment and your dedication to making our brands and offerings aspirational and appealing to our customers.

My gratitude is extended to the Board for their guidance and counsel over this, my first year in office as Chief Executive Officer.

I would also like to thank the founding family members for their encouragement and for ensuring that the heritage and culture of the Group endures.

Complementing Famous Brands' internal team is the support we receive from our strategic alliance partners, financiers, property developers and landlords. We appreciate their contribution to the success of our business.

Our customers reward our efforts with their continued support. The range of consumer awards and the improved sales we achieved this year encourage us to do better, to continue to improve and innovate our offerings to exceed your expectations.

Darren Hele
Chief Executive Officer

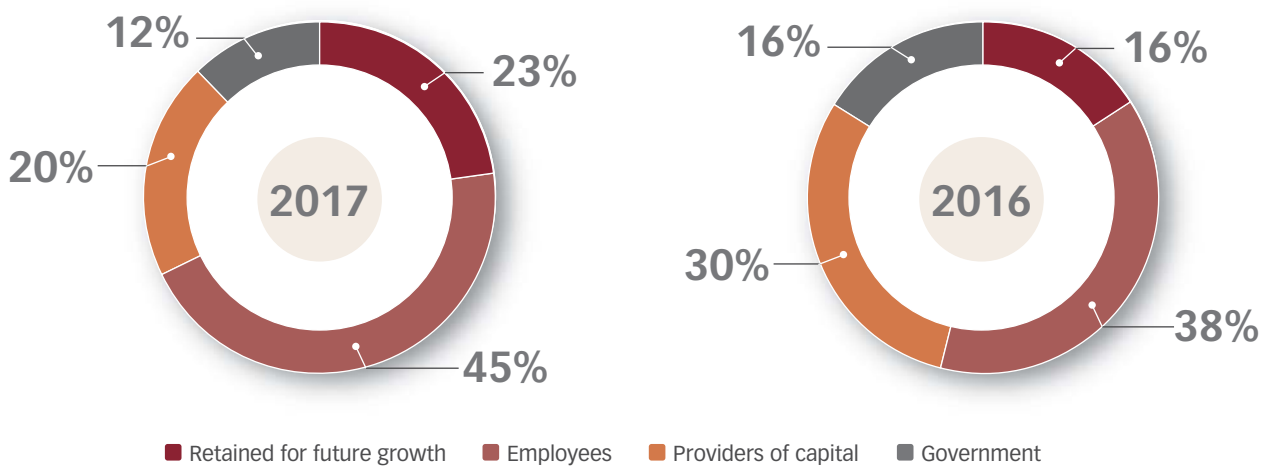
Value Added Statement

for the year ended 28 February 2017

	2017 R000	%	2016 R000	%
Wealth created				
Turnover	**5 720 363**		4 308 318	
Cost of materials and services	**(3 756 474)**		(2 928 114)	
Share of profit/(loss) from associates	**4 314**		(622)	
Finance income	**52 832**		20 466	
	2 021 035	**100**	1 400 048	100
Wealth distributed				
Employees				
Salaries, wages and related benefits	**915 894**	**45**	535 186	38
Providers of capital				
Dividends to shareholders	**227 512**	**11**	398 389	28
Interest paid on borrowings and finance charges	**184 389**	**9**	27 375	2
	411 901	**20**	425 764	30
Government				
Company tax	**235 246**	**12**	221 011	16
Wealth retained for replacement of assets and future growth				
Amortisation of intangibles and depreciation of property, plant and equipment	**109 947**		52 910	
Retained income	**348 047**		165 177	
	457 994	**23**	218 087	16
	2 021 035	**100**	1 400 048	100

The Value Added Statement shows the **wealth** that the **Group** has **created** through its **activities** and how this **wealth** has been **distributed** to **stakeholders**. The statement reflects the **amounts retained** and **reinvested** in the Group for the replacement of assets and the **development of future operations**.

Distribution of wealth created:



Performance at a glance

		2017 R000	2016 R000
Financial measures			
Revenue	R000	**5 270 363**	4 308 318
Operating profit margin	%	**16.4**	18.4
Cash realisation rate	%	**84.0**	85.0
Net debt/equity	%	**165.0**	(0.4)
Headline earnings per share before non-operational items and additional interest costs	cents	**613**	541
Wealth created	R000	**2 021 035**	1 400 048
Return on net assets	%	**29.1**	49.0
Return on equity	%	**40.3**	36.4
Non-financial measures			
Number of restaurants		**2 782**	2 614
Domestic		**2 270**	2 171
International		**512**	443
Number of employees		**5 002**	2 598
Permanent		**4 793**	2 379
Non-permanent		**209**	219
Accidents frequency rate*[Δ]		**0.085**	1.02
Disabling injury frequency rate*[Δ]		**Nil**	Nil
Fatalities*[Δ]		**Nil**	Nil

** Safety record with respect to Occupational Health and Safety.*
[Δ] Relates to South African operations.

Six-year review

	Growth %*		2017	2016	2015	2014	2013	2012
Statement of profit or loss and other comprehensive income and cash flows								
Revenue	21.6	R000	**5 720 363**	4 308 318	3 283 342	2 825 979	2 516 287	2 155 615
Operating profit before non-operational items	17.8	R000	**938 048**	792 108	672 024	565 517	465 842	412 656
Operating profit margin		%	**16.4**	18.4	20.5	20.0	18.5	19.1
Profit after taxation		R000	**454 804**	551 566	484 712	405 460	331 052	268 054
Cash generated by operations		R000	**795 262**	718 370	713 235	593 559	482 279	398 710
EBITDA before impairment losses		R000	**947 240**	845 018	713 913	603 943	499 397	441 692
Cash realisation rate		%	**84.0**	85.0	99.9	98.3	96.6	90.3
Headline earnings before non-operational items and additional interest costs	18.0	R000	**612 141**	539 611	465 201	401 942	330 188	267 438
Statement of financial position								
Total assets		R000	**5 886 453**	2 408 283	1 852 260	1 692 839	1 510 467	1 221 169
Total equity	12.1	R000	**1 485 314**	1 550 599	1 417 154	1 234 948	1 000 088	840 370
Net assets		R000	**4 650 668**	1 798 373	1 388 519	1 300 070	1 152 796	985 227
Net debt		R000	**2 450 402**	(5 884)	(126 228)	(25 699)	81 091	81 572
Profitability and asset management								
Return on total assets		%	**22.6**	36.6	37.9	35.3	34.1	35.0
Return on net assets		%	**29.1**	49.0	50.0	46.1	43.6	44.5
Return on equity		%	**40.3**	36.4	35.1	36.0	35.9	34.5
Net asset turn		times	**1.8**	2.7	2.4	2.3	2.4	2.3
Interest cover		times	**7.1**	114.7	2 498.2	176.1	117.4	38.7
Net debt/equity		%	**165.0**	(0.4)	(8.9)	(2.1)	8.1	9.7
Shareholders' ratios								
Basic earnings per share before non-operational items and additional interest costs		cents	**614**	541	467.7	405.9	337.6	277.6
Headline earnings per share before non-operational items and additional interest costs	17.1	cents	**613**	541	467.2	406.2	339.1	278.3
Dividends per share		cents	**–**	405	355	300.0	250.0	200.0
Dividend cover		times	**n/a**	1.3	1.3	1.4	1.4	1.4
Net tangible asset value per share		cents	**(1 335.3)**	455.6	495.5	358	204	151
Net asset value per share		cents	**1 487**	1 554	1 420	1 244	1 022	874
Stock exchange statistics								
Market value per share								
– at year-end		cents	**15 450**	11 560	11 200	9 700	8 350	4 405
– highest		cents	**17 280**	14 143	11 518	11 095	8 350	4 650
– lowest		cents	**10 945**	10 290	9 550	8 072	4 431	3 510
Closing dividend yield		%	**n/a**	3.5	3.2	3.1	3.0	4.5
Closing earnings yield		%	**4.0**	4.7	4.2	4.2	4.1	6.3
Closing price to earnings ratio		times	**25.2**	21.4	24.0	23.9	24.7	15.9
Number of shares issued (excluding treasury shares)			**99 862 435**	99 812 435	99 807 435	99 242 435	97 827 435	96 192 435
Market capitalisation	29.5	Rm	**15 429**	11 538	11 178	9 627	8 169	4 237

**Five-year compound growth % p.a.*

Definitions

Basic earnings per share: Net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Cash realisation rate: This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements.

Closing dividend yield: Dividends per share as a percentage of market value per share at year-end.

Closing earnings yield: Headline earnings per share as a percentage of market value per share at year-end.

Closing price to earnings ratio: Market value per share divided by headline earnings per share at year-end.

Dividend cover: Headline earnings per share divided by dividends per share declared out of earnings for the year.

EBITDA: Earnings before interest, tax, depreciation, amortisation and impairment losses.

Headline earnings: Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses.

Headline earnings per share: Headline earnings divided by the weighted average number of ordinary shares in issue during the year.

Interest cover: Operating profit divided by net finance costs. (Measures the capability to service borrowing obligations from current profit.)

Net assets: Total assets other than cash, bank balances and deferred tax assets less interest-free trading liabilities.

Net asset turn: Revenue divided by average net assets.

Net asset value per share: Ordinary shareholders' equity divided by number of shares in issue.

Net debt: Total interest-bearing borrowings less cash. It is calculated by adding current and non-current interest-bearing borrowings and bank overdrafts and deducting positive cash balances.

Net tangible asset value per share: Ordinary shareholders' equity less intangible assets divided by the number of shares in issue.

Operating profit: Profit before impairment losses, interest and tax.

Operating profit margin: Operating profit as a percentage of revenue. (Measures the return on revenue of the operating activities of the Group.)

Return on equity: Headline earnings as a percentage of average shareholders' interest. (Measures the return earned on the capital provided by the shareholders.)

Return on net assets: Operating profit as a percentage of average net assets. (Measures the effectiveness with which the net assets were utilised.)

Return on total assets: Operating profit as a percentage of average total assets. (Measures the effectiveness with which the total assets were utilised.)

Strategic imperatives, Material issues and Sustainability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Strategic imperatives and Material issues

This table outlines the Group's **key strategic imperatives**, identifies the **material risks** and **issues** which might **impact** on the **implementation** of those **imperatives**, and **specifies** the **mitigating actions** and responses which are **employed** to **counter** such **risks**.

Strategic imperative
1. Grow the Signature Brands portfolio
2. Fortify the Leading Brands portfolio and continue to innovate sustainably
3. Consolidate and elevate the UK business
4. Flawlessly execute the out-of-home and food service strategy
5. Develop leading capability in digital and social media arenas
6. Lead home delivery category across all brands
7. Pursue appropriate acquisition strategy in local brands and upstream manufacturing segments
8. Review participation strategy in Africa and the Middle East
9. Leverage synergies across Manufacturing plants

Material risk/issue	Our response
• Signature brands portfolio is underdeveloped and roll out of footprint is slower than market demand.	• New business plan supported by appropriate project management resources is currently in development. Focus will be on growing, repairing, and exiting brands, as appropriate. • Goal is to expand company-owned restaurant network (among others, roll-out of PAUL footprint and launch of GBK in South Africa). • Strong JV partnership model is positioned to facilitate growth opportunities.
• Brands are underrepresented relative to the size of SA's population. • Competitors could erode market share. • New restaurant roll-out and revamp targets are behind the curve.	• Build on strategic alliance partnerships. • Grow the Group's presence in evening dining and Fast Casual segments. • Evolve existing brands' trading formats.
• UK operation must continue to grow contribution to Group results. • New mainstream presence serves as beachhead for further expansion.	• Constitute a separate FBR holding company in London. Develop synergies between the SA and UK businesses. • Cautiously explore organic and acquisitive expansion opportunities to leverage the Group's footprint.
• The recently acquired stake in By Word of Mouth (BWOM) must deliver optimum return on investment.	• Develop and launch the BWOM brand into retail sector. • Grow the existing Gauteng customer base and expand into Durban and Cape Town.
• Limited gains made thus far in digital marketing and consumer-facing technology.	• Recently developed digital strategy will be implemented. • New online ordering system currently being implemented. • Grow social media relevance and engagement across brands.
• The current home delivery offering is underdeveloped across the brand portfolios.	• Construct and incorporate home delivery component as key strategic growth driver in appropriate brands.
• Opportunities exist to leverage the business model.	• Explore synergistic supply chain acquisition opportunities in manufacturing sector. • Remain aware of potential acquisitions of brands of scale in franchise segment.
• Sub-standard growth in Rest of Africa region and lack of presence in Middle East.	• Focus on traditional "narrow and deep" strategy to determine plans for growing, repairing or exiting countries and brands. • Key short-term goals include: grow Debonairs Pizza brand in Nigeria and continue repair of Mr Bigg's network.
• Underperforming assets and excess capacity exist in certain areas, while capacity constraints occur in other areas.	Grow manufacturing contribution: • sweat underperforming assets where opportunity exists. • leverage new manufacturing assets: commission Coega Concentrate and optimise performance of Lamberts Bay Foods. • proactively address manufacturing constraints through investment and building on central planning capability. • close upstream manufacturing gaps where they occur.

Strategic imperatives and Material issues continued

Strategic imperative	
10. Address capacity constraints in Logistics operations	
11. Deliver a fit-for-purpose ERP system on schedule and on budget	
12. Fortify current leadership structures and address leadership succession	
13. Achieve level 8 B-BBEE certification	
14. Adjust to "new normal" of gearing and impairment	
15. Comply with legislation and regulatory framework	

Material risk/issue	Our response
• Constrained logistics environment impacts negatively on efficiencies.	• Longmeadow, the Group's primary distribution centre in Gauteng, was recently commissioned and will ease constraints. • Implement approved plans to invest in and expand capacity of certain plants.
• Need to replace existing constrained IT platform with world class system that is scalable to facilitate the Group's future growth. • Cyber security risks.	• Implementation of the 15-month R50 million project is within budget and on track to go live in July 2017.
• Inadequate depth of executive and middle management resource pool. • Loss of key staff.	• New EXCO structure for F2018 has been identified and approved by the Board. • Grow experienced leadership base through enhanced Executive Development Programme. • Prioritise ongoing career development, remuneration and reward strategies designed to attract and retain key talent.
• Transformation of executive team is too slow. • Group is currently non-compliant with new B-BBEE codes.	• Current scorecards reflecting priority point-scoring areas will be used by each business unit to improve B-BBEE scores. Areas include: procurement; equity; and skills development.
• Gearing to be managed prudently to facilitate growth programme. Intensified cash flow management to be instilled as key operating procedure. • Operating requirements and strategic acquisitions to determine dividend policy.	• The business is cash generative and will support an ongoing growth programme. • Focus will be on maintaining the Group's strong fiscal discipline record.
• Business sustainability and good corporate governance will be advanced by complying with the Companies Act; JSE Listings Requirements; King Codes; IIRC Integrated Reporting Framework; B-BBEE, employment equity and labour legislation; Competition Act; Consumer Protection Act; tax legislation and all relevant food industry regulations.	• There are systems and structures in place to monitor changes to legislation, assess the implication on operations and communicate this to relevant stakeholders.

Our key relationships

Overview

We are committed to **creating value** for our **key stakeholders** in the short, medium and long term. Our Value Added Statement on page 26 sets out the **value the Group created for our stakeholders** for the year ended 28 February 2017.

Our key stakeholders' interests and **concerns** are important to us. We have taken these into account in **determining material issues and risks** set out on page 32, as well as other matters that are material for inclusion in this Integrated Annual Report. The adjacent table provides an overview of our key stakeholder groups, how we engage with them, and their **key interests and concerns**.

