famous brands
you're in good company

SUMMARISED RESULTS

FOR THE YEAR ENDED
29 FEBRUARY 2020

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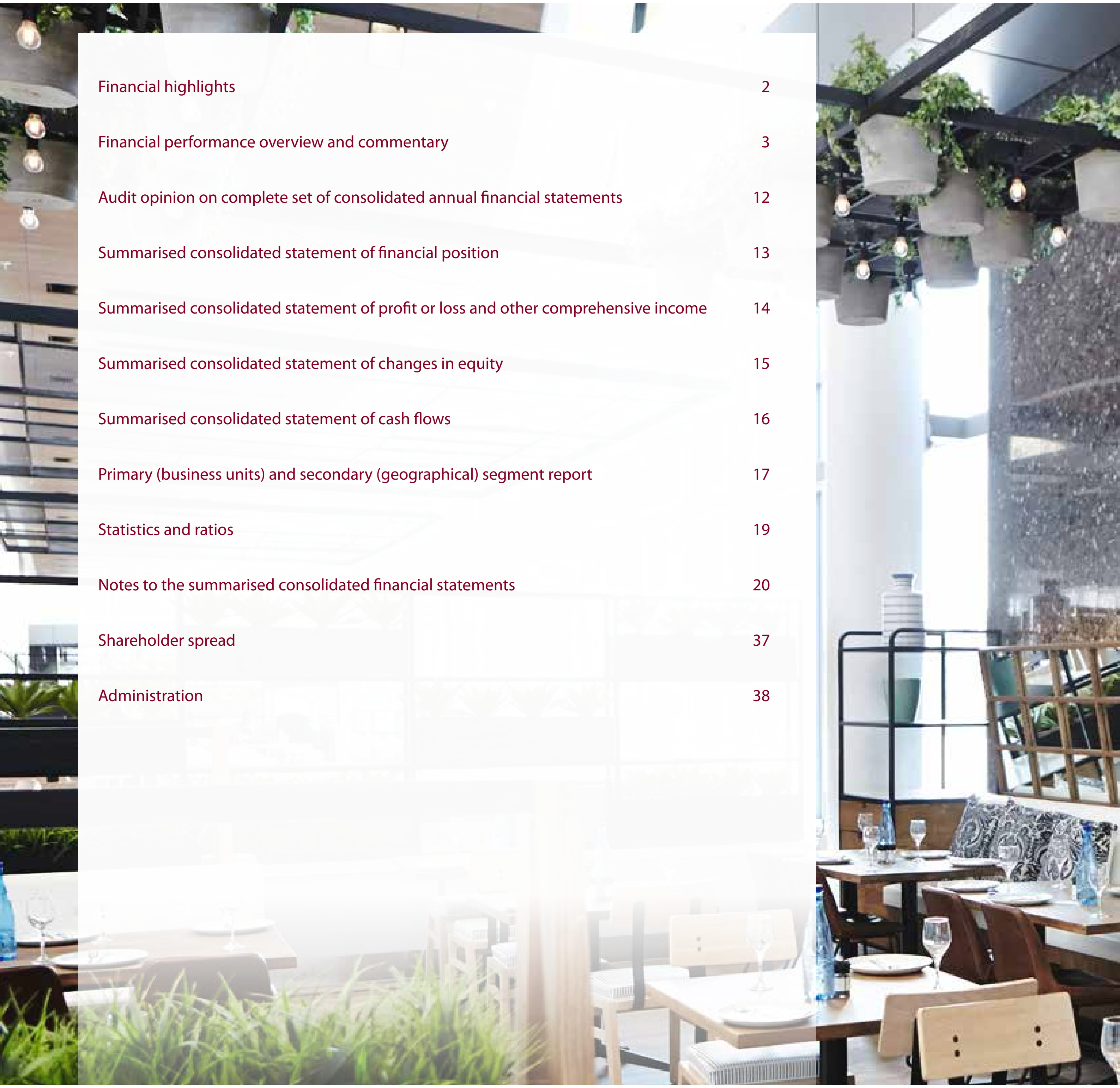
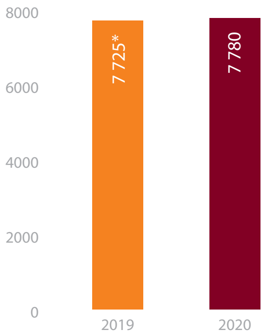


FINANCIAL HIGHLIGHTS

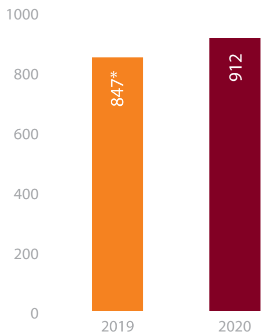
Revenue (Rm)



Revenue R7.8 billion

Up by 1%

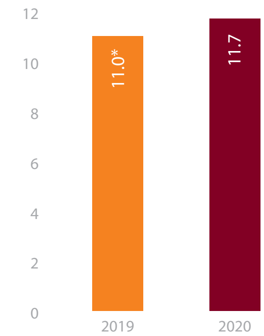
Operating profit before non-operational items (Rm)



Operating profit R912 million

Up by 8% **

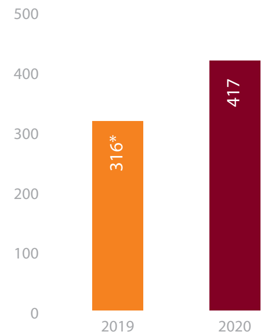
Operating profit margin (%)



Operating profit margin 11.7%

Up by 0.7 **

Headline earnings per share (cents)



Headline earnings per share 417 cents

Up by 32% **

* *Figures have been restated, refer to Note 21 for detail on the restatement.*
** *Includes IFRS 16 impact*

FINANCIAL PERFORMANCE OVERVIEW

R7.8 billion	417 cents	R912 million
Revenue	Headline earnings per share*	Operating profit*

* *Includes IFRS 16 impact*

Summarised results for the year ended 29 February 2020

In the interests of accurate and representative reporting, this announcement focuses on the period under review, being 1 March 2019 to 29 February 2020. **The extraordinary post year-end events and impacts related to the COVID-19 global pandemic are confined to the commentary under Performance subsequent to reporting date, Prospects and Looking forward on page 10 of this document.**

Overview

Famous Brands is Africa's leading food services franchisor. The Group's vertically integrated business model comprises a portfolio of 24 restaurant brands, represented by 2 898 restaurants across South Africa (SA), the rest of Africa and the Middle East (AME), and the United Kingdom (UK). The Brands division is underpinned by substantial Logistics and Manufacturing operations.

Operating environment

Trading conditions across our markets continued to deteriorate over the 2020 financial year, with South Africa edging into recession in the latter half of the reporting period. Consumers in all our key jurisdictions faced significant financial pressure and business and consumer sentiment reached new lows.

SA

In South Africa, weak macro-economic factors were compounded by country specific adversities, including the sluggish pace of transformational socio-economic reforms, frequent load-shedding, sustained poor community service delivery, and evidence of unsanctioned corruption.

UK

For most of the year under review, generally subdued trading conditions were exacerbated by uncertainty surrounding Brexit and the lead up to national government elections in December 2019.

FINANCIAL PERFORMANCE AND COMMENTARY

Industry overview

The food services industry continued to evolve at a rapid pace during the reporting period, and our responsiveness and flexibility to emerging challenges and opportunities were key to maintaining our leadership position in the market.

In line with the trend over recent years, the quick service (QS) restaurant category performed better than the casual dining (CD) segment, primarily due to perceptions of affordability and value. The expansion of delivery services also fuelled QS growth ahead of the CD segment. Consumer category visits were stable during the reporting period, demonstrating that momentum in the industry is driven primarily by the roll-out of new stores into previously untapped markets.

The value offering remained a key driver for consumers facing financial hardship; however, value is increasingly defined as an all-round "experience", which encapsulates reliability, quality, service and positive brand association.

Consistent with the prior year, technology remains a key differentiator in the industry, and participants continued to invest heavily in innovations across the channels.

Delivery offerings gained further momentum during the period, with a proliferation of third-party aggregators investing significantly and competing aggressively for market share. The eating-out-at-home trend which has emerged recently accelerated this demand for delivery services.

Growing consumer mindfulness of environmental, social and governance (ESG) issues continues to translate into intensified awareness of health, wellbeing, and general ESG accountability and responsibility. This is reflected in our industry by the demand for ethical and sustainable sourcing and production, and a greater focus on nutrition and health consciousness.

Group performance

Positioning our brands to remain innovative and relevant to customers has always been a key driver for the business. In light of the trends discussed above, there is ongoing commitment of resources to:

- ensure our offering has a strong value component;
- invest in our technological capability in the digital and social media arenas;
- continue to upweight our delivery offering, both in-house and via third-party aggregators; and
- ensure our menus display greater awareness of evolving health and wellbeing trends.

Another key development during the reporting period was the construction of our 2021 – 2023 strategic roadmap. This three-year roadmap is customer inspired, brand led and supported by the back-end value chain. We commenced tackling our new goals with the energy our business is renowned for, and have already made a significant step-change in our traditional high-performance culture. Across our operations we are inculcating a better understanding of how to create value for stakeholders: by individual, by business unit, and by the Group as a whole. This understanding is underpinned by intensified performance management criteria, with a clear focus on cost leadership and return on investment.

The Group's results for the reporting period are outlined in the table. The performances of the individual business units are detailed in the Operational review commentary.

Group financial results

Salient features		2020	Restated*** 2019	% change
Statement of profit or loss and other comprehensive income				
Revenue	Rm	**7 780**	7 725	1
Operating profit before non-operational items^^^	Rm	**912**	847	8
Operating profit margin^^^	%	**11.7**	11.0	
Impairments◊	Rm	**53**	899	
EBITDA^^^	Rm	**1 242**	1 070	16
Basic earnings/(loss) per share^^^	Cents	**362**	(484)	175
Headline earnings per share (HEPS)^^^	Cents	**417**	316	32
Statement of cash flows				
Cash generated by operations before working capital changes^^^	Rm	**1 228**	1 053	
Working capital changes	Rm	**112**	(20)	
Net cash outflow utilised in investing activities	Rm	**(116)**	(89)	
Net cash outflow from financing activities^^^	Rm	**(554)**	(760)	
Cash realisation rate*^^^	%	**107.9**	96.6	
Statement of financial position				
Cash and cash equivalents^^^^	Rm	**486**	454	
Net assets#^^^	Rm	**4 814**	3 688	
Net asset value per share^^^	Cents	**1 797**	1 527	
Net debt^	Rm	**2 574**	1 728	
Net debt/equity (gearing)^^^	%	**143.0**	113.1	
Total equity^^^	Rm	**1 800**	1 528	
Return on equity (ROE)**	%	**25.1**	20.0	
Return on capital employed (ROCE)^^	%	**20.0**	(1.6)	

◊ *Impairments of R53.0 million (2019: R873.9 million) were recognised in the GBK UK business and Rnil (2019: R25.5 million) in By Word of Mouth.*
* *Cash generated by operations as a percentage of EBITDA.*
\# *Total assets other than cash and cash equivalents and deferred tax assets, less interest-free trading liabilities.*
^ *Total interest-bearing borrowings (including lease liabilities) less cash.*
** *Headline earnings as a percentage of average total equity.*
^^ *Operating profit including non-operational items, divided by the average capital employed (which is calculated as the sum of total equity and interest-bearing debt and lease liabilities).*
*** *Refer to Note 21 for the details of the restatement.*
^^^ *Includes IFRS 16 impact.*
^^^^ *Includes restricted cash of R40 million (2019: R5 million) related to marketing funds.*

Gearing

As announced on SENS on 3 April 2020, management successfully concluded negotiations with the Group's primary lender regarding a more appropriate debt finance structure. The debt covenants were concluded at the same level as the previous debt structure. Details of the new structure are discussed in the Subsequent events commentary in the summarised consolidated financial statements on page 32 of this document.

