



famous brands

("Famous Brands" or "the Group")

you're in good company

↑ 17%

Revenue
R2 516 million

↑ 22%

Headline earnings per share
339 cents

↑ 21%

Cash generated by operations
R482 million

↑ 25%

Dividends per share
250 cents

Overview

Despite the subdued macro-economic climate, the Group delivered a strong performance. Robust results were reported across our franchising, manufacturing and logistics businesses. In addition, key acquisitions were made and joint venture partnerships established to bolster both our brand portfolio and supply chain capability. Towards the end of the period a comprehensive business model transformation project was implemented which has positioned the Group for continued growth during the decade ahead.

Financial results

The Group succeeded in surpassing its four-year vision to double the size of the business. Revenue improved by 17% to R2,52 billion (2012: R2,16 billion) while operating profit rose 13% to R466 million (2012: R413 million), exceeding our milestone goal of R450 million. Group operating margin was 18,5% (2012: 19,1%). Headline earnings per share grew by an impressive 22% to 339 cents per share (2012: 278 cents).

Net interest paid decreased 64% to R4 million (2012: R11 million) due to a combination of reduced interest rates and a well-managed working capital cycle.

The Group's tax rate declined to 28,3% (2012: 33,3%) in the reporting period due to the replacement of Secondary Tax on Companies with the Dividends Tax levied on shareholders.

Cash generated by operations before changes in working capital increased by 11% to R503 million (2012: R452 million). Working capital requirements absorbed R21 million due to increased business activity, including a marked impact following expansion of our newly acquired coffee business. After changes in working capital, cash generated by operations improved by 21% to a robust R482 million (2012: R399 million). Tax and dividend payments were R360 million, 24% higher than last year. Net financing raised of R82 million included proceeds from a well-priced two-year loan as well as a cash contribution from the Coega Cheese (Pty) Ltd. non-controlling shareholder.

Net capital expenditure of R162 million (2012: R84 million) was incurred. This included R85 million for the acquisition of the Europa and Fego Café trademarks, R7 million for the acquisition of Java Lava Beverage Manufacturers (Pty) Ltd. together with coffee roasting equipment of R5 million, R33 million for the Coega Cheese plant, as well as Supply Chain expansion activities. R47 million in aggregate has been approved for the year ahead.

The low level of borrowings, net of cash and bank balances, is unchanged from last year's R81 million and represents merely 8% of equity (2012: 10%), enabling capacity to grow our business organically or by acquisition.

Operational reviews

FRANCHISING DIVISION – DOMESTIC

The Domestic Franchising division, which comprises operations in South Africa and 15 other African countries, performed well, with each one of the brands delivering satisfying results. Combined revenue increased 12% to R495 million. Operating profit rose slightly ahead of revenue growth to R300 million. The operating profit margin was 60,6%, primarily due to increased system-wide sales and intensive cost containment achieved through attaining critical mass across the network.

System-wide sales across the Group's total brand portfolio (including new restaurants opened) increased 13,1%, comprising an improvement of 11,2% in the South African operations and a 45% increase in our rest of Africa region. Like-on-like sales for the Group grew 8,9%, comprising a 7,7% increase in South African sales, while our rest of Africa turnover grew by 28%. The Group's rest of Africa division now comprises 7,3% of total sales.

Average weighted menu price increases were contained to 5,6%, illustrating the strong real growth achieved by this division.

A total of 140 new restaurants were opened across our brand portfolio during the period, 110 of them in South Africa. In addition, 130 restaurants were revamped or relocated in South Africa and a further six in Africa, north of our borders. This is a creditable performance given the general slow-down in new property developments. We are particularly pleased with our entry into new rural South African markets in which we were previously under-represented.

FRANCHISING DIVISION – INTERNATIONAL

Wimpy United Kingdom experienced another challenging year and reported a 9% decrease in revenue Sterling and a 1% increase in Rand terms to R83 million. Operating profit declined 28% to R5 million. The operating profit margin was 6,5%. This division comprises a very small component of the business, making only a nominal contribution to Group revenue and operating profit, namely 3,3% and 1,2% respectively.

The Group is currently preparing for the maiden launch of our Steers brand in the UK market, in Clapham, London, scheduled for July 2013.