Stakeholder group	How we engage with our stakeholders
Shareholders, market analysts and funding institutions	• JSE SENS announcements • Media releases covering key developments within the Group • Integrated Annual Reports • Annual General Meetings • Company's website • Results presentations • One-on-one interactions with investors and funding institutions
Customers (franchisees)	• National franchisee forums • Personal contact • Operations audits and reviews • Operations campaigns • Web and call-in support • Annual brand conferences
Consumers and communities	• Web and call-in support • Digital and social media • Integrated Annual Reports • Corporate social investment initiatives
Suppliers and business partners	• Regular procurement interactions
Employees and unions	• Business feedback sessions • Employee surveys • Performance reviews and development discussions
Government and regulatory bodies	• Regular interactions with the relevant government institutions and regulatory bodies

Our stakeholder groups' key interests and concerns	Further information
• Return on investment and dividends • Sustainable earnings growth through acquisitive and organic growth • Corporate Governance, ethical and competent leadership	• Page 32, Strategic imperatives and Material issues • Page 50, Corporate Governance report
• Strong brands • Efficient, effective and competitive Supply Chain • Marketing spend • Location of restaurants • Franchise and business management support • Product quality	• Page 32, Strategic imperatives and Material issues • Page 41, Transformation (skills development) • Page 42, Safety, Health and the Environment (food safety)
• Strong brands and value offering • Location accessibility, convenience and positive total consumer experience • Sponsorships and other corporate social investments	• Page 32, Strategic imperatives and Material issues • Pages 7, 18 and 38, Corporate Citizenship
• Timely payment • Continuity of supply • Fair treatment • B-BBEE compliance	• Page 41, Transformation (preferential procurement and enterprise development)
• Job security • Remuneration and recognition • Equal opportunities and career development • Training and skills development • Safe working environment	• Page 38, Human Capital • Page 32, Strategic imperatives and Material issues • Page 42, Safety, Health and the Environment (employee health and safety)
• Tax revenues • Compliance with legislation and other regulatory frameworks • Transformation • Supporting communities • Responsible usage of natural resources	• Page 26, Value Added Statement • Page 50, Corporate Governance report • Page 40, Transformation • Pages 7, 18 and 38, Corporate Citizenship • Page 43, Safety, Health and the Environment (environment)

Corporate Citizenship

We believe that the communities we serve should be better off as a result of our presence.

Consequently, our franchisees invest in locality projects, and our employees are engaged in voluntary community service initiatives, which included visits to various charity organisations during the year under review.

In addition to this, the Group supported a range of community-based projects as set out in the table below:

	2017 R000	2016 R000
Sports sponsorships	**13 802**	14 137
Donation of products	**380**	312
Other corporate social investment initiatives	**3 679**	1 453
Total	**17 861**	15 902

For further information refer pages 7 and 18.

Human Capital

Empowerment and talent management

Human Capital is considered a core corporate asset at Famous Brands, with the calibre of our people being a key ingredient to our success. This means hiring the best and helping them fulfil their potential thus building management capability. Key competitive advantages arise from a team of motivated, well-trained employees passionate about what they do. At Famous Brands, we believe that true empowerment gives people responsibility and also the freedom to live up to that responsibility.

Talent management (performance and potential) is measured through our bi-annual Human Capital reviews. Performance is assessed through a scorecard measurement process against clearly defined accountability criteria or goals set out at the commencement of the year. Potential is identified through ranking employees and managing training and development opportunities arising from that intervention. Remuneration recommendations including discretionary performance-based bonuses are linked to the assessment process.

Key to the sustainability and future of our business is managing the succession pipeline, in particular, of senior and executive employees. Our target is to ensure a 2:1 succession cover ratio of the leadership level, meaning that each leader has at least two potential successors. One who can fill the position within a short time span and the second, in the long term. Key performance indicators (KPIs) are included in executive and management scorecards in support of this sustainability imperative. Famous Brands believes in motivating the entire workforce and has an annual recognition ceremony (Growth Champions) where appreciation is shown to those specific employees who have demonstrated dedication, devotion and commitment to their work beyond the norm.

Internal recruitment and promotion is a natural part of our growth culture whereby employees are positioned to align their capabilities with our business plan. Where additional skills are needed they are recruited externally in an efficient, rigorous and cost-effective process. Sourcing suitable talent from the external market remains a challenge.

Employee satisfaction and morale

Annual morale measurements serve as an indicator of overall organisational health. Our climate survey scores translate into Business Unit action plans and our effectiveness is monitored by successfully utilising this tool as the "people barometer" of the business. Our most recent surveys which were conducted in 2016 for Bargaining Unit employees and for Administration employees indicated a high level of employee engagement and motivation, with a 3% improvement in score compared with the prior year.

Legislative compliance

The Group continues to comply with legislation governing the employment relationship in line with the requirements of the Departments of Labour and Culture, Arts, Tourism, Hospitality, Sport and Education Training Authority. This includes the Labour Relations Act, Employment Equity Act and the Skills Development Act. There are systems in place to monitor changes to legislation and if changes occur, the implications on our operations are assessed and communicated to relevant stakeholders.

Labour relations

The Group's workforce includes 1 099 (2016: 955) employees belonging to the Bargaining Unit, of whom 74.5% (2016: 77%) are unionised. The table below sets out trade union representation with respect to the number of unionised employees.

		2017			2016		
Union name		**Number of employees**	**% of unionised employees**	**% of total Bargaining Unit employees**	Number of employees	% of unionised employees	% of total Bargaining Unit employees
Security, Cleaning, Manufacturing and Allied Workers Union	SCMAWU	**622**	**76.0**	**56.6**	715	97.2	74.9
Hotel, Liquor, Catering Commercial and Allied Workers Union of South Africa	HOTELICCA	**9**	**1.1**	**0.8**	11	1.5	1.2
National Security Commercial and General Workers Union	NASECGU	**3**	**0.4**	**0.3**	3	0.4	0.3
Food and Allied Workers Union	FAWU	**181**	**22.2**	**16.5**	2	0.3	0.2
Metal and Electrical Workers Union of South Africa	MEWUSA	**1**	**0.1**	**0.1**	2	0.3	0.2
South African Transport and Allied Workers Union	SATAWU	**2**	**0.2**	**0.2**	2	0.3	0.2
Number of Bargaining Unit employees belonging to a union		**818**	**100.0**	**74.5**	735	100.0	77.0
Number of Bargaining Unit employees not belonging to a union		**281**		**25.5**	220		23.0
Total number of Bargaining Unit employees		**1 099**		**100.0**	955		100.0

The Group Human Resources Executive, together with two appointed line executives, engages with the unions regarding negotiations and various other Bargaining Unit employee-related matters. The Group has a grievance policy, which together with the disciplinary procedures manual, is contained in the staff services manual. The content of the staff services manual is covered during employee induction and copies are available to employees electronically or in hard copy.

Subsequent to the year-end, the Group's unionised Bargaining Unit members, represented by the principal union, SCMAWU, undertook industrial action regarding wage increases. The three-week strike was resolved through constructive negotiations, and a two year wage agreement has been concluded between the Group and the union. The strike was confined to the Group's Manufacturing and Logistics divisions, and comprehensive work stoppage contingency plans limited severe disruption of operations. Regrettably, unforeseen costs will have arisen as a result of the strike, however, these are not anticipated to have a material impact on the business.

Transformation

Famous Brands supports the principles of broad-based black economic empowerment (B-BBEE) and measures its transformation progress against the Generic Tourism Sector Code and targets aligned to the Department of Trade and Industry's B-BBEE Codes of Practice.

The Group has a transformation policy and strategy in place. Our executive leadership is responsible for the implementation of the strategy in their respective functional areas. Progress is monitored by the Group's Transformation Manager, who has ongoing executive support, to ensure that transformation initiatives are carried out across the organisation with integrity and conviction. The Chairman of the Social and Ethics working group reports on the Group's transformation progress to the Social and Ethics Committee.

Ownership

The Board believes that improving the scorecard with regard to the ownership element is a business imperative in context of the Group's growth agenda, and is in the process of exploring opportunities to address this.

Management control

While the Board acknowledges that management control is one of the key transformation challenges it is faced with, progress has been made over the past few years with regard to Board transformation. The Nominations Committee takes Board transformation into account when recommending new appointments to the Board.

Employment equity

The objectives of the Group's employment equity policy and plan are to achieve equity in the workplace through the promotion of equal opportunities for and fair treatment of its workforce, as well as applicants for employment by:

- eliminating unfair discrimination that may exist in policies, practices, procedures and the work environment;
- implementing affirmative action measures to redress the disadvantages experienced by designated groups in the past;
- promoting diversity and respect for all employees; and
- achieving equitable representation of all demographic groups at all levels and in all categories of the workforce as the ultimate tangible objective.

The Group employs 1 582 (2016: 1 656) permanent employees in South Africa and 151 (2016: 219) non-permanent employees. Our female employees constitute 28% (2016: 27%) of our total permanent workforce. The table below sets out the racial and gender profile of our permanent workforce by occupation level:

	2017					2016				
Occupational level	**Male**	**Female**	**Total**	**Black***	**White**	Male	Female	Total	Black*	White
Top management	**1**	**1**	**2**	**1**	**1**	3	–	3	–	3
Senior management	**29**	**13**	**42**	**4**	**38**	36	12	48	5	43
Professionally qualified and experienced specialists and mid-management	**91**	**65**	**156**	**40**	**116**	99	81	180	55	125
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	**163**	**139**	**302**	**151**	**151**	154	166	320	178	142
Semi-skilled and discretionary decision-making	**587**	**164**	**751**	**711**	**40**	546	119	665	641	24
Unskilled and defined decision-making	**267**	**62**	**329**	**329**	**–**	358	82	440	439	1
Total permanent employees	**1 138**	**444**	**1 582**	**1 236**	**346**	1 196	460	1 656	1 318	338
Total Group employees	**2 738**	**2 055**	**4 793**							

** Black as defined by the Department of Trade and Industry Codes of Good Practice relating to B-BBEE.*

Skills development

We are committed to creating a culture of learning. The Group has a forum in place whose objective is to enforce implementation of the Employment Equity and Skills Development Acts. Compliance is monitored via accepted procedures and guidelines. Reporting to the Social and Ethics working group is a nominated skills representative who is responsible for monitoring targets and progress against our committed plans.

Our registered Skills Development Facilitator is tasked with the submission of plans and reports (including workplace skills plan and actual training report) to the Departments of Labour and Culture, Arts, Tourism, Hospitality, Sport and Education Training Authority on an annual basis. The budget for skills development is measured accordingly, and deviations from the set plan are managed. During the course of the year, 20 (2016: 107) black employees, of whom nine (2016: 14) were female, received certified training in the following areas: financial management, information technology, customer care, and health and safety.

Over and above developing the skills of our employees, we conduct extensive training for our franchisees and their employees via our centres of excellence in each of our six regions. The table below sets out the number of delegates trained during the year under review:

	Number of delegates trained			
Region	Franchisee workshops	Brand product training	Fundamentals restaurant management	Ad-hoc training
Gauteng	6 783	6 869	642	452
Mpumalanga	1 250	539	121	15
Free State	954	2 540	55	11
KwaZulu-Natal	1 945	1 705	228	20
Eastern Cape	2 352	708	101	23
Western Cape	1 318	1 217	206	16
Total number of delegates trained	14 602	13 578	1 353	537

While the table above reflects the Group's commitment to training its franchise partners and their employees, franchisee training does not count towards the Group's skills development score as the delegates are not direct employees of the Group.

Preferential procurement

The Group's procurement processes take into account the B-BBEE status of all our suppliers and potential suppliers.

Enterprise development

The Group is committed to supporting the growth of small business enterprises.

Socio-economic development

Our corporate social investments are discussed on pages 18 and 38 of this report.

Safety, Health and the Environment

The Group is committed to sustainable business practices and acknowledges its responsibility for providing a healthy and safe working environment for its employees, adhering to high food safety standards and conducting business in an environmentally responsible manner. The Group has policies and controls in place to measure and monitor its sustainability performance. Where necessary, material issues and risks related to employee health and safety, food safety and the environment are escalated to the Social and Ethics Committee via the Chairman of the Social and Ethics working group and to the Audit and Risk Committee where appropriate.

Employee health and safety

The Group complies with the requirements prescribed by the Occupational Health and Safety Act. Safety, Health, Environment and Quality assurance (SHEQ) Committees are in place across the Group's operations and conduct monthly meetings. All accidents and/or occupational diseases associated with our production and/or manufacturing activities are recorded, reported and acted on.

Health and safety risk assessments are conducted by an approved inspection authority every three years. The latest inspection was conducted during the financial year ended 28 February 2017. The assessments highlight areas for improvement and the required corrective actions are incorporated into management's Key Performance Indicators for ongoing monitoring. The Group has programmes and procedures in place to mitigate key health and safety risks. All necessary precautions and measures are taken to ensure the safety of employees. Management is committed to adhering to strict guidelines in terms of monitoring and implementing health and safety requirements at all its premises. This is done through SHEQ Committees as well as appointed responsible individuals in terms of the Occupational Health and Safety Act. Health and safety training in respect of fire prevention and fire fighting, as well as basic first aid, is mandatory for all staff. The Group uses the industry standard Disabling Injury Frequency Rate (DIFR) and Accidents Frequency Rate to measure its safety record. The Group maintained a nil DIFR record for both the year under review and the prior year. The Accidents Frequency Rate was 0.085 (2016: 1.02). There were no fatalities during the year (2016: no fatalities).

There is recognition that HIV/Aids, among other challenges faced by South African businesses, is a serious concern and thus Famous Brands is fully supportive of the government in the fight against the pandemic. In alignment with the Employment Equity Act, No. 55 of 1998, which focuses on non-discrimination against employees diagnosed with the disease, Famous Brands ensures a high level of confidentiality in this regard. We partner with an outsourced third party, Occupational Care South Africa, a level 3 empowered supplier, to address the wellness needs of our employees.

Assistance takes the form of on-site primary and occupational care in addition to external referrals for professional and medical support. This service includes the management of life-threatening diseases where the Company is committed to providing education and, in instances, medication to improve the quality of life of affected employees. The benefits of this confidential programme are:

- the Group bears the costs of this intervention;
- referrals to general practitioners are paid for by the Group;
- costs of medication are paid for by the Group;
- assistance with access to and delivery of medication to affected employees;
- employees are attended to by experienced counsellors who educate the patient and the family about the disease; and
- treatment and monitoring during pregnancy to reduce the risk of mother to child transmission.

Food safety

The Group is committed to the highest food safety standards as embodied in our corporate Total Quality and Food Safety and Management (TQFSM) commitment policies supported at the highest level. Famous Brands has developed a documented TQFSM system based on the internationally recognised Global Food Safety Initiative-benchmarked Food Safety System Certification (FSSC) 22000 standard for all its business units. This system has been implemented Company-wide.

Our ice-cream, sauce and spice, bakery and coffee manufacturing facilities obtained FSSC 22000 accreditation during the year under review. The Group's aim is to ensure that all manufacturing facilities are FSSC 22000 certified into the future.

All of our manufacturing facilities were successfully audited by an independent, accredited auditing body against the strict food safety assessment retail audit standard that covers food safety management systems, prerequisite programmes and HACCP criteria. The TQFSM system is centrally managed by a highly competent technical team supported by skilled quality and food safety co-ordinators who manage the day-to-day aspects of food safety and quality at plant level.

