famous | brands
LIMITED

| Annual Report 2007 |

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www.famousbrands.co.za

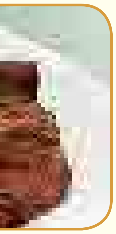
house of coffees

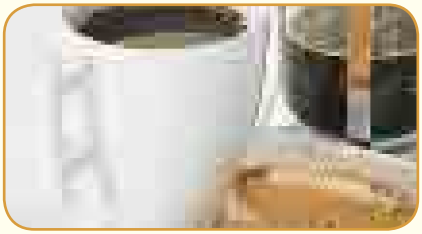
braziliancafé

POUYOUKAS FOODS

TRUFruit

Maestro





The Famous Brands Way

- Our business is about a single-minded focus on growth, quality and the management of costs
- Our competitive advantage comes from employing great people
- We place a premium on getting things done

Famous Brands Values

- We share in the family values of hard work and honest endeavour
- We live by a spirit of continual improvement
- We recognise that people are our greatest asset
- We win through teamwork
- We have fun along the way and celebrate our successes

Milestones

2007 ▸▸ Famous Brands acquires 75% interest in "Wimpy UK"

2006 ▸▸ Famous Brands acquires Coffee Contact (Proprietary) Limited, a manufacturer and distributor of coffee products under the Café Maestro label

▸▸ The conversions of Bimbo's to Steers at all Engen garage sites proves to be a great success

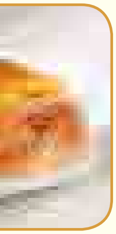
2005 ▸▸ Famous Brands acquires:

- Trufruit (Proprietary) Limited, a manufacturer and distributor of fruit juices
- Baltimore Foods (Proprietary) Limited, a manufacturer and distributor of ice cream products

2004 ▸▸ The holding company changes its name from Steers Holdings Limited to Famous Brands Limited to more accurately reflect the diversity of the group's brand portfolio

2003 ▸▸ Famous Brands acquires:

- Pleasure Foods (Proprietary) Limited, comprising the Wimpy, Whistle Stop and Market Café brands
- Creative Coffee Franchise Systems (Proprietary) Limited, which is licensed to develop franchised coffee outlets under the House of Coffees, Brazilian and ESP Illy Boutique branded trademarks
- Eastern Cape Master Licence Agreement



www.steers.co.za

www.wimpy.co.za

www.debonairs.co.za

www.fishaways.co.za

www.whistlestop.co.za

Group at a glance

Total number of stores

	February 2007			February 2006		
	National	International	Total	National	International	Total
Steers	405	38	443	346	39	385
Wimpy	438	15	453	416	16	432
Debonairs Pizza	197	29	226	172	30	202
FishAways	74	1	75	52	–	52
House of Coffees	32	–	32	36	–	36
Brazilian Coffee Shop	19	1	20	20	2	22
Whistle Stop	19	1	20	31	–	31
Market Café	5	–	5	5	–	5
Total	1 189	85	1 274	1 078	87	1 165

www.houseofcoffees.co.za

www.braziliancoffeeshops.co.za

Gross revenue up

30% to R872.2 million

(2006: R669.2 million)

Headline earnings up

38% to R99.7 million

(2006: R72.1 million)

Cash generated by operations up

61% to R172.1 million

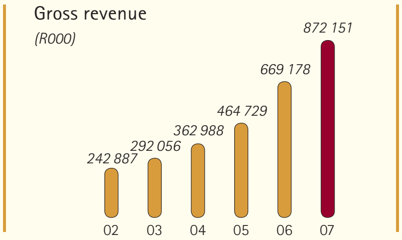
(2006: R107.1 million)

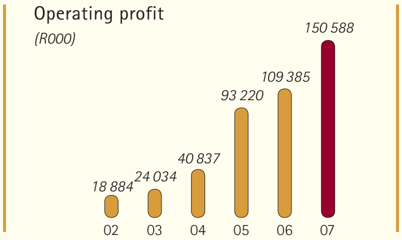
Distributions to shareholders up

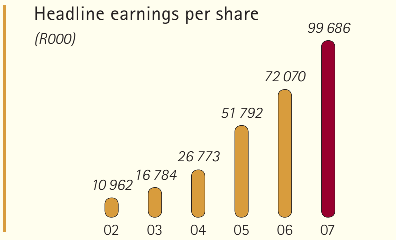
60% to 48 cents

(2006: 30 cents)

Our vision is to become a world-class integrated food and beverage company by 2008.







Business model

Franchising Division – International	Franchising Division – Domestic	Development Division	Manufacturing Division	Logistics Division	Food Services Division	Corporate
Wimpy	Steers	Planning	Sauces	Warehousing	Steers	Procurement
	Wimpy	Project Management	Meat Processing	Distribution	Wimpy	HR
	Debonairs Pizza		Bakery	3rd Party Logistics Partners	Pouyoukas	Finance
	FishAways		Ice Cream		Baltimore	IT
	Whistle Stop		Fruit Juice		Trufruit	Legal
	HOC		Coffee		Café Maestro	
	Brazilian		Pouyoukas			
			3rd Party Manufacturing Partners			

Chairman's Statement

- HEPS exceeds 100 cents per share.
- R25.5 million loan facility secured from IDC.
- Acquisition of 75% of "Wimpy UK" finalised subsequent to year end.

Trading environment, results overview and group performance

This past year has been a significant one in terms of honing the strategic direction of Famous Brands. Aimed at unlocking further value in the company, the business structure underwent a comprehensive transformation designed to align the business model with the group's strategic intent to become a world-class integrated food and beverage company by 2008. We are satisfied that this intervention has produced the desired outcome, namely the construction of a solid platform for future growth and acquisitions.

The record profits reported for the year ended February 2007 reflect a combination of the positive impact of this business renewal programme, the health of the group's brands, and the robust economic environment in which the company trades.

Famous Brands' portfolio, positioned as a contemporary, relevant, value-for-money offering benefited from the sustained growth of the emerged middle class, the shift to out-of-home consumption and the strengthening perception of Quick Service Restaurants (QSR) and casual dining as a way of life.

For the first time in the group's history, headline earnings in excess of 100 cents per share has been achieved. Gross revenue improved 30% to R872.2 million (2006: R669.2) million delivering headline earnings of R99.7 million (2006: R72.1 million). Headline earnings per share increased 36% to 113.8 cents (2006: 83.5 cents), and distributions to shareholders rose 60% to 48 cents (2006: 30 cents).

The group's Franchising and Food Services Divisions both delivered exceptional performances.

The Franchising Division's strong results are driven by gratifying consumer support for the group's offering. Like-on-like sales, namely organic growth out of existing restaurants, increased 14.3%. System wide sales, which include new restaurants, grew 20.8%. During the review period the group opened a record 126 restaurants – one almost every second day. Approximately 25 jobs are created with the opening of each new restaurant, making the group a significant contributor to employment in the sector.

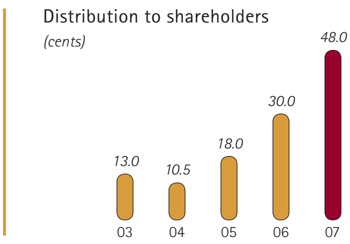
The strategy of ensuring the group's brands are accessible, available and affordable to consumers continues to generate their success and the phenomenal take-up of the offering in new markets confirms this.

Improved turnover in the Food Services Division was underpinned by growth of the Franchise Division. In addition, integration of Wimpy SA's manufactured-product component has finally been completed, and these results include the contribution of that business for the first time.

It is pleasing to report that emphasis on optimising capital expenditure served to improve margins across the group's businesses.

During the review period, the group advanced its enterprise development goal to improve access of our brands to franchisees of colour. Previously disadvantaged individuals currently comprise 15% of the franchise network and

Panagiotis Halamandaris ▸▸ *Executive Chairman*



the intention is to raise that to 20%. In this regard, the Industrial Development Corporation of South Africa (IDC) has undertaken to provide a wholesale loan facility of R25.5 million to potential franchisees for the establishment of Wimpy, Steers, Debonairs Pizza and FishAways franchised stores under their Pro SME Job Scheme.

Loans ranging from R500 000 up to a maximum of R1.5 million will be granted to approved candidates. The group receives up to 1 000 enquiries each month from potential franchisees and management is optimistic that this facility will be widely utilised.

Acquisitions

Advancement of the group's strategic intent was manifest by two acquisitions undertaken during the year.

In December 2006, Famous Brands acquired the entire equity in Coffee Contact, a private company which roasts and blends premium coffee beans sourced globally for the restaurant and hospitality trade in Gauteng. This acquisition will boost Famous Brands' Food Services division and promote opportunities to grow the group's presence in the broader hospitality industry.

Culminating from two years of diligent investigation and negotiation, the group acquired a 75% stake in "Wimpy UK" in March 2007, thereby achieving its stated ambition to enter the first world branded QSR/Casual Dining market via acquisition. The acquisition rationale is centred on a low-risk/low-cost strategy and provides the platform to launch a multiple brand offering for Famous Brands globally.

"Wimpy UK" has enjoyed iconic status in the past, and management's task will be to restore it to that position by invigorating the brand and employing meaningful strategy to capitalise on its obvious prospects.

Directorate

As a founding member, my association with the company has spanned a 35-year period, serving as Executive Chairman since listing in 1994. I am satisfied that today Famous Brands rests on solid foundations, with a strong management team to pursue our collective vision. In this context, I have consequently elected to retire from my executive position, in favour of a non-executive role, with effect from March 2007.

Prospects

The group emerges from this period optimally aligned to achieve its strategic intent to become a world-class integrated food and beverage company by 2008. This ambition is supported by the recent acquisitions undertaken, the compelling business model which is now in place, and prudent investment in people and processes. I am confident that further value can be extracted for shareholders.

Appreciation

These record results are a tribute to the superb efforts of the Famous Brands team: management, staff, franchisees and licensees. In an industry which constantly compels participants to raise their game, they have enthusiastically met those challenges and exceeded expectations. I thank them for their commitment.

The dedication of our business partners and suppliers contributes to our success and is appreciated.

Our consumers are the core of our business. Your loyal support is recognition and reward for our efforts and we will continue to ensure you enjoy best-in-class offerings.

Finally, I would like to thank the board for their guidance, which is always in the best interests of this company.

Directorate

- 1. John Lee Halamandres (53)
- 2. Perikles Halamandaris (52)
- 3. Panagiotis Halamandaris (60)
- 4. Kevin Alexander Hedderwick (54)

① John Lee Halamandres (53)

Non-executive Deputy Chairman

After 28 years of experience in all aspects of Famous Brands' business, Johnny 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 a non-executive Deputy Chairman on 1 March 2001.

② Perikles Halamandaris (52)

Non-executive Director

Perikles was one of the original founding members of the group and has in excess of 20 years experience in 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. Perikles resigned from the board during the course of 1999 to concentrate on his private business. On 1 March 2001 Perikles was re-appointed to the board as a non-executive director.

④ Kevin Alexander Hedderwick (54)

Chief Operating Officer

Kevin Hedderwick joined the group in February 2000 as Managing Director of the Steers Brand. Kevin has an excellent business record, combining food, beverages and franchising in his CV. He has held senior executive positions in a number of blue chip companies including SAB , Distell and Foodcorp. Prior to joining the group, Kevin was a partner and Managing Director of Keg Franchising. In March 2001 Kevin was appointed Chief Operating Officer and is accountable for the overall strategic direction of the group.

③ Panagiotis Halamandaris (60)

Executive Chairman

Peter, a founding member of the company, has made an important contribution to the Famous Brands Group since 1974. He has served various portfolios over the years, assuming the position of Chairman of the listed entity since listing on 9 November 1994. As from 1 March 2007, Peter has assumed the position of non-executive Chairman.

- 5. Hymie R Levin (62)
- 6. Theofanis Halamandaris (56)
- 7. Bheki Sibiya (50)
- 8. Paris Papageorgiou (39)

⑤ Hymie R Levin (62)

B Com, LLB, LLM, H Dip Tax Law,
H Dip Company Law

Non-executive Director
Chairman of the Audit Committee
Chairman of the Remuneration Committee

Hymie has been a non-executive Director of Famous Brands Limited since its listing on the JSE in 1994. In addition he is a senior partner of H R Levin Attorneys and his experience spans more than 30 years. His areas of expertise include corporate law, mergers, local and international taxation, acquisitions and listings. He is also non-Executive Director of several listed and non-listed companies and is the Chairman of certain of them.

⑥ Theofanis Halamandaris (56)

Chief Executive Officer

Fanis has made an important contribution to the group since 1974 through the fulfillment of various responsibilities. He assumed the position of Chief Executive Office on 1 March 2001, after serving as the Group Managing Director for three years. Fanis oversees the Famous Brands Executive Committee, a team established to ensure the group meets its strategic goals and objectives.

⑦ Bheki Sibiya (50)

BAdmin, MBA

Non-executive Director

Bheki is currently the Executive Chairman of Smartvest, Chairman of Brait South Africa and a Deputy Chairman of Tiger Brands Limited. As a former Chief Executive Officer of Business Unity South Africa, Bheki brings to the board a wealth of expertise in BEE, employment equity and change management.

⑧ Paris Papageorgiou (39)

Chartered Accountant (SA)

Company Secretary

Paris joined the group in December 1997 as a Financial Manager and assumed the functions of Group Financial Director on the 1 March 1999. On 30 November 1999, he was appointed Company Secretary. In addition, Paris is responsible for the Group's legal and information technology functions. Subsequent to year end, Paris announced his resignation as Company Secretary effective 30 June 2007.

Chief Executive Officer's Report

- Leverage synergies and unlock further value inherent in the group.
- Dedicated resource established to manage planning and forecasting.
- Aggressively expand hospitality and catering customer base.

Overview and financial results

The year under review witnessed a number of highlights for the group, including the successful evolution of the business model, conclusion of the integration of Wimpy manufactured product and two acquisitions which will assist in forging our strategic intent, namely "Wimpy UK" and Coffee Contact. Significantly, the group has also reported record turnover and profit for the year ended February 2007 and best-ever restaurant development performance.

The headline findings of a comprehensive review of the company revealed that the business model was not optimally aligned with the strategic intent to grow the group's position as the leading branded QSR/casual dining franchisor in Africa, using that platform to diversify into an integrated food and beverage company. Areas of underperformance and structural flaws were identified, pointing to a failure to extract synergies, and the need for intensified focus and specialisation.

