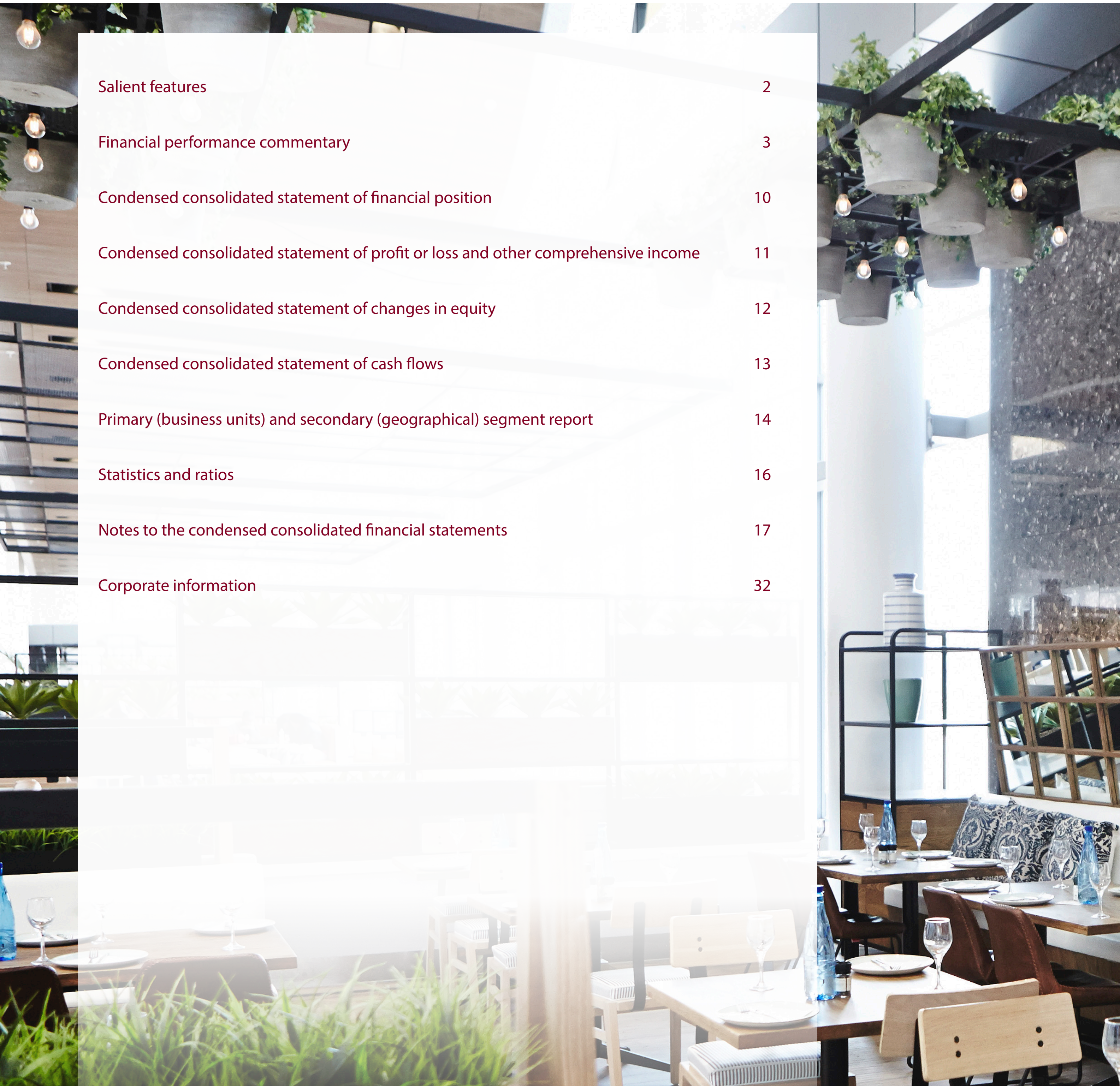
famous | brands
you're in good company

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

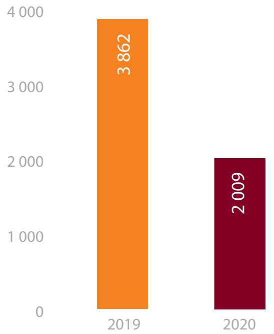
FOR THE SIX MONTHS ENDED **31 AUGUST 2020**

CONTENTS



SALIENT FEATURES

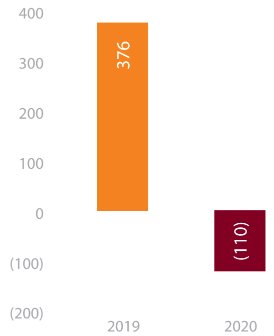
Revenue (Rm)



Revenue R2.0 billion

Down by 48%

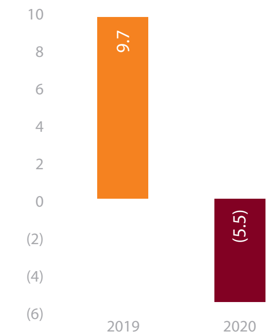
Operating profit/(loss) before non-operational items (Rm)



Operating loss before non-operational items (R110 million)

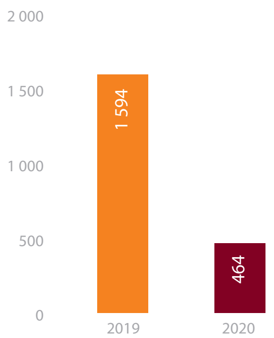
Down by 129%

Operating margin (%)



Operating margin (5.5%)

Net asset value (cents)



Net asset value per share 464 cents

Down by 70.9%

FINANCIAL PERFORMANCE COMMENTARY

Group overview

Famous Brands is Africa's leading food services franchisor. The Group's vertically integrated business model comprises a portfolio of 23 restaurant brands, represented by 2 838 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 Manufacturing and Logistics operations.

COVID-19 global pandemic ("pandemic"):

Impact on the business

The Group's performance over the six months under review has been influenced by the progression of the pandemic and correlated government-prescribed levels of economic activity in our trading markets. Across the geographies in which we operate, the negative financial impact of the pandemic and resultant restrictions has been extremely severe.

The announcement of the pandemic in March 2020 coincided with the first month of the review period, and its impact has been evident over the entire six months, in varying degrees, as the respective countries' risk-adjusted strategies progressed from total lockdown to gradual easing of restrictions. During the lockdowns, in line with regulations, our SA and UK operations were entirely shut with the exception of the SA retail division. Prescribed restrictions in the AME region were slightly less onerous, affording some trading activity. The gradual easing of restrictions in SA and the UK in the second half of the review period enabled us to reopen parts of the business in compliance with regulations, however, significant components remained in hibernation until July.

Approximately 95% of the Group's store network has reopened, with a small balance temporarily closed. More significant, is the impact the pandemic has had on new store openings, which is a key driver of brand momentum. For the most part, landlords have acted responsibly and fairly in terms of rental negotiations, assisting tenants to navigate the worst effects of the pandemic. This rational approach to lease rates affords interesting opportunities, however, the current weak consumer environment dictates against a robust store roll out. Management is of the opinion this trend will continue for at least 18 months.

In general, aligned with travel restrictions and social distancing measures, the most acute impact has been on our restaurants situated on transit routes, in major malls and those reliant on tourist trade; in comparison, local convenience sites and restaurants in neighbourhood shopping centres fared better. For the most part, less densely populated outlying markets also outperformed high density urban centres, where risk of infection was perceived as higher.

Predictably, our Leading brands outperformed the Signature portfolio, primarily because quick service restaurants benefitted in the period during which delivery and take-away only trade was permitted, a format which is not easily adaptable for all casual dining restaurants. While dine-in sales have improved slightly with the easing of restrictions from the end of July, they remain weak due to continued consumer concerns regarding the virus. A survey commissioned by the Group in July reveals that 66% of consumers are reluctant to return to dine-in restaurants in the short-term due to pandemic-associated fears.

A key priority across all our brands has been to instil the trust and confidence of our customers by ensuring elevated health and hygiene protocols to demonstrate safe dining. We continue to implement rigorous health and safety measures across our operations to play our part in reducing the spread of the virus. These measures have enabled the business to deliver responsible, safe, uninterrupted service to our customers and ensure the well-being of our employees.