Environment

The Social and Ethics working group is responsible for monitoring the Group's environmental practices and reports to the Social and Ethics Committee on its activities. The Group has an Environmental and Climate Change policy in place. The policy sets out the Group's commitment to responsible environmental practices and identifies key areas of focus and objectives with respect to climate change, air pollution reduction and eco-efficiency. These objectives include:

- optimisation of transport efficiencies with regard to our Logistics fleet;
- ongoing review and implementation of energy saving initiatives;
- conversion of paraffin fuelled boilers to Compressed Natural Gas (CNG);
- investigating alternative cleaner fuel and energy options (with lower GHG emission factors);
- efficient water usage and effluent management; and
- maximising recycling opportunities for our general waste as part of our waste management initiatives.

Energy

The sources of energy primarily utilised in our business operations include electricity, paraffin, diesel and Liquefied Petroleum Gas used at our manufacturing facilities and our corporate premises. The Group owns a fleet of trucks and motor vehicles which use diesel and petrol.

In the prior year, the Group communicated its goal to implement an energy efficient lighting project, as well as convert its paraffin fuelled boilers to natural gas. Both initiatives were successfully implemented during the year under review. The Group's energy consumption during the year under review is represented in the table below:

		2017		2016	
Source of energy	Unit of measure	**Number of units**	**Emissions (Tons)**	Number of units	Emissions (Tons)
Electricity	mWh	**24 931**	**24 931**	20 957	21 167
Diesel	Kilolitres	**1 932**	**6 080**	896	2 399
Petrol	Kilolitres	**761**	**1 851**	712	1 637
Paraffin	Kilolitres	**502**	**1 357**	51	108
LPG	Kilolitres	**49**	**149**	29	6
Natural gas	Kilolitres	**465**	**994**	350	65
Total carbon emissions	Tons		**35 362**		25 382

Water

The Group has water-saving initiatives in place which are aimed at reducing underground water leakage. A water reduction awareness initiative aimed at behavioural changes is also in place. As part of this initiative, our irrigation water requirements are met using ground water.

Packaging and waste management

The Group's waste management procedures are well entrenched across its manufacturing facilities. The table below sets out the percentage of packaging waste recycled at our Gauteng manufacturing sites:

	2017		2016	
Packaging waste	**Recycled (Tons)**	**Recycled (%)**	Recycled (Tons)	Recycled (%)
Cardboard	**566**	**24.2**	2 079	38.6
Plastic	**167**	**7.1**	1 806	33.6
General waste	**1 606**	**68.7**	1 496	27.8
	2 339	**100**	5 381	100

Governance and Remuneration

Governance and Remuneration

Board of Directors

1. Santie Botha (52)

Independent Chairman

Appointed to the Board in June 2012

Qualification
BEcon Honours

Role at Famous Brands
Chairman of the Nominations Committee

Member of the Remuneration Committee

Attends the Audit and Risk Committee meetings by invitation

Directorships in other listed entities:
Curro Holdings – Independent Chairman

Liberty Holdings – Non-executive director

Telkom – Non-executive director

Tiger Brands – Non-executive director

Santie is currently the Chancellor of the Nelson Mandela Metropolitan University in Port Elizabeth. She served as an executive director of the MTN Group (2003 to 2010) and prior to that, of Absa Bank (1996 to 2003). She commenced her career at Unilever. Santie has received a range of awards including Marketer of the Year (2002) and Business Woman of the Year (2010).

2. Darren Paul Hele (45)

Chief Executive Officer

Appointed to the Board in June 2012

Qualification
BCom

Role at Famous Brands
Attends all Committee meetings by invitation and attends all active subsidiary Board meetings as a director.

Darren commenced his career at Pleasure Foods Limited while studying for and completing a BCom degree. After participating in the management buyout of Pleasure Foods in 1996 he held executive roles at Whistle Stop and Wimpy before joining Famous Brands in 2003. He served as Managing Director of Wimpy in South Africa and later the United Kingdom.

He was appointed Chief Operating Officer – Franchising division in May 2011 and in January 2013 assumed the position of Chief Operating Officer of the Group. With effect from 1 March 2014, Darren assumed the role of Chief Executive Officer – Food Services. Darren was appointed Chief Executive Officer with effect from 1 March 2016.

3. Kelebogile (Lebo) Ntlha (34)

Group Financial Director

Appointed to the Board in July 2016

Qualification
CA(SA), MBA

Role at Famous Brands
Attends the Audit and Risk Committee meetings by invitation

Attends the Social and Ethics Committee meetings by invitation

Lebo is a Chartered Accountant (SA) and holds an MBA degree (awarded cum laude) from Wits University. She completed her articles with PricewaterhouseCoopers in 2007, after which she gained extensive experience in International Financial Reporting Standards (IFRS) in her roles as Group Technical Accounting Adviser at Eskom and Group Reporting Manager at African Oxygen Limited.

Lebo joined Famous Brands in July 2014 as the Group Financial Executive and Company Secretary, and was appointed to the Board as Group Financial Director effective 1 July 2016.

4. Norman Adami (63)

Independent non-executive director

Appointed to the Board in February 2015

Qualification
Bachelor of Business Science (Hons), MBA

Role at Famous Brands
Member of the Audit and Risk Committee

Member of the Nominations Committee

Member of the Investment Committee

Directorships in other listed entities:
CCB Africa – Non-executive director

Norman has had an extensive career with SABMiller, which commenced at SAB (Pty) Ltd in 1979. He was appointed Managing Director of SAB in 1994 and Chairman in 2000. In 2003, he was installed as President and Chief Executive Officer of the newly acquired Miller Brewing Company. In 2006, he was appointed President and Chief Executive Officer of SABMiller Americas. In this position he was responsible for Miller Brewing Company and SABMiller's South and Central American business units. In October 2008, he once again took on the role of Managing Director and Chairman of SAB Limited. He retired from SABMiller on 31 October 2014.

He is also a partner in Stud Game Breeders, one of the pre-eminent groups leading the emergence of South Africa's burgeoning game breeding industry, which has made great strides in revitalising threatened animal species and in creating sustainable employment in many rural areas.

5. Bheki Lindinkosi Sibiya (60)

Independent non-executive director

Appointed to the Board in March 2004

Qualification
BAdmin, MBA

Role at Famous Brands
Chairman of the Remuneration Committee

Member of the Social and Ethics Committee

Directorships in other listed entities:
Pinnacle Holdings – Non-executive director

Bheki brings to the Board a wealth of expertise in BEE, employment equity, change management and corporate governance gained as former Chief Executive of the Chamber of Mines, Chief Executive Officer of Business Unity South Africa, director of the Wits Business School, and from experience attained in a range of positions held at companies including Transnet, Tongaat Hulett Sugar, SA Breweries and Ford Motor Company.

- Non-executive directors
- Executive directors
- Founding members of the Company

6. Thembisa Skweyiya (44)

Independent non-executive director

Appointed to the Board in May 2016

Qualification
BProc, LLB, LLM, H Dip Tax

Role at Famous Brands
Member of the Audit and Risk Committee

Member of the Social and Ethics Committee

Directorships in other listed entities:
Imperial Holdings Limited – Non-executive director

Thembisa is a qualified attorney, admitted to the New York State Board in 1998. She obtained her BProc and LLB qualifications from the University of Natal, a Master of Laws (LLM) degree from Harvard University and a Higher Diploma in Taxation from the University of the Witwatersrand.

Thembisa is Chairman of the Absa Foundation Trust. She was formerly a Board member of the Development Bank of Southern Africa.

7. Kevin Hedderwick (64)

Non-executive director

Appointed to the Board in May 2017

Role at Famous Brands
Member of the Nominations Committee

Directorships in other listed entities:
Long4Life – Executive director
Holdsport – Non-executive director

Kevin joined the Group in February 2000 as Managing Director of the Steers brand. Shortly thereafter he was appointed Chief Operating Officer of the Group, and in 2010 assumed the position of Chief Executive Officer. In 2013 he was appointed Group Chief Executive. Kevin is widely credited with turning the small family business into a fully integrated food services business consisting of best-in-class brands underpinned by significant manufacturing and logistics operations. With effect from 1 March 2016, he was appointed Strategic Adviser to the Group for a 12-month period following his retirement as Group Chief Executive on 29 February 2016.

In addition to serving on Famous Brands' main Board, Kevin is a director of certain of the Group's joint-venture and associated companies, including Gourmet Burger Kitchen.

Previous non-executive Board positions include Distell, Tiger Brands and the Coricaft Group.

8. Theofanis Halamandaris (66)

Non-executive director

Appointed to the Board in November 1994

Theofanis has made a significant contribution to the Group since 1974 through the fulfilment of various responsibilities. He assumed the position of Chief Executive Officer in March 2001, after serving as the Group Managing Director for three years. After retiring as Chief Executive Officer in May 2010, Theofanis took over from John Lee Halamandres as Deputy Chairman of the Group. In 2014, he became a non-executive director.

9. John Halamandres (63)

Non-executive director

Appointed to the Board in November 1994

Role at Famous Brands
Member of the Remuneration Committee

Member of the Investment Committee

With experience in all aspects of Famous Brands' business, John retired from executive management in March 2001. A founding member of the Company, he served as Managing Director from November 1994 until March 1997, after which he assumed the role of Chief Executive Officer until his appointment as non-executive Deputy Chairman in March 2001, a position he held until May 2010.

10. Periklis Halamandaris (62)

Non-executive director

Appointed to the Board in November 1994

Periklis was one of the original founding members of the Group and has in excess of 20 years' experience in the food and franchising industry. He was appointed to the Board of Famous Brands Limited in 1994 and was responsible for expanding the operations of the Group beyond the borders of South Africa. Periklis resigned from the Board during the course of 1999 to concentrate on his private business. In March 2001, he was re-appointed to the Board as a non-executive director.

11. Panagiotis (Peter) Halamandaris (70)

Non-executive director

Appointed to the Board in November 1994

Role at Famous Brands
Member of the Nominations Committee

Attends the Audit and Risk Committee meetings by invitation

Peter has made an important contribution to the Famous Brands Group since 1974. He has served on various portfolio committees over the years, assuming the position of Chairman of the Company upon listing in November 1994. As from March 2007, Peter assumed the position of non-executive Chairman. He retired from this role in October 2013.

- Non-executive directors
- Executive directors
- Founding members of the Company

12. Christopher Hardy Boulle (45)

Non-executive director

Appointed to the Board in December 2011

Qualification
BCom, LLB, LLM

Role at Famous Brands
Chairman of the Social and Ethics Committee

Member of the Investment Committee

Attends the Remuneration Committee meetings by invitation

Attends the Audit and Risk Committee meetings by invitation

Directorships in other listed entities:
Advtech – Chairman and non-executive director

Chris is a commercial, corporate finance, tax and trust attorney and his expertise includes cross-border transactions, mergers and acquisitions, BEE transactions and advising on stock exchange listings both locally and internationally. His experience as a non-executive director of listed companies spans over a decade and a half.

13. Raboijane Moses Kgosana (58)

Independent non-executive director

Appointed to the Board in May 2015

Qualification
BCompt Hons (UNISA), CA(SA)

Role at Famous Brands
Chairman of the Audit and Risk Committee

Member of the Nominations Committee

Member of the Investment Committee

Directorships in other listed entities:
Alexander Forbes Group Holdings Limited – Independent Chairman

Imperial Holdings Limited – Non-executive director

Massmart Holdings Limited – Non-executive director

Transaction Capital – Non-executive director

AECI Limited – Non-executive director

Moses has over 35 years of accounting, auditing and consulting experience. He is past Chief Executive of KPMG South Africa and currently manages his own investment company. Moses is a member of the Institute of Directors.

- Non-executive directors
- Executive directors
- Founding members of the Company

The Group's executive leadership **subscribes** to **sound corporate governance** in all areas of the business and ongoing **development** and **implementation of best practices.**

Governance and Remuneration continued

Corporate Governance report

Statement of commitment

The Board of Directors of Famous Brands is fully committed to business integrity, fairness, transparency and accountability in all of its activities. In support of this commitment, the Group's executive leadership subscribes to sound corporate governance in all aspects of the business and to the ongoing development and implementation of best practices. In line with our guiding principles of sustainable growth and integrity, Famous Brands has a code of ethics (the code) in place which articulates the Group's commitment to doing business ethically. The code is included in the Group's Board induction pack and is distributed to new employees when they join the Group. The code requires all directors and employees to act with honesty and integrity, and to maintain the highest ethical standards. It deals with compliance with laws and regulations, conflicts of interest, relationships with customers and suppliers, remuneration, outside employment and confidentiality. The code further prohibits employees from offering or accepting bribes, provides guidelines with respect to receiving gifts and informs directors and employees about the Group's confidential reporting service to which unlawful or fraudulent activity can be reported. The Group does not make donations to political parties.

Governance framework

The Board takes guidance from the following regulatory and good governance frameworks in defining the Group's governance and compliance framework:

- King III;
- The Companies Act of South Africa;
- JSE Listings Requirements; and
- IIRC Integrated Reporting Framework.

The Board has taken cognisance that King IV was released in November 2016 and acknowledges that it is now regarded as best practice from a governance perspective. The Board will address the principles and recommended practices as outlined in King IV.

Details of our King III compliance can be found on the Company's website at www.famousbrands.co.za.

Our governance structure

The Board and Board Committees are supported by appropriate management structures and governance processes, which are reviewed continually to ensure that they remain effective in delivering against the Company's strategic objectives.

Board composition

As at 28 February 2017, the Board comprised 10 non-executive directors and two executive directors. Of the 10 non-executive directors, four are founding members of the Company. Although five of the non-executive directors are not independent in terms of the King III independence criteria, the Company has a unitary board and no individual member of the Board has unfettered powers of decision making. Future appointments to the Board will be proposed mindful of King IV independence criteria.

The Company has an Independent non-executive Chairman, whose role is separate from the role of the Chief Executive Officer, thus ensuring that there is a balance of authority with regard to the Board's decision-making processes. A separation of these roles achieves the necessary segregation of duties between the Chairman's duty to provide overall leadership to the Board, which has responsibility for approving the Company's strategy, and the Chief Executive Officer's role, which has responsibility for the execution thereof. The Chief Executive Officer is guided by an approvals framework, which sets out the respective responsibilities of the Board and executive management.

The Company has adopted a gender policy that supports the appointment of women to the Board. The Board currently has three female Board members (including the Chairman) which constitutes 25% of the Board. Gender diversity is an important consideration in respect of Board appointments, reflected by the appointment of Ms T Skweyiya to the Board in 2016.

The composition of the Board is reviewed continually to ensure that the Board, collectively, has a balance of the necessary skills, knowledge and experience to assist in effectively discharging its duties and responsibilities.

Board appointment, retirement and rotation

Appointments to the Board are made in a formal and transparent manner and are a matter for the Board as a whole, assisted by the Nominations Committee. The Nominations Committee is guided by an approved policy document. Taking into consideration the skills and expertise required by the Board, any of the directors may propose an individual to serve on the Board. Such a nomination will only be effective once approved by a majority of directors passed in a properly constituted manner. Appointments made by the directors require approval by shareholders at the next Annual General Meeting (AGM).

A tailored induction programme for newly appointed directors is in place.

There are no service contracts with non-executive directors. Executive directors' service agreements may be terminated upon three months' notice.