We also recently announced Famous Brands' expansion into India with the launch of a pilot Debonairs Pizza restaurant scheduled for opening in Mumbai in July 2013.

SUPPLY CHAIN

Consolidated revenue grew by 19% to R1,92 billion, whilst operating profit rose 14% to R161 million. The operating margin was 8,4%.

• Manufacturing

This division reported a 25% improvement in turnover to R715 million, derived from increased revenue contributions from the coffee company, ice-cream and chicken fillet plants, first-time revenue from the new boerewors and lamb sausage plant, and significantly increased beef patty volumes. Operating profit improved 11% to R98 million, resulting in a margin of 13,6%.

The revenue from warehousing activities previously reported on under the Manufacturing division's results has been transferred to the Logistics division's results. Accordingly the prior year comparative figures have also been adjusted.

In pursuit of the deliberate strategy to build and expand our manufacturing capability and leverage opportunities in the supply chain, two key transactions were concluded:

– Effective 1 July 2012, the acquisition of a 60% controlling stake in Java Lava Beverage Manufacturers (Pty) Ltd. – subsequently renamed the 'Famous Brands Coffee Company' – which supplies coffee and related hot beverage products to the Group's franchised network and the retail market.

– Effective 1 October 2012, the establishment of a ground-breaking joint venture partnership with the Coega Dairy company to form Coega Cheese (Pty) Ltd., which is 51% controlled by Famous Brands, and will produce Mozzarella, cheese slices and cheese spread for the Group.

• Logistics

This business grew both revenue and operating profit by 20% to R1,8 billion and R63,1 million respectively, producing an operating margin of 3,5% unchanged from the prior year, which is an outstanding achievement given exorbitant price increases in diesel and electricity. Key to these results was the commissioning of a new distribution centre in Nelspruit and the relocation of the Free State distribution centre.

Corporate action

ACQUISITION OF EUROPA AND FEGO CAFFÉ

The Group's strategy to acquire best-in-class brands which fill gaps in our repertoire and establish a presence in market segments where we currently have limited or no representation was strengthened with the acquisition of the Europa and Fego Café brands, effective 1 December 2012.

Subsequent events

ACQUISITION OF THE BREAD BASKET

Effective 2 April 2013, the Group acquired a 51% controlling stake in bakery and delicatessen brand, The Bread Basket. This transaction will build the Group's manufacturing capability in specialist baked products and confectionery, much of which is currently outsourced to external third-party suppliers.

ACQUISITION OF TURN 'N TENDER

Further extending the Group's presence in the casual dining sector, we acquired a 51% stake in the family steakhouse restaurant group Turn 'n Tender, effective 1 June 2013. The business currently comprises five successful steakhouse restaurants and a choice-cuts butchery which will in time supply brand-specific choice-cut meat products to the wider Famous Brands franchised network.

Directorate

Group Financial Director, Stanley Aldridge, will be retiring on 30 June 2013. He will be succeeded by Norman Richards who joined Famous Brands in 2012 as Change Management Executive.

Prospects

There is little evidence to indicate that current trading conditions will improve materially in the foreseeable future. General economic uncertainty will continue to hamper sentiment and spend, and value will remain the key watchword in our industry. We anticipate that 2014 fiscal will be another period of intense margin pressure and concerted competition.

In this environment, the Group's continued growth at above-industry rates will be derived from a range of strategic initiatives aimed at getting closer to our customers and our consumers, and further optimisation of the business model to ensure that every component performs at its peak.

Management is confident that the group-wide overhaul accomplished through the business transformation project will position Famous Brands optimally to reach even greater heights in the forthcoming years.