Attainment of strategic imperatives

This report details our scorecard in terms of the actions we took in the reporting period to achieve our strategic objectives, which are at all times centred on creating value for our stakeholders.

Improve our operational efficiencies: we undertook to leverage efficiencies and drive profitability and margin growth across the operations.

In this regard, we fine-tuned our priority areas for investment based on appropriate returns, with a key focus on our Leading brands; we streamlined the business by exiting non-performing brands and restaurants in weak markets; we built logistics capacity and capability with the opening of Distribution Centres (DCs) in the Western Cape and Free State; we rationalised a non-core regional meat plant and disposed of the non-core Coega Concentrate tomato paste business; we critically reviewed the supply chain cost drivers to maintain its competitive advantage; and we expanded existing in-house capacity to enable the business to serve the retail market directly.

Enhance our financial performance: we committed to improving our measurement and evaluation models and making progress in better identifying key areas for priority and investment in the business.

During the reporting period we embedded new capital allocation disciplines and measures; commenced cost reduction initiatives to enhance free cash flow; and better directed investment to enable our brands to attain growth targets.

Lead in the categories we compete in: we undertook to open 187 restaurants and revamp 308; improve the total customer experience; pursue our deep and narrow strategy in the AME region; and capitalise on opportunities in the UK operation to return GBK Restaurants Limited (GBK) to profitability.

Our brands remained at No 1 or 2 in the categories they compete in, reflected by our market share which was maintained or gained by our Leading (mainstream) brands, and the vast array of consumer and industry accolades we were awarded.

In light of the weak trading conditions, a deliberate decision was taken to scale back on new store openings, and hence, while we fell well short of our target, we believe this conservative approach was prudent. A key focus during the year was to enhance in-store technology to drive the customer experience, including digital menu boards, digital payment options and self-ordering terminals; our goal to improve the total customer experience was pursued through optimising opportunities in the online ordering and home delivery space (own and third-party); and we improved accessibility to customers through new flexible, convenience-centred trading formats. We also ended the reporting period on track with the three-year programme to return GBK to profitability by 2022.

Prioritise our franchise partners: our goal is to ensure we are the first-choice partner for franchisees. Our franchise network is stable, and we continue to monitor and support our partners in the difficult environment. With their valued contribution and collaboration, we made rewarding headway in enhancing margins and net operating profit through a range of far-reaching initiatives. Interventions to bring down input costs included menu and product re-engineering; strategic structuring of menu price bands and promotional offers; improved back of house operational efficiencies; lower in-house delivery costs; and improved efficiencies in the supply chain. In addition, management proactively engaged with property owners to secure fairer rental rates to afford overdue relief to our franchise partners.

Develop and transform our people: we undertook to improve our BBBEE scorecard, targeting level 6. Emanating from sustained management focus and implementation of meaningful interventions in the SA operation, the Group has improved its BBBEE rating from level 7 to level 4.

In terms of our human capital management, we implemented an automated scorecard system incorporating the company values, which enhanced performance management, linking performance to rewards. In addition, the Exco team was strengthened in terms of diversity and experience and expertise available to the business.

Optimise capital management: we committed to continue to focus on prudent capital allocation; leverage ERP investment to improve reporting processes and data analysis; and embed divisional balance sheet reporting to enhance monitoring of divisional ROCE.

We significantly re-orientated the business leadership to focus on working capital management and free cash generation; continued to drive reduction of interest-bearing debt and recommenced the dividend in FY2019 and HY2020; invested in key growth markets in South Africa and key growth (Leading) brands, while continuing to disinvest from under-performing brands; and made prudent investment in logistics capacity and manufacturing maintenance capex.

Operational review

Brands

This portfolio consists of 24 restaurant brands, represented by a network of 2 791 franchised and 107 Company-owned restaurants across SA, the AME and the UK. The business is segmented into Leading (mainstream) brands and Signature (niche) brands, strategically positioned to appeal to a wide range of consumers across the income and demographic spectrum and across meal preferences and value propositions. The Leading brands are categorised as QS, fast casual and CD.

SA

Our combined SA Brands' division reported a 9% increase in revenue to R974 million. Operating profit reduced by 1% to R472 million, while the operating profit margin decreased to 48.5% from 53.2%. This margin decline reflects significant investment in technology enablers in the

Leading brands portfolio, sub-inflationary menu price increases, and higher operating costs due to tighter allocation of costs to our Leading brands, as well as the relocation to new offices to alleviate congestion at our Midrand campus.

Our Leading and Signature brands' combined system-wide sales* improved by 6.4% and like-for-like sales** increased by 2.9%. Independently, Leading brands'# system-wide sales grew 5.7%, while like-for-like sales rose by 3.5%. Signature brands'^ system-wide sales improved by 10.6%, while like-for-like sales declined by 0.8%.

* *System-wide sales refer to sales reported by all restaurants across the network, including new restaurants opened during the period.*

** *Like-for-like sales refer to sales reported by all restaurants across the network, excluding restaurants opened or closed during the period.*

\# *Leading brands' sales refer to sales of the Leading brands trading in SA.*

^ *Signature brands' sales refer to franchise and Company-owned store sales in SA as well as sales cross border only where the brand is a joint venture partnership and the brand is not managed by the AME management team.*

Leading brands portfolio

Our Leading brands delivered solid results, reflecting their leadership of the categories they trade in. Consistent with recent years and in line with general market trends, our QS brands, being Steers, Debonairs Pizza, Fishaways and Milky Lane outperformed the CD brands, namely Wimpy, Fego Caffé and Mugg & Bean.

All four of the QS brands grew system-wide and like-for-like sales, and Steers, Debonairs Pizza and Fishaways continued to gain market share, while Milky Lane retained its competitive posture. Our CD brands all retained market share, with a particularly pleasing performance by Wimpy, after several years of decline.

Signature brands portfolio

Our Signature brands operate in the over-traded, highly competitive CD market segment and their performance for the reporting period reflects the difficulties faced. Like-for-like sales for the year were flat, while system-wide sales growth was constrained by the closure of 17 restaurants. In light of the subdued economic environment, the roll out of new restaurants was necessarily conservative.

Lupa Osteria delivered the portfolio's strongest like-for-like performance, largely attributable to a menu and pricing review, followed by PAUL, which is well positioned to appeal to the niche premium-end market segment, and the coffee brands, which benefit from strong strategic alliances with hospital partners, Netcare and Mediclinic.

AME

The Group is represented by 322 restaurants in 16 countries in this region.

In line with our deep and narrow strategy in the AME, we implemented a more direct approach to developing brands in existing markets through establishing in-country teams and investing in Company-owned outlets in key nodes in East and West Africa. We continued to expand strategic alliance partnerships, trial new trading formats, strengthen marketing capability and leverage delivery offerings where appropriate.

Combined revenue reported for the region rose to R314 million in Rand terms (2019: R273 million). Operating profit increased to R55 million, up from the R22 million reported in the prior year which reflected the remeasurement of put options entered into with the Group's JV partners in relation to the acquisition of Retail Group in Botswana, effective 1 August 2015. Accordingly, the operating profit margin was positively impacted, improving to 17.5% (2019: 7.9%).

Solid like-for-like sales were reported for the period, with 12 of our 16 trading markets recording positive growth. The region contributed 8.7% (2019: 10.2%) to the Group's total system-wide Brands division sales. Five brands accounted for 93% (2019: 93%) of turnover across the region, being Debonairs Pizza, Steers, Mr Bigg's, Wimpy and Mugg & Bean. Particularly strong performances were recorded by the operation in Botswana, which benefited from an enhanced online ordering platform and improved efficiencies in input costs; in Kenya, where the market remains very responsive to our brands and affords strong growth potential; and in Sudan, where Debonairs Pizza, the clear market leader, continued to record good growth despite political and social unrest in the country.

During the reporting period, we acquired the intellectual property rights for Mugg & Bean in the Middle East and took on Master Licensees in the UAE and Saudi Arabia; signed a Master License Agreement with Oman Oil for the development of the Steers brand in Oman and Saudi Arabia, as well as the Debonairs Pizza brand in Oman; and signed a Master License Agreement for the development of the Debonairs Pizza brand in the UAE.

28 stores were opened, 41 closed and 26 revamped during the period.

UK

Overview

In the uncertain political environment, consumer confidence and spend remained subdued. The shift to online retail and the sustained pressure on traditional brick-and-mortar retailers continued to escalate.

Wimpy UK

Management's ongoing focus in this business is to ensure the portfolio is optimally structured and appealing to capitalise on growth opportunities in the constrained economic environment. The network comprises 67 restaurants (2019: 67). The business reported solid results in the year under review, boosted by an increased contribution from the delivery offering, a re-engineered menu and improved sales in revamped restaurants.

Revenue in Rand terms increased to R122 million (2019: R113 million). Revenue in Sterling was 4% higher. Operating profit grew by 31% to R23 million (2019: R18 million), while the operating margin rose to 19.0% (2019: 15.7%). These pleasing results are primarily attributable to operational improvements, supplemented by foreign currency translation gains.

The subdued trading environment will continue to weigh heavily on performance; however, following rationalisation of 12 under-performing stores in the prior year and an ongoing revamp programme, the portfolio is more optimally structured for growth. Expanding the delivery offering across the network continues to offer opportunity for growth.

GBK (UK and Ireland)

Remedial measures implemented to stabilise the business and return it to profitability gained momentum during the period; however, year-on-year sales continued to decline, aligned with the general trend across the industry. The strategy to leverage opportunities to expand the multi-party delivery platform progressed well, but while online delivery revenue grew, this solid performance was offset by weaker in-store sales in malls and on the high street.

GBK UK reported an operating loss before non-operational items of GBP-0.6 million (2019: operating loss of GBP-4.6 million). The operating margin improved to -0.9% (2019: -5.7%). System-wide sales (Sterling) were GBP68.9 million (2019: GBP80.2 million) largely due to the closure of 24 stores as part of the Company Voluntary Arrangement process, eight of which were closed in the reporting period. GBK UK and Ireland's combined like-for-like sales increased by 2.7% (2019: decrease of 4.2%).

GBK's network comprises 72 restaurants (2019: 80).