In terms of the memorandum of Incorporation (MOI), at least one-third of the Board must retire by rotation at each year's AGM. Executive directors are excluded in determining the number of directors required to retire. The retiring directors may offer themselves for re-election. The directors retiring by rotation are Bheki Sibiya, Chris Boulle and Theofanis Halamandaris. Brief curricula vitae of the directors retiring by rotation and offering themselves for re-election are set out on pages 46 to 48 of this Integrated Annual Report. The appointment of new directors is subject to confirmation by shareholders at the first AGM after their appointment.

Subsequent to the year-end, in May 2017, Kevin Hedderwick, a former Chief Executive Officer of the Company, was appointed to the Board as a non-executive director.

Board charter

The Board's general powers and terms of reference are outlined in the Company's MOI and the Company's Board charter. The primary functions of the Board are to:

- review and approve corporate strategy;
- determine the Group's purpose and values;
- retain full and effective control of the Group;
- approve and oversee major capital expenditures, acquisitions and disposals;
- review and approve annual budgets and business plans;
- monitor operational performance and management;
- endeavour to ensure that information technology (IT) governance is appropriate for the size and complexity of the business;
- endeavour to ensure that the Group complies with sound codes of business behaviour;
- endeavour to ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- appoint the Chief Executive Officer and ensure succession planning for executive management is in place;
- regularly identify and monitor key risk areas;
- oversee the Company's disclosure and communication process; and
- ensure that enlightened practices are in place to attract talent and provide meaningful employment in a transforming society.

Board Committees and charters

To enable the Board to discharge its numerous responsibilities and duties, certain of these responsibilities have been delegated to Board Committees. The following Committees have been constituted:

- Audit and Risk Committee;
- Remuneration Committee;
- Social and Ethics Committee;
- Nominations Committee; and
- Investment Committee.

Apart from the Investment Committee that meets from time to time on an ad-hoc basis, Charters approved by the Board govern the activities of these Committees. All are chaired by non-executive directors and are directly responsible to the Board, which retains ultimate responsibility.

Corporate Governance report continued

Audit and Risk Committee

Composition

As at 28 February 2017, the Audit and Risk Committee comprised three directors, all of whom are Independent non-executive. The Committee meets at least three times a year. The Chief Executive Officer, Group Financial Director, as well as internal and external auditors attend meetings as invitees. Both internal and external auditors have unfettered access to the Chairman of the Audit and Risk Committee.

Audit and Risk Committee members

Moses Kgosana	Chairman and Independent non-executive director
Norman Adami	Independent non-executive director
Thembisa Skweyiya^	Independent non-executive director

^Appointed May 2016.

Roles and responsibilities

The Committee provides support to the Board on good corporate governance and on the risk profile and risk management of the Group. While the committee is responsible for overseeing the Group's risk management policy, management is responsible for the identification, evaluation and mitigation of the Group's risks. This entails formulating a risk management plan and monitoring implementation and compliance thereto.

In addition, the role of the committee is, inter alia:

- to review the effectiveness of the Group's systems of internal controls, including financial controls and business risk management, and to endeavour to ensure that effective internal control systems are maintained;
- to satisfy itself of the expertise, resources and experience of the Company's finance function;
- to monitor and supervise the effective functioning and performance of the internal audit function;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the external auditors and obtain assurance from the auditors that adequate accounting records are being maintained;
- to recommend the appointment of the external auditors on an annual basis;
- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated; and
- to review financial statements and the Integrated Annual Report for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate.

Group Financial Director evaluation

The Committee is entirely satisfied with the competence and expertise of the Group Financial Director and has reported as such to the Board, which endorses the recommendation.

Social and Ethics Committee

Composition

The Social and Ethics Committee comprised three non-executive directors for the year under review. The Committee meets at least twice a year. The Chief Executive Officer, the Group Financial Director, the Human Resources Executive and the Transformation Manager are invitees to the Committee meetings.

Social and Ethics Committee members

Chris Boulle	Chairman and non-executive director
Bheki Sibiya	Independent non-executive director
Thembisa Skweyiya	Independent non-executive director

Roles and responsibilities

The duties of the Committee include compliance with its role as outlined in the Companies Act, and to:

- review and approve the policy, strategy and structures to manage social and ethics issues within the Group;
- oversee the monitoring, assessment and measurement of the Company's activities relating to good corporate citizenship, including the Group's promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed, and record sponsorship, donations and charitable giving;
- determine clearly articulated ethical standards (code of ethics) to be adopted by the Group, thus achieving a sustainable ethical corporate culture;

- assisted by the Social and Ethics working group, regularly review the Group's code of ethics and compliance therewith;
- review the adequacy and effectiveness of the Group's engagement and interaction with its stakeholders;
- research, evaluate and make recommendations to the Board regarding the appropriate nature, extent and methods of implementation of transformation at all levels within the Group;
- create an enabling environment within the Group which encourages and develops a new way of doing business which embraces and celebrates diversity;
- as a business substantially invested in South Africa, develop a skilled and motivated workforce whose profile is representative of the demographics of the country;
- report to the Board on the transformation work undertaken, and the extent of any action taken by management to address areas identified for improvement;
- oversee the monitoring, assessment and measurement of the Group's consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws;
- oversee the monitoring of the Group's labour and employment practices, including the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the Group's employment relationships and its contribution towards the educational development of its employees; and
- oversee the implementation of King IV Report on Corporate Governance 2016.

Remuneration Committee

Composition

As at 28 February 2017, the Remuneration Committee comprised three directors. The Committee meets at least twice a year.

Remuneration Committee members

Bheki Sibiya	Chairman and Independent non-executive director
Santie Botha	Chairman of the Board and Independent non-executive director
John Halamandres	Non-executive director

Roles and responsibilities

The key mandate of the Committee is to compile emolument proposals in accordance with the Group's remuneration strategy. This is designed and tailored to:

- continue to attract, retain and motivate executives of the highest calibre;
- enable the Group to remain an employer of choice; and
- ensure a blend of skills that consistently achieves predetermined business objectives and targets.

The Committee approves the appointment terms and remuneration for all executive directors. It is also responsible for making recommendations to the Board on all fees payable by the Company to non-executive directors for membership of both the Board and Board Committees, prior to submission to shareholders for approval. The Committee plays an integral role in succession planning, particularly in respect of the Chief Executive Officer and executive management.

Nominations Committee

Composition

As at 28 February 2017, the Nominations Committee comprised four non-executive directors. The Committee meets at least twice a year.

Nominations Committee members

Santie Botha	Independent Chairman of the Board and the Nominations Committee
Norman Adami	Independent non-executive director
Moses Kgosana	Independent non-executive director
Panagiotis (Peter) Halamandaris	Non-executive director

Roles and responsibilities

The mandate of the Committee includes assisting the Board with:

- the identification and evaluation of suitable candidates for appointment to the Board;
- the annual evaluation of the performance and effectiveness of the Board, Board Committees and individual directors; and
- succession planning.

Investment Committee

The Investment Committee meets from time to time on an ad-hoc basis when deemed appropriate by the Board.

Investment Committee members

Chris Boulle	Chairman and non-executive director
Moses Kgosana	Independent non-executive director
John Halamandres	Non-executive director
Norman Adami	Independent non-executive director

Corporate Governance report continued

Board meetings and procedures

The Board meets at least four times per year. The Board and Board Committee meetings are guided by formal agendas which are distributed to the Board and Board Committee members prior to the meetings. The Company Secretary assists the Chairman of the Board and the Chairmen of the Board Committees with the drafting of the agendas. Board and Board Committee packs are distributed to the Board and Board Committee members prior to the meetings.

During the year under review, the Board met as follows:

Date	Key objective for the meeting
May 2016	Approval of the Group's Annual Financial Statements and Integrated Annual Report for the year ended 29 February 2016
August 2016	Special meeting to consider acquisition of GBK Restaurants
October 2016	Approval of the Group's interim financial results for the six months ended 31 August 2016
November 2016	Strategy session
February 2017	Approval of the budget for the year ending 28 February 2018

Attendance at Board and Board Committee meetings during the year ended 28 February 2017**

	Board	Audit and Risk Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Investment Committee
Number of meetings	5	3	3	2	3	3
Board/Committee members						
NJ Adami	4/5	3/3	n/a	2/2	n/a	n/a
SL Botha	5/5	3/3*	n/a	2/2	3/3	n/a
CH Boulle	5/5	3/3*	3/3	n/a	3/3*	3/3
P Halamandaris	4/5	2/3*	n/a	2/2	n/a	n/a
P Halamandaris (junior)	2/5	n/a	n/a	n/a	n/a	n/a
T Halamandaris	2/5	n/a	n/a	n/a	n/a	n/a
JL Halamandres (resigned from Nominations Committee 27 May 2016)	4/5	n/a	n/a	1/1	3/3	n/a
DP Hele	5/5	3/3*	2/3*	2/2*	3/3*	3/3*
RM Kgosana (resigned from Social and Ethics Committee 27 May 2016)	5/5	3/3	1/1	2/2	n/a	3/3
K Ntlha (appointed 1 July 2016)	3/3	2/2*	2/2*	n/a	n/a	n/a
NS Richards (resigned 27 May 2016)	5/5*	3/3*	1/1*	n/a	n/a	3/3*
BL Sibiya (resigned from Audit Committee 27 May 2016)	4/5	1/1	3/3	n/a	3/3	n/a
T Skweyiya (appointed 27 May 2016)	4/4	2/2	2/2	n/a	n/a	n/a

** By invitation.*

*** Meetings scheduled for February 2017 were held on 1 March 2017.*

Conflicts of interest and other directorships

The Company's directors comply with the provisions of the Companies Act of South Africa with respect to the declaration of personal financial interests and a register of directors' declarations of interests is maintained.

Company Secretary

The directors have unlimited access to the advice and services of the Company Secretary, Mr IWM Isdale. The Board is satisfied that the Company Secretary has maintained an arm's length relationship with the Board, is competent and has the appropriate qualifications and experience required by the Group.

Dealings in the Company's securities and insider trading

In compliance with the JSE Listings Requirements and good governance, the Company has a policy in place with respect to dealings in the Company's securities. The policy requires directors and the Group's Company Secretary to obtain prior written clearance from the Chairman of the Board before dealing in the securities of Famous Brands during an open period. The policy further prohibits the Company's directors, the Company Secretary and senior employees from dealing in the Company's securities during closed periods, and at any time when in possession of inside information as defined in the Financial Markets Act, 2012.

The Company Secretary assists the Chairman of the Board with the enforcement of the policy and maintains a record of requests for dealings and clearances thereof. Dealings by directors in the Company's securities are published in line with the JSE Listings Requirements on the JSE's Securities Exchange News Service via the Company's sponsor.

Remuneration report

Remuneration philosophy

The Remuneration Committee (the committee) has adopted a remuneration policy. Famous Brands has an ambitious growth objective that requires the Group's remuneration strategies to be sufficiently robust and innovative to attract and retain people with the requisite skills. The remuneration policy and practices support the vision, mission and strategies of the Group.

This policy has as its objectives to:

- continue to attract, retain and motivate employees of the highest calibre;
- enable the Group to remain an employer of choice;
- ensure that appropriately talented and trained people are available to achieve the business strategy;
- determine the package of executives above a certain level using the policy as a guideline; and
- align the Group with relevant and related market data and practices.

Responsibility for governing remuneration

The primary role of the committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to remuneration. The committee sets and closely monitors executive remuneration for the Group. In allocating awards, the committee is guided by actual individual performance delivered against individual scorecard goals. Management is guided by the remuneration policy and is responsible for its implementation. The committee revises the policy when necessary and as circumstances change.

Service contracts

There are no service contracts with non-executive directors. Executive directors' service agreements may be terminated with three months' notice.

Remuneration of directors

The remuneration of directors for the financial year ended 28 February 2017 is set out in Note 27 to the full set of the audited Annual Financial Statements which is available on the Company's website at www.famousbrands.co.za.

Remuneration of key management and employees

The committee approves the remuneration packages of key management, including the total discretionary bonus pool available for distribution to management. Executive compensation comprises a guaranteed cost to company pay package paid monthly and two variable elements:

- short-term cash incentives in the form of performance bonuses expressed as a percentage of total package; and
- long-term incentives in the form of a Share options scheme and a Long-Term Incentive (LTI) scheme.

Both variable incentives have been created within the Group for the purposes of executive retention and to enable executives to create individual long-term wealth as they align their personal interests with those of the Company. Performance is measured via a three plus one scorecard mechanism. The scorecard comprises three technical goals plus one development goal. The technical goals include Operational profit, HEPS growth at CPI plus 50% of CPI, EBITDA growth at CPI plus 50% of CPI, market share and customer service components.

- The LTI Scheme has performance and retention components. For the performance component, Share Appreciation Rights are allocated, and for the retention component shares are allocated.
- The allocation is based on a multiple of the Executive's package at base. This multiple may be altered for superior Company or individual performance.
- Vesting conditions are in line with King III and international best practice whereby vesting takes place in three equal tranches, with the first tranche vesting at the end of the third year. Upon vesting an executive will have had to score an average Performance Score of at least three for the Share Appreciation Rights to vest. This ensures that performance is consistent and aligned with shareholder interests.
- Retention shares vest regardless of the average performance score as these are issued with a retention purpose. Therefore if the employee is still employed by the Company after three years the purpose has been achieved.
- Superior achievement over the three-year period results in a vesting improvement aligned to the allocation methodology.

The LTI Scheme replaced the Share options scheme during the year ended 29 February 2016 (refer Note 28 to the full set of the audited Annual Financial Statements).

The remuneration process for other employees is as follows:

- management assesses performance of Administration employees against measurable scorecards aligned with the business objectives on an annual basis;
- employee rewards are influenced by individual and Company performance and employees are recognised by way of a discretionary performance bonus; and
- aggregate bonus pool amounts are reported to the committee.

Bargaining Unit employees enjoy a "basic plus benefits remuneration scheme" where Famous Brands contributes to their provident fund. They also qualify for a guaranteed bonus. Famous Brands remains committed to equitable and competitive pay practices when compared to the national market and regular benchmarking with credible institutions confirms this. The committee is accountable for ensuring that enlightened remuneration objectives are achieved.

Social and Ethics Committee's report

The Social and Ethics Committee (the committee) is constituted as a formal committee of the Board in terms of the Companies Act (the Act) and this report is prepared in compliance with the requirements of the Act.

The composition, roles and responsibilities of the committee are set out on page 52 of this Integrated Annual Report.

The committee met three times and carried out its functions, inter alia, as follows:

- reviewed and reported to the Board on the Group's Employment Equity performance relative to the Group's Employment Equity Plan;
- reviewed and accepted management's feedback regarding the Group's activities, having regard to the relevant legislation and best practice, matters relating to:
  - social and economic development;
  - good corporate citizenship;
  - the environment, health and public safety;
  - consumer relationships; and
  - labour and employment;
- reviewed and approved the Group's Code of Ethics;
- reviewed and reported to the Board on the Group's detailed B-BBEE strategy; and
- reviewed and recommended to the Board for approval the non-financial disclosures contained in the Integrated Annual Report. These include, inter alia, the Sustainability disclosures as well as the Governance and Remuneration disclosures.

The committee is satisfied that Famous Brands is committed to ensuring that the Group is sustainable in the short, medium and long term, and embraces its responsibilities with regard to the health and safety of its employees, the Group's impact on the community and the environment.

CH Boulle
Chairman of the Social and Ethics Committee

26 May 2017

Summarised consolidated financial statements and other information


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Directors' report

The directors have pleasure in submitting their report for the year ended 28 February 2017.