Group performance

At the end of the prior financial year, we reported on the development of our 2021 – 2023 strategic roadmap, which is customer inspired, brand led and supported by the back-end value chain. Underpinning this strategic roadmap is our long-standing high-performance culture and a keener understanding of value creation for stakeholders at every level of the business.

Aligned with this roadmap, and accelerated by the pandemic, our focus over the past six months was to right-size the business, reduce costs, and preserve cash to facilitate balance sheet flexibility. In this regard, a range of remedial measures were swiftly implemented across the business. These included a freeze on capital expenditure; reduction of operational costs; 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 were not permitted to operate under prevailing restrictions; and a retrenchment programme where all other options had been exhausted.

Notwithstanding the extremely challenging conditions, a number of key achievements were reported for the period based on the following strengths:

- the resilient business model, which we were able to flex to respond to various risk-adjusted levels of activity;
- robust cash generating ability, which ensured uninterrupted payment of creditors. In addition, the R300 million short-term contingency facility raised during the period was not utilised;
- the differentiated, defensive Leading brands portfolio which ensured that consumers could continue to access our offering even under restricted trading conditions;
- agility and responsiveness displayed by management and franchise partners to quickly hibernate and safely reopen operations;
- brand innovation in both trading formats and menu offerings. Innovations such as no-contact kerbside collect and bundling and sharing offers were all warmly received by customers;
- investment in technological enablers including new apps and improved e-commerce/online competence to enhance the Group's convenience, collect and delivery positioning;
- expansion of the home delivery capability (both owned and third-party aggregators) in line with evolving customer expectations;
- menu rationalisation, focusing on key strategic menu offerings, which improved supply and operational efficiencies for franchise partners, while enabling customers to enjoy popular favourites; and
- inventive use of technology to enhance health and safety protocols for customers, including QR codes on menus, tables and counters, facilitating no-touch menus and marketing materials.

Group financial results

		Six months ended 31 August 2020	Six months ended 31 August 2019 Restated*	% change
Statement of profit or loss and other comprehensive income				
Revenue	Rm	**2 009**	3 862	(48)
Operating (loss)/profit before non-operational items	Rm	**(110)**	376	(129)
Operating (loss)/profit margin	%	**(5.5)**	9.7	
Impairment**	Rm	**(1 569)**	–	
EBITDA before impairment	Rm	**86**	530	
Basic (loss)/earnings per share	Cents	**(1 535)**	140	(1 196)
Headline (loss)/earnings per share	Cents	**(240)**	140	(271)
Statement of cash flows				
Cash (utilised)/generated before working capital changes	Rm	**(35)**	542	
Working capital changes	Rm	**90**	31	
Net cash inflow/(outflow) from investing activities	Rm	**25**	(82)	
Net cash outflow from financing activities	Rm	**(133)**	(233)	
Cash realisation rate***	%	**64**	108	
Statement of financial position				
Cash and cash equivalents****	Rm	**341**	429	
Net assets^	Rm	**3 344**	4 712	
Net asset value per share	Cents	**464**	1 594	
Net debt^^	Rm	**2 673**	2 689	
Net debt/equity (gearing)	%	**574**	169	
Total equity	Rm	**465**	1 595	

* *The restatement relates to franchise Marketing Funds. Refer to Note 18 for the details of the restatement*

** *An impairment of R1.6 billion (before tax) was recognised in the GBK business in the review period. The GBK business has now been fully impaired. No impairment was recognised for the prior comparable period*

*** *Cash generated by operations as a percentage of EBITDA*

**** *Includes restricted cash of R12 million (2019: R9 million) related to Marketing Funds*

^ *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*

Gearing

The carrying amount of the Group's borrowings at the end of the review period was R1.56 billion (2019: R1.93 billion). Borrowings of R97 million (2019: R180 million) were repaid during the review period. The increase in gearing from 169% to 574% mainly relates to the GBK Restaurants Limited ("GBK") UK impairment recognised during the review period.

Operational review

Brands

The Group's Brands portfolio 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 store network= comprises of 2 727 franchised and 111 Company-owned restaurants.

Total revenue reported for the review period decreased by 61% to R186 million (2019: R481 million), with Leading brands contributing R161 million (2019: R386 million), down 58%. Signature brands' revenue declined 74% to R25 million (2019: R95 million).

An operating profit of R4 million was reported (2019: R235 million), and the operating margin declined to 2.3% (2019: 48.9%).

SA

Across our Leading and Signature brands, combined system-wide sales* for the review period declined 51.2% and like-for-like sales** decreased by 51.7%. Independently, Leading brands' system-wide sales*# declined by 48.0%, while like-for-like sales** decreased 48.7%. Signature brands' system-wide sales*^ deteriorated 70.1% and like-for-like sales** reduced by 70.4%.

While disappointing relative to historical performance, these results were a commendable achievement in light of the prevailing adverse environment. This solid effort is validated when compared to the industry's results as quoted in the Stats SA report published in September: SA restaurant sales were down 100% year on year in April, 97.7% in May, 87.7% in June and 75.0% in July.

Leading brands portfolio

The Group's mainstream brands are segmented into quick service and casual dining offerings and occupy the number one or two position in the categories they trade in.

In line with stated strategy, we have continued to finetune our priority areas for investment in the business based on appropriate returns, with a key focus on our Leading brands. By resourcing these brands more accurately, we have equipped them to compete more equitably in a global brand environment, and we have made pleasing headway in building capability and capacity to improve their competitive posture and their ability to deliver growth.

While our traditional quick service brands benefitted from regulations which restricted trading to delivery and take-away only, several of our traditional casual dining brands also demonstrated impressive agility to flex their models to expand their take-away and delivery offerings.

Subsequent to the easing of restrictions, and particularly since the transition to level 1 economic activity, our Leading brands have all continued to gain momentum, although the casual dining brands still lag their quick service counterparts.

Signature brands portfolio

This portfolio comprises a wide range of bespoke niche casual dining offerings.

Firmly positioned in the dine-in segment, these brands were most adversely affected by lockdown regulations which included reduced trading hours and restrictions on seating capacity and on-site consumption of alcohol.

Our stated goal is to grow selected Signature brands which have the potential for scale and exit non-performing brands and non-viable sites; accordingly, this business unit remains the subject of ongoing review and reconstruction. In light of the pandemic, our programme to optimise the structure of this portfolio will be determined by the nature of the recovery of the casual dining segment, which is expected to be protracted and merciless.

Sale of the controlling stake in tashas

As announced on SENS on 24 August 2020, the Group sold its controlling 51% stake in boutique café brand, tashas™, to the founding Sideris family, who held the remaining 49%. The deal was effective from 1 August 2020.

= *Excludes Frozen for You stores*
* *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 permanently 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*

AME

The Group is represented by 283 restaurants in 16 countries in this region.

Although all of the AME markets were adversely affected by the pandemic, the franchise network proved extremely resilient, with only three restaurants permanently closed due to the impact.

As a result of an agile response to changing consumer demand, the quick service brands in Botswana, Ethiopia, Kenya, Nigeria and Sudan reported significant growth in home delivery sales. In general, Botswana outperformed all the other markets, benefitting from that country's good management of the pandemic and related restrictions.

Solid progress was also made in strengthening local supply chains across several markets.

Revenue for the combined region declined by 6% in Rand terms to R143 million (2019: R153 million). Operating profit decreased by 47% to R11 million (2019: R21 million), while the operating margin reduced to 7.6% (2019: 13.5%).

System-wide sales declined by 30.1% (2019: increase of 10.3%). The region contributed 12.5% (2019: 8.3%) to total system-wide Group Brands division sales. Debonairs Pizza, Steers, Wimpy and Mugg & Bean accounted for 83.6% of turnover across the region.

Management remains optimistic about growth opportunities in the rest of Africa and will continue to cautiously expand via the Company-owned, master license or franchise model in existing territories, in line with the Group's long-standing narrow and deep strategy in the region.

UK

Our UK operation comprises GBK (UK and Ireland) and Wimpy UK, which are managed and report independently of each other.

During the review period, the average GBP:ZAR exchange rate was GBP1:ZAR22.61 versus GBP1:ZAR18.37 in the prior comparable period.

Wimpy UK

Wimpy UK delivered a pleasing result for the six months, reporting a profit for the period, notwithstanding providing support to franchise partners throughout the lockdown with discounts on nominated core line items, and a 13% decline in like-for-like sales.