In the cautionary announcement published on SENS on 2 April 2020, the Board of Directors (Board) advised that regretfully, the GBK UK business would henceforth no longer receive financial assistance from the Group. This decision followed the deterioration in GBK's store sales in the UK after year-end due to the COVID-19 global pandemic, and the subsequent directive by the governments of the UK and Republic of Ireland to indefinitely close all restaurants in those countries. While various measures of support were offered by the respective governments to the industry to mitigate the economic impact of this decision, the uncertainty regarding resumption of trading was significant cause for concern in both markets.

The cautionary announcement was subsequently renewed on 20 May 2020 as deliberations in respect of the matter are still in progress.

- As announced in the cautionary announcement published on SENS on 2 April 2020 and discussed further in the summarised consolidated financial statements, the Board has resolved to not provide further financial assistance to the GBK business. The cautionary announcement was subsequently renewed on Wednesday, 20 May 2020, as deliberations in respect of the matter are still in progress.

Supply chain

This division, which comprises our integrated Manufacturing and Logistics operations in SA is in service to the front-end Brands division, and its primary function is to provide a competitive advantage to our franchise partners both through efficient and effective supply and margin support. Combined revenue of R4.5 billion (2019: R4.4 billion) was reported, while operating profit reduced to R457 million (2019: R513 million). The operating profit margin declined to 10.2% (2019: 11.5%), primarily due to our tactic to contain price increases in the sustained low food inflation environment; downward adjustments to remain competitive in a market where margin was sacrificed to gain volume; and the ongoing programme to re-allocate corporate costs to the appropriate business units.

Manufacturing

Revenue reported by this division declined to R2.8 billion (2019: R2.9 billion). Operating profit decreased to R419 million (2019: R429 million), while the operating margin rose to 15.1% (2019: 14.7%).

Total volumes for the business declined in light of lower demand levels in the front-end Brands division, although certain plants performed ahead of others, including the meat and cheese plants.

Key developments during the reporting period included embedding a blueprint for plant management; intensified focus on asset care methodology; improved preventative maintenance schedules; and generally improved productivity and process yields, with notable step-changes achieved in the bakery, sauce and spice plant and Lamberts Bay Foods.

Capital expenditure of R37 million (2019: R40 million) was employed on plant upgrades, machinery and equipment.

Logistics

While this division grew revenue by 4% to R4.1 billion (2019: R3.9 billion), operating profit decreased by 28% to R60 million (2019: R84 million), and the operating margin deteriorated to 1.5% (2019: 2.1%). This decline in profitability is attributable to lower sales in the local and export market, consistently high fuel prices, above-inflation wage increases, and planned costs related to the commissioning of new DCs in the Western Cape and Free State.

During the reporting period, the business successfully took on the previously outsourced retail distribution business; centralised the Logistics reporting function to focus on operational efficiencies and cost reduction; rolled out new software in certain of the DCs for the efficient management of health, safety and environmental parameters; and introduced internal re-alignment of costs in terms of stock storage to mitigate offsite storage spend.

Capital expenditure of R26 million (2019: R7 million) was incurred.

Group associates

The Group holds strategic stakes in the following entities: UAC Restaurants Limited – more popularly known as Mr Bigg's (49%); By Word of Mouth (49.9%); FoodConnect (49%); and Sauce Advertising (37%).

UAC Restaurants Limited Nigeria

This business comprises the Mr Bigg's and Debonairs Pizza brands in Nigeria as well as a central kitchen (bakery and manufacturing) and distribution component. The Mr Bigg's network consists of 72 restaurants and there are nine Debonairs Pizza stores. Management's focus in the reporting period was twofold: continued implementation of best practices across the Mr Bigg's network to improve operating standards and leverage growth opportunities; and optimise growth of Debonairs Pizza by gaining back lost market share and expanding the brand's presence.

Trading conditions in the country remained extremely weak, and significant store closures took place, primarily due to under-performing franchised stores or non-viable sites. Despite this context, solid system-wide and like-for-like growth (in Rand terms) was reported. Three new Company-owned stores were opened, including the flagship combined Mr Bigg's and Debonairs Pizza outlet in Lagos and two Mr Biggs restaurants, in line with the strategy to grow the Company-owned footprint.

By Word of Mouth is a premium commercial catering and events company with a high-end home meal replacement offering through its Frozen For You online and retail stores. The business affords the Group access to the food services leisure sector and in the longer term, opportunities to enter the premium corporate market.

The key focus during the reporting period was on fine-tuning and expanding the Frozen For You online and retail offering into the Western Cape, and Gauteng, with three new stores opened during the year under review. While the traditional events and catering business remains under intense pressure with the continued decline in spend in the premium events segment, there are opportunities for further expansion of the Frozen For You offering in the Western Cape and Gauteng. While an impairment of R25.5 million was recognised in this business in the prior comparable period, no impairment was recognised in the current reporting period.

FoodConnect is a sales and distribution business in the food and beverage sector which owns the rights to the Group's licensed Baltimore ice-cream brand. This BBBEE Level 2 joint venture partnership affords the Group a strategic route-to-market.

During the reporting period, FoodConnect expanded listings of products to all regions in SA, with specific focus on KwaZulu-Natal and the Eastern Cape, and was signed up as a distributor for a leading syrup supplier. The business will continue to investigate opportunities for distribution in new product categories.

Changes to the composition of the Board of Directors

- Ms Thembisa Skweyiya resigned as an independent non-executive director with effect from 8 March 2019
- Mr Bheki Sibiya, a long-standing member of the Board retired at the Annual General Meeting (AGM) on 26 July 2019
- With effect from 1 August 2019, Mr Alexander Maditse was appointed as an independent non-executive director to the Board

Appointment of Company Secretary

With effect from 1 August 2019, Ms Celeste Appollis was appointed as Company Secretary. The Board is satisfied that Celeste possesses the competence and experience to fulfil the role.

Performance subsequent to reporting date

Shareholders are referred to the detailed commentary related to events after the reporting period contained in Note 20 Subsequent events.

The first quarter of the current financial year, which commenced on 1 March 2020, has been extremely challenging for the business. Negligible revenue was generated in the five weeks of the initial lockdown, when the majority of our restaurants, and all but one of our manufacturing plants were closed. Subsequent to the initial lockdown, with the easing of restrictions which enabled the reintroduction of delivery sales, revenue improved slightly, however remained far off historical levels. Unfortunately, the school holidays and Easter peak trading period coincided with the lockdown in the first quarter which impacted further on projected revenue; this will continue into the second quarter and the winter holiday period unless level 1 economic activity is implemented before then.

Aligned with our three-year roadmap, and accelerated by the COVID-19 global pandemic, our focus over the past two months has been to right-size the business, reduce costs, and preserve cash to facilitate balance sheet flexibility.

In this regard, a range of measures were swiftly implemented across the business. These include a freeze on operational and capital expenditure; providing franchisee relief in the form of temporarily deferred payments (for pre-lockdown debt) and reduced royalties and fees post the lockdown; negotiations with banks and landlords; strategic temporary hibernation of parts of the business which are not permitted to operate under current lockdown restrictions; and a limited retrenchment programme where all other options have been exhausted.

Following the easing of lockdown restrictions, operational focus has been on optimising the Group's home delivery competence, where practicable and in line with regulations. In terms of our branded portfolio, approximately 40% of the restaurants are able to offer delivery-only services. The viability of the limited delivery-only model remains to be proved, but at this early stage is showing positive signs given that this channel is the only access available to consumers.

Looking forward

The external operating environment post the COVID-19 global pandemic lockdown restrictions will provide ever-changing and challenging conditions. Our business will therefore continue to adapt and transform to align with these challenges.

Management and the Board are confident that we have a solid business model as well as the required specialist skills to navigate and guide our recovery.

Our strategically structured, diverse portfolio, agility and the ability to continuously innovate across brands and trading formats will be key to driving future growth.

Prospects

The adverse financial impact on the travel and hospitality industry due to the COVID-19 global pandemic and the resultant national lockdown and trading restrictions has been severe thus far. The casual dining segment has been closed since the start of the lockdown. Our view is that it will only reopen once the COVID-19 global pandemic has subsided. This has a significant negative impact on our business.

Our further concerns going forward are centred around how long the lockdown and trading restrictions will remain in force, as well as the potential impact on consumer spending behaviour post-lockdown. Parallel to the remedial and revival activities discussed under Performance subsequent to reporting date, we have absolute clarity of purpose in terms of our three-year strategic roadmap. The three key areas of focus include an expansion programme (growing our Leading brands and retail business and building depth of the AME footprint); a consolidation programme (disinvest from non-core brands and non-core manufacturing and logistics facilities, and intensify investment in high return assets); and optimise capital management and allocation.

We fully endorse the decisive actions taken by the respective governments in our various trading jurisdictions to contain the spread and impact of the COVID-19 global pandemic and are committed to ensuring that all of the Group's re-opened operations are managed responsibly and in compliance with risk mitigating regulations. We remain optimistic that Government's risk-adjusted strategy in SA will enable the economy to re-open in a considered manner to the benefit of all stakeholders.

Expansion programme

- Our Leading brands are strong and agile and our goal is to re-invigorate them to gain market share. This is exemplified by our traditional CD brands, such as Wimpy, Mugg & Bean and Fego Caffé, flexing their models to expand their delivery offerings.
- Albeit restricted, our AME business continued to operate during the lockdowns in our various territories, and once restrictions ease, should perform well. Our goal is to grow the Group's presence in the AME region by leveraging our footprint in existing markets with the same portfolio of brands.
- The intention is to expand our current retail offering by leveraging our owned route-to-market. The retail business continued to operate during the lockdown, and has confirmed its potential for scalability.

Consolidation programme

- Our goal is to grow selected Signature brands which have potential for scale and exit non-performing brands and non-viable sites. Our ongoing programme to optimise the structure of this portfolio will be determined by the nature of the recovery of the CD segment, which is expected to be protracted and unforgiving.
- Our intention is to exit non-core manufacturing activities and intensify investment in core facilities. Our Manufacturing division was streamlined during the reporting period and is structured to outsource business in future where volume does not deliver efficiency at historical levels.
- Capex incurred in the Logistics business in the reporting period was well-timed and further spend has been halted until there is more certainty in the operating environment. In line with our programme to restructure and right-size the business which commenced during the year, two logistics centres have been identified for closure over the forthcoming year.

Capital management and allocation

- Cash generation is a core strength, notwithstanding a reduced business.
- Our overhead cost structure is low, which positions the business well for recovery. Focus will be on generating free cash flow through improved working capital management and limiting non-essential capex.
- While our current debt levels are high, they are manageable. Our goal is to drive cost leadership including reducing corporate costs and shared function costs.
- As announced in the cautionary announcement published on SENS on 2 April 2020, the Board has resolved to not provide further financial assistance to the GBK business. The cautionary announcement was subsequently renewed on Wednesday, 20 May 2020, as deliberations in respect of the impact of the matter are still in progress.
- We will continue to align the supply chain and cost drivers to afford our franchise partners a competitive advantage while maintaining ROCE targets.

