famous brands
you're in good company

INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

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Feedback

We continue to strive to improve the quality of our reporting and feedback on this Integrated Annual Report can be emailed to us at investorrelations@famousbrands.co.za.

Navigation

Icons are used in this report to assist with navigating information:

Cross-reference to supporting information in this report

Information which can be found online on our website: www.famousbrands.co.za

Environmental, social and governance-related matters

Our capitals

Financial · Manufactured · Intellectual · Human · Social and Relationship · Natural

Business processes and activities

Brands · Manufacturing · Logistics

Scan this QR code with your mobile device for quick access to the report.

Key strategic material matters

- Improve our operational efficiencies
- Develop our people; ongoing commitment to transformation
- Enhance our financial performance
- Optimise capital management
- Lead in the categories we compete in
- Prioritise our franchise partners
- Ensure regulatory compliance

ABOUT OUR INTEGRATED ANNUAL REPORT

Introduction

We are pleased to present our 2020 Integrated Annual Report (IAR or this report). This is our primary report to our shareholders and other stakeholders.

Scope and boundary of this report

The report covers the year from 1 March 2019 to 29 February 2020. It addresses the performance of Famous Brands Limited (Famous Brands or the Company) and its subsidiaries (together referred to as the Group), as well as its associates in all territories where the Company operates, being South Africa (SA), the rest of Africa, the Middle East (AME) and the United Kingdom (UK).

We continue to strive to report more transparently across a wider range of performance indicators than in prior years. While every effort has been made to disclose information as extensively as possible, we are cognisant that further improvements are possible and the intention is to enhance this reporting over time.

For the most part, statistics in this report relate to the South African business (excluding our associates). Where information refers to a specific geographic territory, we have denoted it as such.

We report on our three core operations: Brands, Manufacturing and Logistics (the latter two comprising our integrated supply chain).

The scope of this report covers our financial performance as well as non-financial performance. We report on strategy, the six capitals on which we rely, and the opportunities, risks and outcomes attributable to or associated with our key stakeholders, who significantly influence our ability to create value.

There has been no material change in the scope and boundary of the IAR compared to the prior year or to historical financial data.

Materiality

The legitimate interests of all our key stakeholders were taken into account in determining information that is considered to be material for inclusion in this report. Our key stakeholder information is contained in the report.

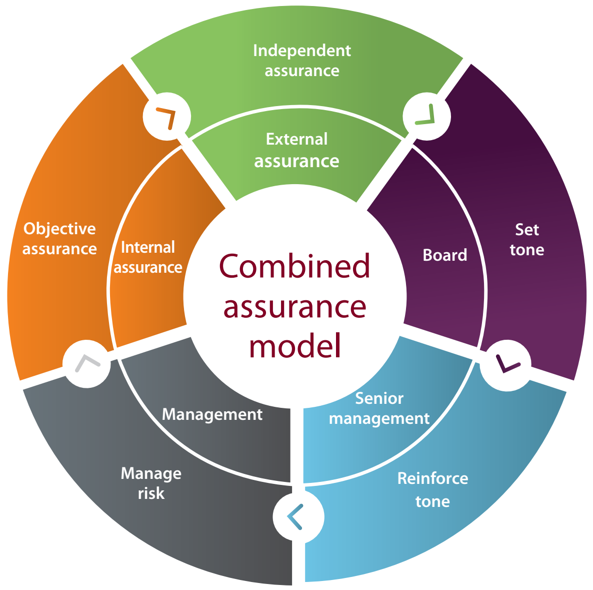
Key stakeholders 44

We define strategic matters as those which are most material to our formulation and execution of strategy and those that have the potential to significantly affect our ability to create stakeholder value and contribute to the sustainability of the Group.

Strategy and key strategic material matters 31

Combined assurance

We comply with the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1], thereby recognising the Board of Directors (Board), Board Committees, management, internal and external assurance providers as key assurance role players in ensuring that the business continues to have an effective control environment and a strong ethical culture. The Board, with the support of the Audit and Risk Committee, is ultimately responsible for the implementation of assurance by setting the direction concerning the arrangements for assurance services and functions.



The key assurance role players ensure that ethics and effective risk management are embedded in our internal growth agenda.

Internal and external audit plans are approved by the Audit and Risk Committee to ensure risk areas in the Group are covered in a co-ordinated manner. Key risks facing the Group are identified and the necessary internal controls are implemented.

Risks and opportunities 54

While our assurance providers cover key internal controls and accounting matters in the course of their audits, other levels of external assurance are obtained as and when required.

These assurance processes inform the content of this report which contains both financial and non-financial indicators.

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Financial information

A full set of the Group's 2020 audited Annual Financial Statements (AFS) is available online at: ***www.famousbrands.co.za***

An independent audit was performed by Deloitte & Touche (Deloitte). Their audit opinion contained in the Group's consolidated financial statements is available online at: ***www.famousbrands.co.za***

Forward looking statements disclaimer

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

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

Reporting suite and principles

We are committed to reporting transparently to our stakeholders. Our suite of reports comprises the following:

IAR	This primary report to stakeholders demonstrates the relationship between the inter-dependent elements which comprise our value creation process, in compliance with the: • Companies Act, No 71 of 2008, as amended (Companies Act) • Listings Requirements of the JSE Limited (JSE Listings Requirements) • King IV • International Financial Reporting Standards (IFRS), in particular International Accounting Standard (IAS) 34 Interim Financial Reporting • International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework
Group AFS	A comprehensive report of the Group's financial performance for the year in compliance with: the Companies Act, the JSE Listings Requirements and IFRS.
Notice of Annual General Meeting (AGM)	Information for shareholders to participate in the AGM in compliance with: the Companies Act, the JSE Listings Requirements and King IV.