Revenue in Rands rose by 7% to R65 million (2019: R61 million), while revenue in Sterling was 13% lower. In Rand terms, an operating profit of R9 million was reported (2019: R13 million). The operating margin reduced to 14.5% (2019: 22.0%).

There are 69 restaurants in the Wimpy UK network.

GBK (UK and Ireland)

Over the past two years, management's goal was to secure the financial viability and sustainability of the business through a range of measures including a Company Voluntary Arrangement restructuring programme and an extensive array of operational improvements. These remedial measures stabilised the business and gained momentum over time to position the leaner, fitter operation for growth into the future.

However, with the onset of the pandemic and the UK and Irish governments' decisions to indefinitely close all restaurants in those countries, the Group resolved that it would no longer provide any further financial assistance to GBK. Regrettably, the ongoing adverse impact of the pandemic on the GBK business proved devastating, and on 25 September 2020, the Group announced on SENS that an impairment of R1.3 billion (net of tax), had been recognised at Famous Brands Group level in relation to the investment in the GBK UK business, meaning that the investment in GBK UK was fully impaired at Famous Brands Group level.

During the review period, revenue in Rand terms deteriorated by 60% to R257 million (2019: R641 million), while revenue in Sterling was 67% lower. An operating loss of R120 million was recorded (2019: operating loss of R11 million). The operating margin declined to (46.6%) (2019: (1.7%)).

System-wide UK sales (Sterling) reduced by 66.2% (2019: decrease of 12.5%).

At the close of the reporting period, GBK's footprint comprised 67 restaurants.

The commentary on GBK on page 8 details the outcome of events subsequent to the reporting period.

Retail

Over the past year, the Group has expanded existing in-house capacity to enable the business to serve the retail market directly. This factory-to-shelf strategy is aimed at reducing costs and leveraging value in the integrated supply chain.

The strategy to take back control of the route-to-market proved to be particularly opportune, given that from commencement of the lockdown in SA this operation was permitted to trade, providing one of few revenue streams for the Group. The performance of this business unit during the restricted trading period has proved the scalability of direct retail distribution. Although the pandemic delayed the launch of several new products, management is optimistic that there will be further opportunities for growth in the coming months.

Supply Chain

The strategic integrated Supply Chain, which comprises the Group's Manufacturing and Logistics operations in SA, is in service to the front-end Brands division. Its primary function is to provide a competitive advantage to our franchise partners through efficient and effective supply and margin support.

In the broader context, the pandemic served to severely disrupt global supply chains, with supplier plants either temporarily closed or operating at reduced capacity. Furthermore, shipping and clearing delays resulted in irregular and infrequent arrival of stock, which complicated inventory management. Currency volatility during the period exacerbated the difficult trading environment.

In our own business, in line with trading restrictions, our Manufacturing and Logistics divisions were shut for at least five weeks, and while gradual easing of restrictions enabled us to reopen parts of the business in the second half of the period, significant components remained in hibernation until July.

Accurate and agile forecasting, production planning and new stock procurement were therefore key priorities, and significant focus was placed on re-inventing processes to optimise management of personnel and inventory during the lockdown and ensure the operations were well positioned to re-start as soon as required.

Combined revenue for the review period declined by 44% to R1.25 billion (2019: R2.22 billion). An operating loss of R17 million was reported compared to an operating profit of R209 million in the prior corresponding period, while the operating margin weakened to (1.4%) from 9.4%.

Significantly, the Group's responsible management of creditors' payments over the lockdown ensured goodwill from suppliers, which enabled the business to seamlessly re-start production post lockdown.

Manufacturing

This division adapted well to extremely testing conditions, managing down inventory in line with reduced volume demand and adjusting quickly to small batch manufacturing to accommodate reduced requirements from our franchise partners. The business delivered commendable results, successfully containing overheads and reporting a profit for the six months. There were no material stock write-offs during the period.

Revenue declined 45% to R808 million (2019: R1.46 billion). Operating profit reduced by 83% to R31 million (2019: R184 million). The operating margin was 3.8% (2019: 12.6%).

In line with our strategy to exit non-core manufacturing activities and intensify investment in key facilities, the ice-cream plant in KwaZulu-Natal was permanently closed during the review period. Other opportunities for disposals will continue to be explored as the environment becomes more conducive.

The division incurred limited capital expenditure of R3 million (2019: R24 million), with all non-essential projects deferred during the period.

Logistics

In line with restrictions, all of the Logistics sites were closed for five weeks in March and April and for a substantial period the entire fleet was grounded, impacting on turnover. Subsequent to the initial hard lockdown, the division delivered a vital service to our franchise partners during a testing time, however, in the low volume environment the business struggled to reduce high fixed costs.

Revenue decreased by 46% to R1.10 billion (2019: R2.01 billion), while an operating loss of R46 million was recorded (2019: operating profit of R25 million). The operating margin declined to (4.2%) from 1.3% in the prior comparable period.

At the end of August, with the expiry of its lease, the Longmeadow Distribution Centre ("DC") was permanently decommissioned, with operations moved back to the Gauteng DC. In line with demand, capacity will be increased at the Gauteng depot. Project Decade, the ten-year programme designed to manage logistics capacity for the Group will continue to inform further consolidation and expansion plans.

Capital expenditure of R0.2 million (2019: R10 million) was incurred, confined to critical spend only.

In line with the Group's continued commitment to reducing food wastage, management worked closely with the charitable organisation, SA-Harvest NPC, whose motto is Rescuing Food • Fighting Hunger, to ensure that surplus stock was well utilised. Our gratitude is extended to the organisation for their outstanding work during the pandemic. Surplus stock valued at R7 million was donated for re-use or written off where not salvageable.

Group associates

The Group holds strategic stakes in the following entities: UAC Restaurants Limited Nigeria (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 comprises of 58 restaurants and there are six Debonairs Pizza stores.

The transition to an expanded Company-owned store component is progressing well and proved fortuitous in the review period as greater oversight of operational standards was afforded. While system-wide sales declined for both Mr Bigg's and Debonairs Pizza, the latter's sales exceeded budget, which is rewarding.

Both brands have a positive future in the country.

By Word of Mouth is a premium commercial catering and events company with a high-end meal replacement offering through its Frozen For You ("FFY") online and retail stores. The business comprises six stores.

Restrictions imposed on social gatherings effectively led to the events component of the business being hibernated, which curtailed revenue. In contrast, the FFY online component performed very well, being ideally positioned to cater for e-commerce and delivery. Surplus capacity from the events business was optimally utilised to meet high demand in the FFY business, which has succeeded in entrenching brand awareness during the 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.

As a supplier to food services clients, this business was hampered by trading restrictions, however, the low overhead structure and good cost management ensured the operation was not a drain on the Group.

Subsequent events

GBK Restaurants Limited ("GBK")

GBK's operational performance for the review period is discussed in the commentary on page 6.

Shareholders are referred to the Withdrawal of Cautionary announcement published on SENS on 14 October 2020, in which it was advised that GBK had been placed into administration in accordance with the insolvency legislation in the UK. Accordingly, Administrators had been appointed and assumed control of GBK and its UK subsidiaries. Consequently, GBK's results will henceforth not be consolidated into the Group's results as the Group no longer has control of GBK. As a major creditor, the Group will pursue recovery of proceeds through the administration process, however a nil recovery assumption has been adopted in the interim.

As indicated in Note 4 on page 17, the GBK impairment recognised during the review period was calculated based on GBP figures. This impairment will be adjusted for the movement in GBK's Cash Generating Unit, as well as the movement in the exchange rate post 31 August 2020.

Refinanced debt structure

On 21 October 2020, management successfully concluded negotiations with the Group's primary lender regarding a more appropriate debt finance structure in light of the impact of the pandemic. The structure is detailed in Note 17 on page 28 of this document.

Salsa Mexican Grill (Chilango (Pty) Ltd)

With effect from 29 September 2020, the Group acquired the 49% of this business held by the founding joint venture partners. This transaction resulted from the partners exercising the put option as provided for in the acquisition agreement of 1 June 2016.

Looking forward

The hospitality industry, much like the travel and tourism sector, faces unique and inherent challenges, and hard work and collaboration between stakeholders will be required to restore its former health. While the lockdown drastically altered consumer behaviour and spending patterns in the short term, it is noteworthy that post lockdown, certain behaviours have become permanent, and as industry players we are all going to need to continue to adapt and transform to capitalise on opportunities in the new normal.