Consequently, the former business model was evolved to counter those shortcomings, and the resultant structure features greater specialisation and a devolution of responsibility to autonomous divisions.

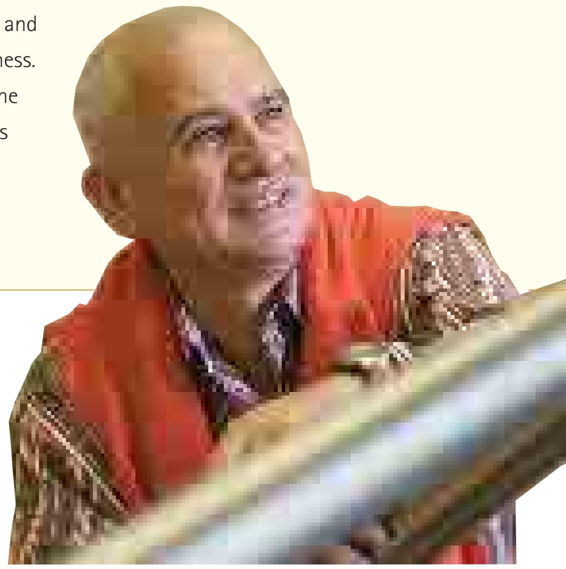
The excellent results which the group has delivered are in part attributable to improvements derived from this business restructuring. Management is confident that this strategic alignment will continue to leverage synergies and unlock further value inherent in the group.

Also contributing to the group's results is the current bullish economic environment experienced and the strong consumer affinity for Famous Brands' offering. The group's brand portfolio, which comprises Steers, Wimpy, Debonairs Pizza, FishAways, House of Coffees, Brazilian Coffee Shops and Whistle Stop, is regarded as highly aspirational, based on its powerful brand equity and integrity.

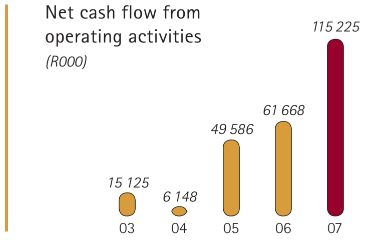
Inevitably, Quick Service Restaurants and casual dining are becoming entrenched as a way of life for time-poor, double-income families, and the group's contemporary, convenience-centred value-for-money offerings continued to enjoy support from the growing emerged middle-class market.

The Franchising and Food Services divisions both delivered high quality performances. Gross revenue improved 30% to R872.2 million (2006: R669.2 million), while operating profit, after reversing the R12.8 million charged to the income statement for the impairment of Intangible Assets in terms of applying the regulations of IAS 36, Impairment of Assets, achieved a record R150.6 million (2006: R109.4 million). The impairment arose predominantly from the impairment of the Whistle Stop trademark as a result of a conscious decision by management to convert all Whistle Stop sites to Steers Diners Sites. Management is of the opinion that the impairment raised does not affect the earnings capacity of the group's operations and is of the opinion that the entry must be reversed to obtain a fair understanding of the profitability of the group's operations.

It is encouraging to report improved margins across the divisions as a result of extracting efficiencies from existing and new capacity in the business. Margins after reversing the impairment of trademarks charged to the Income



Theofanis Halamandaris ▸▸ *Chief Executive Officer*



Statement in terms of applying of IAS 36, Impairment of assets, as discussed in more detail above, increased from 16.5% to 17.3%. The group's current surplus capacity suggests there is scope for further growth, and in this regard independent retail, hospitality and catering services opportunities will be aggressively pursued.

In a further endeavour to extract efficiencies, the group has established a dedicated resource to manage planning and forecasting. This initiative is aimed at assessing and improving on high priority areas including waste elimination, reducing day stock of finished goods and just-in-time inventories.

Acquisitions

WIMPY UK

In March 2007 the group acquired a 75% stake in "Wimpy UK". The remaining 25% shareholding is owned by Halifax Bank of Scotland. The acquisition consideration is GBP 3 million, with a further GBP 2 million to be invested in re-energising the brand.

Wimpy is a suburban, casual dining restaurant offering which comprises 194 outlets across England, Scotland and Wales, and operates a further 20 restaurants under a master licence arrangement in Ireland. It is the largest independently owned franchised restaurant chain in the United Kingdom. The restaurant network includes representation on 25 Road Chef Motorway Service Areas (petroleum station forecourts). The business is a pure franchise model; it does not have manufacturing capacity and product for franchises is supplied by third-party vendors.

For an initial short-term period the acquired business will not be earnings enhancing. Famous Brands' investment will be aimed at reinvesting in the brand and exploiting the inherent potential therein. Key to obtaining Board approval to proceed with this transaction was the desire to protect existing shareholders, which has been achieved through ring-fencing "Wimpy UK's" existing debt in the offshore subsidiary.

This acquisition rationale centres on a low-risk/low-cost strategy affording optimal entry into a first-world economy. The acquired business aligns with Famous Brands' strategic intent and core competencies, and the group's South African intellectual property and experienced management will add significant value in revitalising the business.

Short-term ambitions for "Wimpy UK" will be to re-engineer the business to align it more closely with the Wimpy SA model and offering. In this regard, the current "tired" brand architecture and retail footprint will be overhauled and re-engineered to ensure a fresh, contemporary presence.

Management's immediate focus will be on consolidating and optimising the existing network. As such, the group will proceed cautiously regarding the opening of any new restaurants in the immediate short term. The same will apply to the roll-out of any of the group's other brands into the UK.

Over the medium term the intention will be to explore opportunities to expand the Wimpy brand globally. Opportunities to export Famous Brands' manufactured products to "Wimpy UK" will also be investigated.

The long-term goal will be to use the "Wimpy UK" platform to launch a multiple brand offering for Famous Brands in the United Kingdom.

Chief Executive Officer's Report continued

COFFEE CONTACT

In December 2006 the group acquired Coffee Contact, a privately owned company which roasts and blends premium coffee beans sourced globally for the restaurant and hospitality trade in Gauteng. Product is marketed under the Café Maestro brand. The company also has the distribution rights for Tonino Lamborghini Café in South Africa.

The rationale for this acquisition is twofold. In the short term the objective is to expand the business nationally, thereby boosting Famous Brands' retail and hospitality offering, and in the medium term the intention is to investigate opportunities to supply coffee to the group's franchise brands, which will have significant impact on the business's current revenue.

FRANCHISING DIVISION

Strong organic growth in the existing franchise network was complemented by the opening of 126 new restaurants. Like-on-like sales increased 14.3%, well ahead of inflation, whilst system-wide sales, which include new restaurants, grew 20.8%.

Key to the success of Famous Brands' business is the nature and depth of our relationships with consumers.

Gross revenue improved 25% to R228.0 (2006: R182.8 million) and operating profit, after reversing the impairment of trademarks charged to the income statement in terms of applying IAS 36, Impairment of Assets, as discussed in detail previously, grew 38% to R112.1 million (2006: R81.5 million).

The group's strategy of situating its restaurants within arms' reach of desire underpins the success of the brands. Experience has proved that new markets are literally created in previously untapped areas as soon as a new restaurant has been opened – a phenomenon enjoying particular success in emerging market sectors.

Whilst the group plans to open a further 120 restaurants in the forthcoming year, it is mindful that there is mounting pressure on high quality space in prime shopping malls, and a premium on space in urban renewal and traditionally black residential areas.

The group's Development division has grown its staff complement to 37 in the context of vigorous current and planned franchise network growth. This unit, which is responsible for providing turnkey operations for new franchisees and managing restaurant revamps and relocations, successfully concluded 140 projects in the year under review. Indicative of planned group growth, some 330 projects have been scheduled for the 2007/8 year.

Key to the success of Famous Brands' business is the nature and depth of our relationships with consumers. Significant time and resources have been expended on research initiatives aimed at providing better insight into consumer perceptions of the brands in an ongoing effort to ensure responsiveness. Millward Brown was commissioned to conduct a research programme, which revealed that the group's brands enjoy strong "presence, relevance, performance, and advantage" amongst consumers. The key challenge will be to deliver measurable "bonding" gains with our target market, which implies a loyalty rating of "nothing else beats it". The programme's results have served to endorse our best-in-class strategy and will inform further brand interventions.

Chief Executive Officer's Report continued

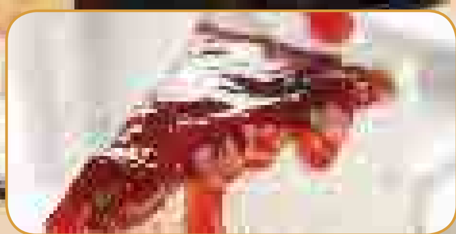
FOOD SERVICES DIVISION

Improved turnover in the Food Services division was underpinned by growth of the Franchising Division. In addition, integration of Wimpy SA's manufactured-product component has finally been completed, and these results include the contribution of that business for the first time.

Gross revenue improved 33% to R645.4 million (2006: R486.2 million), while operating profit increased 48% to R36.0 million (2006: R22.9 million).

Capex of R23.7 million was incurred during the reporting period, with the benefits of this investment including improved margins, which increased from 4.7% to 5.6%

The Board has approved a budget of R35.7 million for further upgrades and expansions, including fully automating the Midrand sauce production plant and relocating the KZN warehouse and distribution facility in order to meet the group's five-year capacity projections. Expenditure has also been approved for improvements to the Eastern Cape warehouse and distribution facility.



We live by a spirit of continual improvement.

This division's goals for the year ahead are to target contract manufacturing opportunities, explore house-brand and private-label business possibilities and aggressively expand its hospitality and catering customer base, thereby reducing dependence on Famous Brands' franchise network.

Arbitration regarding western cape distribution rights

Shortly after Famous Brands' acquisition of Pleasure Foods (Proprietary) Limited, and hence the Wimpy brand, Cape Franchising (Proprietary) Limited ("Cape Franchising"), the group's Western Cape regional licensee and distributor in that region contended that it was entitled to the exclusive distribution rights to all Famous Brands products in that region including the right to distribute the Wimpy product in the Western Cape area. Its claim was based on the agreement which had been concluded with the group in October 1992 which agreement at that time conferred upon it the exclusive right to distribute Steers product in the Western Cape area. Cape Franchising obviously saw that agreement as conferring upon it the added benefit to it of distributing Wimpy product in the region, thus enhancing the value of its business. It did so at a time whilst Famous Brands was negotiating to acquire from Cape Franchising the rights to the region.

The claim was disputed by Famous Brands on the basis *inter alia* that the 1992 agreement did not provide for this and that furthermore the conduct of the parties subsequent to the conclusion of the 1992 agreement did not indicate that Cape Franchising had such rights. Following protracted and unsuccessful negotiations between Famous Brands and Cape Franchising, the matter was referred to arbitration which arbitration was concluded in December 2006 and which resulted in a ruling made by the Arbitrator in March 2007. The effect of the ruling was that Cape Franchising did indeed have the right and obligation to distribute all the group's products, including Wimpy products, in the Western Cape area.

Chief Executive Officer's Report continued

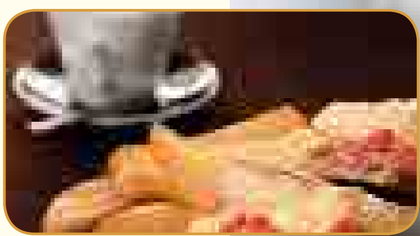
The judgment is still being considered. Ancillary issues also arise as a result of the finding of the arbitrator, but these have not yet been fully considered and are in the process of being examined by the group's legal advisers.

Prospects

The South African market continues to afford the group significant opportunities for growth across its business units: franchising, food services, manufacturing and logistics. The "Wimpy UK" business will be consolidated.

Organic and new restaurant growth will be aggressively pursued, and leveraging the recently granted IDC loan facility will assist in boosting this strategy and improving demographic representation across the franchise network.

The group now has a well-rounded manufactured product portfolio comprising sauces, juices, ice cream, coffee, meat and bakery products, which serves to strengthen its access to opportunities in the hospitality and broader food services category. Substantial growth is forecast for this sector, and the group will ensure it is optimally positioned to capitalise on those opportunities. Management's focus in the year ahead will be on extracting value from investment in manufacturing,



The passion shown by management, staff, suppliers, business partners and shareholders is a source of pride and a credit to the business.

achieving lowest cost producer status and optimising investment in logistics capacity.

Our business model will serve as a platform for future growth, and our goal for the forthcoming period is to consolidate our category leadership position in Africa whilst embarking on a programme of becoming a global business.

We are satisfied that further value remains to be extracted from the business. Since listing, the group has delivered annual compound growth in the order of 30% and we are confident that this level will be maintained over the forthcoming year.

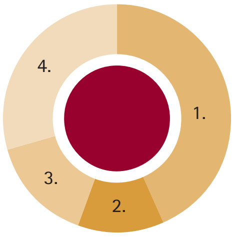
Appreciation

The significant contribution of all the stakeholders in Famous Brands must be acknowledged when reporting on the noteworthy performance delivered by the group this past year.

The passion shown by management, staff, suppliers, business partners and shareholders is a source of pride and a credit to the business.

I would like to thank each one of you for your energy, enthusiasm and commitment to ensuring that Famous Brands retains category leadership and inspires our customers to recognise that "nothing beats us."

Value Added Statement



Wealth distributed
(2007)

1. Employees — 44%
2. Providers of capital — 12%
3. Government — 15%
4. Retained for future growth — 29%

for the year ended 28 February 2007

	2007 R000	2007 %	2006 R000	2006 %
WEALTH CREATED				
Turnover	872 151		669 178	
Cost of materials and services	(596 001)		(444 020)	
Other income	12 800		9 324	
	288 950	100	234 482	100
WEALTH DISTRIBUTED				
Employees				
Salaries, wages and related benefits	125 747	44	103 579	43
Providers of capital				
Dividends to shareholders	14 855		19 822	
Interest paid on borrowings and finance charges	18 778		16 963	
	33 633	12	36 785	16
Government				
SA normal tax	41 810		28 064	
Tax on dividends	1 861		2 504	
Other taxes	751		1 327	
	44 422	15	31 895	14
Retained for future growth				
Depreciation of tangible fixed assets	12 889		11 170	
Retained income	72 259		51 053	
	85 148	29	62 223	27
	288 950	100	234 482	100

The value added statement shows the wealth that the group has created through its Franchising and Food Services divisions and its distribution to stakeholders.