The IAR, AFS and Notice of AGM are available online at: ***www.famousbrands.co.za***

Board responsibility statement

The Board, assisted by the Audit and Risk and Social and Ethics Committees, acknowledges its responsibility for ensuring the integrity of the IAR, and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC's <IR> Framework.

The Board authorised this report for release on 29 June 2020.

Santie Botha
Independent Chairman

Darren Hele
Chief Executive Officer

ABOUT FAMOUS BRANDS

Who we are

Famous Brands is Africa's leading branded food services franchisor.

The Group's origins date back to the early 1960s, with the founding of a humble family business comprising one brand, Steers, and a limited supply chain. Today our enterprise consists of an extensive, vertically integrated business model, with trading operations on three continents.

In 1994 the holding company listed on the JSE Limited in the Travel and Leisure sector.

Global footprint 8

What we do

Famous Brands is a branded food services business operating franchised, master license and Company-owned restaurants. Our vertically integrated business model comprises three core pillars: Brands, Manufacturing and Logistics.

The Brands portfolio consists of 24 restaurant brands, represented by a network of 2 898 restaurants across SA, the rest of Africa, the Middle East and the UK. The portfolio is segmented into Leading (mainstream) brands and Signature (niche) brands. The Leading brands are further categorised as Quick Service, Fast Casual and Casual Dining.

Our integrated supply chain consists of Manufacturing and Logistics operations which support the Brands business in SA and selected markets in the rest of Africa.

Our Brands, Manufacturing and Logistics divisions are supported by a range of central services, including shared facilities, human resources (HR) and information technology (IT). The costs of these central services are shared proportionately relative to activity. In addition, a core of corporate services supports the entire organisation.

Segment report 163
Business model 12

Quick Service restaurants
Casual Dining restaurants
Fast Casual dining
Wholly owned
Joint venture/Associate
Under license

Our brands

Leading Brands

Launched in the 1960s in South Africa, Steers is an iconic hamburger brand, loved across generations for its legendary 100% pure flame-grilled burgers, hand-cut chips, fresh ingredients and real flavour.

Debonairs Pizza is a market-leading Quick Service pizza brand that owes its popularity to an unwavering focus on pizza innovation, cutting edge customer-interactive technology and free home delivery, which it pioneered in 1996.

Fishaways is South Africa's leading Quick Service seafood brand, offering uncompromisingly fresh and nutritious seafood-based meals that cater to the discerning and health-conscious consumer.

Since the late 1950s, Milky Lane has been a household name in South Africa, serving deliciously decadent ice cream treats and desserts. Popularly known as the 'Feelgood Specialists' this brand is a leader in the indulgence category.

Since opening in 1996, Mugg & Bean restaurants have been synonymous with the spirit of generosity, and the brand's bottomless coffee, giant muffins and substantial portion sizes are legendary. Mugg & Bean is also accessible to customers through a range of convenient formats including On The Move, OTM Limited Service and OTM Express.

Wimpy is a leading Casual Dining restaurant and family favourite, built on the principle 'enjoy every moment'. The brand is renowned for its famous Wimpy Coffee, all-day breakfasts, burgers and grills, complemented by a wide selection of shakes and desserts.

Fego Caffé epitomises café-style dining, serving delicious light meals and unsurpassed coffee. With the finest beans sourced from South America and Africa, the brand is the connoisseur's choice for an extraordinary coffee experience.

Other

GBK is the Group's company-owned premium burger offering in the UK. The brand's core beliefs are based on farm-to-fork provenance, finest quality and innovation centred on pioneering handcrafted 'burger comfort'.

With a heritage dating back to the 1960s, Mr Bigg's is a popular restaurant chain based in Nigeria. Catering for takeaways and sit-down dining, this brand offers a selection of traditional and international menu items.

Aqua Monte is the Group's bottled water brand, stocked by our franchise restaurants and a selection of redistributors and cinemas. The carefully sourced bottled spring water is available in still and sparkling variants.

Baltimore is the Group's bespoke ice cream brand, stocked by our franchise restaurants and other third-party food services customers.

Trufruit is the Group's premium-quality fruit juice brand, stocked by our franchise restaurants, the food services catering market and select cinema outlets.

Signature Brands

Mythos is a contemporary Greek restaurant with a traditional spirit, serving time-honoured dishes and modern cuisine in a stylish Mediterranean setting. The authentic dining experience is infused with the customary Greek passion for life.

With a strong Roman influence, this modern yet traditional neighbourhood osteria offers authentic artisanal Italian food in a warm, welcoming ambience. Homemade pasta and wood-fired pizzas made from the finest ingredients are complemented by a wide range of other mouth-watering meals and alcoholic beverages.

In 1977, four brothers with a love for the finest steak, opened their first Turn 'n Tender restaurant, a traditional South African steakhouse. Four decades later the brand has evolved to become a destination for discerning lovers of steak, ribs, burgers and fine wine, in a contemporary setting.

Salsa serves authentic Mexican food prepared traditionally, with a modern, inspired twist. The cuisine is complemented by craft tequilas and beers and a dining experience epitomises authentic Mexican entertaining – vibrant, welcoming and festive.