Dividend

The COVID-19 global pandemic and subsequent lockdown measures implemented across the Group's various trading jurisdictions have had a significantly adverse financial impact on the business. The Board has considered the current cash position and facilities available to the Group and is of the opinion that while the Company will be able to service its obligations in the foreseeable future, under the current circumstances it is deemed prudent to preserve cash to facilitate balance sheet flexibility. In this regard no dividend will be paid for the second six months of the reporting period.

A live audio webcast of the Group's results presentation will be held on Tuesday, 26 May 2020 at 10:00 (SAST). To pre-register link to: http://www.corpcam.com/famousbrands26052020.

On behalf of the Board

SL Botha
Chairman

DP Hele
Chief Executive Officer

Midrand
25 May 2020

AUDIT OPINION ON COMPLETE SET OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

These summarised consolidated financial statements for the year ended 29 February 2020 have been derived from the Annual Financial Statements (AFS) of Famous Brands Limited for the year ended 29 February 2020, on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion.

A copy of the auditor's report, together with the accompanying financial information, can be obtained from the Company's registered office. The auditor's unmodified report along with their key audit matters and the AFS are available for inspection on the following link www.famousbrands.co.za/investor-relations/financial-results.

The information as set out in this announcement has not been audited.

The Board of Directors of Famous Brands takes full responsibility for the preparation of these summarised consolidated financial statements and for ensuring that the financial information has been correctly extracted from the underlying financial statements.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

	Note	2020 R000	2019 Restated* R000	2018 Restated* R000
ASSETS				
Non-current assets		**4 640 963**	3 300 021	3 984 704
Property, plant and equipment	7	**2 226 797**	1 048 537	1 339 789
Intangible assets	8	**2 274 895**	2 179 770	2 547 845
Investments in associates		**62 299**	57 199	80 926
Other receivables**		**55 357**	–	–
Deferred tax		**21 615**	14 515	16 144
Current assets		**1 532 208**	1 624 562	1 915 627
Inventories		**426 690**	455 817	436 102
Current tax assets		**14 891**	59 060	99 132
Trade and other receivables		**602 587**	655 920	663 405
Derivative financial instruments		**1 783**	–	–
Cash and cash equivalents		**486 257**	453 765	716 988
Assets held for sale	9	**–**	35 350	–
Total assets		**6 173 171**	4 959 933	5 900 331
EQUITY AND LIABILITIES				
Equity attributable to owners of Famous Brands Limited		**1 680 132**	1 413 799	1 500 996
Non-controlling interests		**120 260**	113 730	125 571
Total equity		**1 800 392**	1 527 529	1 626 567
Non-current liabilities		**3 237 510**	2 467 885	3 014 460
Borrowings	17	**1 655 630**	2 088 098	2 513 489
Derivative financial instruments		**–**	21 133	32 370
Lease liabilities		**1 263 821**	54 952	86 355
Deferred tax		**318 059**	303 702	382 246
Current liabilities		**1 135 269**	962 814	1 259 304
Non-controlling shareholder loans		**601**	2 500	7 500
Derivative financial instruments		**126 035**	97 060	159 555
Lease liabilities		**119 419**	14 025	11 125
Trade and other payables		**851 372**	803 176	770 720
Provisions		**–**	–	32 851
Shareholders for dividends		**2 423**	2 195	2 221
Current tax liabilities		**13 612**	18 254	8 068
Borrowings	17	**21 807**	25 604	267 071
Bank overdrafts		**–**	–	193
Liabilities held for sale	9	**–**	1 705	–
Total liabilities		**4 372 779**	3 432 404	4 273 764
Total equity and liabilities		**6 173 171**	4 959 933	5 900 331

** Refer to Note 21 for details on the restatement.*
*** Relates to lease receivables from application of IFRS 16.*

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

	Note	**2020 R000**	2019 Restated* R000	% change
Revenue	10	**7 780 315**	7 724 630	1
Cost of sales		**(3 672 030)**	(3 592 399)	(2)
Gross profit		**4 108 285**	4 132 231	(1)
Selling and administrative expenses		**(3 195 851)**	(3 285 257)	3
Operating profit before non-operational items		**912 434**	846 974	8
Non-operational items	12	**(52 953)**	(916 648)	
Operating profit/(loss) including non-operational items		**859 481**	(69 674)	
Net finance costs		**(218 682)**	(228 052)	4
Finance costs	13	**(265 575)**	(289 149)	
Finance income	13	**46 893**	61 097	
Share of profit of associates		**5 228**	4 479	
Profit/(loss) before tax		**646 027**	(293 247)	320
Tax		**(219 210)**	(133 103)	
Profit/(loss) for the year		**426 817**	(426 350)	200
Profit/(loss) for the year attributable to:				
Owners of Famous Brands Limited		**362 264**	(483 593)	
Non-controlling interests		**64 553**	57 243	
Profit/(loss) for the year		**426 817**	(426 350)	
Other comprehensive income, net of tax:				
Exchange differences on translating foreign operations**		**79 683**	281 672	
Pre-tax exchange differences on translating foreign operations		**95 396**	324 178	
Tax effect on exchange differences on translating foreign operations		**(15 713)**	(42 506)	
Movement in hedge accounting reserve**		**(5 857)**	155	
Effective portion of fair value changes of cash flow hedges		**(8 134)**	215	
Tax on movement in hedge accounting reserve		**2 277**	(60)	
Total comprehensive income/(loss) for the year		**500 643**	(144 523)	
Total comprehensive income/(loss) attributable to:				
Owners of Famous Brands Limited		**436 090**	(201 766)	
Non-controlling interests		**64 553**	57 243	
		500 643	(144 523)	
Basic earnings/(loss) per share (cents)	11.1			
Basic		**362**	(484)	175
Diluted		**361**	(482)	175

* *Refer to Note 21 for details on the restatement.*
** *This item may be reclassified subsequently to profit or loss.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	2020 R000	2019 Restated* R000
Balance at the beginning of the year	**1 527 529**	1 632 027
Restatement*		(5 460)
Restated balance at the beginning of the year	**1 527 529**	1 626 567
Issue of capital and share premium	**9 498**	9 234
Equity settled share-based payment scheme	**14 047**	29 357
Put options over non-controlling interests**	**9 173**	76 974
Total comprehensive income/(loss) for the year	**500 643**	(144 523)
Payment of dividends	**(249 392)**	(73 367)
Non-controlling interest arising	**1 960**	–
Change in ownership interests in subsidiaries	**(16 050)**	3 287
Other reserve	**2 984**	–
Balance at the end of the year	**1 800 392**	1 527 529

* *Refer to Note 21 for details on the restatement.*
** *F2020 movement relates to expiry of a put option. F2019 movement relates to the exercise and expiry of put options.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Note	2020 R000	2019 Restated* R000
Cash generated before working capital changes		**1 228 406**	1 053 182
Working capital changes		**111 984**	(19 598)
Decrease/(increase) in inventories		**32 151**	(18 352)
Decrease in trade and other receivables		**81 077**	14 351
Decrease in trade and other payables		**(1 244)**	(15 597)
Cash generated from operations		**1 340 390**	1 033 584
Net interest paid		**(215 895)**	(195 857)
Interest received		**46 892**	59 374
Interest paid		**(262 787)**	(255 231)
Tax paid		**(183 392)**	(197 209)
Cash available from operating activities		**941 103**	640 518
Dividends paid to owners of Famous Brands Limited		**(190 070)**	(26)
Dividends paid non-controlling interests		**(59 094)**	(73 367)
Net cash inflow from operating activities		**691 939**	567 125
Cash utilised in investing activities			
Additions to property, plant and equipment		**(151 804)**	(119 046)
Intangible assets acquired		**(21 524)**	(18 144)
Proceeds from disposal of property, plant and equipment and intangible assets		**24 678**	43 663
Additional investment in associate		**(3 159)**	–
Net cash inflow on disposal of subsidiary**		**31 699**	–
Dividends received from associate		**4 146**	4 340
Net cash outflow utilised in investing activities		**(115 964)**	(89 187)
Cash flow from financing activities			
Net borrowings repaid		**(430 000)**	(732 759)
Borrowings raised		**–**	2 187 000
Borrowings repaid		**(430 000)**	(2 919 759)
Net cash paid on settlement of non-controlling shareholder loans		**(1 899)**	(5 000)
Settlement of put option over non-controlling interests in subsidiary	15	**–**	(23 374)
Proceeds from disposal of non-controlling interest in subsidiary		**1 450**	4 559
Structuring fees paid on debt raised		**–**	(3 630)
Repayment of lease obligations		**(123 444)**	–
Net cash outflow from financing activities		**(553 893)**	(760 204)
Net increase/(decrease) in cash and cash equivalents		**22 082**	(282 266)
Foreign currency effect		**9 451**	20 195
Cash and cash equivalents at the beginning of the year		**454 724**	716 795
Cash and cash equivalents at the end of the year* **		**486 257**	454 724

* *Refer to Note 21 for details on the restatement.*

** *Relates to sale of Coega Concentrate (Pty) Ltd.*

*** *Comprises cash and cash equivalents of R486 million (2019: R455 million), of which R40 million (2019: R5 million) is restricted cash related to marketing funds. Rnil (2019: R1 million) is included in assets held for sale, refer to Note 9.*

PRIMARY (BUSINESS UNITS) AND SECONDARY (GEOGRAPHICAL) SEGMENT REPORT

for the year ended 29 February 2020

	2020 R000	2019 Restated* R000	% change
Revenue			
Brands	**974 127**	894 700	9
Leading brands	**783 364**	748 889	5
Signature brands	**190 763**	145 811	31
Supply Chain	**4 478 560**	4 446 514	1
Manufacturing	**2 770 809**	2 911 916	(5)
Logistics	**4 095 124**	3 942 223	4
Retail**	**123 625**	–	
Eliminations	**(2 510 998)**	(2 407 625)	4
Marketing funds*	**582 833**	541 948	8
Corporate	**23 156**	24 305	(5)
South Africa	**6 058 676**	5 907 467	3
United Kingdom (UK)	**1 407 170**	1 544 229	(9)
Gourmet Burger Kitchen (GBK)	**1 285 040**	1 431 723	(10)
Wimpy	**122 130**	112 506	9
Rest of Africa and Middle East (AME)	**314 469**	272 934	15
Total	**7 780 315**	7 724 630	1
Operating profit before non-operational items			
Brands	**472 459**	475 924	(1)
Leading brands	**449 660**	457 237	(2)
Signature brands	**22 799**	18 687	22
Supply Chain	**457 322**	513 341	(11)
Manufacturing	**419 195**	429 250	(2)
Logistics	**60 457**	84 091	(28)
Retail**	**(22 330)**	–	(100)
Marketing funds*	**–**	(2 700)	100
Corporate	**(83 951)**	(96 769)	13
Share-based payment charge	**(23 546)**	(39 770)	41
Foreign exchange movement	**11 816**	7 086	67
Consolidation entries	**(11 586)**	(16 382)	29
Corporate administration costs***	**(60 635)**	(47 703)	(27)
South Africa	**845 830**	889 796	(5)
UK	**11 727**	(64 390)	118
GBK	**(11 431)**	(82 102)	86
Wimpy	**23 158**	17 712	31
AME****	**54 877**	21 568	154
Total	**912 434**	846 974	8
UK	**(52 953)**	(318 016)	83
Impairment	**(52 953)**	(300 793)	82
Company Voluntary Agreement (CVA) costs*****	**–**	(17 223)	100
Corporate	**(432 664)**	(955 308)	54
Impairment	**–**	(598 632)	100
Net finance costs	**(218 682)**	(228 052)	4
Share of profit of associates	**5 228**	4 479	17
Tax	**(219 210)**	(133 103)	(71)
Profit/(loss) for the year	**426 817**	(426 350)	200