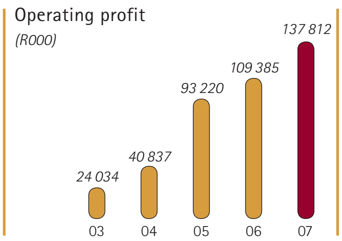
During the year the group created value of R289 million, which is 23.2% more than the previous year.

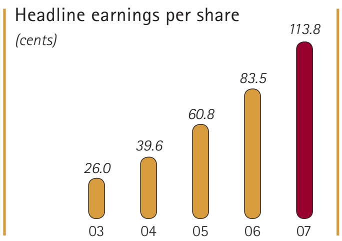
Wealth distributed to employees accounts for 44.0% of total wealth created.

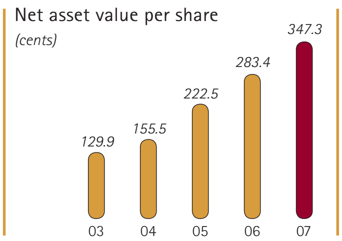
The amounts paid to government in respect of taxes increased by 39.0% to R44.4 million.

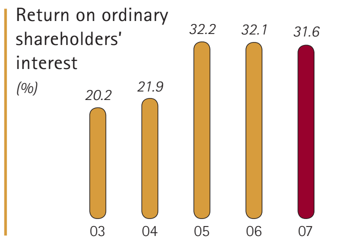
The group retained R85 million, or 29.0% of the total wealth created, for future growth.

Five Year Review









for the year ended 28 February 2007

	2007 R000	2006 R000	2005 R000	2004 R000	2003 R000
INCOME STATEMENT					
Gross revenue	**872 151**	669 178	464 729	362 988	292 056
Operating profit	**137 812**	109 385	93 220	40 837	24 034
Attributable profit	**87 114**	70 875	53 061	23 992	16 310
BALANCE SHEET					
Total assets	**673 375**	527 588	409 920	330 179	151 506
Ordinary shareholders' interest	**303 480**	248 234	193 809	135 400	83 815
Net debt	**95 357**	81 833	71 306	108 526	4 884
CASH FLOW					
Net cash flow from operating activities	**115 225**	61 668	49 586	6 148	15 125
Free cash flow	**89 939**	27 876	54 455	4 095	16 952
PERFORMANCE MEASUREMENT					
Operating margin (%)	**15.8**	16.3	20.1	11.3	8.2
Earnings per share (cents)	**99.5**	82.1	62.3	35.5	25.3
Headline earnings per share (cents)	**113.8**	83.5	60.8	39.6	26.0
Distribution per share (cents)	**48.0**	30.0	18.0	10.5	13.0
Return on total assets (%)	**20.5**	20.7	22.7	12.4%	15.9
Return on ordinary shareholders' interest (%)	**31.6**	32.1	32.2	21.9	20.2
Debt : Equity ratio (%)	**31.4**	33.0	36.8	80.2	5.8
Net asset value per share (cents)	**347.3**	283.4	222.5	155.5	129.9
Free cash flow per weighted average number of ordinary shares (cents)	**102.8**	32.3	63.9	6.1	26.3

DEFINITIONS

Net debt: Interest-bearing borrowings less cash and cash equivalents.

Free cash flow: Cash retained from operating activities before dividends and net interest paid, less net capital expenditure incurred to maintain operations.

Return on total assets: Operating profit as a percentage of total assets.

Return on shareholders' equity: The current periods net profit attributable to shareholders divided by the average of the current and prior periods' shareholders' equity.

Debt : equity ratio: Interest-bearing liabilities as a percentage of ordinary shareholders' equity.

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

Corporate Governance

Corporate governance report

The directors of Famous Brands Limited aim to conduct the business of the group in accordance with the highest standards of integrity, behaviour and ethics, recognising that good corporate governance is critical to the successful growth of the group. Accordingly, the directors support the code of corporate practices and conduct as recommended by the King II report on corporate governance.

Responsibility for the annual financial statements

The directors are required in terms of the Companies Act to prepare annual financial statements, which fairly present the state of affairs of the company and of the group. The Directors' Statement of Responsibilities and Approval is detailed on page 29.

The directors have no reason to believe that the group's business will not continue as a going concern in the year ahead.

Board of directors

The company has a unitary board structure. During the whole of the current financial year the board comprised three executive and four non-executive directors. As from 1 March 2007, the Chairman of the Board will be a non-executive director. All directors were present at all meetings held, except for one meeting for which Hymie Levin tendered his apologies. The contracts of executive directors do not exceed one year. Details of the directors are contained on pages 12 and 13.

In terms of the company's articles of association, one third of the board is required to retire at the company's annual general meeting. The retiring directors are those who have been the longest in office. The Board of Directors approves all appointments to the board. Any director appointed during the course of the year is required to retire prior to the company's following annual general meeting so that the shareholders can confirm his appointment.

The board retains complete and effective control over the business, meeting at least three times a year to initiate, evaluate and monitor business matters, which have an impact on the well being of the group and its stakeholders. Detailed board packs, including minutes of previous meetings, a detailed agenda and relevant proposals and information, are distributed timeously to directors to enable effective decision making at board meetings.

The daily management of the group's affairs is the responsibility of the Chief Executive Officer, who co-ordinates the implementation of board policy through the group Executive Committee which he chairs.

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed and that the applicable rules and regulations are complied with. In addition directors are entitled to obtain independent professional advise, at the company's expense, regarding any company matter.

Audit Committee

The Audit Committee consists of two non-executive directors and one executive director of the group. The Chairman of the Committee is a non-executive director. During the year under review, the committee met on three occasions, at which meetings all members were present, except for one meeting for which Hymie Levin tendered his apologies. The external auditors have unrestricted access to the Chairman of the Committee and bring all significant matters arising from their audit to the attention of the committee. The external auditors, together with the group financial director, were present at all the meetings held during the year under review.

The Audit Committee operates in accordance with a mandate approved by the board. This encompasses a review of the interim results and annual financial statements, the scope of the external audit and the effectiveness of management information, internal controls and corporate governance procedures.

Remuneration Committee

The Remuneration Committee comprises three non-executive directors and the Chief Executive Officer. The Chairman of the Committee is a non-executive director. During the year under review, the committee met on three occasions, at which meetings all members were present, except for one meeting for which Hymie Levin tendered his apologies.

The objectives of the committee are to assist the board in determining the conditions of employment and remuneration packages for employees, senior management and directors of the group. The Remuneration Committee is also responsible for the setting of policy and for the operation of the company's share incentive scheme.

Internal control

The group maintains systems of internal control, which are designed to provide assurance as to the reliability of annual financial reporting and to adequately safeguard, verify and maintain accountability for assets. The systems include documented organisation structures, policies and procedures. The board, operating through its Audit Committee, oversees the financial reporting process.

In order to ensure that the system of internal control operates at the highest possible level, an internal audit function was implemented during the year under review. The external auditor reports directly to a member of the Audit Committee, and all significant findings are presented to the Audit Committee.

Code of ethics

The group's values commit employees to high standards of integrity, behaviour and ethics in dealing with stakeholders. These values are codified in a Mission, Vision and Value Statement. In addition, the Winning Way programme sets out a strategy and action plan for each business unit, and monitors adherence to goals by all team members, covering all from the newest recruit to the group Executive Committee.

Going concern

Giving due cognisance to the current financial position of the group, together with forecast results and future business plans, the directors are of the opinion that the company and its subsidiaries will remain going concerns in the ensuing year. Accordingly, the directors have adopted the going concern basis in preparing the annual financial statements.

Skills development

Skills development programmes are regarded as an essential element of the group's investment in human capital. Crew are encouraged and assisted to improve their skills sets. Certain training and education initiatives are aimed specifically at empowerment and previously disadvantaged individuals. These include, amongst others, Team Leadership, Supervisory and Life Skills Programmes.

Employment equity

In line with the business philosophy of empowerment, each business unit is charged with meeting its employment equity targets in terms of the group's plan submitted to the Department of Labour in terms of the Employment Equity Act.

The company continues to pursue its goals to overcome barriers to employment equity which include:

- increasing the number of black and female managers;
- creating awareness of employment equity and diversity amongst employees;
- the establishment of representative diversity forums; and
- awareness of employment opportunities for people with disabilities.

Annual Financial Statements

Contents

The reports and statements set out below comprise the annual financial statements presented to the members and additional schedules:

FINANCIAL STATEMENTS

Report of the Independent Auditors

TO THE MEMBERS OF FAMOUS BRANDS LIMITED

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Famous Brands Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 28 February 2007, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 30 to 67.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 28 February 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

RSM Betty & Dickson (Johannesburg)

RSM Betty & Dickson (Johannesburg)

Registered Auditors
per: John Jones (Partner)

Midrand
11 May 2007

Directors' Responsibilities and Approval

The directors are required by the South African Companies Act, 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements present fairly the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that 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 company's cash flow forecast for the subsequent year and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 30 to 67, which have been prepared on the going concern basis, were approved by the Board of Directors on 11 May 2007 and are signed on its behalf by:

P Halamandaris ▸▸ *Chairman*

T Halamandaris ▸▸ *Chief Executive Officer*

Declaration by Company Secretary

The Company Secretary certifies that the company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of the Companies Act, No 61 of 1973, as amended, and that all such returns are true, correct and up to date.

Paris Papageorgiou ▸▸ *Company Secretary*

Report of the Directors

for the year ended 28 February 2007

The directors have pleasure in submitting their report for the year ended 28 February 2007.

NATURE OF BUSINESS

Famous Brands Limited is an investment holding company listed on the JSE Limited under the category Cyclical Services: Leisure and Hotels. The company is an integrated food and beverage company whose primary activities include the franchising of trademarks, either company owned or licensed, to Quick Service Restaurant franchisees, and the manufacture and supply of product to these franchisees and the retail trade.

DIRECTORS' RESPONSIBILITIES

The responsibilities of the directors are detailed on page 29 of this report.

FINANCIAL STATEMENTS AND RESULTS

The company's and group's results and financial position are as noted in the financial statements on pages 30 to 67.

CORPORATE GOVERNANCE

The Corporate Governance report is contained on page 24.

FIXED ASSETS

There was no major change in the nature or the use of the tangible and intangible fixed assets owned by the company or any of its subsidiaries during the year under review.

DIVIDENDS

The following information relates to the dividends paid and proposed during the year under review:

- In lieu of the interim dividend (prior year 13.0 cents), a capital distribution to shareholders of 18.0 cents per share was distributed on 4 December 2006 in respect of the current financial year. The capital distribution was effected by means of a reduction in share premium.
- In lieu of the final dividend (prior year 17.0 cents), a capital distribution of 30.0 cents per share is proposed. The capital distribution will be affected by means of a reduction in share premium.

Accordingly, no dividend was paid and charged to the Income Statement during the year under review (2006: 23.0 cents).

SHARE CAPITAL

The authorised and issued share capital of the company at 28 February 2007 is set out in note 16 to the annual financial statements.

Issues during the year

During the year under review the company issued 400 000 ordinary shares for cash to participants of the Steers Share Incentive Scheme.

Shareholder spread

In terms of the JSE Limited listing regulations, Famous Brands Limited complies with the minimum shareholder spread requirements, with 50.9% (2006: 51.0%) of ordinary shares being held by the public at 28 February 2007. Details of the company's shareholder spread are as recorded on page 68.

Material shareholders

According to information received by the directors, besides the directors themselves, the only shareholder beneficially holding, directly or indirectly, at 28 February 2007 in excess of 5.0% of the ordinary share capital was:

Coronation Fund Managers Limited	7.0% (2006: 0.9%)

DIRECTORS

The names of the directors and the Company Secretary of the company at the date of this report are detailed on pages 12 and 13, all of whom held office throughout the year. In terms of the company's articles of association Messrs Theofanis Halamandaris, Hymie Levin and John Halamandres retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

SUBSIDIARIES

Details of the company's subsidiary companies are contained in Annexure A to the financial statements. The company had an interest in its subsidiaries' aggregate profit after taxation of R113 521 446 (2006: 68 473 199) and in their losses after taxation of R198 222 (2006: R769 351).

for the year ended 28 February 2007

ACQUISITIONS

During the year under review the company acquired the following investments:

- On 1 December 2006 the company acquired the entire issued share capital of Coffee Contact (Proprietary) Limited, a coffee roasting and distribution company, for an amount of R8 645 319.

All suspensive conditions with regard to the above acquisition have been fulfilled.

SPECIAL RESOLUTIONS

There were no Special Resolutions passed by the company during the year under review.

EVENTS SUBSEQUENT TO YEAR-END

Subsequent to year-end, the company acquired 75.0% of the issued share capital of Ludgate 282 Limited, a company registered in the United Kingdom, for an amount of GBP 3 million. Ludgate 282 Limited is the registered holder of the Wimpy trademark in the United Kingdom and operates in excess of 200 franchised stores in the United Kingdom. All suspensive conditions to the agreement have been fulfilled and the acquisition has become unconditional.

In terms of the loan agreements entered into with Investec Bank Limited for the purchase of Pleasure Foods (Proprietary) Limited, the bank was given the option to elect to receive shares in Famous Brands Limited at a price of R1.55 per share, being the 30-day weighted average price of the share at the time of entering in the agreement, in lieu of the final R9 000 000 payment on the mezzanine facility. Subsequent to year-end the company elected to settle the mezzanine facility in full, and the bank elected to follow their rights and to receive shares in the company in lieu of the cash. Accordingly, the company issued 5 806 452 shares to Investec Bank Limited on 6 March 2007.

Subsequent to year-end, a subsidiary of the company entered into a loan agreement with Investec Bank Limited for the advance of R30 million, repayable in monthly quarterly instalments within six years of the advance date. The funds were raised to fund working capital within the group.

The directors are not aware of any other significant events that have occurred between the end of the financial year and the date of this report that may materially affect the results of the company for the period under review or the financial position as at 28 February 2007.

BORROWING POWERS

The company has unlimited borrowing powers in terms of its articles of association.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors at Midrand on Friday, 11 May 2007 and are signed on its behalf.