Black Friday in November and the holiday season which follows in December are historically the industry's peak trading period, however, it is difficult to accurately predict consumer behaviour or spend in the months ahead. The school holidays will be both later and shorter than previously, international tourism is likely to be muted, and domestic travel and leisure activities will be constrained by reduced disposable income. Continued health and safety concerns and protocols may also curtail traditional festive season pursuits.

Brands

Consistent with historical trends, our Leading brands will remain the key growth driver in the business, positioned to achieve this role through competitive pricing, authentic brand propositions and operational excellence.

In the months ahead, we anticipate that this portfolio (and specifically our quick service restaurants) will continue to gain good momentum. The casual dining offering, particularly in the Signature brands portfolio, will likely remain under duress until all risk-adjusted restrictions are lifted and consumers regain confidence as the pandemic subsides.

Supply Chain

Low food inflation experienced during the review period is anticipated to rise sharply in the second six months in the wake of unstable and short-supply of raw materials. Furthermore, the impact of recently implemented import duties on key products, including chicken, is expected to filter through in the months ahead. Particularly concerning is the outbreak of African Swine Flu in Germany, which will prevent pork imports to SA from September. Germany is a key supplier to the business and while alternative markets are being explored, we anticipate limited supply and higher prices from other export countries.

Anticipated currency weakness in the period ahead will intensify margin pressure in this division.

The measures implemented in the review period to restructure business units, re-engineer the cost base and reprioritise investments to high-return projects will deliver benefits in the forthcoming period and will continue to be advanced and expanded in line with evolving market conditions.

Health and safety protocols

The rigorously implemented health and safety measures across our operations have been vital to gain the confidence and trust of our customers and ensure the well-being of our employees. As a business we are committed to continuing to play our part in curbing the spread of the virus.

Prospects

In line with the Group's three-year roadmap, we will continue to focus on right-sizing the business, reducing costs, and preserving cash to facilitate balance sheet flexibility. This will be achieved through our expansion programme (growing our Leading brands and retail business and building depth of the AME footprint); consolidation programme (disinvesting from non-core brands and non-core manufacturing and logistics facilities, and intensifying investment in high return assets); and optimising capital management and allocation.

We remain concerned about the weak state of the economy which, together with the financial and psychological impact of the pandemic, will constrain consumer discretionary spend and sentiment. However, management is cautiously optimistic, barring any further unforeseen events, that the second half of the current financial year will deliver stronger growth than the first half (H1). This optimism is based on the very weak base of H1, during which there was one month of no trade and three months of tightly restricted trade. Furthermore, aligned with the phased easing of restrictions, consumer activity has continued to increase, reflected by the upward sales trend over the past three months and particularly post the review period.

The information contained under the prospects commentary has not been reviewed or reported on by the external auditors.

Appreciation

Our business has come through this exceptionally difficult period due to the invaluable contribution and extraordinary efforts of our key stakeholders. Special mention must be made of our franchise partners, our management team, staff and our suppliers. Their support for our risk-adjusted strategies to hibernate and then resurrect the business and their continued commitment to curbing the spread of the virus is greatly appreciated.

We would also like to pay tribute to our long-standing and new customers, who showed their loyalty in the most adverse of conditions.

Dividend

The Board has considered the current cash position and facilities available to the Group. While the Company will be able to service its obligations in the foreseeable future, it is deemed prudent to preserve cash to facilitate balance sheet flexibility. In this regard no dividend has been declared for the review period.

The Board will continue to monitor the trading environment, the Group's performance, its operating requirements and acquisition opportunities to determine future dividends.

Audio webcast

A live audio webcast of the Group's results presentation will be held at 11h00 (SAST) on Monday, 26 October 2020. To pre-register link to: www.corpcam.com/famousbrandsoctober2020.

On behalf of the Board

SL Botha
Chairman

DP Hele
Chief Executive Officer

26 October 2020
Midrand

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2020

	Note	Unaudited 31 August 2020 R000	Unaudited 31 August 2019 Restated* R000	Audited 29 February 2020 R000
ASSETS				
Non-current assets		**3 336 073**	4 338 259	4 640 963
Property, plant and equipment	5	**2 043 040**	2 076 674	2 226 797
Intangible assets	6	**1 144 901**	2 172 886	2 274 895
Investments in associates		**61 540**	61 752	62 299
Other receivables**		**29 907**	–	55 357
Deferred tax***		**56 685**	26 947	21 615
Current assets		**1 421 261**	1 644 535	1 532 208
Inventories		**366 563**	475 431	426 690
Current tax assets		**14 428**	12 001	14 891
Derivative financial instruments		**–**	652	1 783
Trade and other receivables		**699 020**	728 828	602 587
Cash and cash equivalents		**341 250**	427 623	486 257
Assets held for sale	7	**–**	34 983	–
Total assets		**4 757 334**	6 017 777	6 173 171
EQUITY AND LIABILITIES				
Equity attributable to owners of Famous Brands Limited		**349 756**	1 474 220	1 680 132
Non-controlling interests		**115 624**	120 870	120 260
Total equity		**465 380**	1 595 090	1 800 392
Non-current liabilities		**2 764 058**	3 345 034	3 237 510
Borrowings	15	**1 335 000**	1 905 155	1 655 630
Lease liabilities		**1 321 292**	1 138 234	1 263 821
Deferred tax		**107 766**	301 645	318 059
Current liabilities		**1 527 896**	1 073 913	1 135 269
Non-controlling shareholder loans		**841**	–	601
Derivative financial instruments		**144 055**	121 453	126 035
Lease liabilities		**132 673**	45 048	119 419
Trade and other payables		**1 015 871**	850 999	851 372
Shareholders for dividends		**2 418**	2 195	2 423
Current tax liabilities		**7 038**	25 444	13 612
Borrowings	15	**225 000**	28 774	21 807
Liabilities held for sale	7	**–**	3 740	–
Total liabilities		**4 291 954**	4 422 687	4 372 779
Total equity and liabilities		**4 757 334**	6 017 777	6 173 171

* *Refer to Note 18 for details on the restatement*
** *Relates to IFRS 16 lease receivables*
*** *The increase in the deferred tax asset is mainly attributable to the tax recognised on operating losses incurred during the review period as a result of the pandemic. The tax losses will be utilised against future taxable income*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 August 2020

	Note	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 Restated* R000	% change	Audited year ended 29 February 2020 R000
Revenue	8	**2 008 534**	3 862 406	(48)	7 780 315
Cost of sales		**(1 085 084)**	(1 809 149)		(3 672 030)
Gross profit		**923 450**	2 053 257	(55)	4 108 285
Selling and administrative expenses		**(1 033 284)**	(1 677 021)		(3 195 851)
Operating (loss)/profit before non-operational items		**(109 834)**	376 236	(129)	912 434
Non-operational items	10	**(1 568 925)**	–		(52 953)
Operating (loss)/profit including non-operational items		**(1 678 759)**	376 236	(546)	859 481
Net finance costs		**(126 924)**	(114 815)		(218 682)
Finance costs	11	**(137 997)**	(141 068)		(265 575)
Finance income	11	**11 073**	26 253		46 893
Share of profit of associates		**1 265**	1 394		5 228
(Loss)/profit before tax		**(1 804 418)**	262 815	(787)	646 027
Tax**		**271 919**	(91 024)		(219 210)
(Loss)/profit for the period		**(1 532 499)**	171 791	(992)	426 817
(Loss)/profit for the period attributable to:					
Owners of Famous Brands Limited		**(1 538 139)**	139 866	(1 200)	362 264
Non-controlling interests		**5 640**	31 925		64 553
(Loss)/profit for the period		**(1 532 499)**	171 791		426 817
Other comprehensive income, net of tax:					
Exchange differences on translating foreign operations***		**192 487**	(1 705)		79 683
Pre-tax exchange differences on translating foreign operations		**217 445**	(11 657)		95 396
Tax effect on exchange differences on translating foreign operations		**(24 958)**	9 952		(15 713)
Movement in hedge accounting reserve***		**(12 842)**	(3 337)		(5 857)
Effective portion of fair value changes of cash flow hedges		**(17 837)**	(5 460)		(8 134)
Tax on movement in hedge accounting reserve		**4 995**	2 123		2 277
Total comprehensive (loss)/income for the period		**(1 352 854)**	166 749		500 643
Total comprehensive (loss)/income attributable to:					
Owners of Famous Brands Limited		**(1 358 494)**	134 824		436 090
Non-controlling interests		**5 640**	31 925		64 553
		(1 352 854)	166 749		500 643
Basic (loss)/earnings per share (cents)					
Basic	9.1	**(1 535)**	140	(1 196)	362
Diluted	9.1	**(1 532)**	139	(1 202)	361