Founded in 1889 in France, PAUL is an internationally renowned fifth generation family-owned artisanal bakery-café chain. The brand's authentic French offering, served in its trademark chic restaurants or to take away, includes traditionally-crafted baked products and gourmet meals. Famous Brands holds the license agreement for PAUL in SA.

tashas is a boutique café concept which draws on the best of traditional coffee shop heritage, elevating it to new generation chic with its careful blend of authenticity, innovative comfort food, personalised service, and signature design aesthetics, effortlessly creating memorable dining experiences.

Vovo Telo is a specialist artisan bakery, synonymous with excellence in craft baking, mouth-watering breakfasts and lunches and perfectly brewed coffee. The brand uses local artisanal products, supporting producers who share its respect for quality and integrity.

Europa is a delightful fusion of neighbourhood Italian trattoria and contemporary eatery, serving a range of modern dishes inspired by Tuscany, Provence, Barcelona and Corfu.

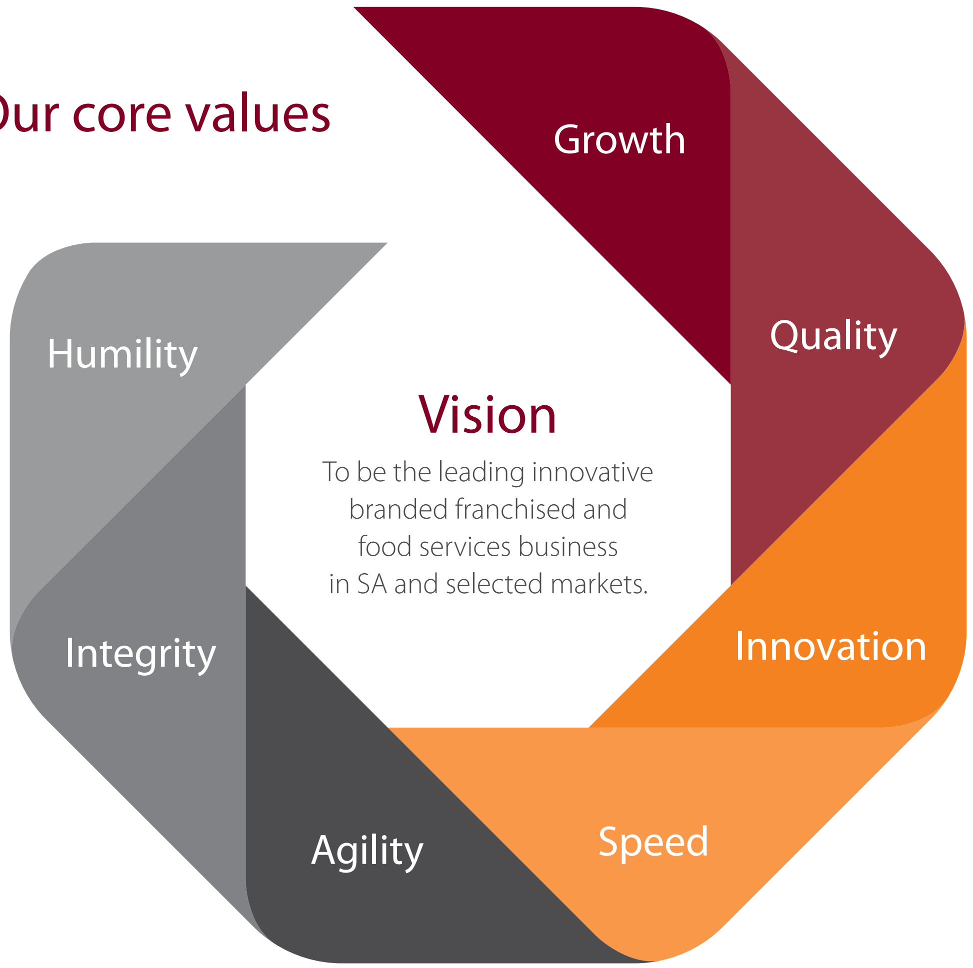
Established in 1965, House of Coffees is a specialist coffee shop serving a premium coffee offering and sumptuous meals. The bespoke coffee blends are enjoyed by the brand's restaurant patrons and are also available in leading retailers nationwide.

Coffee Couture is a specialised hospital coffee shop brand, situated in Mediclinic hospitals nationwide. Coffee Couture's offering comprises tasty meals, complemented by a creative coffee offering; a range of gifts and other convenience retail items are also available.

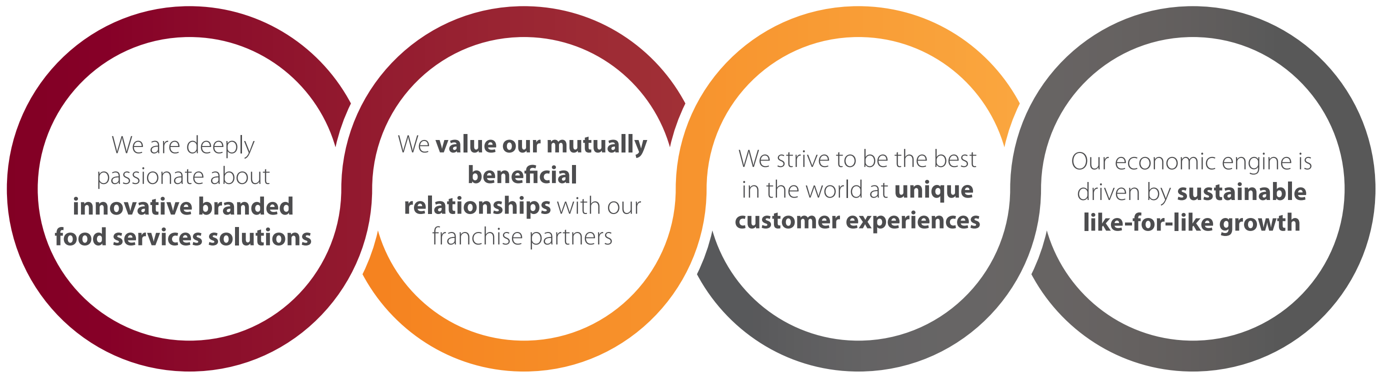
Our bespoke NetCafé brand was created to cater to the Netcare Group's hospital staff, patients and their visitors. The brand offering comprises a combination of full sit-down menu, a deli section and a retail convenience outlet. Netcare operates the largest private hospital business in South Africa.