P Halamandaris ▸▸ *Non-executive chairman*

T Halamandaris ▸▸ *Chief Executive Officer*

Income Statements

for the year ended 28 February 2007

	Notes	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Gross revenue	3	872 151	669 178	4 500	4 500
Cost of sales		(475 579)	(359 549)	–	–
Gross profit		396 572	309 629	4 500	4 500
Selling and administrative expenses		(258 760)	(200 244)	(18 150)	(7 403)
Operating profit		137 812	109 385	(13 650)	(2 903)
Dividends received from subsidiaries		–	–	69 500	58 900
Operating profit before interest and taxation		137 812	109 385	55 850	55 997
Net interest (paid)/received		(6 275)	(7 942)	442	(84)
Operating profit before taxation	4	131 537	101 443	56 292	55 913
Taxation	5	(44 423)	(30 568)	(2 797)	(3 521)
Attributable profit		87 114	70 875	53 495	52 392
Earnings per share – cents	6	99.5	82.1		
Fully diluted earnings per share – cents	6	93.1	77.4		
Headline earnings per share – cents	7	113.8	83.5		
Fully diluted headline earnings per share – cents	7	106.3	78.7		
Distribution for the period – cents	8				
– Interim		18.0	13.0		
– Final (proposed)		30.0	17.0		
Total distribution for the year		48.0	30.0		

Balance Sheets

at 28 February 2007

	Notes	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
ASSETS					
Non-current assets					
Tangible fixed assets	9	95 574	80 454	363	567
Intangible assets	10	217 670	218 457	–	–
Investment in subsidiaries	11	–	–	140 548	169 402
Loans receivable	12	898	825	–	–
Deferred taxation	13	4 815	4 468	798	567
Total non-current assets		318 957	304 204	141 709	170 536
Current assets					
Inventory	14	56 326	50 041	–	–
Taxation		–	–	–	832
Trade and other receivables	15	109 701	85 980	4 949	1 267
Cash and cash equivalents		188 391	87 363	77 178	2
Total current assets		354 418	223 384	82 127	2 101
Total assets		673 375	527 588	223 836	172 637
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	16	874	876	876	876
Share premium	17	48 740	67 155	51 276	67 156
Non-distributable reserve	18	2 913	1 509	12 307	11 958
Accumulated profits		250 953	178 694	122 839	84 234
Total equity		303 480	248 234	187 298	164 224
Non-current liabilities					
Interest-bearing borrowings	19	75 745	61 637	–	–
Deferred taxation	13	18 213	20 250	–	–
Total non-current liabilities		93 958	81 887	–	–
Current liabilities					
Trade and other payables	21	121 305	76 648	9 384	2 690
Deferred lease liability	22	2 980	3 102	2 891	3 013
Current portion of interest-bearing borrowings	19	42 729	25 215	–	–
Provisions	20	–	936	–	–
Shareholders for dividend		390	187	390	187
Taxation		20 259	9 035	1 286	–
Bank overdraft		88 274	82 344	22 587	2 523
Total current liabilities		275 937	197 467	36 538	8 413
Total equity and liabilities		673 375	527 588	223 836	172 637

Statements of Changes in Equity

at 28 February 2007

	Notes	Share capital R000	Share premium R000	Non-distributable reserve R000	Accumulated profit R000	Total R000
GROUP						
28 February 2006						
Balance at 1 March 2005 (as previously disclosed)		862	64 673	1	103 925	169 461
Adjustment on adoption of IFRS		–	–	632	23 716	24 348
Restated balance		862	64 673	633	127 641	193 809
Net loss not recognised in the income statement - currency translation reserve		–	–	326	–	326
Share-based payments		–	–	550	–	550
Attributable profits		–	–	–	70 875	70 875
Dividends	8	–	–	–	(19 822)	(19 822)
Issue of share capital		5	897	–	–	902
Issue to participants of Share Incentive Scheme		9	1 585	–	–	1 594
Balance at 28 February 2006		876	67 155	1 509	178 694	248 234
28 February 2007						
Balance at 1 March 2006		**876**	**67 155**	**1 509**	**178 694**	**248 234**
Net loss not recognised in the income statement – currency translation reserve		**–**	**–**	**1 054**	**–**	**1 054**
Share-based payments		**–**	**–**	**350**	**–**	**350**
Attributable profits		**–**	**–**	**–**	**87 114**	**87 114**
Capital distribution	17	**–**	**(15 880)**	**–**	**–**	**(15 880)**
Dividends	8	**–**	**–**	**–**	**(14 855)**	**(14 855)**
Issue to participants of Share Incentive Scheme		**(2)**	**(2 535)**	**–**	**–**	**(2 537)**
Balance at 28 February 2007		**874**	**48 740**	**2 913**	**250 953**	**303 480**
COMPANY						
28 February 2006						
Balance at 1 March 2005 (as previously disclosed)		871	66 259	10 776	53 930	131 836
Adjustment on adoption of IFRS		–	–	632	(2 056)	(1 424)
Restated balance		871	66 259	11 408	51 874	130 412
Share-based payments reserve		–	–	550	–	550
Attributable profits		–	–	–	52 392	52 392
Dividends	8	–	–	–	(20 032)	(20 032)
Issue of share capital		5	897	–	–	902
Balance at 28 February 2006		876	67 156	11 958	84 234	164 224
28 February 2007						
Balance at 1 March 2006		**876**	**67 156**	**11 958**	**84 234**	**164 224**
Share-based payments reserve		**–**	**–**	**350**	**–**	**350**
Attributable profits		**–**	**–**	**–**	**53 495**	**53 495**
Dividends	8	**–**	**–**	**–**	**(14 891)**	**(14 891)**
Capital distribution	17	**–**	**(15 880)**	**–**	**–**	**(15 880)**
Balance at 28 February 2007		**876**	**51 276**	**12 308**	**122 838**	**187 298**

Cash Flow Statements

for the year ended 28 February 2007

	Notes	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		850 491	664 496	2 008	6 113
Cash paid to suppliers and employees		(678 437)	(557 433)	6 397	(1 275)
Cash generated by operations	23.1	172 054	107 063	8 405	4 838
Dividends received		–	–	69 500	58 900
Net interest paid		(6 275)	(7 942)	442	(84)
Taxation paid	23.2	(35 902)	(17 670)	(910)	(3 109)
		129 877	81 451	77 437	60 545
Dividends paid	23.3	(14 652)	(19 783)	(14 688)	(19 993)
Net cash flow from operating activities		115 225	61 668	62 749	40 552
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(31 561)	(47 949)	–	–
Expended on intangible fixed assets		(59)	(4 639)	–	–
Proceeds from disposal of tangible fixed assets		5 581	1 619	–	–
Proceeds from disposal of intangible assets		–	4	–	–
Net proceeds on disposal of group-owned outlets	23.4	–	–	–	–
Investment in subsidiaries	23.5	(3 794)	(18 213)	(8 795)	(18 528)
Decrease in loans receivable		1 057	37	–	1 078
Net cash flow from investing activities		(28 776)	(69 141)	(8 795)	(17 450)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds on issue of shares		(2)	14	–	5
Proceeds of share premium on issue of shares, net of expenses		–	2 482	–	897
Capital reduction of share premium		(18 416)	–	(15 880)	–
Increase/(decrease) in group loans		–	–	21 554	(16 000)
(Decrease)/increase in amount owing to Share Incentive Trust		–	–	(2 516)	1 325
Increase/(decrease) in interest-bearing borrowings		27 067	(9 586)	–	–
Net cash flow from financing activities		8 649	(7 090)	3 158	(13 773)
Change in cash and cash equivalents		95 098	(14 563)	57 112	9 329
Cash and cash equivalents at beginning of year		5 019	19 582	(2 521)	(11 850)
Cash and cash equivalents at end of year	23.6	100 117	5 019	54 591	(2 521)

Principal accounting policies

for the year ended 28 February 2007

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa, 1973. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.1.

1.1 Critical accounting estimates and judgements

The preparation of the group financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future and the resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results or the financial position reported in future periods are discussed below.

Allowance for doubtful debts

Past experience indicates a reduced prospect of collecting debtors over the age of three months.

Debtors balances older than three months are regularly assessed by management and provided for at their discretion.

With regards to debt arising from the sale of products to franchisees and franchise fees due, past experience is that if the debtor was still operating, the debt would generally be recovered.

Allowance for damaged and obsolete stock

Any stock that is physically identified as damaged or obsolete is written off when discovered.

Options granted

Management used either a trinominal tree which takes account of the vesting period (European style option) and the period post-vesting (American style option) or the Black-Scholes–Merton model to determine the value of the options at issue date. Additional details regarding the estimates are included in Note 29 - "Equity settled Share-based payments".

Impairment testing

Management used the value-in-use method to determine the recoverable amount of goodwill and intangible assets with indefinite useful lives. Additional disclosure of these estimates in included in Note 10 – "Intangible assets".

Provisions

Provisions were raised and management determined an estimate based on the information available.

Additional disclosure of these estimates of provisions are included in Note 20 – "Provisions".

Property, plant and equipment

Management has made certain estimations with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in Note 1.2.

Deferred taxation asset

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Leases

Management has applied its judgement to classify all lease agreements that the company is party to as operating leases, as they do not transfer substantially all the risks and rewards of ownership to the company. Furthermore, as the operating lease in respect of premises is only for a relatively short period of time, management has made a judgement that it would not be meaningful to classify the lease into separate components for the land and for the buildings for the current lease, and the agreement will be classified in its entirety as an operating lease.

Principal accounting policies continued

for the year ended 28 February 2007

Contingent liabilities

Management applies its judgement to advice it receives from its attorney, advocates and other advisers in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Consolidation of special purpose entities

Management has applied its judgement in assessing whether the commercial and economic relationship with related entities is tantamount to control. If control exists, the relationship of control has been recognised in terms of IAS 27 and SIC 12.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or, replace part thereof. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Day-to-day expenses incurred on property, plant and equipment are expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of items (other than land) to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated over their estimated useful lives.

Methods of depreciation, useful lives and residual values are annually reviewed. The following methods and useful lives were applied during the year:

Item	Method	Useful life
Buildings	Straight line	50 years
Leasehold improvements	Straight line	10 years
Plant and machinery	Straight line	5 to 15 years
Furniture, fittings and office equipment	Straight line	5 years
Motor vehicles	Straight line	4 to 10 years
IT equipment	Straight line	3 years
Computer software	Straight line	2 years

Land is stated at cost less accumulated impairment losses and is not depreciated.

The depreciation charge for each period is recognised in profit or loss.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5, Non-Current Assets Held-for-Sale and Discontinued Operations, are met, then those specific assets will be presented separately on the face of the balance sheet. The assets will be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets shall cease.

1.3 Investment property

An investment property is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Principal accounting policies continued

for the year ended 28 February 2007

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.4 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment losses. Goodwill is not amortised.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the company; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost unless acquired as part of a business combination, in which case they are recognised at fair value.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided on indefinite useful life intangibles. They are tested annually for impairment and impaired if necessary.

Finite useful life intangible assets are amortised on a straight-line basis over their useful life. They are only tested for impairment when an indication of impairment exists.

The following useful lives were applied during the year:

Item	Useful life
Trademarks	Indefinite

1.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the group.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. On adjustment to the cost of a business combination, contingent or future events are included in the combination if the adjustment is probable and can be measured reliably.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Principal accounting policies continued

for the year ended 28 February 2007

1.7 Investment in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.8 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the same time every year; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. The value-in-use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Principal accounting policies continued

for the year ended 28 February 2007

Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- Financial assets classified as available-for-sale or at fair value through profit or loss, including derivatives, are measured at fair values. Fair value, for this purpose, is market value if listed, or a value arrived at by using appropriate valuation models, if unlisted.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest rate method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The particular recognition methods adopted are disclosed in the individual policies stated below:

Loans to/(from) group companies

These include loans to and from holding companies and subsidiaries.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as financial liabilities.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are carried at amortised cost less any impairments. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Borrowings

Borrowings are classified as financial liabilities and measured at amortised cost and comprise original debt less principal payments and amortisation.

Directors, managers and employee loans

These financial instruments are classified as held-to-maturity and are carried at amortised cost.

Trade and other payables

Trade and other payables are classified as other financial liabilities.

1.10 Compound instruments

Compound instruments, consist of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company, is included in equity.

Combined units are compound instruments, consisting of a liability component and an equity component. The liability components are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Principal accounting policies continued

for the year ended 28 February 2007

1.11 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

Deferred taxation is provided using a balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences, unless specifically exempt.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Secondary taxation on companies is recognised as an expense and included in profit or loss for the period.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the company.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company re-acquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or

Principal accounting policies continued

cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Shares in the company held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation.

1.14 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

Options issued or granted to employees for services rendered or to be rendered are measured at the fair value of the equity instruments at grant date and recognised in profit or loss over the vesting period.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the company or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.15 Leases as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are recognised as assets and liabilities in the balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments. Any initial direct costs are added to the amount recognised as an asset.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the outstanding liability.

Any contingent rents are expensed in the period they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.16 Provisions

Provisions are recognised when:

- the company has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions shall not be recognised for future operating losses.

If the company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Principal accounting policies continued

for the year ended 28 February 2007

1.17 Advertising revenue

The company receives advertising levies from franchisees which are utilised in the advertising and promotion of the company's brands. Advertising expenditure incurred in excess of the levies received is carried forward as a prepaid expense to be set off against future levies.

Any amounts not expended are carried forward as liabilities to be set off against future advertising expenditure.

Advertising levies due for certain brands are paid directly to independent marketing entities managed by trustees on behalf of the representative brands.

Such marketing entities are consolidated in accordance with policy Note 1.1.

1.18 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments

to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added taxation.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

- the supply of goods are recognised when the significant risks and rewards of ownership are transferred to the buyer, normally being the date the goods are delivered;
- franchise fees are recognised when the sale which gives rise to the revenue takes place;
- franchise joining and project management fees are recognised in the month when the outlet opens for trading; and
- territory licence fees are recognised in the month in which the master licence agreement is concluded.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Principal accounting policies continued

for the year ended 28 February 2007

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.20 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income, expenditure and cash flow items are translated at the weighted average exchange rates for the period; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve and recognised in profit or loss on disposal of the net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.21 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The company is a member of a provident fund which provides benefits on a defined contribution basis.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Dividends declared

Dividends payable are recognised as a liability in the period in which they are declared.