On behalf of the board

P Halamandaris
Non-executive Chairman

K A Hedderwick
Chief Executive

Directors and administration

Non-executive: P Halamandaris (Chairman), JL Halamandres, P Halamandaris (Jnr), T Halamandaris (Deputy Chairman), HR Levin, CH Boule (Alternate to HR Levin), BL Sibiyi, SL Botha (Lead Independent Director). **Executive:** KA Hedderwick (Chief Executive), SJ Aldridge (Group Financial Director), DP Hele (Chief Operating Officer) **Famous Brands Limited**, (Incorporated in the Republic of South Africa) (Registration number 1969/004875/06) JSE Share code: FBR ISIN code: ZAE00053328. **Registered office:** 478 James Crescent, Halfway House 1685, PO Box 2884, Halfway House 1685. **Email:** investorrelations@famousbrands.co.za **Transfer secretaries:** Link Market Services (Pty) Ltd., (Registration number 2000/007239/07), Rennie House, 19 Ameshoff Street, Braamfontein 2001, PO Box 4844, Johannesburg 2001. **Sponsor:** The Standard Bank of South Africa Limited. (Registration number 1969/017128/06), 3 Simmonds Street, Johannesburg 2001.

Condensed consolidated statement of comprehensive income

	28 February 2013	29 February 2012	% change
Revenue	2 516 287	2 155 615	17
Gross profit	1 052 566	922 967	14
Selling and administrative expenses	(586 724)	(510 311)	
Operating profit	465 842	412 656	13
Net interest paid	(3 969)	(10 652)	
Profit before taxation	461 873	402 004	15
Taxation	(130 821)	(133 950)	
Profit for the year	331 052	268 054	24
Foreign currency translation differences	19 337	7 837	
Total comprehensive income for the year	350 389	275 891	
Profit attributable to			
Equity holders of Famous Brands Limited	328 805	266 811	23
Non-controlling interests	2 247	1 243	
Total comprehensive income attributable to	348 142	274 648	
Equity holders of Famous Brands Limited	348 142	274 648	
Non-controlling interests	2 247	1 243	
Reconciliation to headline earnings for the year			
Earnings attributable to equity holders of Famous Brands Limited	328 805	266 811	23
Impairment of goodwill	1 469	455	
(Profit)/loss on disposal of property, plant, equipment and intangibles	(86)	172	
Headline earnings for the year	330 188	267 438	23
Earnings per share – cents			
– basic	338	278	22
– diluted	334	272	23
Headline earnings per share – cents			
– basic	339	278	22
– diluted	335	272	23
Dividends to shareholders – cents			
– interim dividend declared	108	80	35
– final dividend declared	142	120	18
Total dividends for the year	250	200	25
Ordinary shares			
– in issue	97 827 435	96 192 435	
– weighted average	97 377 435	96 102 435	
– diluted weighted average	99 377 435	99 937 435	

Condensed consolidated segmental information – business unit and geographical

	28 February 2013	29 February 2012	% change
Revenue	494 850	439 946	12
Franchising	1 919 400	1 613 907	19
Supply Chain	715 418	573 436	
Manufacturing	1 812 358	1 516 375	
Logistics	(608 376)	(475 904)	
Eliminations	19 007	19 829	
Corporate	2 433 257	2 073 682	17
South Africa	83 030	81 933	1
Franchising (UK)	2 516 287	2 155 615	17
Operating profit			
Franchising	299 886	264 685	13
Supply Chain	160 694	140 508	14
Manufacturing	97 618	87 784	
Logistics	63 076	52 724	
Corporate	(129)	(40)	
South Africa	460 451	405 153	14
Franchising (UK)	5 391	7 503	(28)
Total	465 842	412 656	13

Condensed consolidated statement of changes in equity

	28 February 2013	29 February 2012
Balance at beginning of year	840 370	708 594
Group total comprehensive income for the year	348 142	274 648
Group dividends to shareholders	(222 866)	(158 565)
Share-based payments	5 456	9 378
Movement in share capital	26 219	5 657
Increase in non-controlling interests	2 767	658
Total equity	1 000 088	840 370

Declaration of ordinary dividend

Notice is hereby given that a final gross dividend No. 37 of 142 cents (2012: 120 cents) per ordinary share payable out of income has been declared in respect of the financial year ended 28 February 2013. This will bring the total cash dividends to 250 cents (2012: 200 cents) per share for the 2013 financial year, an increase of 25%.

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

Last day to trade cum-dividend	Friday, 5 July 2013
Shares commence trading ex-dividend	Monday, 8 July 2013
Record date	Friday, 12 July 2013
Payment of dividend	Monday, 15 July 2013

Share certificates may not be dematerialised or rematerialised between Monday, 8 July 2013 and Friday, 12 July 2013 both dates inclusive.