* *Refer to Note 18 for details on the restatement*

** *The tax movement for the reporting period mainly relates to the deferred tax component of the impairment of the GBK brand*

*** *This item may be reclassified subsequently to profit or loss*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August 2020

	Unaudited 31 August 2020 R000	Unaudited 31 August 2019 Restated* R000	Audited 29 February 2020 R000
Balance at the beginning of the period	**1 800 392**	1 536 796	1 536 796
Restatement		(9 267)	(9 267)
Restated balance at the beginning of the period	**1 800 392**	1 527 529	1 527 529
Issue of capital and share premium	**601**	1 451	9 498
Recognition of share-based payment scheme	**17 676**	17 450	14 047
Put options over non-controlling interests**	**–**	7 178	9 173
Total comprehensive (loss)/income for the period	**(1 352 854)**	166 749	500 643
Payment of dividends	**(435)**	(128 134)	(249 392)
Non-controlling interest arising	**–**	–	1 960
Other reserve	**–**	2 663	2 984
Change in ownership interests in subsidiaries	**–**	204	(16 050)
Balance at the end of the period	**465 380**	1 595 090	1 800 392

* *Refer to Note 18 for details on the restatement*
** *Relates to expiry of a put option relating to non-controlling interest*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 August 2020

	Note	**Unaudited six months ended 31 August 2020 R000**	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
Cash (utilised)/generated before working capital changes		**(34 981)**	542 338	1 228 406
Working capital changes		**90 462**	30 853	111 984
Decrease/(increase) in inventories		**63 179**	(18 225)	32 151
(Increase)/decrease in receivables		**(83 778)**	(24 172)	81 077
Increase/(decrease) in payables		**111 061**	73 250	(1 244)
Cash generated from operations		**55 481**	573 191	1 340 390
Net interest paid		**(95 938)**	(109 701)	(215 895)
Interest received		**11 072**	25 768	46 892
Interest paid		**(107 010)**	(135 469)	(262 787)
Tax paid		**(14 220)**	(38 987)	(183 392)
Cash (utilised in)/available from operating activities		**(54 677)**	424 503	941 103
Dividends paid to owners of Famous Brands Limited		**–**	(100 103)	(190 070)
Dividends paid to non-controlling interests		**(435)**	(28 031)	(59 094)
Net cash (outflow)/inflow from operating activities		**(55 112)**	296 369	691 939
Cash flow from investing activities				
Additions to property, plant and equipment		**(22 413)**	(84 380)	(151 804)
Intangible assets acquired		**(5 460)**	(7 125)	(21 524)
Proceeds from disposal of property, plant and equipment and intangible assets		**5 321**	12 697	24 678
Net cash inflow on disposal of subsidiary	14	**43 890**	–	31 699
Net cash inflow on disposal of investment in associate		**1 521**	–	–
Dividends received from associate		**2 024**	–	4 146
Additional investment in associate		**–**	(3 161)	(3 159)
Net cash inflow/(outflow) from investing activities		**24 883**	(81 969)	(115 964)
Cash flow from financing activities				
Net borrowings repaid		**(97 169)**	(180 000)	(430 000)
Borrowings raised		**1 610 000**	–	–
Borrowings repaid		**(1 707 169)**	(180 000)	(430 000)
Non-controlling shareholder loans received/(repaid)		**240**	(2 500)	(1 899)
Proceeds from disposal of non-controlling interest in subsidiary		**–**	1 450	1 450
Principal repayment of lease obligations		**(36 183)**	(51 605)	(123 444)
Net cash outflow from financing activities		**(133 112)**	(232 655)	(553 893)
Net (decrease)/increase in cash and cash equivalents		**(163 341)**	(18 255)	22 082
Foreign currency effect		**18 334**	(7 812)	9 451
Cash and cash equivalents at the beginning of the period		**486 257**	454 724	454 724
Cash and cash equivalents at the end of the period**		**341 250**	428 657	486 257

* *Refer to Note 18 for details on the restatement*

** *Comprises cash and cash equivalents of R341 million (2019: R429 million), of which R12 million (2019: R9 million) is restricted cash related to Marketing Funds. For August 2019 cash and cash equivalents, R1 million is included in assets held for sale. Refer to Note 7*

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

for the six months ended 31 August 2020

	Note	**Unaudited six months ended 31 August 2020 R000**	Unaudited six months ended 31 August 2019 Restated* R000	% change	Audited year ended 29 February 2020 R000
Revenue					
Brands		**185 811**	481 106	(61)	974 127
Leading brands		**160 946**	386 386	(58)	783 364
Signature brands		**24 865**	94 720	(74)	190 763
Supply Chain		**1 248 432**	2 221 328	(44)	4 478 560
Manufacturing		**807 689**	1 461 033	(45)	2 770 809
Logistics		**1 095 982**	2 014 321	(46)	4 095 124
Retail		**72 070**	–		123 625
Eliminations		**(727 309)**	(1 254 026)	42	(2 510 998)
Marketing Funds		**102 696**	293 269		582 833
Corporate		**6 465**	12 672		23 156
South Africa (SA)		**1 543 404**	3 008 375	(49)	6 058 676
United Kingdom (UK)		**321 865**	701 455	(54)	1 407 170
GBK (Gourmet Burger Kitchen)		**256 857**	640 692	(60)	1 285 040
Wimpy		**65 008**	60 763	7	122 130
Rest of Africa and Middle East (AME)		**143 265**	152 576	(6)	314 469
Total		**2 008 534**	3 862 406	(48)	7 780 315
Operating (loss)/profit before non-operational items					
Brands		**4 352**	235 157	(98)	472 459
Leading brands		**27 957**	220 186	(87)	449 660
Signature brands		**(23 605)**	14 971	(258)	22 799
Supply Chain		**(16 890)**	209 065	(108)	457 322
Manufacturing		**30 867**	183 796	(83)	419 195
Logistics		**(46 121)**	25 269	(283)	60 457
Retail		**(1 636)**	–		(22 330)
Marketing Funds		**1 080**	(28 804)		–
Corporate		**1 136**	(62 456)		(83 951)
Share-based payment charge		**(18 276)**	(18 901)		(23 546)
Foreign exchange movement		**17 984**	(3 220)		11 816
Consolidation entries**		**28 053**	(8 002)		(11 586)
Corporate administration costs***		**(26 625)**	(32 333)		(60 635)
SA		**(10 322)**	352 962	(103)	845 830
UK		**(110 356)**	2 686		11 727
GBK		**(119 813)**	(10 675)		(11 431)
Wimpy		**9 457**	13 361		23 158
AME		**10 844**	20 588	(47)	54 877
Total		**(109 834)**	376 236	(129)	912 434
UK		**(1 568 925)**	–		(52 953)
Impairment	10	**(1 568 925)**	–		(52 953)
Corporate		**146 260**	(204 445)		(432 664)
Net finance costs		**(126 924)**	(114 815)		(218 682)
Share of profit of associates		**1 265**	1 394		5 228
Tax		**271 919**	(91 024)		(219 210)
(Loss)/profit for the period		**(1 532 499)**	171 791	(992)	426 817

* *Refer to Note 18 for details on the restatement*

** *Consolidation entries relate to depreciation and amortisation at Group level and profit or loss from business disposals*

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

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

Segmental operating margins	Unaudited 31 August 2020 %	Unaudited 31 August 2019 Restated* %	change	Audited 29 February 2020 %
Brands	**2.3**	48.9	(46.6)	48.5
Leading brands	**17.4**	57.0	(39.6)	57.4
Signature brands	**(94.9)**	15.8	(110.7)	12.0
Supply Chain	**(1.4)**	9.4	(10.8)	10.2
Manufacturing	**3.8**	12.6	(8.8)	15.1
Logistics	**(4.2)**	1.3	(5.5)	1.5
Retail	**(2.3)**			(18.1)
SA	**(0.7)**	11.7	(12.4)	14.0
UK	**(34.3)**	0.4	(34.7)	0.8
GBK	**(46.6)**	(1.7)	(44.9)	(0.9)
Wimpy	**14.5**	22.0	(7.5)	19.0
AME	**7.6**	13.5	(5.9)	17.5
Total	**(5.5)**	9.7	(15.2)	11.7

* *Refer to Note 18 for details on the restatement*

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

Revenue from individual countries	Unaudited 31 August 2020 R000	Unaudited 31 August 2019 R000	Audited 29 February 2020 R000
UK	**321 865**	701 455	1 407 170
Botswana	**129 649**	120 957	251 484

The table below sets out the geographical location of non-current assets excluding deferred tax assets and financial instruments (other receivables).