Principal accounting policies continued

for the year ended 28 February 2007

2. ADOPTION OF NEW PRONOUNCEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following improved, revised or new standards and interpretations:

- IFRS 6 (AC 143) New standard – Exploration for and Evaluation of Mineral Resources
- IAS 19 (AC 116) Amendment to IAS 19 – Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 21 (AC 112) Amendment to IAS 21 – Net Investment in a Foreign Operation
- IAS 39 (AC 133) Amendment to IAS 39 – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 (AC 133) Amendment to IAS 39 – The Fair Value Option
- IAS 39/IFRS 4 Amendment to IAS 39/IFRS 4 – Financial Guarantee Contracts
- IFRIC 4 Determining Whether an Arrangement Contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7 Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies.

There has been no material effect from such adoptions on the annual financial statements for the year ended 28 February 2007.

The entity has not applied the following improved, revised or new standards, interpretations and amendments that have been issued but are not yet effective:

Standard, interpretation or amendment	*effective date**
IFRS 7 (AC 144) Financial Instruments: Disclosures**	1 January 2007
IFRS 8 (IAS 14) Operating Segments**	1 January 2009
IAS 1 (AC 101) Amendment to IAS 1 – Capital Disclosures**	1 January 2007
IFRIC 8 Scope of IFRS 2**	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives**	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment**	1 November 2006
IFRIC 11 IFRS 2 - Group and Treasury Share Transactions**	1 March 2007
IFRIC 12 Service Concession Arrangements**	1 January 2008

* Effective for year-ends commencing on or after this date.

** Available for early adoption for 31 December 2006 year-ends.

The entity will adopt the above standards, interpretations and amendments on their effective dates.

Management expects that the adoption of the standards listed above will have no material impact on the financial statements in the period of initial application.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R000	2006 R000	2007 R000	2006 R000
3. GROSS REVENUE				
Sale of goods	644 810	485 957	–	–
Services rendered and franchise revenue	227 341	183 221	4 500	4 500
	872 151	669 178	4 500	4 500
4. OPERATING PROFIT BEFORE TAXATION				
Net profit before taxation is arrived at after taking into account, amongst other items, those detailed below:				
Auditors' remuneration	1 959	1 960	51	–
Audit fee	1 474	1 203	39	–
Fees for other services	485	757	12	–
Depreciation of tangible fixed assets	12 889	11 170	203	240
Directors' remuneration	–	–	303	200
Executive directors	–	–	9 450	7 890
Non-executive directors	–	–	303	200
Less: Amounts paid by subsidiaries	–	–	(9 450)	(7 890)
Employee costs	125 747	102 823	–	–
Foreign exchange loss/(gain)	22	(113)	–	–
Impairment of foreign funds	26	177	–	–
Impairment of intangible assets	12 777	730	–	–
Impairment of investment	–	–	13 446	4 976
Impairment of loan	70	881	–	–
Impairment of tangible fixed assets	–	–	–	65
Interest and finance charges paid	18 779	16 963	242	1 271
Interest received	(12 504)	(9 021)	(684)	(1 187)
Loss on disposal of business	316	–	–	–
Operating lease charges on movable property	162	824	–	–
Operating lease charges on immovable property	12 305	12 060	8 886	–
Profit on disposal of tangible fixed assets	(275)	(416)	–	–
Provision for loss on loan	–	–	3 000	–
Provision for onerous contract	–	(634)	–	–
Transfer to Share Based Payments Reserve	350	550	–	–
5. TAXATION				
South African normal taxation – current year	43 931	22 764	1 246	927
Deferred taxation	(2 536)	5 167	(231)	90
Under/(over)provision previous year (deferred and normal)	415	133	(79)	–
Secondary Taxation on Companies	1 861	2 504	1 861	2 504
Withholding tax	752	–	–	–
	44 423	30 568	2 797	3 521

for the year ended 28 February 2007

	Group 2007	Group 2006	Company 2007	Company 2006
5. TAXATION *(continued)*				
Reconciliation of rate of taxation	%	%	%	%
South African normal rate of taxation	29.0	29.0	29.0	29.0
Reduction in rate for year, due to:	(2.3)	(2.1)	(35.8)	(30.5)
Dividend income	–	–	(35.8)	(30.5)
Deferred taxation not raised current year	–	(0.1)	–	–
Assessed losses utilised	(2.2)	(1.7)	–	–
Exempt income	(0.1)	(0.3)	–	–
Increase in rate for the year, due to:	7.1	3.2	11.8	7.8
Secondary Taxation on Companies	1.4	2.5	3.1	4.5
Capital Gains Taxation	–	0.1	–	–
Disallowable expenditure	4.8	0.5	8.7	3.3
Underprovision previous years	0.3	0.1	–	–
Withholding tax	0.6	–	–	–
Effective rate of taxation	33.8	30.1	5.0	6.3
	R000	R000	R000	R000

6. EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings of R87 113 604 (2006: R70 874 759) and a weighted average number of shares in issue of 87 523 898 (2006: 86 287 304).

The weighted average number of shares is calculated after taking into account the effect of setting off 200 661 (2006: 661) treasury shares held by the Share Incentive Trust against the issued share capital. The Share Incentive Trust purchased 200 000 shares on 23 October 2006.

The calculation of fully diluted earnings per ordinary share is based on fully diluted earnings of R88 070 507 (2006 : R71 715 939) and a weighted average number of shares in issue of 94 596 090 (2006: 92 693 095), after taking into account the effect of the possible issue of 7 072 191 (2006: 6 405 791) ordinary shares in the future.

Dilutive effect on ordinary shares	No of shares 2007	2006
Conversion of borrowings into ordinary shares	5 806 452	5 806 452
Share options	619 339	599 339
Shares issued for purchase of subsidiary	646 400	–
	7 072 191	6 405 791

Reconciliation between earnings and fully diluted earnings:	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
Attributable profit per the income statement	87 114	70 875		
Adjustments for:				
– interest	957	841		
Fully diluted earnings	88 071	71 716		

Notes to the Annual Financial Statements continued

for the year ended 28 February 2007	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
7. HEADLINE EARNINGS AND FULLY DILUTED HEADLINE EARNINGS				
The calculation of headline earnings per ordinary share is based on headline earnings of R99 685 784 (2006: R72 069 565) and a weighted average number of shares of 87 523 898 (2006: 86 287 304).				
The weighted average number of shares is calculated after taking into account the effect of setting off 200 661 (2006: 661) treasury shares held by the Share Incentive Trust against the issued share capital. The Share Incentive Trust purchased 200 000 shares on 23 October 2006.				
The calculation of fully diluted headline earnings per ordinary share is based on fully diluted headline earnings of R100 642 687 (2006: R72 910 745) and a weighted average number of shares in issue of 94 596 090 (2006: 92 693 095), after taking into account the effect of the possible issue of 7 072 191 (2006: 6 405 791) ordinary shares in the future (refer Note 6).				
Reconciliation of headline earnings:				
Attributable profit per the income statement	87 114	70 875		
Adjustments for:				
– Impairment loss on intangible assets	12 777	730		
– Impairment on loan	70	881		
– Profit on disposal of tangible fixed assets	(275)	(416)		
Headline earnings	99 686	72 070		
– interest	957	841		
Fully diluted headline earnings	100 643	72 911		
8. DIVIDENDS				
Dividend No 24 of 10 cents, paid 11 July 2005	–	8 710	–	8 710
Dividend No 25 of 13 cents, paid 14 November 2005	–	11 322	–	11 322
Dividend No 26 of 17 cents, paid 31 July 2006	14 891	–	14 891	–
	14 891	20 032	14 891	20 032
Less: Dividends on treasury shares held through Share Incentive Trust	(36)	(210)	–	–
	14 855	19 822	14 891	20 032

Notes to the Annual Financial Statements continued

for the year ended 28 February 2007

	Land and buildings R000	Leasehold improve-ments R000	Plant and equipment R000	Motor vehicles R000	Computer equipment R000	Computer software R000	Furniture, fittings and office equipment R000	Total R000
9. TANGIBLE FIXED ASSETS								
COMPANY								
Cost								
Opening balance	–	2 031	–	–	–	–	–	2 031
Closing balance	–	2 031	–	–	–	–	–	2 031
Accumulated depreciation								
Opening balance	–	1 465	–	–	–	–	–	1 465
Depreciation for year	–	203	–	–	–	–	–	203
Closing balance	–	1 668	–	–	–	–	–	1 668
Net carrying amount	–	363	–	–	–	–	–	363
GROUP								
Cost								
Opening balance	7 473	5 223	59 592	27 963	6 564	5 476	6 407	118 698
Additions	55	398	10 738	11 337	2 728	1 295	5 010	31 561
Acquired in business combination	–	–	1 752	63	2	3	27	1 847
Disposals	–	–	(4 336)	(3 099)	–	–	(820)	(8 255)
Closing balance	7 528	5 621	67 746	36 264	9 294	6 774	10 624	143 851
Accumulated depreciation								
Opening balance	53	3 280	15 059	9 161	3 587	3 606	3 502	38 248
Depreciation for year	87	418	4 366	4 245	1 146	1 325	1 302	12 889
Disposals	–	–	(1 896)	(486)	–	(5)	(473)	(2 860)
Closing balance	140	3 698	17 529	12 920	4 733	4 926	4 331	48 277
Net carrying amount	7 388	1 923	50 217	23 344	4 561	1 848	6 293	95 574

Tangible fixed assets with a carrying amount of R38 043 813 (2006: R26 726 772) are subject to security (refer note 19).
Land and Buildings comprise Erf 344 Halfway House Ext. 17 Township Registration division I.R in Gauteng province measuring 7 505 square metres, Erf 219 Sunderland Ridge Ext. 1, Centurion in Gauteng province measuring 1 500 square metres and Erf 218 Sunderland Ridge Ext 1, Gauteng province measuring 1 500 square metres.
The properties, from a group perspective, are owner-occupied.

for the year ended 28 February 2007

	2007 Trademarks R000	2007 Goodwill R000	2007 Total R000	2006 Trademarks R000	2006 Goodwill R000	2006 Total R 000
10. INTANGIBLE ASSETS						
GROUP						
Opening balance	**62 579**	**155 878**	**218 457**	58 334	141 684	200 018
Additions	**59**	**11 931**	**11 990**	4 979	14 194	19 173
Disposals	**–**	**–**	**–**	(4)	–	(4)
Impairment	**(10 777)**	**(2 000)**	**(12 777)**	(730)	–	(730)
Closing balance	**51 861**	**165 809**	**217 670**	62 579	155 878	218 457

Trademarks

All the groups trademarks have been assessed as indefinite life intangible assets.

The group does not amortise its brands by value. In arriving at the conclusion that a brand has an indefinite life, management considers the fact that the group is a brands business and expects to acquire, hold and support brands for an indefinite period. The group supports its brands through spending on consumer marketing and through significant investment in promotional support.

Indefinite life trademarks are assessed as such, as management believes there is no foreseeable limit over which the group will continue to generate revenues from their continued use. Supporting this assumption is the fact that the brands held are established, well known, and reasonably, can be expected to generate revenues beyond the group's strategic planning horizon. In addition the group can continue to renew legal rights attached to such trademarks, without signifcant costs, and intend to do so beyond the foreseeable future.

As disclosed in note 19, the group has hypothecated certain trademarks in favour of Investec Bank Limited.

Goodwill

Goodwill additions relate to acquisition of Coffee Contact (Proprietary) Limited. For further detail on this acquisition refer to note 23.5.

Impairment reviews of goodwill and Indefinite life intangible assets

Significant goodwill and indefinite life intangible asset carrying amounts and the cash generating units to which they relate are detailed below:

	Unit(s) allocated	Carrying amount
Trademarks		
– Wimpy brand	Franchise revenue stream	29 670 000
Goodwill		
– Wimpy business	Brand specific franchise and food service revenue stream	114 227 717

The recoverable amounts of trademarks and goodwill identified above have been determined on the basis of value in use calculations. Value in use calculations use cash flow projections based on 2008 financial year budgets, approved by management, extrapolated at between 5% and 25% depending on the cash-generating unit for a further four years. This five-year cumulative cash flow was discounted using a weighted average cost of capital of 12.62%.

Key assumptions used in value in use calculations include budgeted manufacturing margins and budgeted franchise revenue streams. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate.

Based on the above assumptions, management's calculations of recoverable amounts were greater than the carrying amounts. Management believes that any reasonable possible change in any of its key assumptions would not cause the aggregate carrying amounts to exceed aggregate recoverable amounts.

Impairment reviews regarding the Whistle Stop impairment

During the year the group impaired the Whistle Stop trademark as a result of the commencement of an active plan to convert all Whistle Stop outlets to Steers Diner Stores. A number of the outlets have already been converted and the remaining are currently being converted. The use of the Whistle Stop trademark will cease and it is considered that it has no recoverable amount based on its future value-in-use. The trademark is therefore impaired by R10 777 256 through profit and loss.