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

- The local dividend tax rate is 15% before utilisation of Secondary Tax on Companies (STC) credits.
- There are no STC credits used or to carry forward. The net local dividend amount is 120,7 cents per share for shareholders liable to pay the Dividends Tax and 142 cents per share for shareholders exempt from paying the Dividends Tax.
- The issued share capital of Famous Brands is 97 827 435 ordinary shares.
- Famous Brands' tax reference number is 9208085846.

By order of the board

J G Pyle
Company Secretary

Midrand
22 May 2013

Audited results

for the year ended 28 February 2013

Condensed consolidated statement of cash flows

	28 February 2013	29 February 2012
Cash generated before changes in working capital	503 396	451 636
Increase in inventories	(47 281)	(44 430)
Increase in receivables	(46 911)	(15 690)
Increase in payables	73 075	7 194
Cash generated by operations	482 279	398 710
Net interest paid	(3 969)	(10 652)
Taxation paid	(136 507)	(131 719)
Net cash flow from operating activities	341 803	256 339
Dividends paid	(223 173)	(159 165)
Net cash retained from operating activities	118 630	97 174
Acquisition of businesses including intangible assets	(92 257)	(30 896)
Expansion capital expenditure of – property, plant and equipment	(49 608)	(45 793)
– intangible assets	(4 291)	(1 030)
Replacement capital expenditure on property, plant and equipment	(18 433)	(9 776)
Proceeds from disposal of property, plant and equipment	2 239	3 263
Cash flow from investing activities	(162 350)	(84 232)
Movement in share capital and reserves	26 219	5 657
Cash contributed by non-controlling shareholder	12 283	—
Interest-bearing borrowings raised	130 000	—
Decrease in interest-bearing borrowings	(86 325)	(65 634)
Cash flow from financing activities	82 177	(59 977)
Change in cash and cash equivalents	38 457	(47 035)
Foreign currency effect	5 699	1 218
Cash and cash equivalents at beginning of year	40 580	86 397
Cash and cash equivalents at end of year	84 736	40 580

Condensed consolidated statement of financial position

	28 February 2013	29 February 2012
ASSETS		
Non-current assets	1 006 137	859 304
Property, plant and equipment	194 080	155 739
Intangible assets	800 470	694 977
Deferred taxation	11 587	8 588
Current assets	504 330	361 865
Inventories	167 277	119 987
Taxation	2 780	1 386
Trade and other receivables	249 537	199 912
Cash and cash equivalents	84 736	40 580
Total assets	1 510 467	1 221 169
EQUITY AND LIABILITIES		
Equity attributable to equity holders of Famous Brands Limited	991 743	834 792
Non-controlling interests	8 345	5 578
Total equity	1 000 088	840 370
Non-current liabilities	130 456	106 624
Interest-bearing borrowings	77 313	52 216
Deferred taxation and lease liabilities	53 143	54 408
Current liabilities	379 923	274 175
Trade and other payables	281 752	191 523
Short-term portion of interest-bearing borrowings	88 514	69 936
Taxation	9 657	12 716
Total liabilities	510 379	380 799
Total equity and liabilities	1 510 467	1 221 169

Notes

1. Basis of preparation

These condensed annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008 and the Listings Requirements of the JSE Limited. These condensed results were prepared under the supervision of S J Aldridge CA(SA), in his capacity as Group Financial Director.

2. Accounting policies

The accounting policies applied by the Group are consistent with those applied in the comparative financial periods, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the year ended 29 February 2012 is Rnil.

3. Auditors

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

	28 February 2013	29 February 2012
4. Operating profit		
The following have been accounted for in operating profit		
– Amortisation of intangible assets	3 083	1 795
– Auditors' remuneration	3 635	3 053
– Depreciation of property, plant and equipment	30 472	27 241
– Foreign exchange (profit)/loss	(270)	298
– Impairment of goodwill	2 040	1 242
– Profit on sale of property, plant, equipment and intangibles	(119)	(1 203)
– Operating lease charges on immovable property net of recoveries from sub-leases	42 958	42 508
– Operating lease charges on movable property	2 750	2 102
– Transfer of share-based payment reserve	5 456	9 378
5. Capital commitments		
Capital expenditure approved not contracted	46 942	35 328

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