Nature of business

Famous Brands Limited (Famous Brands) is a holding company listed on the JSE Limited (JSE) under the category Consumer Services: Travel and Leisure. The Group is Africa's leading branded food services franchisor.

Famous Brands' vertically integrated business model comprises a portfolio of 27 brands represented by a franchise network of 2 782 restaurants across South Africa, the Rest of Africa, the United Kingdom, and the Middle East, underpinned by substantial Logistics and Manufacturing operations.

Directors' responsibilities

The responsibilities of the Company's directors are detailed on page 63 of this report.

Financial statements and results

The Group's results and financial position are reflected in the summarised consolidated financial statements on pages 64 to 75 as well as in the full set of the audited Annual Financial Statements which are available on the Company's website at www.famousbrands.co.za.

Corporate Governance

The Corporate Governance report is set out on pages 50 to 55.

Tangible and intangible assets

Movements in the Group's tangible and intangible assets are set out in Note 1 – Property, plant and equipment and Note 2 – Intangible assets to the full set of the audited Annual Financial Statements which are available on the Company's website at www.famousbrands.co.za.

Dividends

In order to achieve its robust growth targets, the Group has made a number of acquisitions, including its largest ever, the GBK transaction in the UK. In this regard, the Group's gearing is substantially higher than in prior years, and the Board has therefore resolved that no dividend will be declared for the review period. It is anticipated that, subject to future acquisitions payment of dividends will resume in the 2018 financial year.

Share capital

The authorised and issued share capital of the Company at 28 February 2017 is set out in Note 10 to the full set of the audited Annual Financial Statements which are available on the Company's website at www.famousbrands.co.za.

Issued during the year

The Company issued 50 000 (2016: nil) ordinary shares for a cash subscription of R6 million (2016: nil) to participants of the 2012 Famous Brands Share Incentive Scheme.

Shareholder spread and material shareholders

In terms of the JSE Listings Requirements, Famous Brands complies with the minimum shareholder spread requirements, with 65% (2016: 61%) of ordinary shares being held by the public at 28 February 2017. Details of the Company's shareholder spread and material shareholders are set on page 76 of this report.

Staff Share Incentive Scheme

Details are reflected in Note 28 to the full set of the audited Annual Financial Statements which are available on the Company's website at www.famousbrands.co.za.

Directors and Company Secretary

The names of the directors at the date of this report are detailed on pages 46 to 48.

Changes to the Board up to the date of this report were as follows:

- 1 June 2016: Appointment of Ms T Skweyiya as an independent non-executive director;
- 1 July 2016: Appointment of Ms K Ntlha as Group Financial Director;
- 1 September 2016: Appointment of Mr IWM Isdale as Company Secretary; and
- 2 May 2017: Appointment of Mr KA Hedderwick as a non-executive director.

Subsidiaries and associates

Details of the Group's investments in associates and subsidiaries are set out in Note 4 and Note 30 to the full set of the audited Annual Financial Statements which are available on the Company's website at www.famousbrands.co.za.

Impairment

The Group recognised an impairment of R20 million with respect to its investment in UACR in Nigeria. A R12 million impairment was recognised in 2016 with respect to the Group's Wakaberry™ trademark, which arose due to the challenges experienced in the frozen yoghurt industry.

Acquisitions

During the year under review, the Group acquired the following stakes:

- 51% in Lupa Osteria (effective 2 May 2016);
- 51% in Salsa Mexican Grill (effective 1 June 2016);
- 100% in Lamberts Bay Food (effective 1 August 2016);
- 100% in Gourmet Burger Kitchen (GBK) (effective 7 October 2016); and
- 49.9% in By Word of Mouth (effective 1 December 2016).

Subsequent events

There were no material events after the reporting period.

Special resolutions

On 29 July 2016, shareholders approved the following special resolutions:

- approval of non-executive directors' remuneration for services as directors;
- general authority to repurchase shares of the Company; and
- general authority to provide financial assistance to related or inter-related entities.

At the next AGM to be held on 28 July 2017 shareholders will be asked to renew the above three approvals as set out in the notice to shareholders (refer page 78).

Borrowing powers

The Company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Audit and Risk Committee's report

for the year ended 28 February 2017

In terms of section 94 of the Companies Act of South Africa, the report by the Audit and Risk Committee, which is chaired by Mr RM Kgosana, is presented below.

During the financial year ended 28 February 2017 the Audit and Risk Committee met on three occasions. In addition to the duties set out in the Audit and Risk Committee's charter (a summary of which is provided on page 52) the Audit and Risk Committee carried out its functions, inter alia, as follows:

- nominated the re-appointment of Deloitte & Touche as the registered independent auditor after satisfying itself through enquiry that Deloitte & Touche and Ms S Nelson are independent as defined in terms of the Companies Act of South Africa;
- determined the terms of engagement and fees to be paid to Deloitte & Touche;
- ensured that the appointment of Deloitte & Touche complied with the legislation relating to the appointment of auditors;
- approved and monitored a non-audit services policy which determines the nature and extent of any non-audit services which Deloitte & Touche may provide to the Group;
- reviewed the external auditors' report on the year-end audit;
- reviewed the internal audit reports and processes;
- reviewed and approved the internal audit business plan, budget and audit plan;
- annual review and approval of the internal audit charter;
- reviewed and approved a Whistle Blower Policy endorsed by the management of Famous Brands;
- reviewed and approved the anti-fraud policy;
- reviewed and approved a hedging policy;
- annual review and approval of the Audit and Risk Committee charter;
- reviewed an assessment prepared by management of the going concern status of the Company and made recommendations to the Board. The committee concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate;
- reviewed the status of the Group's tax affairs, which the committee found to be satisfactory;
- evaluated and reported to the Board on the effectiveness of risk management controls and governance processes;
- reviewed and recommended the interim and Annual Financial Statements to the Board for approval;
- reviewed and recommended the Integrated Annual Report to the Board for approval;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control including financial controls, business risk management and maintenance of effective internal control system;
- received assurance that proper and adequate accounting records were maintained and the systems safeguard the assets against unauthorised use or disposal therefore; and
- based on the above, the committee formed the opinion that there were no material breakdowns in internal control, including financial control, business risk management and maintenance of effective material control systems.

The Audit and Risk Committee is satisfied with the competence and expertise of the Group Financial Director, Company Secretary and head of internal audit.

The Audit and Risk Committee recommended the Annual Financial Statements for the year ended 28 February 2017 for approval to the Board. The Board has approved the Annual Financial Statements which will be open for discussion at the forthcoming Annual General Meeting.

RM Kgosana
Chairman of the Audit and Risk Committee

26 May 2017

Company Secretary's certificate

In my capacity as the Company Secretary, I hereby certify that Famous Brands Limited has lodged with the Companies and Intellectual Property Commission for the financial year ended 28 February 2017, all such returns and notices as are required of a public company in terms of the Companies Act of South Africa and that all such returns are to the best of my knowledge and belief true, correct and up to date.

IWM Isdale
Company Secretary

26 May 2017

Approval of the summarised consolidated financial statements

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the summarised consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the summarised consolidated financial statements and the full set of the audited Annual Financial Statements present fairly the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity 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 Council, the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements. The Annual Financial Statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The summarised consolidated financial statements were derived from the full set of the audited Annual Financial Statements for the year ended 28 February 2017 available on our website at www.famousbrands.co.za.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. The Audit and Risk Committee, together with the internal auditors, perform an oversight role in matters related to financial and internal controls.

The directors are of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the subsequent year and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The summarised consolidated financial statements and the full set of audited Annual Financial Statements, which have been prepared on the going concern basis, were approved by the Board of Directors on 26 May 2017 and are signed on its behalf by:

Santie Botha
Independent Chairman

Darren Hele
Chief Executive Officer

26 May 2017

Summarised consolidated financial statements

Summarised consolidated statement of financial position

at 28 February 2017

	Note	2017 R000	2016 R000
ASSETS			
Non-current assets		**4 315 513**	1 436 377
Property, plant and equipment	5	**1 397 601**	286 448
Intangible assets	6	**2 818 755**	1 095 888
Investments in associates		**83 083**	52 746
Deferred tax		**16 074**	1 295
Current assets		**1 570 940**	971 906
Inventories		**454 656**	301 625
Current tax assets		**38 174**	60 786
Derivative financial instruments		**–**	100
Trade and other receivables		**649 290**	463 261
Cash and cash equivalents		**428 820**	146 134
Total assets		**5 886 453**	2 408 283
EQUITY AND LIABILITIES			
Equity attributable to owners of Famous Brands Limited		**1 383 509**	1 474 780
Non-controlling interests		**101 805**	75 819
Total equity		**1 485 314**	1 550 599
Non-current liabilities		**3 407 380**	214 690
Borrowings	13	**2 740 744**	–
Derivative financial instruments		**196 469**	124 821
Lease liabilities		**80 122**	10 858
Deferred tax		**390 045**	79 011
Current liabilities		**993 759**	642 994
Non-controlling shareholder loans		**22 130**	24 988
Derivative financial instruments		**23 381**	–
Lease liabilities		**6 548**	1 689
Trade and other payables		**790 891**	462 481
Shareholders for dividends		**2 221**	1 873
Current tax liabilities		**10 109**	11 713
Borrowings	13	**114 853**	–
Bank overdrafts		**23 626**	140 250
Total liabilities		**4 401 139**	857 684
Total equity and liabilities		**5 886 453**	2 408 283

Summarised consolidated statement of profit or loss and other comprehensive income

for the year ended 28 February 2017

	Note	2017 R000	2016 R000	% change
Revenue		**5 720 363**	4 308 318	33
Cost of sales		**(2 948 744)**	(2 469 947)	
Gross profit		**2 771 619**	1 838 371	51
Selling and administrative expenses		**(1 833 571)**	(1 046 263)	75
Operating profit before non-operational items		**938 048**	792 108	18
Non-operational items	8	**(120 755)**	(12 000)	
Operating profit after non-operational items		**817 293**	780 108	
Net finance costs**		**(131 557)**	(6 909)	
Finance costs		**(184 389)**	(27 375)	
Finance income		**52 832**	20 466	
Share of profit/(loss) of associates		**4 314**	(622)	
Profit before tax		**690 050**	772 577	(11)
Tax		**(235 246)**	(221 011)	
Profit for the year		**454 804**	551 566	(18)
Other comprehensive income, net of tax:				
Exchange differences on translating foreign operations*		**(245 603)**	65 753	
Movement in hedge accounting reserve*		**(2 704)**	–	
Effective portion of change in fair value of cash flow hedges		**(3 867)**	–	
Tax on movement in hedge accounting reserve		**1 163**	–	
Total comprehensive income for the year		**206 497**	617 319	
Profit for the year attributable to:				
Owners of Famous Brands Limited		**413 747**	527 699	
Non-controlling interests		**41 057**	23 867	
		454 804	551 566	
Total comprehensive income attributable to:				
Owners of Famous Brands Limited		**165 440**	593 452	
Non-controlling interests		**41 057**	23 867	
		206 497	617 319	
Basic earnings per share (cents)				
Basic	7.1	**414**	529	(22)
Diluted	7.1	**413**	528	(22)
Basic earnings per share before non-operational items and additional interest costs (cents)				
Basic	7.1	**614**	541	13
Diluted	7.1	**612**	540	13

** This item may be reclassified subsequently to profit or loss*
*** The increase in net finance costs relates to borrowings raised during the year under review*

Summarised consolidated financial statements
continued

Summarised consolidated statement of changes in equity
for the year ended 28 February 2017

	2017 R000	2016 R000
Balance at the beginning of the year	**1 550 599**	1 417 154
Issue of capital and share premium	**6 121**	217
Recognition of share-based payments	**26 306**	10 173
Recognition of put-options over non-controlling interests	**(73 233)**	(118 426)
Total comprehensive income for the year	**206 497**	617 319
Payment of dividends*	**(227 512)**	(398 389)
Non-controlling interests arising on business combinations	**1 033**	24 889
Change in ownership interests in subsidiaries	**(2 929)**	(3 906)
Contingent consideration	**(1 568)**	1 568
Balance at the end of the year	**1 485 314**	1 550 599

** Dividend relates to final dividend for F2016 and dividends paid to non-controlling interests*

Summarised consolidated statement of cash flows

for the year ended 28 February 2017

	Note	2017 R000	2016 R000
Cash generated before working capital changes		**931 852**	874 733
Increase in inventories		**(91 118)**	(84 357)
Increase in trade and other receivables		**(16 033)**	(131 452)
(Decrease)/increase in trade and other payables		**(29 439)**	59 446
Cash generated from operations		**795 262**	718 370
Net interest paid		**(84 628)**	(205)
Tax paid		**(214 715)**	(243 993)
Cash available from operating activities		**495 919**	474 172
Dividends paid		**(227 164)**	(398 003)
Net cash inflow from operating activities		**268 755**	76 169
Cash utilised in investing activities			
Additions to property, plant and equipment		**(282 440)**	(82 199)
Intangible assets acquired		**(40 807)**	(42 749)
Proceeds from disposal of property, plant and equipment		**10 004**	2 527
Net cash outflow on acquisition of subsidiaries	11	**(1 897 991)**	(83 989)
Net cash outflow on acquisition of associate		**(50 573)**	–
Dividends received from associate		**4 550**	4 200
Net cash outflow from investing activities		**(2 257 257)**	(202 210)
Cash flow from financing activities			
Borrowings raised		**2 484 979**	–
Underwriting and participation fees paid on borrowings raised		**(62 073)**	–
Cash (paid to)/contributed by non-controlling shareholders		**(2 315)**	539
Proceeds from issue of equity instruments of Famous Brands Limited		**6 121**	217
Acquired from non-controlling interests in subsidiaries		**(2 929)**	(18 084)
Net cash inflow/(outflow) from financing activities		**2 423 783**	(17 328)
Net increase/(decrease) in cash and cash equivalents		**435 281**	(143 369)
Foreign currency effect		**(35 971)**	23 025
Cash and cash equivalents at the beginning of the year		**5 884**	126 228
Cash and cash equivalents at the end of the year*		**405 194**	5 884

** Comprises cash and cash equivalents of R429 million (2016: R146 million) and bank overdrafts of R24 million (2016: R140 million)*

Summarised consolidated financial statements
continued

Primary (business units) and secondary (geographical) segment report
for the year ended 28 February 2017

	Note	2017 R000	2016 R000	% change
Revenue				
Franchising and Development		**780 887**	681 364	15
Supply Chain		**3 983 297**	3 363 929	18
Manufacturing		**2 300 418**	1 799 958	28
Logistics		**3 415 746**	2 911 061	17
Eliminations		**(1 732 867)**	(1 347 090)	29
Corporate		**2 800**	2 562	
South Africa		**4 766 984**	4 047 855	18
International		**953 379**	260 463	266
United Kingdom (UK)		**704 182**	115 696	509
Rest of Africa and Middle East (AME)*		**249 197**	144 767	72
Total		**5 720 363**	4 308 318	33
Operating profit				
Franchising and Development		**426 755**	389 282	10
Supply Chain		**454 671**	347 653	31
Manufacturing		**330 103**	247 455	33
Logistics		**124 568**	100 198	24
Corporate		**(48 463)**	(11 239)	
South Africa		**832 963**	725 696	15
International		**105 085**	66 412	58
UK		**55 468**	32 640	70
AME*		**49 617**	33 772	47
Operating profit before non-operational items		**938 048**	792 108	18
Franchising and Development		**–**	(12 000)	
Impairment loss	8	**–**	(12 000)	
Corporate		**(483 244)**	(228 542)	
Non-operational items	8	**(100 755)**	–	
Impairment loss	8	**(20 000)**	–	
Net finance costs		**(131 557)**	(6 909)	
Share of profit/(loss) of associates		**4 314**	(622)	
Tax		**(235 246)**	(221 011)	
Profit for the year		**454 804**	551 566	(18)

	2017 %	2016 %	% change
Operating margins			
Franchising and Development	**54.7**	57.1	(2.4)
Supply Chain	**11.4**	10.3	1.4
Manufacturing	**14.3**	13.7	0.6
Logistics	**3.6**	3.4	0.2
South Africa	**17.5**	17.9	(0.4)
International (Rest of Africa, Middle East and UK)	**11.0**	25.5	(14.5)
UK	**7.9**	28.2	(20.3)
AME*	**19.9**	23.3	(3.4)
Total	**16.4**	18.4	(2.0)

** Previously categorised as Rest of Africa*

Statistics and ratios

for the year ended 28 February 2017

	2017 R000	2016 R000	% change
Basic earnings per share (cents)			
Basic	**414**	529	(22)
Diluted	**413**	528	(22)
Basic earnings per share before non-operational items and additional interest costs (cents)			
Basic	**614**	541	13
Diluted	**612**	540	13
Headline earnings per share (cents)			
Basic	**428**	541	(21)
Diluted	**426**	540	(21)
Headline earnings per share before non-operational items and additional interest costs (cents)			
Basic	**613**	541	13
Diluted	**612**	540	13
Dividends per share (cents)	**–**	405	
Interim	**–**	190	
Final	**–**	215	
Ordinary shares (000)			
in issue	**99 862**	99 812	
weighted average	**99 842**	99 810	
diluted weighted average	**100 092**	99 892	
Operating profit margin (%)	**16.4**	18.4	
Net debt/equity (%)	**165.0**	(0.4)	
Net asset value per share (cents)	**1 487**	1 554	

Summarised consolidated financial statements
continued

Notes to the summarised consolidated financial statements
for the year ended 28 February 2017

Famous Brands Limited (the "company") is a South African registered company. The summarised consolidated financial statements of the company comprise the company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

1. Statement of compliance

These provisional summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and contains at a minimum the information required by IAS 34, the JSE Listings Requirements, and the Companies Act of South Africa.