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
11. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost less amounts written off	–	–	135 603	140 203
Net amount owing by subsidiaries	–	–	4 945	29 199
	–	–	140 548	169 402
A schedule of subsidiaries of the company is set out in Annexure A.				
12. LOANS RECEIVABLE				
Loans to franchisees	2 943	1 830	–	–
Other	898	15	–	–
Total loans receivable	3 841	1 845	–	–
Repayable within one year transferred to trade and other receivables	(2 943)	(1 020)	–	–
	898	825	–	–
The loans are secured, bear interest at various rates per annum and have fixed terms of repayment.				
13. DEFERRED TAXATION				
Movement:				
Balance at beginning of year	15 782	9 123	(567)	(657)
Acquired in business combinations	128	1 252	–	–
Transferred this year	(2 536)	5 167	(231)	90
Effect of consolidation of Marketing Funds	24	240	–	–
	13 398	15 782	(798)	(567)
Analysis:				
Excess capital allowances over depreciation	18 978	18 920	–	–
Effect of taxation losses	(2 079)	(2 064)	–	–
Prepayments	314	2 453	(802)	(571)
Provisions	(1 647)	(2 404)	–	–
Other temporary differences	(2 168)	(1 123)	4	4
	13 398	15 782	(798)	(567)
The balance per companies comprises:				
Aggregate of deferred tax assets	(4 815)	(4 468)	(798)	(567)
Aggregate of deferred tax liabilities	18 213	20 250	–	–
	13 398	15 782	(798)	(567)

Notes to the Annual Financial Statements continued

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
14. INVENTORY				
Raw materials	**33 241**	28 856	**–**	–
Finished goods	**22 730**	20 344	**–**	–
Consumables	**355**	841	**–**	–
	56 326	50 041	**–**	–
15. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	**93 870**	59 691	**–**	–
Provision for doubtful debt	**(1 779)**	(2 556)	**–**	–
Net trade receivables	**92 091**	57 135	**–**	–
Prepayments	**1 755**	10 031	**126**	1 045
Loans receivable repayable within one year	**–**	1 020	**–**	–
Other	**15 855**	17 794	**4 823**	222
	109 701	85 980	**4 949**	1 267
As disclosed in note 19, the group has ceded certain trade receivables in favour of Investec Bank Limited.				
16. SHARE CAPITAL				
Authorised				
200 000 000 (2006: 200 000 000) ordinary par value shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
87 595 244 (2006: 87 595 244) ordinary par value shares of 1 cent each	**876**	876	**876**	876
Less: Adjusted for treasury shares held				
200 661 (2006: 661) ordinary par value shares of 1 cent each held by the Share Incentive Trust	**(2)**	–		
Adjusted issued				
87 394 583 (2006: 87 594 583) ordinary par value shares of 1 cent each	**874**	876		
Unissued				
112 404 756 (2006: 112 404 756) ordinary par value shares of 1 cent each	**1 124**	1 124	**1 124**	1 124
The unissued shares are under the control of the directors until the next annual general meeting. 6 105 338 (2006: 6 030 188) of the unissued ordinary shares are specifically reserved for the Share Incentive Trust, of which 820 000 (2006: 600 000) options have already been offered to and exercised by employees.				

Notes to the Annual Financial Statements continued

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
17. SHARE PREMIUM				
Balance at beginning of year	67 155	64 673	67 156	66 259
Capital distribution	(15 880)	–	(15 880)	–
Premium on shares issued	–	897	–	897
Premium on shares issued to Share Incentive Scheme participants	(2 535)	1 585	–	–
Balance at end of year	48 740	67 155	51 276	67 156
18. NON-DISTRIBUTABLE RESERVE				
Capital profit on sale of the company's business as a going concern to a subsidiary company, transferred to non-distributable reserve	–	–	10 776	10 776
Foreign exchange profit arising on the translation of the foreign subsidiary	1 382	327	–	–
Share-based payments reserve	1 531	1 182	1 531	1 182
	2 913	1 509	12 307	11 958
19. INTEREST BEARING BORROWINGS				
19.1 Instalment sale liabilities				
Secured in terms of instalment sale agreements over tangible fixed assets having a carrying amount of R38 043 813 (2006: R26 726 772) (refer Note 9). The agreements bear interest at prevailing market rates and are generally repayable over a period of 36 to 60 months. The current monthly instalment is R1 501 325 (2006: R1 024 545)	31 426	23 960	–	–
19.2 Finance lease obligations	–	591	–	–

for the year ended 28 February 2007	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
19. INTEREST BEARING BORROWINGS *(continued)*				
19.3 Secured loans				
Secured loan from Investec Bank Limited ("Senior Debt") bearing interest at 4.0% above the three month JIBAR rate. At year-end the JIBAR rate was 8.975%. The loan is repayable in quarterly instalments commencing on 1 March 2004 with a final instalment on 1 December 2008. The current instalment is R4 721 595.	**29 133**	43 301	**–**	–
Secured loan from Investec Bank Limited ("Mezzanine Debt") bearing interest at 6.0% above the three month JIBAR rate. At year end the JIBAR rate was 8.975%. The loan is repayable in quarterly instalments commencing on 1 March 2004 with a final instalment on 1 December 2008 resulting in a residual balance of R9 000 000. The current instalment is R332 322. The group has the option of settling the residual balance of R9 000 000 on or before 1 December 2008. In such event, Investec Bank Limited may elect to convert the residual balance on the loan into 5 806 452 ordinary shares at a fixed subscription price of R1.55. Subsequent to year end, the group exercised its option to settle the residual balance of R9 000 000, and Investec Bank Limited elected to convert the residual balance of the loan into ordinary shares as stated above.	**9 000**	9 000	**–**	–
Secured loan from Investec Bank Limited bearing interest at 2.5% above the three month JIBAR rate. At year-end the JIBAR rate was 8.975%. The loan is repayable in quarterly instalments commencing on 1 June 2006 with a final instalment on 1 September 2012. The current instalment is R535 106.	**8 915**	10 000	**–**	–
Secured loan from Investec Bank Limited bearing interest at 2.25% above the three month JIBAR rate. At year end the JIBAR rate was 8.975%. The loan is repayable in quarterly instalments commencing on 1 June 2007 with a final instalment on 1 September 2013. The current instalment is R2 189 207.	**40 000**	–	**–**	–
The above loans from Investec Bank Limited are secured by irrevocable, unconditional, joint and severable guarantees issued by the company and certain of its subsidiaries. As further security for the obligations arising in terms of the guarantees issued above, certain subsidiaries have hypothecated their rights to their trademarks and ceded their trade receivables in favour of the bank.				
Total liability	**118 474**	86 852	**–**	–
Repayable within one year transferred to current liabilities	**(42 729)**	(25 215)	**–**	–
Non-current liability	**75 745**	61 637	**–**	–
Analysed as follows:				
1 – 5 years	**75 745**	58 398	**–**	–
Over 5 years	**–**	3 239	**–**	–
Non-current liability	**75 745**	61 637	**–**	–

for the year ended 28 February 2007

	Legal R000	Provision Onerous contract R000	Total R000
20. PROVISIONS			
GROUP			
Balance at beginning of year	382	554	936
Utilised during the year	(382)	(554)	(936)
Total provision	–	–	–

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
21. TRADE AND OTHER PAYABLES				
Trade payables	**67 103**	53 663	**–**	–
Accruals	**35 652**	16 560	**9 384**	1 363
Advertising levy surplus	**4 287**	1 486	**–**	–
Other	**14 263**	4 939	**–**	1 327
	121 305	76 648	**9 384**	2 690
22. DEFERRED LEASE LIABILITY				
Opening balance as previously reported	**3 102**	3 013	**3 013**	–
Prior year adjustment	**–**	2 896	**–**	2 896
Opening balance as restated	**3 102**	2 896	**3 013**	2 896
Movement during the year	**(122)**	206	**(122)**	117
Closing balance	**2 980**	3 102	**2 891**	3 013

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
23. CASH FLOW INFORMATION				
23.1 Reconciliation of operating profit before taxation to cash generated by operations				
Operating profit before taxation	131 537	101 443	56 292	55 913
Adjustment for:				
Depreciation on tangible fixed assets	12 889	11 170	203	240
Dividends received	–	–	(69 500)	(58 900)
Impairment of intangible assets	12 777	730	–	–
Impairment of investment	–	–	13 446	4 976
Impairment of loan	70	881	–	–
Impairment on tangible fixed assets	–	–	–	65
Movement in doubtful debts provision	(1 405)	(2 592)	–	(411)
Movement in provisions	(757)	(594)	–	–
Net interest paid/(received)	6 275	7 942	(442)	84
Loss on disposal of business	316	–	–	–
Movement in deferred lease liability	(122)	206	(122)	117
Profit on disposal of tangible fixed assets	(275)	(416)	–	–
Provision for loss on loan	–	–	3 000	–
Transfer to share-based payments reserve	350	550	–	–
Unrealised foreign exchange	1 054	326	–	–
Operating profit before working capital changes	162 709	119 646	2 877	2 084
Working capital changes	9 345	(12 583)	5 528	2 754
Increase in inventory	(5 039)	(18 680)	–	–
(Increase)/decrease in receivables	(21 660)	(2 089)	(2 492)	1 613
Increase in payables	36 044	8 186	8 020	1 141
Cash generated by operations	172 054	107 063	8 405	4 838
23.2 Reconciliation of taxation paid during the year				
Amounts owing at beginning of year	(9 035)	(1 801)	832	1 153
Amounts charged to the income statement	(44 423)	(30 568)	(2 797)	(3 521)
Adjustment for deferred taxation	(2 536)	5 407	(231)	91
Taxation balance arising on disposal of subsidiaries	–	278	–	–
Income taxation from consolidation of marketing funds	(167)	(21)	–	–
Amounts owing at end of year	20 259	9 035	1 286	(832)
	(35 902)	(17 670)	(910)	(3 109)

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
23. CASH FLOW INFORMATION *(continued)*				
23.3 Reconciliation of dividends paid during the year				
Amounts owing at beginning of year	**(187)**	(148)	**(187)**	(148)
Amounts charged to accumulated profits	**(14 855)**	(19 822)	**(14 891)**	(20 032)
Amounts owing at end of year	**390**	187	**390**	187
	(14 652)	(19 783)	**(14 688)**	(19 993)
23.4 Net proceeds on disposal of business				
Tangible assets disposed of	**87**	–		
Inventories disposed of	**1 429**	–		
Net assets sold	**1 516**	–		
Loss on disposal of business	**(316)**	–		
Consideration received	**(1 200)**	–		
	–	–		
23.5 Investment in subsidiaries				
On 1 December 2006 the company acquired 100% of Coffee Contact (Proprietary) Limited				
The goodwill amount represents the future income earning capacity of the business.				
Non-current assets	**1 847**	–		
Current assets excluding cash equivalents	**3 576**	–		
Cash and cash equivalents	**(3 229)**	–		
Non-current liabilities	**(1 777)**	–		
Current liabilities	**(3 703)**	–		
Net asset acquired	**(3 286)**	–		
Goodwill on acquisition	**11 931**	–		
Purchase consideration	**8 645**	–		
Less: Cash and cash equivalents	**3 229**	–		
Less: Payment in shares	**(8 080)**	–		
Cash flow on acquisition	**3 794**	–		

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
23. CASH FLOW INFORMATION *(continued)*				
23.5 Investment in subsidiaries *(continued)*				
COMPANY				
Acquiring of interests in subsidiaries			**(8 795)**	(18 528)
GROUP				
On 1 March 2005 the company acquired Trufruit (Proprietary) Limited.				
Revenue for the full year amounted to R19 580 680 and attributable profit R897 051.				
The goodwill amount represents the future income earning capacity of the business.				
Non-current assets	–	3 933		
Current assets excluding cash equivalents	–	3 495		
Cash and cash equivalents	–	(93)		
Non-current liabilities	–	(3 604)		
Current liabilities	–	(2 519)		
Net assets acquired	–	1 212		
Goodwill on acquisition	–	3 402		
Purchase consideration	–	4 614		
Less: Cash and cash equivalents	–	93		
Cash flow on acquisition	–	4 707		
On 1 April 2005 the company acquired Baltimore Foods (Proprietary) Limited				
Revenue for the full year amounted to R49 993 880 and attributable profit R836 499. Since acquisition on 1 April 2005, revenue amounted to R46 346 368 and attributable profit R532 482.				
The goodwill amount represents the future income earning capacity of the business.				
Non-current assets	–	5 639		
Current assets excluding cash equivalents	–	3 333		
Cash and cash equivalents	–	408		
Non-current liabilities	–	(3 197)		
Current liabilities	–	(3 061)		
Net assets acquired	–	3 122		
Goodwill on acquisition	–	10 792		
Purchase consideration	–	13 914		
Less: Cash and cash equivalents	–	(408)		
Cash flow on acquisition	–	13 506		
Cash flow on investment in subsidiaries	–	18 213		

for the year ended 28 February 2007	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
23. CASH FLOW INFORMATION *(continued)*				
23.6 Cash and cash equivalents				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet items:				
Bank balances and cash	**188 391**	87 363	**77 178**	2
Bank overdrafts	**(88 274)**	(82 344)	**(22 587)**	(2 523)
	100 117	5 019	**54 591**	(2 521)

24. CONTINGENT LIABILITIES

24.1 The group has issued an irrevocable, unconditional, joint and severable guarantee in favour of Investec Bank Limited to secure the groups obligations.

24.2 The group has issued an unlimited suretyship in favour of First National Bank of Southern Africa Limited to secure the group's banking facilities and instalment sale agreements entered into by certain subsidiary companies.

24.3 In respect of guarantees issued by banks in favour of trade creditors R2 436 753 (2006: R2 797 699).

24.4 The group is a defendant in a claim lodged against it as a result of an agreement termination. The probability of the claimant succeeding in its pursuit is considered remote. However, the possibility of settlement does exist. The cost of defending the claim will amount to approximately R1 430 000.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
25. COMMITMENTS				
25.1 Operating lease — leasehold premises				
The company and the group have commitments arising from property leases for its own business operations and leases entered into to secure key sites for franchised outlets. With regard to leases entered into to secure key sites, it is the group's policy to enter into sublease agreements with the franchisees on the same terms and conditions as those in the main lease.				
In circumstances where the amounts recoverable are lower than the amounts payable, the company immediately recognises provisions for onerous contracts.				
The net future minimum rentals due under operating leases are as follows:				
Gross amounts due	**150 284**	74 926	**94 533**	41 149
Amounts recoverable from sub lessees	**(52 693)**	(30 054)	**–**	–
	97 591	44 872	**94 533**	41 149
The net future minimum rentals due are repayable as follows:				
Payable within the next 12 months	**17 679**	9 167	**14 962**	6 527
Thereafter	**79 912**	35 705	**79 571**	34 622
	97 591	44 872	**94 533**	41 149

for the year ended 28 February 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
25. COMMENTS *(continued)*				
25.2 Capital expenditure				
Approved by the directors but not contracted for	35 659	33 530	–	–
This capital expenditure relates to additions and improvements to current production facilities and additions to motor vehicles, computer equipment and furniture and fittings.				
It is anticipated that this expenditure will be financed by existing borrowing facilities, internally generated funds and from additional instalment sale agreements.				

26. RETIREMENT BENEFIT PLAN

The group is a member of a provident fund that is administered by Liberty Life which provides benefits on a defined contribution basis. The fund is subject to the Pension Funds Act of 1956, as amended. All employees of the group are eligible to be members of the fund. The group's contribution to the provident fund for the year which has been charged to the income statement was R6 156 494 (2006: R5 513 835).