* *Refer to Note 21 for details on the restatement.*

** *Relates to products sold via Retail channels. The Retail business was previously consolidated within Manufacturing.*

*** *Corporate administration costs include internal audit, Board fees, corporate finance, CEO, other head office administrative costs not relevant to operations, and operating results from Design HQ.*

**** *The prior year includes a put option remeasurement of R27 million, which was a reduction to profit. The current year movement is a R3 million increase in profit.*

***** *The F2019 CVA costs relate to the once-off costs incurred as part of the Company Voluntary Arrangement process undertaken in the UK for GBK.*

PRIMARY (BUSINESS UNITS) AND SECONDARY (GEOGRAPHICAL) SEGMENT REPORT CONTINUED

Segmental operating margins	2020 %	2019 %
Brands	**48.5**	53.2
Leading brands	**57.4**	61.1
Signature brands	**12.0**	12.8
Supply Chain	**10.2**	11.5
Manufacturing	**15.1**	14.7
Logistics	**1.5**	2.1
Retail	**(18.1)**	0.0
South Africa	**14.0**	15.1
UK	**0.8**	(4.2)
GBK	**(0.9)**	(5.7)
Wimpy	**19.0**	15.7
AME	**17.5**	7.9
Total	**11.7**	11.0

The table below sets out the revenue from significant foreign entities.

Revenue from individual countries	2020 R000	2019 R000
UK	**1 407 170**	1 544 229
Botswana	**251 484**	214 380

The table below sets out the geographical location of non-current assets. Non-current assets exclude financial instruments and deferred tax assets.

Geographical allocation of non-current assets	2020 R000	2019 R000
South Africa	**2 703 997**	2 389 589
UK	**1 782 138**	858 518
Botswana	**71 958**	36 777
Other countries	**5 898**	622
Total	**4 563 991**	3 285 506

Additions to non-current assets by segment*	2020 R000	2019 R000
Leading brands	**23 981**	22 571
Signature brands	**21 468**	14 755
Manufacturing	**36 717**	39 751
Logistics	**26 297**	7 495
Corporate	**9 204**	7 866
SA	**117 667**	92 438
AME	**20 257**	5 438
UK	**35 404**	39 314
Total	**173 328**	137 190

* *Relates to property, plant equipment and intangible assets.*

STATISTICS AND RATIOS

for the year ended 29 February 2020

	2020	2019 Restated*	% change
Basic earnings/(loss) per share (cents)			
Basic	**362**	(484)	175
Diluted	**361**	(482)	175
Headline earnings per share (cents)			
Basic	**417**	316	32
Diluted	**416**	315	32
Ordinary shares (000)			
in issue	**100 186**	100 066	
weighted average	**100 102**	100 000	
diluted weighted average	**100 247**	100 230	
Operating profit margin (%)	**11.7**	11.0	
Net debt/equity (%)**	**143.0**	113.1	
Net debt/equity excluding IFRS 16 liabilities (%)***	**66.2**	108.6	
Net asset value per share (cents)	**1 797**	1 527	

* *Refer to Note 21 for details on the restatement.*

** *Total interest-bearing borrowings (including lease liabilities) less cash divided by equity.*

*** *Gearing ratio excluding lease liabilities.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

1 Statement of compliance

These AFS have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 29 February 2020, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and contains the information required by IAS 34 *Interim Financial Reporting*, the JSE Listings Requirements, and the Companies Act, No 71 of 2008, as amended, of South Africa.

2 Basis of preparation

The AFS do not include all the information and disclosures required for the full set of AFS, and should be read in conjunction with the full set of the audited AFS which are available on our website at www.famousbrands.co.za.

The Group's audited AFS as at and for the year ended 29 February 2020 were prepared on the going-concern basis. The accounting policies applied in the presentation of the AFS are consistent with those applied for the year ended 29 February 2020, except for new standards that became effective for the Group's financial period beginning 1 March 2019, refer to Note 4 and the accounting policy on marketing funds, refer to Note 21.

The summarised consolidated financial statements as well as the full set of audited AFS were prepared on the historical cost basis, under the supervision of Kelebogile (Lebo) Ntlha CA(SA), Group Financial Director.

3 Significant judgements and sources of estimation uncertainty

3.1 Adjusting vs. non-adjusting post-balance sheet events

For the purposes of the current reporting period, ended 29 February 2020, management has assessed the COVID-19 global pandemic and related impacts on the Group's operations as being a non-adjusting post-balance sheet event, based on key events occurring after the Group's reporting date. These key events include the timing of the declaration of COVID-19 as a pandemic by the World Health Organization on 11 March 2020, as well as the announcement of the COVID-19 global pandemic related lockdowns directed by the governments of key geographies in which the Group operates, commencing on 20 March 2020 in the UK and later in other trading markets. These key events occurred post the Group's reporting date, being 29 February 2020.

Therefore, forward looking information used for impairment assessments as required by IAS 36 *Impairment of Assets*, and the application of the Expected Credit Loss method as required by IFRS 9 *Financial Instruments*, only incorporates adjustments to future cash flows to the extent that the information was available at the Group's reporting date. Refer to Note 20.3 for disclosure of non-adjusting post-balance sheet events.

3.2 Going concern

The going concern assumption is evaluated based on information available up to the date on which the AFS are approved for issuance by the Board. While there is widespread uncertainty regarding the extent of the financial impact of the COVID-19 global pandemic on the economies of the geographies in which the Group operates, primarily being South Africa, the going concern assumption was considered to be appropriate for the preparation of the Group's AFS for the year under review. In this regard, key considerations included:

- **the Group's outlook regarding trading conditions that will persist into the foreseeable future:** an assessment of a range of varied scenarios was performed, including assumptions regarding a worst case lockdown period of three months (which is informed by global trends), and a slow rate of return to normal trading. Revenue assumed for the three months' lockdown period was negligible. The Group's intensified focus on cost leadership, including the reduction of corporate costs and shared function costs, will contribute to ensuring that the Group is well positioned to navigate the challenging trading conditions anticipated in the year ahead. Further information regarding the Group's prospects is provided on page 10;

3 Significant judgements and sources of estimation uncertainty *continued*

3.2 Going concern *continued*

- **The Group's debt service and covenants requirements:** the Group has complied with its financial covenants for the reporting period. In light of the anticipated challenging economic environment triggered by the COVID-19 global pandemic, management has proactively engaged with the Group's primary lender to restructure the future debt maturity profile and debt covenants. The reason being, the Group's likely breach of the currently agreed debt convenant requirements for the year ending 28 February 2021 as these were agreed in a pre-COVID-19 global pandemic environment. To date, the engagements with the primary lender have been positive and are expected to be concluded ahead of publication of the Group's interim results for the period ending 31 August 2020. Shareholders will be apprised of developments in this regard;
- **The Group's working capital requirements and access to short-term funding:** Whilst discussions regarding the longer term funding restructure and debt covenants is still in progress (as referred to above) the Group's primary lender extended an additional R300 million short-term facility in April 2020. The successful securing of this short term funding from our primary lender in a post-COVID-19 global pandemic environment is an indication of the confidence our primary lender has in our ability to manage our way forward through the current challenges. Management is confident that the short term facility is an appropriate interim solution to provide the Group with the necessary resources to continue trading until the Group concludes the restructure of its debt maturity profile and covenants; and
- **COVID-19 global pandemic related relief measures enacted by various governments:** the Group is participating in the COVID-19 global pandemic Temporary Employer/Employee Scheme (TERS) implemented by the South African Government, and the Furlough Scheme implemented by the UK Government.

The Board's decision not to provide further financial assistance to GBK (as communicated to shareholders in the SENS announcement published on 2 April 2020) is expected to be supportive of the Group's overall ability to continue as a going concern into the foreseeable future. Refer to Note 20.3. GBK's going concern position will not impact on the Group's ability to continue as a going concern into the foreseeable future.

4 Changes in accounting policies

The Group has adopted all the new, revised or amended accounting standards which were effective for the Group from 1 March 2019, including:

- IAS 12 *Income Taxes* (Amendment, effective for financial years beginning on or after 1 January 2019); and
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019).

These do not have a significant impact on the Group's financial results or position.

4.1 IFRS 16 *Leases*

IFRS 16 *Leases* was introduced by IASB in place of IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The standard is mandatory for accounting periods beginning on or after 1 January 2019. The Group has adopted it as from 1 March 2019. The Group has adopted IFRS 16 using the modified retrospective approach, by recognising any cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 March 2019. The Group did not have a cumulative effect on equity on adoption. The Group has elected not to re-assess the definition of a lease as all the leases identified as a lease in terms of IAS 17 and IFRIC 4 will still be leases under IFRS 16.

IFRS 16 has one model for lessees, which results in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the statement of financial position, requiring a lessee to recognise a right-of-use asset and a lease liability.

As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease rentals discounted at the incremental borrowing rate at the date of initial application. The Group elected to measure right-of-use assets on transition date at the amount of the initial measurement of the lease liability adjusted for historical lease accruals and prepayments. Right-of-use assets relating to new leases are measured as the amount of initial measurement of the lease liability plus initial direct costs, prepaid lease payments (less lease incentives) and estimated costs of dismantling and removing the underlying asset, if applicable.

As part of the modified retrospective transition approach, the Group has elected to determine the incremental-borrowing-rate using the Group observable rate adjusted for lease specific factors based on geographical location of each individual subsidiary.

4 Changes in accounting policies *continued*

4.1 IFRS 16 *Leases continued*

As part of applying the standard the Group has elected to apply the following practical expedients, exemptions and accounting policy choices allowed by the standard:

- No recognition of leases whose term ends within 12 months of the date of initial application (practical expedient);
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application (practical expedient);
- Short-term leases – these are leases with a lease term of 12 months or less (recognition exemption);
- Leases of low-value assets – these are leases where the underlying asset is of low value (recognition exemption);
- Incremental borrowing rate determined based on the remaining lease term at transition date (accounting policy); and
- Right-of-use asset has been measured based on the lease liability recognised at transition date (accounting policy) adjusted for any related prepaid and accrued lease payments previously recognised.

The Group enters into head lease arrangements which are subleased to franchisees, thus the Group is an intermediate lessor. The leases are classified as a finance lease as they transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The adoption of the standard has resulted in the recognition of the lease liability and lease receivable for these head leases and finance costs and finance income respectively related to these arrangements.

As part of the transition, the Group has elected to determine the incremental borrowing rate at transition date. The incremental borrowing rate ranges from 3.5% to 6% for UK and 8% to 11% for the rest of the Group leases.