2. Basis of preparation

The summarised consolidated financial statements do not include all the information and disclosures required for the full set of audited consolidated financial statements, and should be read in conjunction with the full set of the audited Annual Financial Statements which are available at the registered office of the company and will be available on our website at www.famousbrands.co.za on 30 June 2017.

The consolidated audited Annual Financial Statements and the summarised consolidated financial statements as at and for the year ended 28 February 2017 were prepared on the going concern basis. The accounting policies applied in the presentation of the summarised consolidated financial statements are consistent with those applied for the year ended 29 February 2016, except for new standards or amendments that became effective for the Group's financial period beginning 1 March 2016, refer note 3.

In light of a number of non-operational items and additional interest costs incurred during the year, the Group has presented earnings per share and headline earnings per share excluding these items to enhance comparability to prior year results.

The summarised consolidated financial statements were prepared on the historical cost basis, under the supervision of Kelebogile (Lebo) Ntlha, Group Financial Director.

3. Changes in accounting policies

The Group has adopted all the new, revised or amended accounting standards which were effective for the Group from 1 March 2016, none of which had a material impact on the Group.

		2017 R000	2016 R000
4.	**Capital expenditure and commitments**		
	Invested	**326 274**	142 154
	Property, plant and equipment	**285 467**	82 199
	Intangible assets	**40 807**	59 955
	Authorised, not yet contracted	**426 163**	169 815
	Property, plant and equipment	**419 760**	156 917
	Intangible assets	**6 403**	12 898
5.	**Property, plant and equipment**		
	Opening balance	**286 448**	208 951
	Additions	**285 467**	82 199
	Acquired in business combinations	**992 605**	38 025
	Government grant	**(2 992)**	(1 078)
	Foreign currency translation	**(64 489)**	1 945
	Disposals	**(5 091)**	(2 405)
	Depreciation	**(94 347)**	(41 189)
	Closing balance	**1 397 601**	286 448
6.	**Intangible assets**		
	Opening balance	**1 095 888**	922 576
	Additions	**40 807**	59 955
	Acquired in business combinations	**1 888 402**	90 219
	Foreign currency translation	**(186 787)**	46 859
	Disposals	**(3 955)**	–
	Amortisation	**(15 600)**	(11 721)
	Impairment	**–**	(12 000)
	Closing balance	**2 818 755**	1 095 888

		Note	2017 Gross amount R000	2017 Income tax R000	2017 Net R000	2016 Gross amount R000	2016 Income tax R000	2016 Net R000
7.	**Basic and headline earnings per share**							
7.1	**Basic earnings per share**							
	Profit attributable to equity holders of Famous Brands Limited				**413 747**			527 699
	Basic and diluted earnings				**413 747**			527 699
	Adjustments for:							
	Non-operational items	8	**120 755**	**(16 288)**	**104 467**	12 000	–	12 000
	Additional interest costs		**106 454**	**(11 837)**	**94 617**	–	–	–
	Interest on borrowings		**94 000**	**(11 837)**	**82 163**	–	–	–
	Remeasurement of interest rate swap (ineffective portion)		**5 416**	**–**	**5 416**	–	–	–
	Amortisation of underwriting and participation fees		**7 038**	**–**	**7 038**	–	–	–
	Basic and diluted earnings before non-operational items and additional interest costs				**612 831**			539 699
	Basic earnings per share (cents)							
	Basic				**414**			529
	Diluted				**413**			528
	Basic earnings per share before non-operational items and additional interest costs (cents)							
	Basic				**614**			541
	Diluted				**612**			540
7.2	**Headline earnings per share**							
	Basic earnings	7.1			**413 747**			527 699
	Adjustments:		**12 829**	**268**	**13 097**	11 878	34	11 912
	Profit on disposal of property, plant and equipment		**(958)**	**268**	**(690)**	(122)	34	(88)
	Gain on bargain purchase		**(6 213)**	**–**	**(6 213)**	–	–	–
	Impairment loss		**20 000**	**–**	**20 000**	12 000	–	12 000
	Headline earnings				**426 844**			539 611
	Adjustments:							
	Non-operational items		**106 968**	**(16 288)**	**90 680**	–	–	–
	Additional interest costs	7.1	**106 454**	**(11 837)**	**94 617**	–	–	–
	Headline earnings and diluted headline earnings before non-operational items and additional interest costs				**612 141**			539 611
	Headline earnings per share (cents)							
	Basic				**428**			541
	Diluted				**426**			540
	Headline earnings per share before non-operational items and additional interest costs (cents)							
	Basic				**613**			541
	Diluted				**612**			540

Summarised consolidated financial statements
continued

Notes to the summarised consolidated financial statements continued
for the year ended 28 February 2017

		2017 R000	2016 R000
8.	**Non-operational items***		
	Impairment loss	**20 000**	12 000
	Derivative loss on call option utilised to hedge purchase price	**33 253**	–
	Foreign exchange loss on initial recognition of investment	**23 295**	–
	Professional fees	**50 420**	–
	Gain on bargain purchase	**(6 213)**	–
		120 755	12 000

** Represents non-operational items that are not expected to recur in future.*

9. Related party transactions

The Group entered into various sale and purchase transactions with related parties, in the ordinary course of business, on an arm's length basis. The nature of related-party transactions is consistent with those reported previously.

10. Financial instruments

Accounting classifications and fair values

The table below sets out the Group classification of each class of financial assets and liabilities, as well as a comparison to their fair values. The different fair value levels are described below:

Level 1: quoted prices (adjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

		Group			
	Level	2017 Carrying amount R000	2017 Fair value R000	2016 Carrying amount R000	2016 Fair value R000
Financial assets					
Loans and receivables:					
Trade and other receivables		**551 844**	**551 844**	444 069	444 069
Cash and cash equivalents		**428 820**	**428 820**	146 134	146 134
Fair value through profit or loss:					
Derivative financial instruments (foreign currency options)	2	**–**	**–**	100	100
		980 664	**980 664**	590 303	590 303
Financial liabilities					
Measured at amortised cost:					
Trade and other payables		**648 162**	**648 162**	367 494	367 494
Shareholders for dividends		**2 221**	**2 221**	1 873	1 873
Lease liabilities		**86 670**	**86 670**	12 547	12 547
Non-controlling shareholder loans		**22 130**	**22 130**	24 988	24 988
Borrowings		**2 855 597**	**2 855 597**	–	–
Bank overdrafts		**23 626**	**23 626**	140 250	140 250
Fair value through profit or loss:					
Derivative financial instruments (put options over non-controlling interests)	3	**211 239**	**211 239**	124 821	124 821
Fair value through other comprehensive income:					
Derivative financial instruments (foreign currency swaps and foreign exchange contracts)	2	**102**	**102**	–	–
Derivative financial instruments (interest rate swaps)	2	**8 509**	**8 509**	–	–
		3 858 256	**3 858 256**	671 973	671 973

10. Financial instruments continued

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R211 million (2016: R125 million) were determined by applying an income approach valuation method including a present value discount technique. The fair value measurement includes inputs that are not observable in the market. Key assumptions used in the valuation of these instruments include the probability of achieving set profit targets and the discount rates. An increase/(decrease) of 1% in the discount rate would result in a (increase)/decrease of R7 million (2016: R5 million).

Movements in level 3 financial instruments carried at fair value

The following table illustrates the movements during the year of level 3 financial instruments carried at fair value:

		Group			
	Level	**2017 Carrying amount R000**	**2017 Fair value R000**	2016 Carrying amount R000	2016 Fair value R000
Put options over non-controlling interests:					
Carrying value at beginning of the year		**124 821**	**124 821**	–	–
Initial recognition in equity for new acquisitions		**73 233**	**73 233**	118 426	118 426
Unwinding of discount		**14 813**	**14 813**	6 395	6 395
Remeasurements		**(1 628)**	**(1 628)**	–	–
Carrying value at end of the year		**211 239**	**211 239**	124 821	124 821

11. Business combinations

	2017 R000	2016 R000
Summary of cash outflow on acquisition of subsidiaries		
Lupa Osteria	**3 958**	–
Salsa Mexican Grill	**4 985**	–
Lamberts Bay Foods	**73 530**	–
Gourmet Burger Kitchen (GBK)	**1 815 518**	–
Cater Chain Food Services and City Deep Cold Storage	**–**	38 082
Retail Group	**–**	45 907
Total cash outflow on acquisition of subsidiaries	**1 897 991**	83 989

Summarised consolidated financial statements
continued

Notes to the summarised consolidated financial statements continued
for the year ended 28 February 2017

11. Business combinations continued

11.1 Purchase price allocation

Details of the fair value of identifiable net assets acquired are set out below:

	2017 Lupa Osteria R000	2017 Salsa Mexican Grill R000	2017 Lamberts Bay Foods R000	2017 Gourmet Burger Kitchen* R000	2016 Cater Chain Food Services and City Deep Cold Storage R000	2016 Retail Group R000
Acquisition date	1 May 2016	31 May 2016	1 Aug 2016	7 Oct 2017	1 Apr 2015	1 Aug 15
Interest acquired	51%	51%	100%	100%	75%	51%
Fair value of assets and liabilities acquired						
Property, plant and equipment	–	2 566	48 188	941 813	21 245	16 781
Intangible assets	–	–	16 277	1 495 809	6 609	27 515
Inventory	–	137	38 361	25 034	28 970	1 519
Trade and other receivables	–	34	36 932	122 622	19 471	2 473
Provision for doubtful debt	–	–	–	(14 332)	–	–
Receivables from shareholders	–	–	–	–	–	56
Cash and cash equivalents	42	1 197	8	11 275	–	15 918
Current tax assets	–	–	1 314	–	787	1 942
Borrowings	–	–	–	(427 301)	–	(1 232)
Deferred lease liabilities	–	–	–	–	–	(923)
Deferred tax	–	–	(16 218)	(315 146)	(3 871)	(6 159)
Trade and other payables	89	(1 952)	(45 110)	(375 471)	(45 296)	(16 923)
Bank overdraft	–	–	(3 539)	–	(8 082)	–
Current tax liabilities	(5)	–	–	(2 130)	–	–
Amounts due to shareholders	–	–	–	–	–	(75)
Net assets acquired	126	1 982	76 213	1 462 173	19 833	40 892
Non-controlling interests measured at their share of the fair value of net assets	(62)	(971)	–	–	(4 958)	(20 038)
Amount capitalised	64	1 011	76 213	1 462 173	14 875	20 854
Goodwill/(gain on bargain purchase)	3 936	7 760	(6 213)	364 620	15 125	40 971
Purchase price	4 000	8 771	70 000	1 826 793	30 000	61 825
Contingent consideration	–	(2 589)	–	–	–	–
Cash and cash equivalents	(42)	(1 197)	3 530	(11 275)	8 082	(15 918)
Cash outflow on acquisition of subsidiary	3 958	4 985	73 530	1 815 518	38 082	45 907

**Transaction costs related to the GBK acquisition are disclosed in non-operational items (refer note 8)*

11.2 Goodwill and gain on bargain purchase

Goodwill arises from anticipated scale and merger benefits related to franchising, manufacturing and logistics capability.

Gain on bargain purchase arising from the Lamberts Bay Foods acquisition is attributable to fair value adjustments relating to property, plant and equipment and Intangible assets.

2017	Lupa Osteria R000	Salsa Mexican Grill R000	Lamberts Bay Foods R000	Gourmet Burger Kitchen R000	Gourmet Burger Kitchen £000
11.3 Performance of acquired businesses					
Results since acquisition to reporting date					
Revenue	3 768	15 029	165 721	598 848	35 241
Operating profit/(loss)	95	3 678	(339)	36 926	2 173
Pro-forma results from the beginning of the year to the reporting date:					
Revenue	3 971	19 498	271 429	1 532 785	81 014
Operating profit/(loss)	173	4 535	(4 765)	67 015	3 542

12. UK business (Wimpy and GBK)

The table below sets out the performance of the UK business segment in its underlying currency.

		2017	2016	% change
Revenue	£000	**40 722**	5 678	617
Operating profit	£000	**3 217**	1 601	101
Operating profit margin	%	**7.9**	28.2	
Revenue	R000	**704 182**	115 696	509
Operating profit	R000	**55 468**	32 640	70
Operating profit margin	%	**7.9**	28.2	

13. Borrowings

	Currency	Maturity date	Nature	Interest rate margin %	Rate	2017 %	2016 %	2017 R000	2016 R000
Unsecured									
Long-term borrowings								**2 740 744**	–
Short-term portion of long-term borrowings								**114 853**	–
								2 855 597	–
Terms of repayment									
Syndicated facility: three-year bullet	ZAR	Sep 19	variable	2.35	3-month JIBAR	**7.36**	–	**720 000**	–
Syndicated facility: four-year bullet	ZAR	Sep 20	variable	2.55	3-month JIBAR	**7.36**	–	**720 000**	–
Syndicated facility: five-year amortising, repayable quarterly	ZAR	Sep 21	variable	2.45	3-month JIBAR	**7.36**	–	**960 000**	–
								2 400 000	
Syndicated facility: revolving credit	£		variable	2.15	3-month LIBOR	**0.34**	–	**485 553**	–
Transaction costs								**(55 035)**	–
Interest accrued								**25 079**	–
								2 855 597	–
Maturity analysis – capital									
Payable within one year								**114 853**	–
Payable between two and five years								**2 740 744**	–
								2 855 597	–

Interest is paid quarterly in arrears.