27. DIRECTORS' INTEREST IN SHARES

Name of director	Beneficial Direct 000	Beneficial Indirect 000	Total 2007 000	Total 2006 000
Executive				
Mr P Halamandaris	2 572	9 070	11 642	11 642
Mr T Halamandaris	10 329	500	10 829	10 829
Mr K Hedderwick	1 514	–	1 514	1 714
Non-executive				
Mr H R Levin	1 000	–	1 000	1 000
Mr P Halamandaris (jnr)	8 822	715	9 537	9 537
Mr J L Halamandres	8 254	–	8 254	8 204
Mr B L Sibiya	–	–	–	–
	32 491	10 285	42 776	42 926

No director has any non-beneficial interest in the ordinary shares of the company.
The company has not been advised of any changes in the above interests of the directors during the period up to the date of this report.

for the year ended 28 February 2007

28. DIRECTORS' REMUNERATION

Name of director	For services as directors R000	Remuneration R000	Bonus R000	Allowances and benefits R000	Total
28 February 2007					
Executive					
Mr P Halamandaris	–	1 952	1 125	298	3 375
Mr T Halamandaris	–	1 600	1 125	650	3 375
Mr K Hedderwick	–	1 655	900	145	2 700
Non-executive					
Mr H R Levin	74	–	–	–	74
Mr P Halamandaris (jnr)	75	–	–	–	75
Mr J L Halamandres	79	–	–	–	79
Mr B L Sibiya	75	–	–	–	75
	303	5 207	3 150	1 093	9 753
Less: Paid by subsidiaries	–	(5 207)	(3 150)	(1 093)	(9 450)
	303	–	–	–	303
28 February 2006					
Executive					
Mr P Halamandaris	–	1 711	833	289	2 833
Mr T Halamandaris	–	1 355	833	645	2 833
Mr K Hedderwick	–	1 429	654	141	2 224
Non-executive					
Mr H R Levin	60	–	–	–	60
Mr P Halamandaris (jnr)	40	–	–	–	40
Mr J L Halamandres	60	–	–	–	60
Mr B I Sibiya	40	–	–	–	40
	200	4 495	2 320	1 075	8 090
Less: Paid by subsidiaries	–	(4 495)	(2 320)	(1 075)	(7 890)
	200	–	–	–	200

Performance bonuses reflect the amounts accrued in respect of the year to which the performance relates and not the amount paid.

for the year ended 28 February 2007

29. EQUITY-SETTLED SHARE-BASED PAYMENTS

Famous Brands Limited has a share incentive scheme, The Steers Share Incentive Scheme, which enables certain of its directors as well as specified directors of subsidiaries to benefit from the performance of the Famous Brands Limited share.

This scheme confers the right to participants to acquire ordinary shares at the value of the Famous Brands Limited share at the date that the option is granted. On acceptance of the option, the participants have the right to exercise their option at any time during the option period, in as many tranches as the participants may elect. To receive their shares, participants must be employed by the company when the rights to the shares vest. The directors of the company may amend the vesting period of the options by board resolution.

The scheme has only one type of vesting category as illustrated below:

Vesting category	Year	% vesting	Expiry
Type A	1, 2, 3	33.3, 66.6, 100	3 years
Type B	3	100	3 years

A reconciliation of the movement of all share options is detailed below:

Steers Share Incentive Scheme	**Option exercised price range (rands) 2007**	Option exercised price range (rands) 2006	**Number of options 2007**	Number of options 2006
Opening balance	**1.60 – 2.75**	1.05 – 2.75	**600 000**	2 182 000
Options granted and exercised	**12.00 – 15.90**	–	**270 000**	–
Lapses	**12.00**	1.60	**(50 000)**	(167 000)
Allotted and issued	**–**	1.05 – 2.75	**–**	(1 415 000)
Options exercised, shares not issued up to end of period			**820 000**	600 000

No directors of the company are entitled to any of the options currently exercised. The last options were granted by the scheme on 28 February 2007.

The following options have been granted and exercised, but delivery of shares will only take place in the future:

Number of ordinary shares	Weighted average price (rands)	Vesting date
450 700	1.60 – 12.00	Year to 29 February 2008
249 700	2.75 – 12.00	Year to 28 February 2009
119 600	12.00 – 15.90	Year to 28 February 2010
820 000		

The share options granted have been valued, at grant date, using either a trinomial tree which takes account of the vesting period (European style option) and the period post-vesting (American style option) or the Black-Scholes-Merton model.

Expected volatility of the share price was determined by giving consideration to the historical volatility of the Famous Brands share price.

for the year ended 28 February 2007

29. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

The weighted average fair value of the options granted and the related assumptions utilised are detailed below:

	Types A and B	
	2007	2006
Number of options granted and exercised	220 000	–
Weighted average fair value at grant date (rands)	4.30	–
The principal inputs are as follows:		
Weighted average share price (rands)	13.54	–
Weighted average exercise price (rands)	12.00 – 15.90	–
Expected life (years)	3 – 4	–
Expected volatility (%)	31.0 – 43.0	–
Risk-free interest rate (%)	7.49 – 7.98	–
Average expected dividend yield (%)	2.0	–

30. RELATED PARTY TRANSACTIONS

The group, in the ordinary course of business, entered into various transactions with related parties. These transactions occurred under terms and conditions no more favourable to those entered into with third parties.

30.1 Franchise agreements

Directors of subsidiary companies have interests in three franchised outlets. Franchise fees and product sales have been charged under terms and conditions no more favourable than those entered into with third parties.

30.2 Lease agreements

The group has entered into a lease agreement with an entity controlled by certain directors. The transactions were concluded at market-related rates prevailing at the time of entering into the transactions.

30.3 Supply agreements

The group has entered into a supply agreement with an entity controlled by certain directors. All products purchased are done so at market-related prices

30.4 Licence agreement

The group has entered into a licence agreement with an entity in which a director of a subsidiary holds an interest, in terms of which the licensee is entitled to manage and expand the Steers and Debonairs brand in the Western Cape region. In addition, the licensee purchases product from the Group to distribute in the territory at prices no more favourable than market-related distribution agreements.

Notes to the Annual Financial Statements continued

for the year ended 28 February 2007

30. RELATED PARTY TRANSACTIONS *(continued)*

30.5 Acquisition of subsidiary

The company acquired the entire issued share capital of Coffee Contact (Proprietary) Limited on 1 December 2006, 50.0% of which was held by a relative of certain directors.

The aggregate of the above transactions are as follows:	2007 R000	2006 R000
– Sale of product and franchise fee revenue	18 224	11 748
– Purchases of product	21 990	13 205
– Licence fees received	7 596	5 675
– Lease payments	624	568
– Amounts owing by related parties	2 497	2 596
30.6 Transactions between the holding company and subsidiaries		
Rent received	8 713	7 558
Rent paid	8 383	7 558
Dividends received	69 500	58 900
Interest received	570	1 062
Management fees received	4 500	4 500
Impairment of loans owing by subsidiaries	3 000	291
Acquisition of subsidiary	8 645	–

30.7 Directors' remuneration

The remuneration for directors of the holding company paid during the year by subsidiaries within the group has been disclosed in note 28.

31. RISK MANAGEMENT

In the normal course of its operations, the group is exposed to currency, interest and credit risk. The group may enter into transactions which make use of financial instruments to manage these risks. The group does not acquire or issue derivative instruments for trading purposes.

31.1 Fair value

The carrying value of all financial instruments is considered to approximate their fair value.

31.2 Currency risk

The group is exposed to currency risk in respect of franchise fees and joining fees receivable from franchisees in non-common monetary area territories. The risk is minimised due to the short time period of the invoicing and collection cycle which is closely monitored by management. Trade receivables due from countries experiencing shortages of foreign currency have been fully provided for.

The group is exposed to currency risk on its cash equivalents, trade receivables and liabilities held by its foreign subsidiary. The impact of this risk has been accounted for up to the balance sheet date and has been disclosed in Non-Distributable Reserves in compliance with the accounting policy (refer Note 1.20).

for the year ended 28 February 2007

31. RISK MANAGEMENT *(continued)*

31.3 Interest risk

Fluctuating interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The group's cash resources are managed so as to ensure that surplus funds are invested to maximise returns while minimising any exposure to risk.

The group entered into an interest rate swap to manage its exposure to interest rate movements on its long-term bank borrowings. The contract had fixed interest payments at a rate of 13% per annum for the period up to 31 December 2006 and had floating interest receipts at the three month JIBAR plus 4.0%.

31.4 Credit risk

Financial assets which potentially subject the group to concentrations of credit risk consist principally of cash, short-term deposits, trade receivables and loans receivables. The group's cash and cash equivalents are placed with major banks. Trade receivables and loans receivables are regularly monitored and are presented net of impairments.

		Group	
		2007 R000	2006 R000
32. SEGMENT REPORT			
32.1 Gross revenue			
Franchise		227 988	182 796
Food Services		645 420	486 182
Corporate		43 818	36 383
Eliminations		(45 075)	(36 183)
		872 151	669 178
32.2 Operating profit before interest and taxation			
Franchise	N 1	112 127	81 533
Food Services	N 2	35 954	22 935
Corporate		2 507	4 917
		150 588	109 385
32.3 Depreciation			
Franchise		1 131	643
Food Services		8 502	6 531
Corporate		3 256	3 996
		12 889	11 170

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2007

	Group 2007 R000	2006 R000
32. SEGMENT REPORT *(continued)*		
32.4 Segment assets		
Franchise	**172 337**	169 776
Food Services	**223 920**	190 586
Corporate	**160 912**	75 392
	557 169	435 754
32.5 Segment liabilities		
Franchise	**68 309**	45 967
Food Services	**53 286**	31 047
Corporate	**2 691**	3 670
	124 286	80 684
32.6 Capital expenditure		
Franchise	**4 073**	4 511
Food Services	**23 697**	50 468
Corporate	**5 638**	6 577
	33 408	61 556

N 1 The operating profit is recorded after adding back R10 777 256, being the amount by which the Whistle Stop trademark was impaired in terms of IAS 36. During the course of the year the company commenced the process of converting all the Whistle Stop franchise sites to Steers Diners. In terms of the requirements of IAS 36, the Whistle Stop trademark was impaired to a carry value of R1. However, management is of the opinion that the earnings capacity of the Franchise Division as a whole has not been impaired and, accordingly, the impairment to operating profit is reversed for purposes of the segment report.

N 2 The operating profit is recorded after adding back R2 000 000 which relates to the impairment of a portion of the goodwill arising from the acquisition of Coffee Contact (Proprietary) Limited, which was impaired in terms of IAS 36.

N 3 No geographical segments are reported as the company operates mainly in South Africa and the international operations do not meet the thresholds for reportable segments as per IAS 14.

N 4 The Franchising Division consists of the Steers, Wimpy, Debonairs Pizza, FishAways, House of Coffees, Brazilian and Whistle Stop brands, the International Franchising business unit and the group-owned store portfolio.

N 5 The Food Services Division consists of the Wholesale business unit (comprising Warehouse, Butchery, Bakery and Sauce/Spice production units), Baltimore Foods, Trufruit Fruit Juices, Steers Retail Products, Pouyoukas Foods and Coffee Contact.

N 6 The Corporate Services Division represents the group's corporate functions, namely Corporate Finance, which includes Information Technology and Legal Services, Human Resources, and Facilities Management.

Schedule of Investments in Subsidiaries

for the year ended 28 February 2007

	Share capital R	Interest 2007 %	Interest 2006 %	Shares 2007 R000	Shares 2006 R000	Amounts owing by/(to) subsidiaries 2007 R000	Amounts owing by/(to) subsidiaries 2006 R000
ANNEXURE A							
Direct							
Baltimore Ice Cream (Proprietary) Limited[3]	100	100	100	4 309	13 914	(3 500)	–
Coffee Contact (Proprietary) Limited[2]	100	100	–	8 645	–	–	–
Creative Coffee Franchise Systems (Proprietary) Limited (dormant)	100	100	100	–	–	474	474
Debonairs Pizza (Proprietary) Limited[3]	100	100	100	110	110	–	4 000
Famous Brands Development (Proprietary) Limited[4]	200	100	100	2 700	2 700	–	–
Famous Brands Food Services (Proprietary) Limited[2]	100	100	100	1 053	1 053	–	–
Famous Brands Franchise Company (Proprietary) Limited[1]	100	100	100	–	–	–	–
Famous Brands Management Company (Proprietary) Limited[5]	100	100	100	200	200	8 687	16 941
FishAways (Proprietary) Limited[3]	2 000	100	100	2 269	2 269	–	–
Pleasure Foods (Proprietary) Limited (dormant)	100	100	100	107 499	107 499	–	–
Pouyoukas Foods (Proprietary) Limited[3]	1 000	100	100	383	1 601	671	671
Quickstep Investment 10 (Proprietary) Limited (dormant)	100	100	100	–	–	–	–
Steers (Proprietary) Limited[3]	200	100	100	6 243	6 243	157	6 157
Steers KwaZulu-Natal (Proprietary) Limited (dormant)	100	100	100	–	–	–	–
Steers Group Stores (Proprietary) Limited (dormant)	100	100	100	–	–	–	–
Trufruit (Proprietary) Limited[3]	1	100	100	2 192	4 614	(1 544)	956
Indirect							
Comsel Thirteen (Proprietary) Limited (dormant)	120	100	100	–	–	–	–
Famous Brands Properties (Proprietary) Limited[7]	100	100	100	–	–	–	–
Pleasure Foods Company Stores (Proprietary) Limited[6]	11 200	100	100	–	–	–	–
Pleasure Foods Intellectual Property Company (Proprietary) Limited[3]	800	100	100	–	–	–	–
Pleasure Foods Property Holdings 1 (Proprietary) Limited	100	100	100	–	–	–	–
Pleasure Foods Property Holdings 2 (Proprietary) Limited (dormant)	100	100	100	–	–	–	–
Pleasure Foods Property Holdings 3 (Proprietary) Limited (deregistered)	100	–	100	–	–	–	–
Steers Four Fellows (Proprietary) Limited (dormant)	100	100	100	–	–	–	–
Steers Holdings (Jersey) Limited[1]	16	100	100	–	–	–	–
				135 603	140 203	4 945	29 199

Main Business
1. Franchisor
2. Product manufacture and distribution
3. Trademark owning
4. Outlet establishment
5. Management administration and rental
6. Outlet owning
7. Property holding