Overall financial impact

The adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R1.3 billion (R950 billion related to GBK), lease liabilities of R1.4 billion (R1.0 billion related to GBK) and lease receivable of R64 million.

As a result of adopting IFRS 16, operating profit for the year ended 29 February 2020 has increased by R43 million due to the replacement of operating lease expenses with depreciation on right-of-use assets. This increase is offset by a net interest expense on lease liabilities of R71 million, resulting in a before-tax gain increasing by R28 million. On the statement of cash flows, lease payments of R200 million, previously included in cash generated by operations, have been disclosed under financing activities (R123 million relating to the principal portion of lease payments) and interest paid (R77 million).

5 Accounting standards and interpretations issued but not yet adopted

The Group has chosen not to early adopt the following amendments and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2020 or later periods:

IFRS 3 *Business Combinations* (Amendment, effective for financial years beginning on or after 1 January 2020)
Certain amendments have been made on the definition of a business. The changes clarify the requirements for the acquisition to be a business, it must have inputs and a process.

Management is determining the impact of the standard on the financial statements. No significant impact is expected.

IAS 7 *Financial Instruments Disclosure* and IFRS 9 *Financial Instruments* (Amendment, effective for financial years beginning on or after 1 January 2020)
The standard amends the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by phasing out of interest-rate benchmarks such as interbank offered rates (IBOR) in hedge accounting.

Management is determining the impact of the standard on the financial statements. No significant impact is expected.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for financial years beginning on or after 1 January 2020)
The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards.

Management is determining the impact of the standard on the financial statements. No significant impact is expected.

	2020 R000	2019 R000
6 Capital expenditure and commitments		
Invested	**173 328**	137 190
Property, plant and equipment	**151 804**	119 046
Intangible assets	**21 524**	18 144
Authorised, not yet contracted	**235 388**	184 797
Property, plant and equipment	**202 372**	161 582
Intangible assets	**33 016**	23 215

Refer to commentary section under heading Performance subsequent to reporting date. Non-essential capital expenditure has been frozen post year-end.

	2020 R000	2019 R000
7 Property, plant and equipment		
Opening balance	**1 048 537**	1 339 789
Additions due to application of IFRS 16	**1 302 230**	–
Additions	**151 804**	119 046
Foreign currency translation	**108 182**	127 461
Disposals	**(24 751)**	(36 828)
Depreciation	**(306 252)**	(195 971)
Transfer from intangible assets	**–**	26 985
Transfer to held for sale	**–**	(31 152)
Impairment	**(52 953)**	(300 793)
Closing balance	**2 226 797**	1 048 537

Impairment

An impairment of R53 million (2019: R301 million) was recognised during the year under review at GBK restaurant level.

To determine the impairment to be processed, the affected property, plant and equipment was valued using value-in-use calculations performed at a site level. The recoverable amount for sites where impairment indicators were identified was determined on the basis of value-in-use, which amounted to R198 million (2019: R32 million). The key assumptions used in calculating the recoverable amount include the discount rate and the long-term growth rate. The long-term growth rate is 5.1% (2019: 3%), but some sites with leases expiring in less than 10 years have varied growth rate assumptions which range between 0% and 15% (2019: 3% and 15%). The discount rate used in measuring value-in-use was an average of 9% per annum (2019: 5%). The current year impairment is due to underperformance of certain UK and Ireland stores. The prior year impairment was mainly as a result of the store closures resulting from CVA at GBK.

Sensitivity

An increase/(decrease) of 1% in the discount rate would result in a increase/(decrease) in the impairment charge of R8 million/(R8 million) (2019: R3 million/(R3 million)). An increase/(decrease) in the long term growth rate of 1% in the forecast profits will result in a decrease/(increase) in the impairment charge of R8 million/(R9 million) (2019: R7 million/(R7 million)).

Subsequent events

The impairment assessments were performed using forecasts prepared based on information known at 29 February 2020. Refer to Note 3.1 and 20.3 for details of the impact of the subsequent events related to the COVID-19 global pandemic.

	2020 R000	2019 R000
8 Intangible assets		
Opening balance	**2 179 770**	2 547 845
Additions	**21 524**	18 144
Foreign currency translation	**100 106**	247 506
Disposals	**(2 864)**	(7 032)
Transfer to property, plant and equipment	**–**	(26 985)
Amortisation	**(23 641)**	(26 576)
Impairment	**–**	(573 132)
Closing balance	**2 274 895**	2 179 770

Impairment

The GBK business acquired in October 2016 was assessed as a cash-generating unit. The goodwill and brand value which arose on the acquisition of the business was allocated to this cash-generating unit's carrying amount for the purpose of the impairment assessment.

The recoverable amount of the cash-generating unit was determined on the basis of fair value less cost to sell, which amounted to R1.5 billion (2019: R1.4 billion). The fair value used in determining the recoverable amount of the cash-generating unit is based on an income approach valuation method including a present value discounting technique using Level 3 inputs. The carrying amount of the cash-generating unit is R1.4 billion (2019: R1.4 billion).

Key assumptions used in the valuation includes the probability that the cash-generating unit will achieve the set long-term profit forecasts which includes like-for-like growth rates, the discount rate applied in arriving at the fair value and the store roll out plan. The assumed profitability was based on anticipated performances but adjusted for expected growth and the continued benefit of reduced rentals arising from the CVA.

Like-for-like growth rates has been based on current and expected economic conditions at 29 February 2020. The discount rate is determined based on market rates at year-end and observable inputs, adjusted for risk associated with the business.

The future profits were forecast over a period of 10 years applying a like-for-like sales growth rate of between 0% and 3% (2019: between 1% and 3%) over the 10 year period. A long-term growth rate of 2% (2019: 2%) was set for the years subsequent to the forecast. A discount rate of 10.2% (2019: 10.1%) was applied.

No impairment (2019: R573 million) was recognised during the financial year. In the prior year R47 million of the impairment related to goodwill and R526 million related to the brand.

Sensitivity analysis on fair value less costs to sell

An increase/(decrease) of 1% in the discount rate will result in a decrease/(increase) in the recoverable amount of R258 million/(R339 million) (2019: R340 million/(R258 million)).

An increase/(decrease) in the like-for-like growth of 1% in the forecast sales will result in an increase/(decrease) in the recoverable amount of R709 million/(R655 million) (2019: R481 million/(R484 million)).

An increase/(decrease) of one store per year in the roll-out plan results in an increase/(decrease) in the recoverable amount of R150 million/(R78 million) (2019: R124 million/(R121 million)).

Changes in key assumptions, as well as the actual cash flows achieved compared to those forecast could have resulted in further impairments in the GBK business. The model was reliant on a certain level of economic recovery post-Brexit and the achievement of the turnaround strategy over the long-term.

Subsequent events

The impairment assessments were performed using forecasts prepared based on information known at 29 February 2020. Refer to Note 3.1 and 20.3 for details of the impact of the subsequent events related to the COVID-19 global pandemic.

	2020 R000	2019 R000
9 Assets and liabilities held for sale		
Property, plant and equipment	–	31 152
Trade and other receivables	–	3 239
Cash and cash equivalents	–	959
Assets held for sale	–	35 350
Lease liabilities	–	1 014
Trade and other payables	–	691
Liabilities held for sale	–	1 705

The assets and liabilities held for sale related to the Coega Concentrate Tomato Paste Plant. The sale of Coega Concentrate was concluded effective 1 October 2019.

	2020 R000	2019 Restated* R000
10 Revenue		
Sale of goods	**4 478 560**	4 446 514
Services rendered, franchise and restaurant revenue	**2 718 922**	2 736 168
Marketing funds**	**582 833**	541 948
Total	**7 780 315**	7 724 630

* *Refer to Note 21 for details on the restatement.*

** *Marketing funds relate to funds contributed by franchisees for the various brands across the Group and are administered in line with the Consumer Protection Act (CPA). These were previously accounted for net of the related costs. Refer to Note 21. Further analysis of revenue is provided in the primary (business units) and secondary (geographical) segment report based on the information reviewed by the chief operating decision maker.*

	Note	2020 Gross amount R000	2020 Income tax R000	2020 Net R000	2019 Gross amount R000	2019 Income tax R000	2019 Restated* Net R000
11 Basic and headline earnings/(loss) per share							
11.1 Basic earnings/(loss) per share							
Profit/(loss) attributable to equity holders of Famous Brands Limited		**362 264**	**–**	**362 264**	(483 593)	–	(483 593)
Basic and diluted earnings/(loss)		**362 264**	**–**	**362 264**	(483 593)	–	(483 593)
Basic earnings/(loss) per share (cents)							
Basic				**362**			(484)
Diluted				**361**			(482)
11.2 Headline earnings per share							
Basic earnings/(loss)	11.1	**362 264**	**–**	**362 264**	(483 593)	–	(483 593)
Adjustments:		**55 890**	**(822)**	**55 068**	899 623	(100 020)	799 603
Loss on disposal of property, plant and equipment		**2 937**	**(822)**	**2 115**	198	(55)	143
Impairment		**52 953**	**–**	**52 953**	899 425	(99 965)	799 460
Headline earnings		**418 154**	**(822)**	**417 332**	416 030	(100 020)	316 010
Headline earnings per share (cents)							
Basic				**417**			316
Diluted				**416**			315

* *Refer to Note 21 for details on the restatement.*

	2020 R000	2019 R000
12 Non-operational items		
Impairment*	**52 953**	899 425
Once-off Company Voluntary Agreement (CVA) related costs**	**–**	17 223
	52 953	916 648

* *Comprising an impairment of R53 million (2019: R874 million) related to the GBK UK business and an impairment of Rnil (2019: R25 million) related to By Word of Mouth. Impairment is not deductible for tax purposes. This has an impact on Group's effective tax rate.*

** *Professional fees and redundancy costs incurred in F2019.*

	2020 R000	2019 Restated* R000
13 Net finance costs		
Finance costs		
Interest on borrowings	**169 457**	243 641
Interest on put option liabilities	**8 232**	6 230
Interest on lease liabilities	**77 109**	–
Other interest costs	**10 777**	39 278
	265 575	289 149
Finance income		
Interest from lease receivables	**6 064**	–
Interest from bank deposits	**33 800**	57 845
Other interest income	**7 029**	3 252
	46 893	61 097

* *Refer to Note 21 for details on the restatement.*

14 Related party transactions

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

15 Financial instruments

Accounting classifications and fair values

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

Level 1: quoted prices (adjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

	Level	2020 R000	2019 Restated* R000
Financial assets			
Measured at amortised cost:			
Trade and other receivables		**610 374**	619 574
Cash and cash equivalents		**486 257**	453 765
Derivative financial instruments		**1 783**	–
		1 098 414	1 073 339
Financial liabilities			
Measured at amortised cost:			
Trade and other payables		**684 181**	649 220
Shareholders for dividends		**2 423**	2 195
Lease liabilities		**1 383 240**	5 785
Non-controlling shareholder loans		**601**	2 500
Borrowings		**1 677 437**	2 113 702
Fair value through profit or loss:			
Derivative financial instruments (put options over non-controlling interests)	3	**104 295**	105 783
Derivative financial instruments (foreign currency swaps and foreign exchange contracts)	2	**120**	613
Fair value through other comprehensive income:			
Derivative financial instruments (interest-rate swaps)	2	**21 620**	11 797
		3 873 917	2 891 595

* *Refer to Note 21 for details on the restatement.*

The carrying amounts of financial assets and liabilities are considered to approximate the fair values.