Geographical allocation of non-current assets	Unaudited 31 August 2020 R000	Unaudited 31 August 2019 R000	Audited 29 February 2020 R000
SA	**1 528 678**	2 653 043	2 703 997
UK	**1 635 480**	1 601 134	1 782 138
Botswana	**79 944**	56 563	71 958
Other countries	**5 379**	572	5 898
Total	**3 249 481**	4 311 312	4 563 991

Additions to non-current assets by segment*	Unaudited 31 August 2020 R000	Unaudited 31 August 2019 R000	Audited 29 February 2020 R000
Leading brands	**13 268**	8 619	23 981
Signature brands	**1 621**	9 484	21 468
Manufacturing	**3 229**	24 252	36 717
Logistics	**187**	9 888	26 297
Corporate	**899**	7 874	9 204
SA	**19 204**	60 117	117 667
AME	**6 308**	9 131	20 257
UK	**2 361**	22 257	35 404
Total	**27 873**	91 505	173 328

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

STATISTICS AND RATIOS

	Unaudited 31 August 2020	Unaudited 31 August 2019 Restated*	% change	Audited 29 February 2020
Basic (loss)/earnings per share (cents)				
Basic	**(1 535)**	140	(1 196)	362
Diluted	**(1 532)**	139	(1 202)	361
Headline (loss)/earnings per share (cents)				
Basic	**(240)**	140	(271)	417
Diluted	**(239)**	139	(272)	416
Dividends per share (cents)	**–**	90		190
Interim	**–**	90		90
Final				100
Ordinary shares (000)				
in issue	**100 202**	100 084		100 186
weighted average	**100 191**	100 072		100 102
diluted weighted average	**100 397**	100 356		100 247
Operating margin (%)	**(5.5)**	9.7		11.7
Net debt/equity (%)**	**574**	169		143
Net debt/equity, excluding IFRS 16 liabilities (%)***	**262**	94		66
Net asset value per share (cents)	**464**	1 594		1 797

* *Refer to Note 18 for details on the restatement*
** *Total interest-bearing borrowings (including lease liabilities) less cash and cash equivalents divided by equity*
*** *Gearing ratio excluding lease liabilities*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 August 2020

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

1 Statement of compliance

These unaudited condensed consolidated interim financial statements 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 in issue and effective for the Group at 31 August 2020, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and as a minimum contains the information required by IAS 34 *Interim Financial Reporting*, the JSE Listings Requirements, and the Companies Act of South Africa.

2 Basis of preparation

The Group's unaudited condensed consolidated interim financial statements as at and for the period ended 31 August 2020 have been prepared on the going concern basis. The accounting policies applied in the presentation of the condensed consolidated interim financial statements are consistent with those applied for the year ended 29 February 2020, except for the new standards that became effective for the Group's financial period beginning 1 March 2020, refer to Note 3.

The condensed consolidated interim financial statements have not been audited or reviewed, and were prepared on the historical cost basis, under the supervision of Kelebogile (Lebo) Ntlha CA(SA), Group Financial Director.

3 Changes in accounting policies

The Group has adopted all the new, revised or amended accounting standards which were effective for the Group from 1 March 2020, including:

- IFRS 3 *Business Combinations* (Amendment, effective for financial years beginning on or after 1 January 2020);
- IFRS 7 *Financial Instruments Disclosure*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* (Amendment, effective for financial years beginning on or after 1 January 2020); and
- 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).

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

4 Balance sheet management in context of the pandemic

Liquidity management remained a key focus area during the reporting period. The reduction in the Group's cash generated from operations to R55 million (2019: R573 million), reflects the adverse impact of the pandemic on the business. The Group's increased discipline regarding capital allocation resulted in the Group having unutilised facilities of R500 million as at 31 August 2020 (refer to Note 15). Capital expenditure for the reporting period amounted to R28 million (2019: R92 million). The Group's closing cash position was R341 million (2019: R429 million), including R12 million (2019: R9 million) restricted cash relating to Marketing Funds.

Management's proactive negotiations with the Group's primary lender regarding a more appropriate debt finance structure were successfully concluded on 21 October 2020, as part of managing the liquidity of the Group. The revised structure has been disclosed in Note 17. The measurement of debt covenants has been waived for the August 2020 and February 2021 measurement periods.

The Group's assessment of its investment in GBK has resulted in the following impairments (before tax):

- R287 million at property, plant and equipment level (2019: Rnil). Refer to Note 5.
- R1.3 billion at intangibles assets level (2019: Rnil) related to the brand. Refer to Note 6.

These impairments represent the full carrying amount of GBK's Cash Generating Unit (CGU) as at 31 August 2020, which is denominated in GB Pounds (GBP). The total impairment is based on GBP figures, translated at an exchange of R22.36 as at 31 August 2020. For subsequent events relating to GBK refer to Note 17 on page 28.

For further details regarding the impact of the pandemic, refer to page 3.

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
5 Property, plant and equipment			
Opening balance	**2 226 797**	1 048 537	1 048 537
Additions	**22 413**	84 380	151 804
Additions due to IFRS 16 application	**100 083**	1 093 688	1 302 230
Foreign currency translation	**169 645**	5 376	108 182
Disposals	**(5 123)**	(12 697)	(24 751)
Disposal of subsidiary	**(224)**	–	–
Depreciation	**(183 627)**	(142 610)	(306 252)
Impairment	**(286 924)**	–	(52 953)
Closing balance	**2 043 040**	2 076 674	2 226 797

Impairment

Property, plant and equipment relating to GBK was impaired in full during the period under review at R287 million.

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
6 Intangible assets			
Opening balance	**2 274 895**	2 179 770	2 179 770
Additions	**5 460**	7 125	21 524
Foreign currency translation	**162 173**	(2 658)	100 106
Disposals	**(3 305)**	–	(2 864)
Disposal of subsidiary	**(23)**	–	–
Amortisation	**(12 298)**	(11 351)	(23 641)
Impairment	**(1 282 001)**	–	–
Closing balance	**1 144 901**	2 172 886	2 274 895

Impairment

Intangible assets relating to GBK were impaired in full during the review period at R1.3 billion.

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
7 Assets and liabilities held for sale			
Property, plant and equipment	–	30 438	–
Trade and other receivables	–	3 511	–
Cash and cash equivalents	–	1 034	–
Assets held for sale	–	34 983	–
Lease liabilities	–	(1 020)	–
Trade and other payables	–	(2 720)	–
Liabilities held for sale	–	(3 740)	–

The assets and liabilities held for sale relate to the Coega Concentrate (Pty) Ltd Tomato Paste Plant.

The sale of Coega Concentrate was concluded effective 1 October 2019 for a consideration of R32 million.