Vision and values

Our core values



What drives us



Key differentiators and investment case

Established market leader

- The leading branded food services franchisor in Africa, with exposure to growth markets;
- a strong trading track record established over 26 years; underpinned by a high-performance culture; and
- a compelling business proposition for franchise partners and a quality solution for customers.

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Aspirational brands and exceptional franchise partners

- A strategic best-in-class brand portfolio positioned to appeal to a wide range of consumers across the income and demographic spectrum, and across meal preferences and value propositions;
- ambitious, entrepreneurial franchise partners, with a proven track record in competitive trading conditions;
- strong demand for brands from existing and prospective franchise partners; and
- good pipeline of prospective franchisees and sites.

Operational review: Brands 94

Competent leadership and clear strategies

- An experienced Board and energetic management team with extensive industry and related knowledge; and
- a focused strategy to grow locally and in other selected markets, both organically and by acquisition to enhance long-term sustainable value for stakeholders.

Board of Directors and Group Executive Committee 120 124
Strategy and key strategic material matters 31

Strategic business model

- A vertically integrated supply chain underpins the brand network, providing manufacturing, logistics and distribution capabilities to our franchise partners; and
- the reliable, competitive services afford strategic advantage, positioning our franchisees to deliver like-for-like growth.

Business model 12

Effective capital allocation

Sustainable value is generated by ensuring the best return on invested capital across our diverse Brands, Manufacturing and Logistics operations.

CEO's report 85

Supportive financial position

- A healthy balance sheet;
- cash-generative operations;
- sustainable earnings; and
- an effective debt structure.

Group FD's report 115

Environmental, social and governance (ESG) mindfulness

The Group is a responsible corporate citizen committed to sustainable development through sound governance, regulatory compliance and global best practice transformation.

Sustainability reports 28

Global footprint

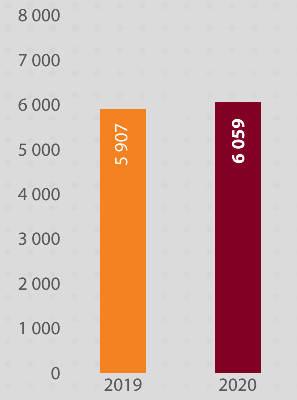
UK	129
Ireland	5
Greece	1

Eswatini	6
Lesotho	4
Zimbabwe	8
Namibia	48
Botswana	37
Zambia	44
Mozambique	5
Kenya	17
Nigeria	81
Ethiopia	3
Angola	6
Malawi	14
Mauritius	21
Sudan	7
United Arab Emirates	19
Saudi Arabia	2

SA	2 441

SA

Revenue (R million)



2 441

Restaurants (2019: 2 402)

10

Logistics sites (2019: 10)

Manufacturing sites (2019: 14)

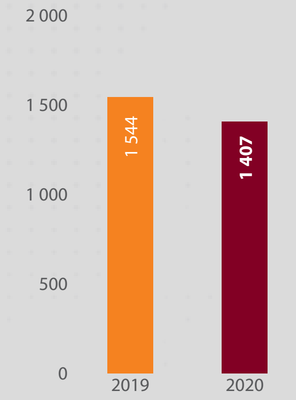
12

Employees (2019: 2 411)

2 276

UK and other

Revenue (R million)



Restaurants (2019: 143)

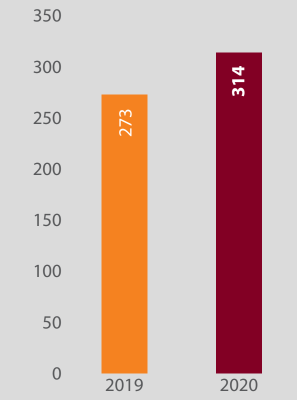
135

Employees (2019: 1 654)

1 342

Rest of Africa and Middle East (AME)

Revenue (R million)



Restaurants (2019: 326)

322

847

Employees (2019: 740)

VALUE CREATION PROCESS

Performance overview

Value creation indicators

The value we create for our stakeholders is measured through tangible and intangible indicators.