15 Financial instruments *continued*

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R104 million (2019: R106 million) were determined by applying an income approach valuation method including a present value discount technique. The fair value measurement includes inputs that are not observable in the market. Key assumptions used in the valuation of these instruments include the probability of achieving set profit targets and the interest rates. An increase/(decrease) of 1% in the interest rate would result in decrease/(increase) of Rnil (2019: R4 million). An increase/(decrease) of 10% in the profit forecasts would result in an increase/(decrease) of R10 million (2019: R10 million). The profit forecast has been determined based on information known as at reporting date. Refer to Note 20 for details of subsequent events.

Movements in level 3 financial instruments carried at fair value

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

	2020 R000	2019 Restated* R000
Carrying value at beginning of the year	**105 783**	176 186
Unwinding of discount	**8 232**	6 230
Derecognition through equity	**(9 173)**	(89 168)
Settlement of put option*	**–**	(23 374)
Remeasurement	**(547)**	35 909
Carrying value at end of the year	**104 295**	105 783

* *The settlement of put option related to the exercise of a put option by a minority shareholder of one of the Group's subsidiaries.*

16 UK Business Segmental Results

The table below sets out the performance of the UK Business Segment in GBP and ZAR respectively.

		2020	2019	% change
Revenue	GBP000	**75 524**	86 678	(13)
Operating profit/(loss)	GBP000	**630**	(3 614)	117
Operating profit/(loss) margin	%	**0.8**	(4.2)	5.0
Revenue	R000	**1 407 170**	1 544 229	(9)
Operating profit/(loss)	R000	**11 727**	(64 390)	118
Operating profit/(loss) margin	%	**0.8**	(4.2)	5.0

17 Borrowings

	Currency	Maturity Date	Interest rate Nature	Interest rate Margin %	Interest rate Rate	2020 %	2019 %	2020 R000	2019 R000
Unsecured									
Long-term borrowings								**1 655 630**	2 088 098
Short-term portion of borrowings								**21 807**	25 604
								1 677 437	2 113 702
Interest is paid quarterly in arrears.									
The Company has unlimited borrowing powers in terms of its Memorandum of Incorporation.									
Terms of repayment									
Loan facility: 3-year bullet	ZAR	Dec-21	variable	1 .60	3-month JIBAR	**6.80**	7.15	**600 000**	600 000
Loan facility: 4-year bullet	ZAR	Dec-22	variable	1 .70	3-month JIBAR	**6.80**	7.15	**850 000**	850 000
Loan facility: 5-year revolving facility	ZAR	Dec-23	variable	1 .70	3-month JIBAR	**6.80**	7.15	**207 169**	637 169
								1 657 169	2 087 169
Transaction costs								**(2 468)**	(3 398)
Interest accrued								**22 736**	29 931
								1 677 437	2 113 702
Maturity analysis									
Payable within 1 year								**21 807**	25 604
Payable between 2 and 5 years								**1 655 630**	2 088 098
								1 677 437	2 113 702

Sensitivity analysis
A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R17 million (2019: R21 million).

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

Facilities
- Total ZAR overdraft facility in place: Rnil (2019: R380 million). Unutilised portion at year-end: Rnil (2019: R380 million).
- The Group has a 5-year revolving loan facility of R970 million (2019: R970 million). Unutilised portion is R763 million (2019: R333 million) at year-end.

Refinancing subsequent to year-end
In March 2020 the Group refinanced the existing funding structure to align with the funding requirements of the business at the time and to manage liquidity risk. Refer to Note 20.1 for details.

Guarantees
Famous Brands Limited, Famous Brands Management Company (Pty) Ltd, Mugg and Bean Franchising (Pty) Ltd, Lamberts Bay Foods Limited, Famous Brands Logistics Company (Pty) Ltd, Creative Coffee Franchising (Pty) Ltd, Hawk Like Trade and Invest (Pty) Ltd and Vovo Telo Bakery and Cafe (Pty) Ltd have guaranteed in terms of the loan agreement:

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

Transaction costs
- The unamortised portion of transaction costs related to the refinanced loan facility amount to R2 million (2019: R3 million).

18 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain, over time, an optimal structure to reduce the cost of capital.

The capital structure of the Group consists of Cash and cash equivalents, Borrowings (Note 17) and Equity as disclosed in the statement of financial position. There are no externally imposed capital requirements.

Financial covenants

The Group's borrowings (refer Note 17) are subject to the following financial covenants, which the Group is in compliance with:

	2020	2019
Debt to EBITDA	**<2.50**	<2.50
Interest cover	**>3.00**	>3.00

Gearing

The Group's gearing ratio is set out below:

	2020 R000	2019 R000
Borrowings	**1 677 437**	2 113 702
Lease liabilities	**1 383 240**	68 977
Cash and cash equivalents*	**(486 257)**	(454 724)
Net debt	**2 574 420**	1 727 955
Equity	**1 800 392**	1 527 529
Gearing ratio** (%)	**143.0**	113.1

* *Cash and cash equivalents includes Rnil (2019: R1 million) in assets held for sale, refer to Note 9. Restricted cash balances of R40 million (2019: R5 million) are included in cash and cash equivalents.*

** *Calculated as Net debt divided by Equity.*

Refer to Note 3.2 for key judgements on the ability to continue as a going concern and Note 20.1 for subsequent events.

19 Contingent liabilities

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

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

Guarantees issued by banks in favour of trade creditors totalled R8 million (2019: R9 million).

Refer to Note 17 for other guarantees and facilities in the Group.

20 Subsequent events

20.1 Refinanced debt structure

Management's negotiations with the Group's primary lender regarding a more appropriate debt finance structure at the time were successfully concluded on 13 March 2020. Details of the new debt finance structure are set out below.

		Interest rate			
Loan Facility	**Maturity**	**Nature**	**Margin %**	**Rate**	**Facility**
A: Amortising loan	Feb-21	Variable	1.50	3-month JIBAR	ZAR 150 million
B: Amortising loan	Feb-22	Variable	1.60	3-month JIBAR	ZAR 150 million
C: Amortising loan	Feb-23	Variable	1.70	3-month JIBAR	ZAR 150 million
D: Amortising loan	Feb-24	Variable	1.80	3-month JIBAR	ZAR 400 million
E: Revolving Credit Facility	Feb-24	Variable	1.90	3-month JIBAR	ZAR 760 million

The debt covenants were concluded at the same level as the previous debt structure. The Group's debt covenants are actively monitored internally on an ongoing basis.

Subsequent to 13 March 2020, management secured a further 12-month facility of R300 million at prime interest rate of 7.75%, which is subject to the same debt covenants as the structure concluded on the 13 March 2020 detailed in the table above.

The debt covenants on the refinanced structure and other measures will be measured for reporting purposes at the end of August 2020, aligned with the Group's half-year reporting period. Furthermore, discussions with the Group's primary lender, necessitated by the COVID-19 global pandemic regarding the Group's future maturity profile and covenants have been positive and will be considered ahead of publication of the interim results for the period ending 31 August 2020. Refer to Note 3.2.

20.2 COVID-19 global pandemic related lockdowns

As disclosed in Note 3.1, management has assessed the COVID-19 global pandemic, most specifically the effect of the lockdown, as being a non-adjusting post-balance sheet event for the reporting period based on the timing of the various lockdowns implemented in the Group's respective trading markets, all of which occurred after the Group's reporting date, being 29 February 2020.

For the duration of the various lockdowns across our trading markets in SA, AME, UK and Ireland, the Group did not generate material revenue; accordingly, the Group's earnings for the financial year ending 28 February 2021 are expected to be negatively impacted. In light of the general uncertainty related to the macro-economic impact of the COVID-19 global pandemic, it is not possible to quantify with accuracy the full impact of the COVID-19 global pandemic on the business. Refer to commentary under the headings Performance subsequent to reporting date, Looking forward and Prospects.

20.3 Non-adjusting post-balance sheet events

Impairment of the Group's GBK investment

GBK

In the SENS announcement published on 2 April 2020, shareholders were advised of the Board's decision to not provide further financial assistance to the GBK business. Shareholders were further cautioned that this decision may result in an impairment of the full value of the Group's investment in GBK.

The cautionary was subsequently renewed on Wednesday, 20 May 2020, as deliberations in respect of the matter are still in progress. As at 29 February 2020 the carrying value of GBK's cash generating unit was GBP 119 million, which is gross of IFRS 16 lease liabilities of GBP51 million.

20 Subsequent events *continued*

20.3 Non-adjusting post-balance sheet events *continued*

Impairment of the Group's GBK investment *continued*

GBK continued

While not impacting on the Group's ability to continue as a going concern into the foreseeable future, shareholders are advised that in light of the UK lockdown and the Board's decision not to provide further financial assistance to GBK, there is material uncertainty surrounding GBK's ability to continue as a going concern into the foreseeable future.

Impairment of the Group's investments in associates

UAC Restaurant Limited (UACR)

The Group holds a 49% stake in UACR, a subsidiary of UAC of Nigeria plc (UACN). UACN is a leading diversified conglomerate with operations in foods, paints, logistics and real estate, listed on the Nigerian Stock Exchange. During the financial year ended 28 February 2017, in light of the difficult economic climate in Nigeria, and the introduction of a flexible exchange rate policy and subsequent devaluation of the Naira, the Group recognised a R20 million impairment on its investment in the UACR business. It is anticipated that the COVID-19 global pandemic is likely to have an adverse impact on Nigeria's economic outlook. Accordingly, the Board anticipates that a further impairment of the Group's investment in UACR may be required during the financial year ending 28 February 2021. The amount of the impairment will be quantified in the new financial year as it is not possible at this stage to reliably estimate the impact of the COVID-19 global pandemic on the investment.

It's a Matter of Taste (Pty) Ltd (BWOM)

The Group purchased a 49.9% stake in BWOM, a multi-awarded commercial catering company, at a cost of R51 million during the financial year ended 28 February 2017. An impairment of R25.5 million was recognised against the investment during the year ended 28 February 2019 due to losses incurred in the business. Due to the impact of the COVID-19 global pandemic on the business, the Board anticipates that a further impairment may be required during the financial year ending 28 February 2021. The amount of the impairment will be quantified in the new financial year as it is not possible at this stage to reliably estimate the impact of the COVID-19 global pandemic on the investment.

Expected Credit Loss (ECL)

IFRS 9 *Financial Instruments* requires an entity to determine a provision for doubtful debt (i.e. a loss allowance) based on ECLs (including forward looking information). As the COVID-19 global pandemic was assessed to be a non-adjusting post-balance sheet event throughout the Group's operations for the period ended 29 February 2020, only information available as at 29 February 2020 was considered in determining the loss allowances for the current year.