The company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R10 million.

Interest risk management

The Group utilises interest rate swap contracts to hedge its exposure to the variability of cash flows arising from unfavourable movements in interest rates.

Facilities

Total overdraft ZAR facility in place: R190 million. Unutilised portion at year-end: R166 million.

Total borrowing GBP facility in place: £30 million. Unutilised portion at year-end: £nil.

Guarantees

Famous Brands Limited, Famous Brands Management Company Proprietary Limited, Mugg and Bean Franchising Proprietary Limited, Venus Solutions Limited and Famous Brands UK Limited have guaranteed in terms of the syndicated loan agreement:

- Punctual performance by the Group of amounts due in the syndication agreement.
- Immediate payment of amounts due which the Group has not paid.
- To indemnify the finance parties against any cost, loss or liability it incurs as a result of the Group not paying amounts that are due.

14. Subsequent events

There were no material events after the reporting period.

15. Contingent liabilities

15.1 The Company and its South African subsidiaries have issued an unlimited suretyship in favour of FirstRand Bank Limited to secure the banking facilities entered into by certain subsidiary companies.

15.2 Guarantees issued by banks in favour of trade creditors totalled R9 million (2016: Rnil).

15.3 The Group's borrowings are unsecured, no pledges have been issued.

15.4 Refer to note 13 for cross guarantees issued on the Group's borrowings.

Shareholder spread

Analysis of ordinary shareholders as at 28 February 2017

	2017				2016			
	Number of share-holdings	**% of total share-holdings**	**Number of shares**	**% of issued capital**	Number of share-holdings	% of total share-holdings	Number of shares	% of issued capital
1 – 10 000	**10 326**	**95.10**	**10 780 911**	**10.80**	9 694	95.57	10 467 115	10.49
10 001 – 50 000	**359**	**3.31**	**7 806 411**	**7.82**	320	3.15	6 663 808	6.68
50 001 – 100 000	**56**	**0.52**	**3 803 295**	**3.81**	41	0.40	3 018 865	3.02
100 001 – 1 000 000	**104**	**0.96**	**30 157 526**	**30.20**	74	0.73	22 551 384	22.59
Over 1 000 000	**13**	**0.12**	**47 314 292**	**47.38**	14	0.14	57 111 263	57.22
Total	**10 858**	**100.00**	**99 862 435**	**100.00**	10 143	100.00	99 812 435	100.00
Distribution of shareholders								
Individuals	**8 424**	**77.58**	**29 742 785**	**29.78**	7 844	77.33	33 009 672	33.07
Insurance companies	**12**	**0.11**	**203 682**	**0.20**	14	0.14	508 779	0.51
Investment trusts	**1 333**	**12.28**	**11 577 385**	**11.59**	1 345	13.26	18 082 174	18.12
Other companies and corporate bodies	**1 089**	**10.03**	**58 338 583**	**58.42**	940	9.27	48 211 810	48.30
Total	**10 858**	**100.00**	**99 862 435**	**100.00**	10 143	100.00	99 812 435	100.00
Shareholder type								
Non-public shareholders	**17**	**0.16**	**34 703 520**	**34.75**	18	0.18	38 803 982	38.88
Directors and associates	**13**	**0.12**	**23 450 356**	**23.48**	15	0.15	28 191 108	28.24
Government Employees Pension Fund (holders > 10%)	**4**	**0.04**	**11 253 164**	**11.27**	3	0.03	10 612 874	10.63
Public shareholders	**10 841**	**99.84**	**65 158 915**	**65.25**	10 125	99.82	61 008 453	61.12
Total	**10 858**	**100.00**	**99 862 435**	**100.00**	10 143	100.00	99 812 435	100.00
Fund managers greater than 5% of the issued shares								
Public Investment Corporation			**8 839 996**	**8.85**			9 358 853	9.38
Coronation Fund Managers			**6 075 661**	**6.08**			2 096 060	2.10
Total			**14 915 657**	**14.94**			11 454 913	11.48
Beneficial shareholders greater than 5% of the issued shares (excluding directors)								
Government Employees Pension Fund			**11 253 164**	**11.27**			10 612 874	10.63
Total			**11 253 164**	**11.27**			10 612 874	10.63
Total number of shareholdings	**10 858**				10 143			
Total number of shares in issue	**99 862 435**				99 812 435			

Shareholders' diary

Financial year-end	28 February
Annual General Meeting	Friday, 28 July 2017
Reports	
Announcement of annual results for the year ended 28 February 2017	Monday, 29 May 2017
Posting of the Integrated Annual Report for the year ended 28 February 2017	Wednesday, 28 June 2017
Announcement of interim results for the half-year ended 31 August 2017	Monday, 30 October 2017

Notice to shareholders of Annual General Meeting

Famous Brands Limited

(Incorporated in the Republic of South Africa)
Registration number 1969/004875/06
JSE code: FBR ISIN: ZAE000053328
(Famous Brands or the Company)

Notice is hereby given that the twenty-third Annual General Meeting (AGM) of the Company will be held on Friday 28 July 2017, at 14:00 (South African time) at Famous Brands Limited, 478 James Crescent, Halfway House, Midrand, 1685, for the purpose of considering the following business and, if deemed fit, to pass and approve, with or without modification, the ordinary and special resolutions as set out hereunder in the manner required by the Act No 71 of 2008, as amended (the Act), and subject to the Listings Requirements of the JSE Limited.

Date of issue: Wednesday 28 June 2017

1. **Report of the Social and Ethics Committee**
   The report of the Social and Ethics Committee for the year ended 28 February 2017, as set out on page 57 of the 2017 Integrated Annual Report is presented to shareholders as is required in terms of Regulation 43 of the Act.

2. **Presentation of the Annual Financial Statements**
   To present the consolidated audited annual financial statements of the Company and its subsidiaries as approved by the Board of Directors of the Company (the Board) in terms of section 30(3) of the Act, together with the reports of the external auditors, the directors and the Audit Committee for the year ended 28 February 2017.

   The full audited consolidated Annual Financial Statements for the year ended 28 February 2017 are available on the Company's website at www.famousbrands.co.za.

Resolutions for consideration and approval
Ordinary business

3. **Ordinary resolutions number 1.1 to 1.3 – re-election of directors**
   To elect, by way of separate resolutions, the following directors who are retiring by rotation at the AGM in accordance with the provisions of the Company's Memorandum of Incorporation (MOI).

   The directors being eligible, have offered themselves for re-election.

   1.1 "RESOLVED THAT CH Boulle be and is hereby elected as a director of the Company."
   1.2 "RESOLVED THAT BL Sibiya be and is hereby elected as a director of the Company."
   1.3 "RESOLVED THAT T Halamandaris be and is hereby elected as a director of the Company."

4. **Ordinary resolution number 1.4 – confirmation of appointment of KA Hedderwick as a director**
   1.4 "RESOLVED THAT the appointment of KA Hedderwick as a non-executive director effective 2 May 2017, be and is hereby confirmed."

   The individual profiles of the directors available for re-election to the Board appear on pages 46 to 48 of this notice of the AGM.

5. **Ordinary resolutions number 2.1 to 2.3 – election of the Audit Committee**
   In terms of section 94 of the Act, to elect by way of separate resolutions, the following independent non-executive directors as members of the Company's Audit Committee from the end of the AGM until the conclusion of the next AGM.

   2.1 "RESOLVED THAT Mr RM Kgosana be and is hereby elected as a member of the Company's Audit Committee with effect from the end of the AGM."
   2.2 "RESOLVED THAT Ms T Skweyiya be and is hereby elected as a member of the Company's Audit Committee with effect from the end of the AGM."
   2.3 "RESOLVED THAT Mr NJ Adami be and is hereby elected as a member of the Company's Audit Committee with effect from the end of the AGM."

   The individual profiles of the directors available for election as members of the Audit Committee appear on pages 46 to 48 of this notice of the AGM.

6. **Ordinary resolution number 3 – reappointment of external auditors**
   To reappoint Deloitte & Touche as the Company's independent auditors, to hold office until the conclusion of the next AGM. The Audit Committee has recommended the reappointment of Deloitte & Touche as the Company's auditors. Deloitte & Touche have been auditors of the Company for one year. Mrs S Nelson is the lead audit partner and was appointed in 2015.

6.1 "RESOLVED THAT Deloitte & Touche be and are hereby appointed auditors of the Company."

7. Ordinary resolution number 4 – approval of the remuneration policy

To consider and approve by way of a non-binding advisory resolution, the Company's remuneration policy, as set out on page 56 of the 2017 Integrated Annual Report.

7.1 "RESOLVED THAT the remuneration policy for the year ended 28 February 2017 be and is hereby approved."

8. Ordinary resolution number 5 – to place 3% (three percent) of the unissued shares under directors' control

8.1 "RESOLVED THAT 3% (three percent) of the authorised but unissued share capital of the Company, from time to time, be placed under the control of the directors of the Company until the next AGM with the authority to allot and issue all or part thereof for the purposes of issuing shares which have vested in terms of share scheme grants, subject to section 38 of the Act, and the JSE Listings Requirements and the Company's MOI".

9. Ordinary resolution number 6 – general authority

To authorise any director or the Company Secretary to execute and sign any documentation that may be required to be signed in order to implement resolutions passed at the AGM.

9.1 "RESOLVED THAT any director of the Company and/or the Company Secretary be and are hereby authorised to execute all documents and to do all such further acts and things as they may in their discretion consider appropriate to implement the ordinary and special resolutions set out in the notice of the AGM, if so approved by the shareholders."

Special business

10. Special resolution number 1 – financial assistance to related and inter-related companies

"RESOLVED THAT the Board of Directors of the Company (the Board) may, subject to compliance with the requirements of the Company's MOI and the Act, (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), authorise the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing on the date of approval of this special resolution, of direct or indirect financial assistance, (including without limitation by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation), as envisaged in section 45 of the Act, to any 1 (one) or more related or inter-related companies or corporations of the Company and/or to any 1 (one) or more members of any such related or inter-related Company or corporation related to any such Company or corporation as outlined in section 2 of the Act, on such terms and conditions as the Board may deem fit."

Reasons for and the effect of special resolution number 1

The main purpose for this authority is to grant the Board the authority to enable the Company to provide financial assistance, when the need arises, to the potential recipients envisaged in the special resolution in accordance with the provisions of section 45 of the Act. The Company may not provide the financial assistance contemplated in section 45 of the Act without a special resolution. The above resolution provides the Board with the authority to authorise the Company to provide direct or indirect financial assistance, including but without limitation by way of the provision of warranties or the provision of indemnities or a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 1.

It is difficult to foresee the exact details of financial assistance that the Company may be required to provide over the next 2 (two) years.

It is essential, however, that the Company is able to organise effectively its internal financial administration. The general authority in special resolution number 1 will allow the Company to continue to grant financial assistance to the relevant parties in appropriate circumstances.

For these reasons and because it would be impracticable and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in the special resolution number 1. If approved, this general authority will expire at the end of 2 (two) years from the date on which this resolution is approved. It is, however, the intention to renew the authority annually at each AGM of shareholders.

It should be noted that this resolution does not authorise financial assistance to a director or prescribed officer or any Company or person related to a director or prescribed officer.

Notice to shareholders of Annual General Meeting continued

11. Special resolution number 2 – approval of remuneration payable to non-executive directors and the Chairman

To approve the remuneration paid to the Chairman and non-executive directors of the Board as outlined below.

2.1 "RESOLVED THAT the remuneration paid to the Chairman be a total of R541 872*, effective 1 June 2017."

2.2 "RESOLVED THAT the remuneration paid to non-executive directors be a total of R265 743*, effective 1 June 2017."

** The fee to be paid split 20% as a base fee paid quarterly in arrears and 80% based on attendance at meetings of the Board. It is based on the assumption that there will be four Board meetings.*

12. Special resolution number 3

To approve the remuneration payable to non-executive directors of the Board who participate in sub-committees of the Board.

3.1 "RESOLVED THAT the remuneration paid to non-executive directors who participate on the sub-committee of the Boards or attend an unscheduled or extraordinary Board meeting, be as outlined hereunder, effective 1 June 2017:

	Chairman Rand	Member Rand
Audit and Risk Committee*	169 335	120 792
Remuneration Committee*	121 921	96 634
Nomination Committee*	90 312	90 312
Social and Ethics Committee*	115 960	96 634
Investment Committee or unscheduled other committee meetings**		22 578
Unscheduled or extraordinary Board meeting**	108 374	53 148

** The fee to be split 20% as a base fee paid quarterly in arrears and 80% based on attendance.*
*** Per meeting fee.*

13. Special resolution number 4

To approve remuneration payable to Messrs RM Kgosana, CH Boulle, NJ Adami and KA Hedderwick in an amount of R21 200 per meeting for their attendance at meetings of the Investment Committee in the previous financial year and in the current financial year to 31 May 2017.

The attendance is outlined hereunder:

Director	26 July 2016	24 August 2016	13 March 2017	11 May 2017
RM Kgosana	✗	✗		
CH Boulle	✗	✗	✗	✗
NJ Adami			✗	✗
KA Hedderwick	N/A	N/A	N/A	✗

4.1 "RESOLVED THAT Messrs RM Kgosana, CH Boulle, NJ Adami, T Halamandres and KA Hedderwick be paid R21 200 per meeting for their attendance at meetings of the Investment Committee held in the previous financial year and in the current financial year to 31 May 2017."

Reasons and effect of special resolutions number 2 to 4

The reasons for proposing the special resolutions number 2 to 3 are to approve the remuneration paid to non-executive directors in respect of services rendered as directors in terms of section 66(8) of the Act, so as to ensure that such remuneration remains market related and accords with the increasing level of responsibility placed upon directors. In aggregate it reflects an increase of 6.5% on the fee approved by shareholders at the Annual General Meeting of shareholders held in 2016. It is considered appropriate that 20% of the remuneration be paid as base fee paid quarterly in arrears from 1 June 2017 and that the balance be based on a fee per meeting based on attendance.

Special resolution number 4.1 is to authorise payments for the attendance at meetings of the Investment Committee held in the previous financial year and in the current year to 31 May 2017. No approval was sought at the 2016 General Meeting of shareholders for payments to members of the Investment Committee. It is considered fair and equitable that the members be compensated for attendance at these meetings.

Directors' responsibility statement

The directors, whose names are given on pages 46 to 48 of the 2017 Integrated Annual Report, which is enclosed with this notice of meeting, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the 2017 Integrated Annual Report contains all information required by law and the JSE Listings Requirements.

Shareholders' analysis as at 28 February 2017

The details relating to major shareholders and share capital of the Company are given on page 76 of the 2017 Integrated Annual Report.

Materiality and litigation statement

There are no material changes to the financial or trading position of the Company and/or the Group, nor are there any legal or arbitration proceedings, that may affect the financial position of the Group since 28 February 2017 to the date of this notice.

Record dates, voting, proxies and electronic participation

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the Company for the purposes of receiving notice of this AGM is Friday, 23 June 2017.

The record date on which shareholders must be recorded as such in the register of shareholders of the Company for the purposes of being entitled to attend and vote at the AGM is 21 July 2017.

The last day to trade in ordinary share of the Company in order to be entitled to participate in and vote at the AGM is Tuesday, 18 July 2017.

Attendance, voting and proxies

1. Any member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend, speak and vote in his/her stead. The form of proxy should be completed by those shareholders who are:
   - Holding shares in certificated form; or
   - "Own name" registered dematerialised shareholders.