Key performance indicator (KPI)	Link to value creation	Year-on-year change
Total return to shareholders	Return on investment (ROI) for shareholders	∨
Full year dividend per share		∨
Share price performance	Share price appreciation	∨
Headline earnings per share (HEPS)	ROI for shareholders	∧
Net debt:equity*	Strength of liquidity and funding position	∨
Debt finance structure	Debt finance renegotiated to levels more appropriate for the business	∨
Annual employee costs	Remuneration and benefits to employees	‹›
Training spend	Investment in employee development; value through education	∧
Employee engagement score	Reflects levels of employee morale	‹›
Union engagement	Stable cordial bargaining environment	∧

* *Excluding IFRS 16 impact.*

Improved ∧ or ∨
Deteriorated ∨
Remained stable ‹›

Key performance indicator (KPI)	Link to value creation	Year-on-year change
Corporate social investment spend	Contribution to society	∧
Transformation: broad-based black economic empowerment (BBBEE) rating	Progressing diversity in line with society's demographics	∧
Procurement spend on enterprise supplier development	Support for local suppliers	∧
Consumer and industry awards	Recognition and reward from our customers	∧
Consumer health awareness campaigns	Proactive management of our impact on society	∧
Health and safety accreditations (National Occupational Safety Association (NOSA) gradings) Regulatory fines or penalties	Indicator of adherence to regulatory requirements	‹›
ESG sustainability journey	Reduces the negative impact of our business on society and the environment	∧
Carbon footprint	Impact of our business on the environment	∨

BUSINESS MODEL

Creating sustainable value through our six capitals

Famous Brands is a branded food services business operating franchised, master license and Company-owned restaurants. Our vertically integrated business model comprises three core pillars, Brands, Manufacturing and Logistics. Our purpose is to deliver innovative branded food services solutions and unique consumer experiences to drive sustainable like-for-like growth and create value for the benefit of our stakeholders.

Value is created through our franchise partners, employees, intellectual property, technology, financial resources, manufacturing equipment and fleet to build aspirational market-leading brands for the enjoyment of our customers, and manufacture and distribute licensed products for sale by our restaurant network and retail operation. By re-investing this value in our capitals, we maintain our capacity to create sustainable value in the future.

Key factors that impact on our ability to deliver value

Within our control	Beyond our control	Key enablers that help us drive value creation
• Operational efficiencies • Brand offering (appeal, service, value) • Product quality • Cost management • Stakeholder relationships	• Commodity prices (food inflation) • Macro-economic factors (consumer spend) • Demand for products • Market and demographic dynamics affecting site viability • Country-specific risks (load shedding, socio-political instability)	• Our strategically positioned, market-leading brands and strong customer loyalty • The mutually beneficial relationships we share with our franchise partners • The experience and expertise of our leadership teams • The skill set and innovation of our Human capital • Our rigorous maintenance of Manufactured capital and strict compliance with health and safety regulations

Inputs

The capital inputs which create value in the Group's business activities are **Financial, Manufactured, Intellectual** and **Human**, as well as the **Social and Relationship capital** evident in our relationships and partnerships with key stakeholders. In our supply chain, which manufactures and distributes products to franchise partners and third-party customers, the Group utilises **Natural capital** in the form of raw materials including food, as well as water and carbon-depleting energy resources. To a lesser extent water and carbon-depleting energy resources are also used in our head office and restaurants. 16 to 27

Financial capital

Funds generated by operations and equity and debt funding available for deployment.

Manufactured capital

The land and buildings we operate out of, our manufacturing equipment, logistics fleet and IT infrastructure.

Intellectual capital

Our collective experience and know-how, specifically our franchise, operational, marketing, brand building, design, development and procurement skills; as well as our proprietary systems and licensed trademarks.

Natural capital

Renewable and non-renewable environmental resources we use to create economic value including food products for preparation, processing and sale; clean air and water; electricity; gas and fuel.

Human capital

The expertise, wellbeing, attitude and innovation of our employees, franchise partners, suppliers and business partners.

Social and Relationship capital

Relationships and engagement with stakeholders, our corporate reputation and values, and our impact on the communities in which we trade and the customers we serve.

Governance

Social and Relationship capital

Government and regulators

Shareholders

Funding institutions

Franchise partners

Customers

Communities

Business partners

Employees

Trade unions

Primary business processes and activities

Operational review 94

Our Brands and Manufacturing and Logistics' supply chain division are supported by central services including HR, legal, governance, and IT.

Brands (SA, AME and UK)

Business activity

- Develop and build brands
- Operate 2 898 branded restaurants (franchised, Company-owned and master license agreement)
- Operate six Centres of Excellence at 10 distribution centres
- Retail branded food products
- Marketing
- Training

Business activity outputs/outcomes

- Portfolio of strategically positioned, best-in-class brands offering a compelling business proposition to our franchise partners and a quality solution to our wide range of customers
- Centres of Excellence provide comprehensive franchise support services to our franchise partners.

Supply chain

Manufacturing (SA)

Business activity

- Operate 12 manufacturing facilities (Company-owned and joint ventures)
- Procure raw materials for processing
- Develop new food services products
- Manufacture branded products

Business activity outputs/outcomes

- Innovative, popular licensed branded products for our franchise network and selected third-party retail and wholesale food services customers

Logistics (SA)

Business activity

- Operate 10 distribution centres nationwide
- Distribute branded products to our franchised network and selected third-party customers through our Company-owned fleet, owner-driver partnership fleet and exports into AME markets

Business activity outputs/outcomes

- Efficient, cost-effective route-to-market for our franchise network, delivering a comprehensive basket of products for brand-specific menus
- Support for entrepreneurs through the owner-driver programme

Natural capital

Manufactured capital

Financial capital

Human capital

Intellectual capital

Strategic objectives are executed in an integrated manner to enhance our ability to deliver on our strategy. By focusing on what matters most to our business and through identifying our key opportunities and risks, we have prioritised the economic, social, environmental and governance matters that have the potential to affect our strategy to create sustainable value in the short, medium and long term. Our key strategic material matters are:

- Improve our operational efficiencies
- Enhance our financial performance
- Prioritise our franchise partners
- Lead in the categories we compete in
- Develop our people; ongoing commitment to transformation
- Optimise capital management
- Ensure regulatory compliance

We measure our attainment of strategic objectives against KPIs.