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
8 Revenue			
Sale of goods	**1 248 432**	2 221 328	4 478 560
Services rendered and franchise revenue	**657 406**	1 347 809	2 718 922
Marketing Funds	**102 696**	293 269	582 833
	2 008 534	3 862 406	7 780 315

* *Refer to Note 18 for details on the restatement*

		Note	**Unaudited six months ended 31 August 2020 R000**	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
9	**Basic and headline (loss)/earnings per share**				
9.1	**Basic (loss)/earnings per share**				
	(Loss)/profit attributable to equity holders of Famous Brands Limited		**(1 538 139)**	139 866	362 264
	Basic (loss)/earnings		**(1 538 139)**	139 866	362 264
	Diluted basic (loss)/earnings		**(1 538 139)**	139 866	362 264
	Basic (loss)/earnings per share (cents)				
	Basic		**(1 535)**	140	362
	Diluted		**(1 532)**	139	361
9.2	**Headline (loss)/earnings per share**				
	Basic (loss)/earnings	9.1	**(1 538 139)**	139 866	362 264
	Adjustments:				
	Loss/(profit) on disposal of property, plant and equipment		**1 418**	(40)	2 115
	Gross		**1 970**	(55)	2 937
	Tax		**(552)**	15	(822)
	Profit on disposal of subsidiary and associate		**(37 747)**	–	–
	Gross		**(37 747)**	–	–
	Tax		**–**	–	–
	Impairment		**1 334 345**	–	52 953
	Gross		**1 568 925**	–	52 953
	Tax		**(234 580)**	–	–
	Headline (loss)/earnings		**(240 123)**	139 826	417 332
	Diluted headline (loss)/earnings		**(240 123)**	139 826	417 332
	Headline (loss)/earnings per share (cents)				
	Basic		**(240)**	140	417
	Diluted		**(239)**	139	416

* *Refer to Note 18 for details on the restatement*

		Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
10	**Non-operational items***			
	Impairment	**1 568 925**	–	52 953
		1 568 925	–	52 953

* *Represent non-operational items that are not expected to recur in the future. These costs have an impact on the Group's effective tax rate. The impairment relates to GBK's CGU, refer to Note 5 and Note 6*

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
11 Net finance costs			
Finance costs			
Interest on borrowings	**(58 567)**	(93 717)	(169 457)
Interest on put option liabilities	**(3 977)**	(4 748)	(8 232)
Interest on lease liabilities	**(50 292)**	(36 046)	(77 109)
Other interest costs	**(25 161)**	(6 557)	(10 777)
	(137 997)	(141 068)	(265 575)
Finance income			
Interest from lease receivables	**2 346**	2 375	6 064
Interest from bank deposits	**8 695**	17 050	33 800
Other interest income	**32**	6 828	7 029
	11 073	26 253	46 893
Net finance costs	**(126 924)**	(114 815)	(218 682)

* *Refer to Note 18 for details on the restatement*

12 Related party transactions

The Group entered into various transactions with related parties, in the ordinary course of business. The nature of related-party transactions is consistent with those reported previously.

13 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	**Unaudited six months ended 31 August 2020 R000**	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
Financial assets				
Measured at amortised cost				
Trade and other receivables^		**676 411**	698 081	610 374
Cash and cash equivalents^		**341 250**	427 623	486 257
Fair value through profit or loss:				
Derivative financial instruments (foreign currency options)	2	**–**	652	1 783
		1 017 661	1 126 356	1 098 414
Financial liabilities				
Measured at amortised cost:				
Trade and other payables^		**880 353**	725 733	684 181
Shareholders for dividends^		**2 418**	2 195	2 423
Lease liabilities^		**1 453 965**	1 182 838	1 383 240
Non-controlling shareholder loans^		**841**	–	601
Borrowings^		**1 560 000**	1 933 929	1 677 437
Fair value through profit or loss:				
Derivative financial instruments (put options over non-controlling interests)	3	**108 272**	101 368	104 295
Derivative financial instruments (foreign exchange contracts)	2	**17**	–	120
Fair value through other comprehensive income:				
Derivative financial instruments (interest-rate swaps)	2	**35 766**	20 085	21 620
		4 041 632	3 966 148	3 873 917

* *Refer to Note 18 for details on the restatement*
^ *Level not disclosed due to the nature of the financial asset and liability*

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

Level 2 key information
Key assumptions used in the valuation of these instruments include JIBAR and foreign currency exchange rates.

13 Financial instruments *continued*

Accounting classifications and fair values *continued*

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R108 million (2019: R101 million) were determined by applying an income approach valuation method including a present value discount technique. The fair value measurement includes inputs that are not observable in the market. Key assumptions used in the valuation of these instruments include the probability of achieving set profit targets and the discount rates. An increase/(decrease) of 1% in the discount rate would result in decrease/(increase) of R3 million (2019: R4 million). An increase/(decrease) of 10% in the profit targets would result in an increase/(decrease) of R10 million (2019: R10 million).

Movements in level 3 financial instruments carried at fair value

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

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
Put options over non-controlling interests:			
Carrying value at beginning of the period	**104 295**	105 783	105 783
Unwinding of discount	**3 977**	4 748	8 232
Derecognition of put option	**–**	(9 163)	(9 173)
Remeasurement	**–**	–	(547)
Carrying value at end of the period	**108 272**	101 368	104 295

14 Business disposals

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
Summary of cash inflow on disposal of subsidiaries			
Mountain Rush (Pty) Ltd	**43 890**	–	–
Coega Concentrate (Pty) Ltd	**–**	–	31 699
Total cash inflow on disposal of subsidiaries	**43 890**	–	31 699
F2021			
Effective 1 August 2020, the Group disposed of its interest in Mountain Rush (Pty) Ltd			
Fair value of assets and liabilities disposed of:			
Property, plant and equipment	**224**		
Intangible assets	**23**		
Deferred tax asset	**773**		
Trade and other receivables	**14 668**		
Lease receivables	**17 246**		
Cash and cash equivalents	**990**		
Current tax liability	**(15)**		
Lease liabilities	**(15 896)**		
Amounts due to Group companies	**(1 313)**		
Net assets disposed of	**16 700**		
Consideration	**44 880**		
Cash and cash equivalents	**(990)**		
Cash inflow on disposal of subsidiary	**43 890**		
F2020			
Effective 1 October 2019, the Group disposed of its interest in Coega Concentrate (Pty) Ltd			
Fair value of assets and liabilities disposed of:			
Property, plant and equipment			30 319
Trade and other receivables			2 884
Cash and cash equivalents			15
Trade and other payables			(1 504)
Net assets disposed of			31 714
Consideration			31 714
Cash and cash equivalents			(15)
Cash inflow on disposal of subsidiary			31 699

15 Borrowings

			Interest rate								
	Currency	Maturity date	Nature	Margin %	Rate	**Unaudited six months ended 31 August 2020 %**	Unaudited six months ended 31 August 2019 %	Audited year ended 29 February 2020 %	**Unaudited six months ended 31 August 2020 R000**	Unaudited six months ended 31 August 2019 R000	Audited year ended 29 February 2020 R000
Unsecured											
Long-term borrowings									**1 335 000**	1 905 155	1 655 630
Short-term borrowings									**225 000**	28 774	21 807
									1 560 000	1 933 929	1 677 437
Interest is paid quarterly in arrears.											
The Company has unlimited borrowing powers in terms of its Memorandum of Incorporation.											
Terms of repayment											
F2020 facility											
Loan facility: 3-year bullet	ZAR	Dec-21	variable	1.60	3-month JIBAR		7.03	6.80		600 000	600 000
Loan facility: 4-year bullet	ZAR	Dec-22	variable	1.70	3-month JIBAR		7.03	6.80		850 000	850 000
Loan facility: 5-year revolving facility	ZAR	Dec-23	variable	1.70	3-month JIBAR		7.03	6.80		457 169	207 169
F2021 facility											
Loan facility A: Amortising loan	ZAR	Feb-21	variable	1.50	3-month JIBAR	**4.01**			**150 000**		
Loan facility B: Amortising loan	ZAR	Feb-22	variable	1.60	3-month JIBAR	**4.01**			**150 000**		
Loan facility C: Amortising loan	ZAR	Feb-23	variable	1.70	3-month JIBAR	**4.01**			**150 000**		
Loan facility D: Amortising loan	ZAR	Feb-24	variable	1.80	3-month JIBAR	**4.01**			**400 000**		
Loan facility E: Revolving facility	ZAR	Feb-24	variable	1.90	3-month JIBAR	**4.01**			**710 000**		
									1 560 000	1 907 169	1 657 169
Transaction costs capitalised									**–**	(2 943)	(2 468)
Interest accrued									**–**	29 703	22 736
									1 560 000	1 933 929	1 677 437
Maturity analysis – capital											
Payable within 1 year									**225 000**	28 774	21 807
Payable between 2 and 5 years									**1 335 000**	1 905 155	1 655 630
									1 560 000	1 933 929	1 677 437

15 Borrowings *continued*

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R8 million (August 2019: R10 million and February 2020: R17 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

The Group has a four-year revolving loan facility of R760 million (August 2019: R970 million and February 2020: R970 million). The unutilised portion at period end was R50 million (August 2018: R513 million and February 2020: R763 million).