2. All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. Note that voting will be performed by way of a poll, unless before the vote is taken it is determined by the Chairman of the AGM that the vote to be decided on a show of hands, so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.

4. Attention is drawn to the notes attached to the form of proxy.

5. Forms of proxy must be lodged at, posted to, or faxed to the registered office of the Company at 478 James Crescent, Halfway House, Midrand 1685 (registered office) or the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa (transfer secretaries), so as to be received by them by no later than 14:00 on Wednesday, 26 July 2017 provided that proxies which are not delivered timeously to the registered office or transfer secretaries, may be handed up to the Chairman of the AGM at any time before the proxy exercises any rights of the shareholders at the AGM.

   The completion of a form of proxy will not preclude a member from attending the AGM.

6. In terms of the JSE Listings Requirements, as read with the Act, and save where otherwise specified, 75% (seventy-five percent) of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.

7. In terms of the Act, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of an ordinary resolution for it to be approved.

8. Section 63(1) of the Act requires that meeting participants provide reasonably satisfactory identification. The Company will regard presentation of the original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.

Notice to shareholders of Annual General Meeting continued

Electronic participation

1. Shareholders wishing to participate and vote electronically in the AGM are required to deliver written notice to the Company Secretary, marked for the attention of IWM Isdale, with a copy to the transfer secretaries at the address as set out on the previous page, by no later than 14:00 on Friday, 21 July 2017, indicating that they wish to participate and vote at the AGM via electronic communication (the electronic participation notice).

2. In order for the electronic participation notice to be valid, it must contain:
   (i) If the shareholder is a natural person, a certified copy of his/her identity document and/or passport;
   (ii) If the shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the directors who passed the relevant resolution. The resolution must set out who from the relevant entity is authorised to represent the relevant entity at the AGM;
   (iii) A valid email address and/or facsimile number (the contact address/number) of the shareholder; and
   (iv) If the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication. (Shareholders participating electronically cannot vote, as no infrastructure exists yet to facilitate this.)

By no later than Wednesday, 26 July 2017, the Company shall use its reasonable endeavours to notify each shareholder (at their contact address/number) who has delivered valid electronic participation notices of the details pertaining to participation at the AGM by electronic means. Any reference to "shareholder" in this paragraph includes a reference to that shareholder's proxy. Before any person may attend or participate in the AGM, the person must present reasonably satisfactory identification.

Shareholders should take note of the following:

1. The cost of the electronic communication facilities will be for the account of the Company although the cost of the shareholder's call will be for his/her/its own expense; and
2. By delivery of the electronic participation notices, the shareholder indemnifies and holds harmless the Company against any loss, injury, damage, penalty or claim arising in any way from the use of the electronic communication facilities to participate in the AGM or any interruption in the ability of the shareholder to participate in the AGM via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, or anyone else, including without limitation the Company and its employees.

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Registration number 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107, South Africa
Tel: +27 11 370 5000
Fax: +27 11 688 5248

By order of the Board

IWM Isdale
Company Secretary

28 June 2017

Form of proxy

Famous Brands Limited
Incorporated in the Republic of South Africa
Registration number 1969/004875/06
JSE code: FBR ISIN: ZAE000053328
(Famous Brands or the Company)

For Famous Brands ordinary shareholders

1. For use at the Annual General Meeting of Famous Brands Limited (AGM) to be held at 478 James Crescent, Halfway House, Midrand, 1685 on Friday, 28 July 2017 at 14:00 or any adjourned or postponed date and time determined in accordance with section 64(4) and 64(11) (a) (i) of the Companies Act No 71 of 2008 (the Act).
2. This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, as the case may be, unless you are recorded on the sub-register as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.
3. This form of proxy is only for use by certified, own name materialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register or the holder of dematerialised ordinary shares.
4. Each shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the AGM and at any adjournment thereafter.
5. Please note the following – your rights as a shareholder at the AGM.
   5.1 The appointment of the proxy is revocable; and
   5.2 You may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivery of a copy of the revocation instrument to the proxy and to the Company.
6. Please note that any shareholder of the Company that is a Company may authorise any person to act as its representative at the AGM. Please also note that section 63(1) of the Act requires that persons wishing to participate in the AGM (including the aforementioned representative) provide satisfactory identification before they may so participate. The Company will regard presentation of the original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.
7. Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.

I/We, the undersigned _____

(Name in block letters) _____

Of (insert address): _____

Being a holder of _____ shares in the issued share capital of the Company, entitled to vote,

do hereby appoint _____

or, failing him/her, _____

or, failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the AGM of shareholders of the Company to be held at 14:00 on Friday, 28 July 2017 and at any cancellation, postponement or adjournment thereof as follows:

** Indicate instructions to proxy by insertion of an "x" or the relevant number of votes exercisable by the member on a poll in the space provided below – see note 17*

	Number of votes		
	In favour of resolution *	Against resolution *	Abstain from voting *
ORDINARY BUSINESS			
Ordinary resolution number 1: Election of directors			
1.1 To elect Christopher Hardy Boulle			
1.2 To elect Bheki Lindinkosi Sibiya			
1.3 To elect Theofanis Halamandaris			
1.4 To elect Kevin Alexander Hedderwick			
Ordinary resolution number 2: To elect the members of the Audit Committee			
2.1 To elect Raboijane Moses Kgosana			
2.2 To elect Thembisa Skweyiya			
2.3 To elect Norman Joseph Adami			
Ordinary resolution number 3: To reappoint Deloitte & Touche as auditors of the Company			
Ordinary resolution number 4: To consider by way of a non-binding advisory vote, the Company's remuneration policy			
Ordinary resolution number 5: To place 3% (three percent) of the unissued shares under directors' control to issue shares in terms of the share scheme			
Ordinary resolution number 6: General authority to implement resolutions			
SPECIAL BUSINESS			
Special resolution number 1: To approve the authority to provide financial assistance to related and inter-related parties			
Special resolution number2: To approve the remuneration payable to non-executive directors and the Chairman			
2.1 Remuneration payable to the Chairman			
2.2 Remuneration payable to non-executive directors			
Special resolution number 3: To approve the remuneration payable to non-executive directors who participate in the sub-committees of the Board and for unscheduled or extraordinary Board meetings			
Special resolution number4: To approve the fees payable for attendance at Investment Committee meetings			

and generally to act as my/our proxy at the AGM. (If no directions are given, the proxy holder will be entitled to vote or to abstain from voting as that proxy holder deems fit).

Signed at _____ on _____ 2017

Signature _____ Assisted by me (where applicable) _____

(state capacity and full name)

Each member is entitled to appoint 1 (one) or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that member at the AGM.

Please read the notes on the reverse hereof.

Notes to the form of proxy

1. Each shareholder may attend the AGM in person.
2. At any time, a shareholder of the Company may appoint any individual as a proxy to participate in, and speak and vote, at the AGM on behalf of the shareholder.
3. An individual appointed as a proxy need not also be a shareholder of the Company.
4. The proxy appointment must be in writing, dated and signed by the shareholder.
5. Forms of proxy must be forwarded to reach the registered office of the Company at 478 James Crescent, Halfway House, Midrand, 1685 (registered office), or posted to the Company at PO Box 2884, Halfway House, Midrand, 1685 South Africa (registered office) or the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107 South Africa (transfer secretaries), so as to be received by them by no later than 14:00 on Wednesday, 26 July 2017 provided that proxies which are not delivered timeously to the registered office or transfer secretaries may be handed up to the Chairman of the AGM at any time before the proxy exercises any rights of the shareholder at the AGM.
6. The appointment of one or more proxies in accordance with the form of proxy to which these notes are attached will lapse and cease to be of force and effect immediately after the AGM of the Company to be held at the registered office on Friday, 28 July 2017, at 14:00, or at any adjournment/(s) thereof, unless it is revoked earlier in accordance with paragraphs 7 and 8 below.
7. A shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/(ies) and to the Company at the registered office, for attention of the Company Secretary, to be received before the replacement proxy exercises any rights of the shareholder at the AGM or any adjournment/(s) thereof.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy/(ies) authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 7 (ii).
9. A shareholder can appoint one or more proxies for the purposes of representing that shareholder at the AGM of the Company and at any adjournment(s) thereof by completing and signing the form of proxy to which these notes are attached in accordance with the instructions it contains and returning it to the registered office or the transfer secretaries, so as to be received by them by no later than 14:00 on Wednesday, 26 July 2017 and may be handed up to the Chairman of the AGM at any time before the proxy exercises any rights of the shareholder at a shareholders' meeting.
10. If the instrument appointing a proxy or proxies has been delivered to the Company in accordance with the provisions of paragraph 9, then, until that appointment lapses in accordance with the provisions of paragraph 6, any notice that is required in terms of the Companies Act No 71 of 2008, as amended from time to time (the Act) or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to:
    - 10.1 The shareholder; or
    - 10.2 The proxy or proxies if the shareholder has: (i) directed the Company to do so, in writing; and
      - (ii) paid any reasonable fee charged by the Company for doing so.
11. Section 63(1) of the Act requires that meeting participants provide reasonably satisfactory identification. The Company will regard presentation of the original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.
12. Documentary evidence establishing the authority of a person who participates in, or speaks or votes at the AGM on behalf of a shareholder in a representative capacity, or who signs the form of proxy in a representative capacity, (for example, a certified copy of a duly passed directors' resolution in the case of a shareholder which is a Company, a certified copy of a duly passed members' resolution in the case of a shareholder which is a close corporation and a certified copy of a duly passed trustees' resolution in the case of a shareholder who/which is/are a trust) must be presented to the person presiding at the AGM or attached to the form of proxy (as the case may be), and shall thereafter be retained by the Company.
13. It is recorded that, in accordance with section 63(6) of the Act, if voting on a particular matter is by polling, a shareholder or a proxy for a shareholder has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
14. Any insertions, deletions, alteration or correction made to the form of proxy must be initialled by the signatory/(ies). Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.
15. A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
16. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the AGM.
17. A shareholder's instructions to the proxy must be indicated by the insertion of an "x" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "x" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above or to provide any voting instructions will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she/it deems fit in his/her/its discretion.
18. When there are joint holders of shares, any one holder may sign the form of proxy, and the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/(s) of the other joint shareholders.
19. The completion and lodging of this form of proxy will not preclude the shareholder who appoints one or more proxy/(ies) from participating in the meeting and speaking and voting in person thereat to the exclusion of any proxy/(ies) appointed in terms of the form of proxy should such shareholder wish to do so. The appointment of any proxy/(ies) is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

Administration

Famous Brands Limited
Incorporated in the Republic of South Africa
Registration number: 1969/004875/06
JSE share code: FBR
ISIN code: ZAE000053328

Directors
NJ Adami, SL Botha (Independent Chairman),
CH Boulle, P Halamandaris, P Halamandaris (Jnr), T Halamandaris,
JL Halamandres, RM Kgosana,
DP Hele (Chief Executive Officer)*,
K Ntlha (Group Financial Director)*, BL Sibiya, T Skweyiya and
KA Hedderwick
**Executive*

Company Secretary
IWM Isdale

Registered office
478 James Crescent, Halfway House, Midrand, 1685
PO Box 2884, Halfway House, 1685
Telephone: +27 11 315 3000

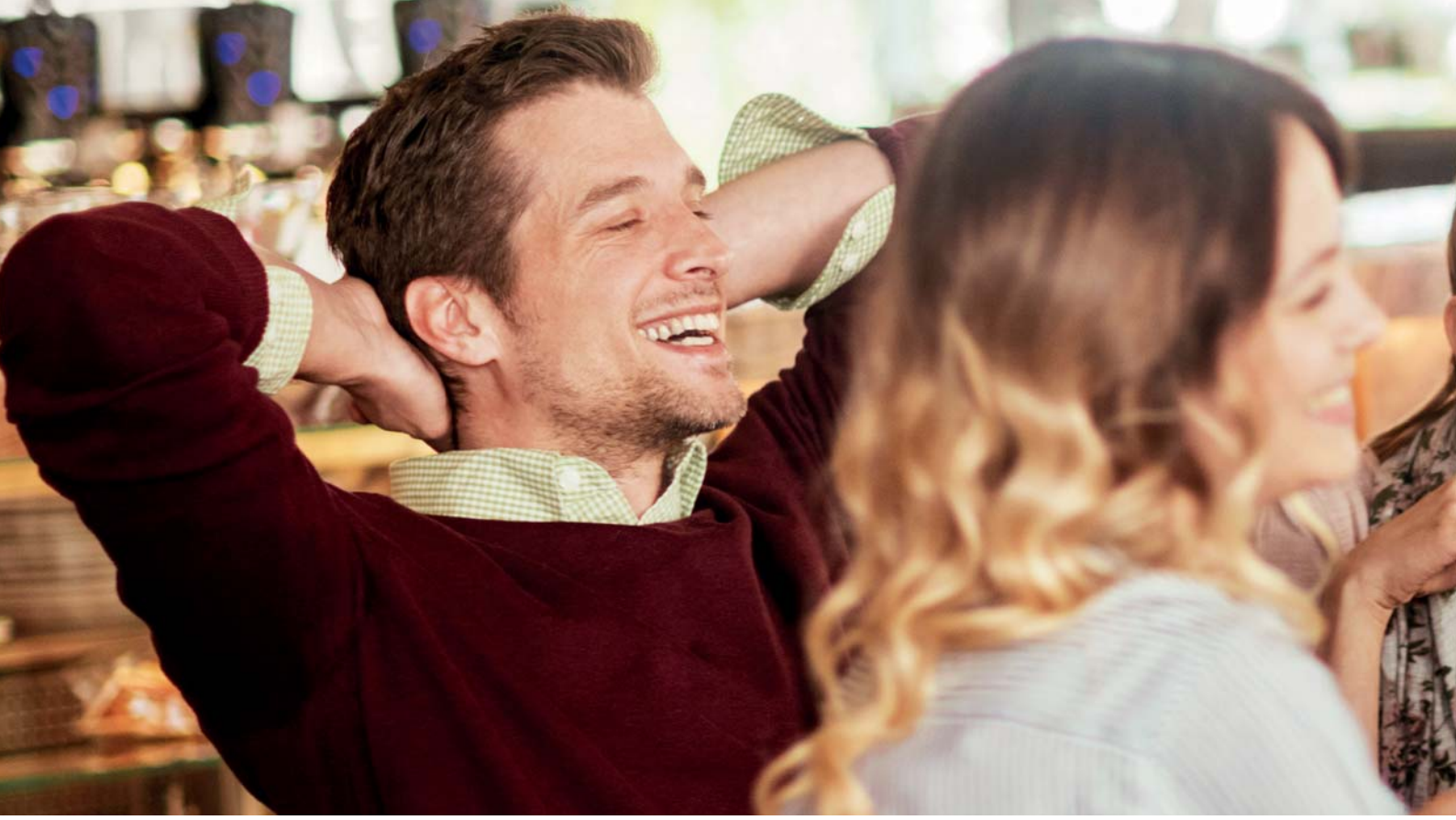
Email: investorrelations@famousbrands.co.za

Website address: www.famousbrands.co.za

Transfer secretaries
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsor
The Standard Bank of South Africa Limited
Registration number: 1969/017128/06
30 Baker Street, Rosebank, 2196

Auditors
Deloitte & Touche



famous | brands
you're in good company

Contact information
Tel: +27 11 315 3000
investorrelations@famousbrands.co.za

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Halfway House, South Africa, 1685