Key risks

- Inability to ensure GBK breaks even at PBIT level by FY2022
- Cyber-attacks on local and international entities
- Breach of food safety standards and regulations
- Lagging on consumer-facing, technology in the industry
- Unreliable electricity supply impacting the supply chain
- Inability to respond appropriately to business disruption
- Breach of debt covenants and undertakings to the lender
- Failure to prevent and respond to major health and safety incidents
- Loss of reputation and severe brand damage
- Inability to materially improve franchisee profitability by FY2021
- Ongoing impact of the COVID-19 global pandemic

Risks and opportunities 54

Underpinned by

Culture | Leadership | People | Skills | Governance | Systems and processes

Outputs

Our brands and products in the food services sector offer a compelling business proposition to our franchise partners and a quality solution to our wide range of customers.

These include 2 898 branded restaurants across the Group's network, extensive menu offerings across the brand portfolio and products manufactured for our restaurant network and third-party customers.

Carbon-depleting packaging, food wastage and irresponsible farming practices are a feature of the food services industry. We are mindful of this and committed to growing our business in a sustainable manner. Our brands and manufacturing operations have embarked on a journey of best practice activities including eliminating food wastage, conversion to biodegradable and other alternative catering items, and responsible sourcing of raw materials. Policies and implementation timeframes have been developed to hold us accountable.

Our sustainability journey 74

Environmental report 70

Capital outcomes

Impact of business activities on our capitals

» Despite the extremely challenging trading conditions experienced over the past year, value has been created for stakeholders

» Confidence in our business from the financial market (lenders) and investors resulted in continued access to **Financial capital** for growth in the business

» Ongoing investment in our restaurants, manufacturing and logistics network and e-commerce platform strengthened our **Manufactured capital**

» We added value to our **Intellectual capital** through investing in and developing our e-commerce capability, through improving our business processes and systems and expanding our intellectual property expertise

» Environmental resources have been depleted by our operations primarily in our supply chain and to a lesser extent in our Brands business. We continue to implement measures to mitigate against the negative impact on our **Natural capital**

» Our focus on and investment in skills development, training and transformation enriched our **Human capital** resource

» **Social and Relationship capital** was enhanced by building on our positive relationships with stakeholders and investing in the wellbeing of communities through the CSI initiatives of our franchise partners

» Page 16 to page 27 provide detailed information regarding inputs, outputs and trade-offs for each capital

We focus on creating sustainable value for these stakeholder groups

Stakeholder	Value	2019
Shareholders	R190 million	(2019: 0)
Employees	R1.4 billion	(2019: R1.4 billion)
Suppliers	R5.1 billion	(2019: R5.2 billion)
Lenders	R216 million	(2019: R196 million)
Communities	R16 million	(2019: R15 million)
Government	R219 million	(2019: R133 million)

Creating value using our capitals (excludes our associate companies)

Financial capital

Our Financial capital is the funding available for deployment, which comprises debt and equity funding. The capital is employed to fund operations and grow the business and to pay distributions to shareholders, when appropriate.

Creating value

Optimal capital management and allocation is critical to our ability to generate long-term value for our stakeholders, and we invest in our other capitals in a measured way to grow and sustain our business. Maintaining sound financial metrics is a key management priority.

Goal: create value through OPTIMISING Financial capital

Input	2020	2019
Total equity (R billion)	**1.8**	1.5
Gross interest-bearing debt (excluding lease liabilities) (R billion)	**1.7**	2.1
Cash and cash equivalent (R million)	**486**	455

Actions to enhance or mitigate outcomes	
Proactively managed debt maturity profile	✓
Reduced interest-bearing debt	✓
Tightly controlled the capital investment programme	✓
Focused on working capital management	✓
Intensified the operational excellence programme across the Group	✓

Outcome (value for stakeholders)	2020	2019
Revenue (R billion)	**7.8**	7.7
Operating profit before non-operational items (R million)	**912**	847
Net finance costs (R million)	**219**	228
Cash generated from operations (R billion)	**1.3**	1.0
HEPS (cents)	**417**	316
Return on equity (ROE) (%)	**25.1**	20
Return on capital employed (ROCE) (%)	**20.0**	(1.6)
Gearing (%)*	**143**	113
Wealth created (R billion)	**2.8**	2.6
Net asset value per share (cents)	**1 797**	1 527
Closing share price at year-end (cents)	**5 360**	9 000

* *Includes IFRS 16 lease liabilities.*

Key trade-offs

We sustain and grow our business with the use of Financial capital and this has positive impacts on all the other capitals. The resumption of the dividend in the past 12 months resulted in improved Social and Relationship capital. This is part of the cost of doing business and reduces our ability to invest more aggressively in key initiatives to continue to grow the business. Using Financial capital to invest in Manufactured capital increases production capacity but has a negative impact on Natural capital.

We will continue to allocate Financial capital in the most efficient manner in line with our three-year strategy of growing the business in a sustainable and responsible manner thereby creating value for all stakeholders.