As part of managing the Group's liquidity during the reporting period, the Group secured a 12-month facility of R150 million at prime interest rate less 0.9%, and a 12-month facility of R300 million at prime interest rate.

Guarantees

Famous Brands Limited, Famous Brands Management Company (Pty) Ltd, Mugg and Bean Franchising (Pty) Ltd, Lamberts Bay Foods (Pty) Ltd, 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; and
- 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 Rnil (2019: R3 million).

16 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 15) 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 15) are subject to the financial covenants outlined below. The measurement of covenants has been waived for the August 2020 measurement period.

	31 August 2020	31 August 2019	29 February 2020
Net debt/EBITDA	**<2.50**	<2.50	<2.50
Interest cover	**>3.00**	>3.00	>3.00

Gearing

The Group's gearing ratio is set out below:

	Unaudited six months ended 31 August 2020 R000	Unaudited six months ended 31 August 2019 Restated* R000	Audited year ended 29 February 2020 R000
Borrowings	**1 560 000**	1 933 929	1 677 437
Lease liabilities	**1 453 965**	1 183 282	1 383 240
Cash and cash equivalents	**(341 250)**	(428 657)	(486 257)
Net debt	**2 672 715**	2 688 554	2 574 420
Equity	**465 380**	1 595 090	1 800 392
Gearing ratio** (%)	**574**	169	143

* *Refer to Note 18 for details on the restatement*
** *Calculated as Net debt divided by Equity*

17 Subsequent events

GBK

Shareholders are referred to the Withdrawal of Cautionary announcement published on SENS on 14 October 2020, in which it was advised that GBK had been placed into administration in accordance with the insolvency legislation in the UK. Accordingly, Administrators had been appointed and assumed control of GBK and its UK subsidiaries. Consequently, GBK's results will henceforth not be consolidated into the Group's results as the Group no longer has control of GBK. As a major creditor, the Group will pursue recovery of proceeds through the administration process, however a nil recovery assumption has been adopted in the interim.

As indicated in Note 4 on page 17, the GBK impairment recognised during the review period was calculated based on GBP figures. This impairment will be adjusted for the movement in GBK's Cash Generating Unit, as well as the movement in the exchange rate post 31 August 2020.

Refinanced debt structure

On 21 October 2020, management successfully concluded negotiations with the Group's primary lender regarding a more appropriate debt finance structure in light of the impact of the pandemic. Details of the new debt finance structure are set out below.

		Interest rate			
Loan Facility	**Maturity**	**Nature**	**Margin**	**Rate**	**Facility**
A: Amortising loan	Aug-23	Variable	Refer to table below	3-month JIBAR	ZAR 750 million
B: Revolving Credit Facility (RCF)	Feb-24	Variable	Refer to table below	3-month JIBAR	ZAR 1 100 million
General Banking Facility (GBF)	364 days	Variable	Nil	Prime	ZAR 200 million

The margins set out in the table below are payable on Facility A and B:

Margin	Facility A	Facility B
If leverage is greater than 2.5x	2.95	3.20
If leverage is between 2.0x and 2.5x	2.75	2.95
If leverage is less than 2.0x	2.50	2.70

The debt covenants for each reporting period were concluded at the levels in the table set out below. For the February 2021 covenants measurement period, only the liquidity covenant will be tested.

Date	Leverage Ratio	Interest Cover Ratio	Liquidity*
Feb-21	Not Tested	Not Tested	R250m
Aug-21	3.75x	2.75x	R250m
Feb-22	3.25x	3.00x	R250m
Aug-22	2.60x	3.00x	R250m
Feb-23	2.50x	3.00x	R250m
Aug-23	2.50x	3.00x	R250m
Feb-24	2.50x	3.00x	R250m

* *The liquidity covenant is measured based on the sum of unutilised facilities under the RCF and GBF plus any cash balances within the SA Group that are freely available for immediate use (excluding any cash balances held by joint ventures and associate companies). The liquidity covenant is required to remain in place until the SA Group's Net Debt/EBITDA is below 2.5 times for two consecutive financial reporting periods.*

As indicated in Note 15 on page 26, the Group utilises interest rate swap contracts to hedge its exposure to the variability of cash flows arising from unfavourable movements in interest rates. In order to minimise the ineffective portion that arises at each reporting date when testing for hedge effectiveness in line with IFRS 9 *Financial Instruments*, the Group settled the R40 million derivative liability relating to the interest rate swaps that were in place immediately prior to concluding the refinanced debt structure and entering into new interest rate swaps.

Salsa Mexican Grill (Chilango (Pty) Ltd)

With effect from 29 September 2020, the Group acquired the 49% of this business held by the founding joint venture partners. This transaction resulted from the partners exercising the put option as provided for in the acquisition agreement of 1 June 2016.

18 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 Protect 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 previous financial year, 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 reassessing 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.

18 Restatement of comparatives *continued*

Consolidated statement of profit or loss and other comprehensive income

for the period ended 31 August 2019

	31 August 2019		
	Published R000	Adjustment: Marketing Funds R000	Restated R000
Revenue	3 569 137	293 269	3 862 406
Cost of sales	(1 809 149)	–	(1 809 149)
Gross profit	1 759 988	293 269	2 053 257
Selling and administrative expenses	(1 354 948)	(322 073)	(1 677 021)
Operating profit	405 040	(28 804)	376 236
Net finance costs	(115 005)	190	(114 815)
Finance costs	(140 774)	(294)	(141 068)
Finance income	25 769	484	26 253
Share of profit of associates	1 394	–	1 394
Profit before tax	291 429	(28 614)	262 815
Tax	(99 068)	8 044	(91 024)
Profit for the period	192 361	(20 570)	171 791
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations	(1 705)	–	(1 705)
Pre-tax exchange differences on translating foreign operations	(11 657)	–	(11 657)
Tax effect on exchange differences on translating foreign operations	9 952	–	9 952
Movement in hedge accounting reserve	(3 337)	–	(3 337)
Net change in fair value of cash flow hedges	(5 460)	–	(5 460)
Tax on movement in hedge accounting reserve	2 123	–	2 123
Total comprehensive income for the period	187 319	(20 570)	166 749
Profit for the period attributable to:			
Owners of Famous Brands Limited	159 566	(19 700)	139 866
Non-controlling interests	32 795	(870)	31 925
	192 361	(20 570)	171 791
Total comprehensive profit attributable to:			
Owners of Famous Brands Limited	154 524	(19 700)	134 824
Non-controlling interests	32 795	(870)	31 925
	187 319	(20 570)	166 749
Basic loss per share (cents)			
Basic	159	(19)	140
Diluted	159	(20)	139

18 Restatement of comparatives *continued*

Consolidated statement of financial position

for the period ended 31 August 2019

	31 August 2019		
	Published R000	Adjustment: Marketing Funds R000	Restated R000
ASSETS	785 612	(29 837)	755 775
Deferred tax asset	15 344	11 603	26 947
Trade and other receivables	770 268	(41 440)	728 828
Other assets	5 262 002	–	5 262 002
Total assets	6 047 614	(29 837)	6 017 777
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of Famous Brands Limited	1 501 715	(27 495)	1 474 220
Equity attributable to owners of Famous Brands Limited	1 501 715	(27 495)	1 474 220
Non-controlling interests	123 212	(2 342)	120 870
Total equity*	1 624 927	(29 837)	1 595 090
Other liabilities	4 422 687	–	4 422 687
Total liabilities	4 422 687	–	4 422 687
Total equity and liabilities	6 047 614	(29 837)	6 017 777

* *The movement in total equity includes restatement from beginning of the period of F2020*

Consolidated statement of cash flows

	31 August 2019		
	Published R000	Adjustment: Marketing Funds R000	Restated R000
Cash generated before changes in working capital	583 778	(41 440)	542 338
Decrease in receivables	(65 612)	41 440	(24 172)

CORPORATE INFORMATION

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, ET Mashilwane, K Ntlha (Group Financial Director)*.

* *Executive*

There were no changes to the Board of Directors during the period under review.

Company Secretary

CD Appollis

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Transfer secretaries

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PO Box 61051, Marshalltown, 2107

Sponsor

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

Auditors

KPMG Inc
Registration number: 1999/021543/21
85 Empire Road, Parktown, Johannesburg, 2193

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