Shareholder Analysis and Shareholders' Diary

Shareholders' analysis

	Number of shareholders	%	Number of shares	%
HOLDINGS				
1 – 10 000	2 324	84.8	5 846 942	6.7
10 001 – 50 000	307	11.2	6 823 480	7.8
50 001 – 100 000	40	1.5	2 953 649	3.3
100 001 – 1 000 000	59	2.1	20 304 286	23.2
Over 1 000 000	12	0.4	51 666 887	59.0
	2 742	100.0	87 595 244	100.0
ANALYSIS OF HOLDING				
Individuals	2 339	85.3	47 444 891	54.2
Insurance companies	74	2.7	7 591 867	8.7
Investment trusts	193	7.0	17 741 838	20.2
Other companies and body corporates	136	5.0	14 816 648	16.9
	2 742	100.0	87 595 244	100.0
MAJOR SHAREHOLDERS (holding 5% or more of the shares in issue excluding directors)				
Coronation Fund Managers			6 134 916	7.0
Shareholders' spread				
Public	2 735	99.7	44 617 986	50.9
Non-public	7	0.3	42 977 258	49.1
Directors	6	0.3	42 776 597	48.9
Share Incentive Trust	1	0.0	200 661	0.2
	2 742	100.0	87 595 244	100.0

Shareholders' diary

FINANCIAL YEAR-END	28 February 2007
Reports and profit announcements	
– Profit and dividend announcement	14 May 2007
– Annual report	4 June 2007
– Interim report	October 2007
Next annual general meeting	27 June 2007
Capital distribution information	
– Last day to register	6 July 2007
– Capital distribution	16 July 2007

Notice of Annual General Meeting

Notice of Annual General Meeting
Famous Brands Limited
Share code FBR
ISIN code ZAE 0000053328

(the "company")

Notice is hereby given that the Annual General Meeting of shareholders of the company will be held at the offices of the company, 478 James Crescent, Halfway House, Midrand on Wednesday, 27 June 2007 at 14:00 pm for the purpose of considering and if deemed fit, passing with or without modification, the resolutions set out below in the manner required by the Companies Act No. 61 of 1973 (as amended):

1. Special Resolution 1

"Resolved that the company hereby approves, as a general approval contemplated in section 85 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), the acquisition by the company or any of its subsidiaries from time to time, of the issued shares of the company upon such terms and conditions and in such amounts as the directors of the company may decide, but subject to the provisions of the Articles of Association of the company, the Act and the Listings Requirements of the JSE Limited ("the Listings Requirements") from time to time and any other restrictions as may be imposed, which general approval shall endure until the following Annual General Meeting of the company or 15 months from the date of passing of this resolution whichever is shorter and provided that:

1.1 the repurchase of securities being effected through the order book operated by The JSE Limited ("JSE") trading system without any prior understanding or arrangement between the company and the counterparty;

1.1.1 the company is authorised thereto by its articles or association;

1.1.2 in any one financial year the general authority to repurchase is limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;

1.1.3 repurchases in any one financial year will not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date upon which the transaction is effected;

1.1.4 a paid press announcement containing full details of such acquisition will be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, and for each 3% in aggregate of the initial number of that class acquired thereafter.

1.1.5 at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;

1.1.6 the company will only undertake a repurchase of securities, if after such repurchase, it still complies with the sections 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;

1.1.7 the company will not repurchase securities during a prohibited period in compliance with paragraph 3.67 of the Listings Requirements; and

1.1.8 the company's sponsor will confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to the company proceeding with the repurchase."

Reason and effect of special resolution 1

The reason for special resolution number 1 is to grant to the company a general approval in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which general approval shall be valid until the earlier of the next Annual General Meeting of the company or its variation or revocation by special resolution by any subsequent general meeting of the company provided that the general authority shall not extend beyond 15 months from the date of this Annual General Meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

Statement by the board of directors of the company

1.2 Pursuant to and in terms of the Listings Requirements, the board of directors of the company ("the board") hereby states that:

1.2.1 it is their intention to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements or there are other good grounds for doing so. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long term cash needs of the company and the interests of the company;

Notice of Annual General Meeting continued

1.2.2 in determining the method by which the company intends to acquire its shares, a maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the company will only make the acquisition if at the time of the acquisition they are of the opinion that:

1.2.2.1 the company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 months after the date of notice of this Annual General Meeting;

1.2.2.2 the assets of the company and its subsidiaries, will be in excess of the liabilities of the company and the company and its subsidiaries ("the group") for a period of 12 months after the date of notice of this Annual General Meeting;

1.2.2.3 the issued share capital and reserves that the company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the company or any acquiring subsidiary for the next 12 months after the date of notice of this Annual General Meeting; and

1.2.2.4 the working capital available to the company and its subsidiaries would, after the repurchase, be adequate for ordinary business purposes for the next 12 months after the date of the notice of this annual general meeting;

1.2.3. they will not make any repurchase until such time as the company's sponsors have provided the JSE with a letter in relation to the working capital statement set out above (as required in terms of the Listings Requirements);

1.2.4 they will notify the shareholders of the terms of the repurchase of the company's shares by publishing an announcement in the press in accordance with the Listings Requirements should the company or any of its subsidiaries cumulatively repurchase more than 3% of any class of the company's issued share capital.

2. Ordinary Resolution 1

"Resolved that the annual financial statements for the year ended 28 February 2007 be and are hereby received and adopted."

3. Ordinary Resolution 2

"Resolved that T Halamandaris (56), Chief Executive Officer, who retires in accordance with the articles of association of the company, and being eligible, be re-elected".

Fanis has made an important contribution to the Group since 1974 through the fulfillment of various responsibilities. He assumed the position of Chief Executive Office on 1 March 2001, after serving as the Group Managing Director for three years. Fanis oversees the Famous Brands Executive Committee, a team established to ensure the Group meets its strategic goals and objectives.

4. Ordinary Resolution 3

"Resolved that J L Halamandres (53), Non-Executive Deputy Chairman, who retires in accordance with the articles of association of the company, and being eligible, be re-elected."

Johnny a founding member of the company, has made an important contribution to the Famous Brands Group since 1974. He served as Managing Director since listing until 1 March 1997, after which he assumed the roll of Chief Executive Officer until his appointment as a non executive Deputy Chairman on 1 March 2001.

5. Ordinary Resolution 4

"Resolved that H R Levin (62), Non Executive Director, who retires in accordance with the articles of association of the company, and being eligible, be re-elected."

Hymie has been a non-executive director of Famous Brands Limited since its listing on the JSE in 1994. In addition he is a senior partner of H R Levin Attorneys and his experience spans more than thirty years. His areas of expertise include corporate law, mergers, local and international taxation, acquisitions and listings. He is also non-executive director of several listed and non listed companies and is the chairman of certain of them.

6. Ordinary Resolution 5

"Resolved that all the unissued ordinary shares in the company be and are hereby placed under the control of the directors of the company who shall be authorised to allot and issue these shares on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), and the Listings Requirements of the JSE."

7. Ordinary Resolution 6

"Resolved that the re-appointment of the auditors RSM Betty & Dickson be and is hereby approved."

8. Ordinary Resolution 7

"Resolved that the directors of the company be authorised pursuant to the company's Articles of Association, until the following Annual General Meeting of the company or 15 months from the date of passing of this resolution, whichever is shorter, to allot and issue ordinary shares for cash subject to the Listings Requirements on the following basis:

1) the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
2) the allotment and issue of shares for cash must be made only to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
3) the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% of the company's issued share capital. The number of shares which may be issued shall be based on the number of shares in issue at the date of such application less any shares issued during the current financial year, provided that any shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of the application;
4) the maximum discount at which shares may be issued is 10% of the weighted average traded price on the JSE of those shares over 30 days prior to the date that the price of the issue is determined or agreed by the directors of the company; and
5) after the company has issued shares for cash which represent, on a cumulative basis within the financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on the net asset value and earnings per share or an other announcements tat may be required in such regard in terms of the Listings Requirements.

In terms of the Listings Requirements of the JSE a 75% majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 5 for it to be approved.

9. Ordinary resolution 8

"Resolved that in terms of the company's Articles of Association the directors of the company shall be entitled, from time to time to pay by way of a reduction of share premium, capital distributions to shareholders of the company in lieu of a dividend, provided such payment is made pro rata to all shareholders. Such capital distribution shall be amounts equal to amounts which the directors would have declared and paid out of the profits of the company as interim and final dividends in respect of the financial year ending 28 February 2007. This authority shall not extend beyond the date of the Annual General Meeting following the date of the Annual General Meeting of which this resolution has been proposed or 15 months from the date of passing of this resolution whichever is shorter, on the following basis:

- any general payment may not exceed 20% of the company's issued share capital, including reserves by excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and
- general payments from time to time, to pay by way of reduction of share premium, capital distributions to shareholders of the company in lieu of a dividend, shall not be effected before the JSE has received written confirmation from the company's sponsor to the effect that the directors have considered the solvency and liquidity of the company and its subsidiaries as required in terms of section 90(2) of the Companies Act, 1973 as amended."

Notice of Annual General Meeting continued

Reason and effect of ordinary resolution 8

Subject to the passing of an ordinary resolution by shareholders at the Annual General Meeting approving a capital distribution to shareholders by way of a reduction of share premium, it is the directors' intention, in lieu of a final dividend, to make a capital distribution to shareholders of R28 334 429 or 30 cents per share, which payment shall be effected by means of a reduction in share premium. The directors further intend utilising the general authority to make further capital distributions to shareholders if appropriate but subject to the provisions of the Listings Requirements and the Act.

The board has agreed that after considering the effect of such maximum payment:

i) the company and the group will be able to pay its debts as they become due in the ordinary course of the business for a period of 12 months after the date of the notice of the Annual General Meeting;

ii) the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the Annual General Meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;

iii) the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting; and

iv) the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting.

To transact such other business as may be transacted at an Annual General Meeting.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – pages 12 and 13
- Major shareholders – page 68
- Directors' interests in shares – page 60
- Capital structure of the company – page 52 and 53
- Directors' responsibility statement – page 29
- Material changes – page 30 and 31

Litigation Statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names appear on pages 12 and 13 of the annual report of which this notice forms part, except to the extent of the arbitration proceedings as detailed in the Chief Executive Officer's report as detailed on pages 14 to 21 of the annual report, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 months) a material effect on the group's financial position.

Any member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote in his stead and the person so appointed need not be a member. Proxy forms should be forwarded to reach the registered office of the company not less than 48 hours before the time fixed for the holding of the meeting.

By order of the Board

P Papageorgiou ▸▸ *Company Secretary*

Famous Brands Limited
Share code FBR
ISIN code ZAE 0000053328
("the company")
the company

Form of Proxy

To be completed by shareholders holding certificated and dematerialised shareholders who have elected "own name" registration at the Annual General Meeting of shareholders of the company to be held on Wednesday, 27 June 2007 at 14:00 at 478 James Crescent, Halfway House, Midrand.

I/We ______________________________

(Name) (please print)

of ______________________________

(Address) ______________________________

being the registered owner/s of __________ ordinary shares in the company hereby appoint ______________________________

or failing him/her ______________________________

or failing him/her, the chairperson of the Annual General Meeting, as my/our proxy to attend the Annual General Meeting of the company, and any adjournment thereof and to speak and act for me/us and to vote on my/our behalf as follows:

	Resolutions	In favour	Against	Abstain
1	**Special Resolution 1** General authority to make a general repurchase of securities of the company			
2	**Ordinary Resolution 1** Adoption of annual financial statements			
3	**Ordinary Resolution 2** Re-election of T Halamandaris			
4	**Ordinary Resolution 3** Re-election of J L Halamandres			
5	**Ordinary Resolution 4** Re-election of H R Levin			
6	**Ordinary Resolution 5** To place the unissued shares under the control of the directors			
7	**Ordinary Resolution 6** To approve the re-appointment of the auditors			
8	**Ordinary Resolution 7** To give the directors a general authority to issue shares for cash subject to the Rules and Regulations of the JSE Limited			
9	**Ordinary Resolution 8** To give the directors a general authority to make general payments to shareholders			

Please indicate with an "X" or tick the appropriate space above, how you wish your votes to be cast.

Signed this ______________ day of ______________ 2007

Signature ______________________________

Assisted by (if applicable) ______________________________

A shareholder entitled to attend and vote at the abovementioned Annual General Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company.

Forms of proxy must be deposited at Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg (PO Box 4844, Johannesburg 2000) to be received by no later than 14:00 on Wednesday, 27 June 2007.

Please read the notes on the reverse side hereof.

Notes

1. This form of proxy is to be completed only by those members who are:
   - holding shares in a certificated form; or
   - recorded in the sub-register in electronic form in their "own-name".
2. Each shareholder is entitled to appoint one or proxies (none of whom need to be a shareholder of the company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
3. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of proxy or the names of two alternate proxies of the shareholder's choice in the space/s provided with or without deleting "the chairperson of the Annual General Meeting"' but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to have been appointed as the proxy.
4. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain form voting as deemed fit by the proxy.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder. Forms of proxy must be lodged at, posted or faxed to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg (PO Box 4844, Johannesburg 2000) to be received by no later than 14:00 on Wednesday, 27 June 2007.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint shareholder who tenders a vote as determined by the order in which the names stand in the register of shareholders, will be accepted.
7. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this from of proxy.
8. The chairperson of the Annual General Meeting may reject or accept any from of proxy which is completed and/or received otherwise in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a respective capacity must be attached to this form of proxy unless previously recorded by the company or Link Market Services South Africa (Proprietary) Limited or waived by the chairperson of the Annual General Meeting.
10. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Link Market Services South Africa (Proprietary) Limited.

Administration

FAMOUS BRANDS LIMITED
Reg No 1969/004875/06

COMPANY SECRETARY
Mr P Papageorgiou

REGISTERED OFFICE
478 James Crescent
Midrand
1685

POSTAL ADDRESS
PO Box 2884
Halfway House
1685

AUDITORS
RSM Betty & Dickson (Johannesburg)

BANKERS
First National Bank
Investec Bank
Nedbank

TRANSFER SECRETARIES
Link Market Services South Africa
11 Diagonal Street
Johannesburg

SPONSOR
Java Capital
2 Arnold Road
Rosebank
Johannesburg

WEBSITE ADDRESS
http://www.famousbrands.co.za

BASTION GRAPHICS

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