Outcome key: Positive ✓ Negative ✗ Neutral •

Manufactured capital

Our Manufactured capital is the land and buildings we operate out of (our head office, Company-owned restaurants, warehouses and manufacturing plants), our manufacturing equipment, logistics fleet and our IT infrastructure. We rely on public infrastructure to transport our raw materials and processed products.

Operational review 94

Creating value

Continued investment in our Company-owned restaurants, facilities, equipment, fleet and IT infrastructure enables us to remain appealing to our customers, more efficient to our franchise partners and reduce our impact on the environment, thereby creating social, economic and environmental value.

Input	2020	2019	Actions to enhance or mitigate outcomes	Outcome (value for stakeholders)	2020	2019
Total restaurants* (units)	**2 898**	2 871	Constant evaluation of the brand estate in terms of location, relevance and appeal to our target markets.	Restaurants which are conveniently sited and appealing for our customers and provide optimal returns for our franchise partners and investors		
– Opened*	**127**	162		– Customers served/ transactions concluded (million units)	**136.9**	139.5
– Revamped*	**295**	260				
Total manufacturing plants (units)***	**12**	14	Our manufacturing operations are managed by specialists and supported by highly qualified food technologists. Our manufacturing processes are regularly audited to ensure compliance with relevant regulations and prevention of potential food contamination.	Efficient manufacturing, logistics and distribution operations that provide a good, competitive service to our franchise partners		
– Capital investment (R million)	**37**	40		– Product lines warehoused (units)	**1 703**	1 697
				– Product procured (million tons)	**44.6**	41.1
– % of plants certified Food Safety System Certification (FSSC) 22000 or Food Standards Agency (FSA)	**92**	69		– Product processed (million tons)	**67.1**	56.8
Total logistics centres (units)***	**10**	10	We invest in new generation technology, equipment and facilities to improve efficiencies and minimise our carbon footprint.	Reduced impact on the environment		
Capital investment (R million)	**26**	7				
Logistics fleet (trucks)***	**104**	108	Our fleet is well maintained and continually upgraded to ensure optimum reliability and safety.	Distribution of product		
				– Distance travelled (million km)	**6.9**	6.7
				– Cases delivered (million units)	**13.5**	13.4
IT infrastructure – Capital investment (R million)	**8**	12	We conduct regular reviews of IT requirements and risk assessments inform our systems updates.	IT efficiency in all our departments and restaurants		

* *This information pertains to our total restaurant network.*
** *This information pertains to our South African and GBK businesses only.*
*** *This information pertains to our South African operation only.*

Goal: create value through ENHANCING manufactured assets

Key trade-offs

By investing in our property, plant and equipment, we are investing for growth and sustainability which in the short term impacts on our Financial capital and reduces our financial flexibility. This investment is imperative for improving our efficiencies and competitiveness, and increasing our capacity to generate stronger returns in the medium and long term.

Our Manufacturing and Logistics operations have an adverse impact on the environment. In order to mitigate this impact, we continue to invest in new generation technologies and equipment in order to improve efficiencies and reduce the adverse impact. In addition, we continue to upgrade our fleet to minimise our carbon footprint. These investments reduce our Financial capital flexibility.

Intellectual capital

Intellectual capital refers to our collective experience and know-how, with emphasis on operational, franchise, marketing, brand building, design, development and procurement skills, combined with our proprietary systems and licensed trademarks.

Creating value

Our business model relies on having the right people with the right skills in the right jobs to create value. It also depends on our franchise partners re-investing responsibly in their businesses and managing their operations efficiently to create value.

It is vital that our best-in-class brands instil confidence among our stakeholders, and that we protect those brands with the appropriate legal framework.

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
We have a skills development facilitator who monitors targets and progress against our committed plans, and reports to the Social and Ethics Working Group. Qualified training instructors Bespoke training courses for Group and franchised employees	**TRAINING**			Our training and development initiatives deliver a workforce that is fit for purpose, while the trained candidates benefit from improved skills and better career development opportunities.		
	Franchisees and franchise employees					
	– Franchise workshops	**9 674**	23 248			
	– Brand product training	**5 179**	8 415			
	– Fundamental restaurant management training	**871**	1 156			
	– Other *ad hoc* training	**5 580**	7 265			
	Group employees					
	Total training	**226**	543			
	Black employees	**195**	462			
	Black women	**101**	101			
	Managers' Challenge*					
	– Candidates	**20**	17			
	– Graduates	**18**	17			
	Executive Development Programme (EDP)*					
	– Candidates	**4**	2			
	– Graduates	**4**	2			
	International Executive Development Programme (IEDP)*					
	– Candidates	**2**	0			
	– Graduates	**2**	0			
Internship programme for new graduates	New graduate interns were placed in various departments across our regional centres to gain structured workplace experience and specialised training over a 12-month period. – Number of interns	**57**	45	Completed the programme Employed by the Group	**49** **32**	27 14