Historically, the Group's loss allowance as a percentage of trade receivables has been low; it is anticipated that the impact of the COVID-19 global pandemic may increase loss allowances for the year ending 28 February 2021. It is not possible at this stage to quantify the impact of the COVID-19 global pandemic on the Group's loss allowance in light of the uncertainties surrounding how the COVID-19 global pandemic will affect our franchisees' ability to recover and service their debts as before.

Assets supported by forward looking information

The COVID-19 global pandemic may have an impact on other balances that are supported by forward looking information, such as IFRS 16 right-of-use assets, investments in subsidiaries and associates, deferred tax assets and inventories. In light of the uncertainties surrounding the impact of the COVID-19 global pandemic on the economies in which the Group operates, it is not practical at this stage to quantify the extent of the financial impact.

21 Restatement of comparatives

The restatement relates to franchise marketing funds. In terms of its agreements with franchisees, the Group collects marketing levies from its franchisees to support marketing activities of the related brands. Thereafter, the Group manages the marketing funds collected and has a legal and statutory duty to report back to franchisees, in line with the Consumer Protection Act, No 68 of 2008 (Consumer Protection Act), on how the funds were utilised. Consequently the Group viewed itself as acting in the capacity of an agent with respect to the marketing funds, and the accounting treatment was in accordance with that understanding. The agency-based accounting treatment resulted in the inflows and expenditures associated with these marketing funds being recognised solely on the statement of financial position, resulting in the recognition of a net asset or liability at reporting date, and had no impact on the Group's reported profit or loss.

In the current period, the Group received legal advice which concluded that the marketing funds do not legally belong to franchisees, notwithstanding that the Group retains the legal and statutory obligation to report on the use and management thereof. This clarification of the legal position resulted in the Group re-assessing its previous accounting treatment of marketing funds. The result of that review is that management has concluded that the previous accounting treatment was incorrect.

The impact of the clarified legal position on the application of IFRS 15 *Revenue from Contracts with Customers* is that the marketing fund fees due from the franchisees should be recognised as revenue earned by the Group together with the other franchise fees earned, being part of the same performance obligation. Expenditures incurred utilising the marketing funds are recognised as expenses of the Group. Compared to the previous accounting, the result of the revised accounting treatment is that any differences in the timing between the recognition of franchise fee revenues (including marketing fees), and the recognition of marketing fund expenditures incurred, could result in increases or decreases in net profit in a given reporting period, which outcome would not have occurred previously.

Any unspent marketing funds (which per the Consumer Protection Act are held in separately designated bank accounts from the rest of the Group's funds) still held by the Group at reporting date are denoted as "restricted cash" to indicate that these are funds to which the Group does not have unfettered discretion with respect to its use in the normal course of business.

The marketing funds will be accrued in the statement of financial position to the extent funds have been received from the franchisee and it is unspent at the end of the period and to the extent that there is overexpenditure, which will be recovered from future marketing receipts, this is expensed in profit or loss.

21 Restatement of comparatives *continued*

Consolidated statement of profit or loss and other comprehensive income

for the year ended 28 February 2019

	Audited 28 February 2019 R000	Adjustment Marketing Funds R000	Restated 28 February 2019 R000
Revenue	7 179 536	545 094	7 724 630
Cost of sales	(3 592 399)	–	(3 592 399)
Gross profit	3 587 137	545 094	4 132 231
Selling and administrative expenses	(2 737 463)	(547 794)	(3 285 257)
Operating profit before non-operational items	849 674	(2 700)	846 974
Non-operational items	(916 648)	–	(916 648)
Operating loss including non-operational items	(66 974)	(2 700)	(69 674)
Net finance costs	(225 634)	(2 418)	(228 052)
Finance costs	(285 008)	(4 141)	(289 149)
Finance income	59 374	1 723	61 097
Share of profit of associates	4 479	–	4 479
Loss before tax	(288 129)	(5 118)	(293 247)
Tax	(134 414)	1 311	(133 103)
Loss for the year	(422 543)	(3 807)	(426 350)
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations	281 672	–	281 672
Pre-tax exchange differences on translating foreign	324 178	–	324 178
Tax effect on exchange differences on translating	(42 506)	–	(42 506)
Movement in hedge accounting reserve	155	–	155
Effective portion of fair value changes of cash flow hedges	215	–	215
Tax on movement in hedge accounting reserve	(60)	–	(60)
Total comprehensive loss for the year	(140 716)	(3 807)	(144 523)
Loss for the year attributable to:			
Owners of Famous Brands Limited	(480 400)	(3 193)	(483 593)
Non-controlling interests	57 857	(614)	57 243
	(422 543)	(3 807)	(426 350)
Total comprehensive loss attributable to:			
Owners of Famous Brands Limited	(198 573)	(3 193)	(201 766)
Non-controlling interests	57 857	(614)	57 243
	(140 716)	(3 807)	(144 523)
Basic loss per share (cents)			
Basic	(480)	(4)	(484)
Diluted	(479)	(3)	(482)

21 Restatement of comparatives *continued*

Consolidated statement of financial position

for the year ended 28 February 2019

	2019			2018		
	Audited 28 Feb 2019 R000	Adjustment Marketing Funds R000	Restated 28 Feb 2019 R000	Audited 28 Feb 2018 R000	Adjustment Marketing Funds R000	Restated 28 Feb 2018 R000
ASSETS	679 702	(9 267)	670 435	685 009	(5 460)	679 549
Deferred tax asset	11 630	2 885	14 515	14 569	1 575	16 144
Trade and other receivables	668 072	(12 152)	655 920	670 440	(7 035)	663 405
Other assets	4 289 498	–	4 289 498	5 220 782	–	5 220 782
Total assets	4 969 200	(9 267)	4 959 933	5 905 791	(5 460)	5 900 331
EQUITY AND LIABILITIES						
Capital and reserves	398 211	–	398 211	(18 946)	–	(18 946)
Retained earnings	1 023 383	(7 795)	1 015 588	1 524 544	(4 602)	1 519 942
Equity attributable to owners of Famous Brands Limited	1 421 594	(7 795)	1 413 799	1 505 598	(4 602)	1 500 996
Non-controlling interests	115 202	(1 472)	113 730	126 429	(858)	125 571
Total equity	1 536 796	(9 267)	1 527 529	1 632 027	(5 460)	1 626 567
Other liabilities	3 432 404	–	3 432 404	4 273 764	–	4 273 764
Total liabilities	3 432 404	–	3 432 404	4 273 764	–	4 273 764
Total equity and liabilities	4 969 200	(9 267)	4 959 933	5 905 791	(5 460)	5 900 331

Consolidated statement of cash flows

	2019		
	Audited 28 Feb 2019 R000	Adjustment Marketing Funds R000	Restated 28 Feb 2019 R000
Cash generated before changes in working capital	1 055 882	(2 700)	1 053 182
Decrease in receivables	11 651	2 700	14 351

Primary (business units) and secondary (geographical) segment report

	2019		
	Audited 28 Feb 2019 R000	Adjustment Marketing Funds R000	Restated 28 Feb 2019 R000
Revenue			
Marketing funds	–	541 948	541 948
AME	269 788	3 146	272 934
Operating profit before non-operational items			
Marketing funds	–	2 700	2 700

SHAREHOLDER SPREAD

	2020				2019			
	Number of share-holders	% of total share-holdings	Number of shares	% of issued capital	Number of share-holders	% of total share-holdings	Number of shares	% of issued capital
1 – 10 000	**4 432**	**92.43**	**3 940 583**	**3.93**	5 126	93.08	1 843 807	1.84
10 001 – 50 000	**211**	**4.40**	**4 727 046**	**4.72**	232	4.21	5 080 000	5.08
50 001 – 100 000	**38**	**0.79**	**2 507 149**	**2.50**	38	0.69	2 689 469	2.69
100 001 – 1 000 000	**96**	**2.00**	**34 841 052**	**34.78**	89	1.62	31 008 953	30.99
Over 1 000 000	**18**	**0.38**	**54 170 228**	**54.07**	22	0.40	59 443 990	59.40
Total	**4 795**	**100.00**	**100 186 058**	**100.00**	5 507	100.00	100 066 219	100.00
Distribution of Shareholders								
Individuals	**3 944**	**82.25**	**20 979 114**	**20.94**	4 470	81.17	22 459,998	22.45
Insurance Companies	**9**	**0.19**	**1 181 098**	**1.18**	10	0.18	428 555	0.43
Investment Trusts	**274**	**5.71**	**7 644 852**	**7.63**	371	6.74	8 835 101	8.83
Other Companies and Corporate Bodies	**568**	**11.85**	**70 380 994**	**70.25**	654	11.87	67 752 789	67.71
Sovereign Funds	**–**	**–**	**–**	**–**	2	0.04	589 776	0.58
Total	**4 795**	**100.00**	**100 186 058**	**100.00**	5 507	100.00	100 066 219	100.00
Shareholder type								
Non-public shareholders	**23**	**0.48**	**23 645 580**	**23.60**	18	0.33	24 777 246	24.76
Directors and Associates (Direct)	**9**	**0.19**	**13 758 117**	**13.73**	6	0.11	14 613 863	14.60
Directors and Associates (Indirect)	**14**	**0.29**	**9 887 463**	**9.87**	12	0.22	10 163 383	10.16
Public shareholders	**4 772**	**99.52**	**76 540 478**	**76.40**	5 489	99.67	75 288 973	75.24
Total	**4 795**	**100.00**	**100 186 058**	**100.00**	5 507	100.00	100 066 219	100.00
Fund managers greater than 5% of the issued shares								
Coronation Fund Managers			**26 117 658**	**26.07**			17 357 866	17.35
Public Investment Corporation			**9 312 345**	**9.30**			9 053 910	9.05
BMO LGM Asset Management Group			**8 021 206**	**8.01**			9 956 335	9.95
Total			**43 451 209**	**43.38**			36 368 111	36.35
Direct and indirect beneficial shareholders greater than 5% of the issued shares (excluding directors)								
Coronation Fund Managers			**14 341 846**	**14.32**			10 445 681	10.44
Government Employees Pension Fund			**10 818 519**	**10.80**			10 677 270	10.67
BMO LGM Asset Management Group			**8 021 206**	**8.01**			9 956 335	9.95
Halamandaris Theofanis Mr			**7 017 598**	**7.00**			7 017 598	7.01
Panis Trust			**6 828 955**	**6.82**			6 828 955	6.82
Total			**47 028 124**	**46.95**			44 925 839	44.89
Total number of shareholdings	**4 795**				5 507			
Total number of shares in issue			**100 186 058**				100 066 219	

Famous Brands Limited

Incorporated in the Republic of South Africa

Registration number: 1969/004875/06
JSE share code: FBR
ISIN code: ZAE000053328

Directors

NJ Adami, SL Botha (Independent Chairman), CH Boulle, DJ Fredericks, N Halamandaris, JL Halamandres, DP Hele (Chief Executive Officer)*, AK Maditse, TE Mashilwane, K Ntlha (Group Financial Director)*.

* *Executive*

Company Secretary

CD Appollis

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Telephone: +27 11 315 3000
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Transfer secretaries

Computershare Investor Services Proprietary Limited

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Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107

Sponsor

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

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5 Magwa Crescent
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