Goal: create value through ENHANCING our Intellectual capital

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
Marketing fund	The marketing fund is governed by the franchise agreement and is regulated by the Consumer Protection Act, No 68 of 2008, with which we comply. Contributions may only be employed to build and strengthen brands and may not be used to provide any benefit to the Group which is not also available to our franchise partners.			*Operational review: Brands* 94		
				System-wide sales growth (%)	**6.4**	6.0
				Like-for-like sales growth (%)	**2.9**	2.5
	Optimal allocation of funds enables partnerships with industry-leading experts to develop award-winning, brand-specific marketing and advertising campaigns which build brand profiles and drive sales growth.					
	– Contribution by franchise partners (R million)	**583**	542			
	– Leading brands' total media investment increased by (%)#	**1**	16			
	– Digital media spend increased by (%)	**18**	55			
	– Digital media investment as a % of total Leading brands' media spend	**14**	12			
Bespoke programmes	**Franchisee Information System**			Houses all franchisee-related information and is the source of all income generated by franchisees		
	Flow Centric Work Flow			Automates a multitude of previously manual processes, including purchasing and receipting processes		
	Online Ordering			Enables franchisees to order products electronically from the Group		
	Business Intelligence			Consolidated data from various systems to facilitate analysis of activities within the business and consolidated reporting		
	Mobile Operations Management System			Provides franchise managers with electronic capability to access franchised store operational records		
Trademarks, patents and registered designs	Proprietary systems and licensed trademarks are managed on an ongoing basis by our Legal department and appropriate action is taken to defend infringements, as well as secure new trademarks as brands evolve.	**595**	585	All trademarks are regularly reviewed and renewed in order to ensure our brands retain their high-profile public presence. Their worth contributes substantially to the Group's goodwill valuation. New marks are developed, registered and defended on a strategic basis to build a valuable brand resource aligned with the Group's strategic growth objectives.		

The information in this table pertains to our South African operation.

* *Formal leadership development initiatives are implemented on an ongoing basis annually. The EDP and IEDP are conducted in conjunction with the Wits Business School and contribute to the business's overall succession planning measures.*

\# *In contrast to our Leading brands, media spend is not a key driver of Signature brands' marketing activity.*

Trade-offs

Investment in business processes, new IT systems, trademarks, patents and designs impacts our Financial capital and reduces our financial flexibility in the short term, but has a significant impact on improving our Intellectual capital, and indirectly benefits our Human and Social and Relationship capitals.

Reducing investment in employee training to increase short-term profits will have long-term negative consequences on our employees' productivity and engagement, as well as our brand reputation. To manage this, we ensure our training and skills development initiatives are targeted and deliver the maximum ROI.

Investing in marketing, brand building and maintaining a best-in-class brand portfolio impacts on our Financial capital in the short term, but failure to do so would erode our competitive advantage, damage our leadership in the industry, as well as our investment proposition for stakeholders. By remaining top of mind among our consumers we create economic and social value for all stakeholders.

Natural capital

Our Natural capital refers to the environmental resources we depend on to create economic and social value, including food products for preparation and sale, clean air and water, electricity, and gas and fuel.

Creating value

Our business model involves converting natural resources to create Financial capital and enhance our Social and Relationship capital. In doing so, there are unavoidable environmental impacts. Our environmental and climate change policy sets out our commitment to responsible practices and targets aimed at reducing our carbon footprint and contributing to a more sustainable environment for the benefit of all.

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
High-quality raw materials	12 highly certified manufacturing plants process raw materials			Consistently safe, high-quality processed, branded food products for menu and brand-specific baskets for our franchise partners and customers		
Proteins (tons)		**14 258**	13 810	Proteins (tons)	**16 231**	16 782
Dairy (tons)		**58 002**	54 912	Cheese (tons)	**8 738**	8 965
Grains (tons)		**1 759**	2 838	Ice cream (tons)	**7 220**	8 329
Vegetables (tons)		**17 559**	23 292	Bread products (tons)	**3 182**	3 608
Fruit concentrates (Kl)		**468**	420	Vegetable products (tons)	**8 166**	15 048
Coffee beans (tons)		**1 097**	1 098	Juice (tons)	**1 778**	2 466
				Coffee (tons)	**857**	954
				Sauces and spices (tons)	**16 842**	19 750
Water (Kl)	Improved water use and effluent management	**368 371**	446 694			
DCs and logistics fleet	10 DCs manage the logistics of supplying our restaurant network			Products delivered timeously and responsibly to our franchise partners and Company-owned restaurants		
Energy consumed	Ongoing review and implementation of energy-saving initiatives					
Electricity (MWh)		**30 734**	30 651			
Electricity generated by solar (MWh)	Optimisation of efficiencies in our logistics fleet and in line with volume growth	**442**	#	Offset consumption of non-renewable energy supply		
Diesel (Kl)		**2 073**	1 956	Distance travelled (km)	**6 871 100**	6 702 734
Petrol (Kl)		**731**	702	Product delivered (cases)	**13 474 228**	13 379 011
Paraffin (Kl)	Conversion of paraffin-fuelled boilers to compressed natural gas	**182**	618	CO_2 emissions (metric tons CO_2e)		
Liquefied petroleum gas (LPG) (tons)	Intensified focus on cleaner fuel and energy options	**48**	51	– Direct	**21 688**	28 658
Natural gas (Gigajoules)		**35 696**	18 742	– Indirect	**31 963**	29 661
Coal (tons)		**4 667**	7 764			

Goal: to create value while MINIMISING environmental impacts

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
Packaging used in manufacturing plants	Maximising recycling opportunities for general waste			Packaging waste recycled		
Cardboard boxes (m)		**4.9**	4.9	Cardboard and paper (tons)	**761**	604
Plastic bottles (m)		**12.4**	12.1	Plastic (tons)	**110**	149
Paper serviettes (tons)		**634**	556	Metal (tons)	**62**	67
				General waste to landfill (tons)	**1 685**	1 427

Not measured in 2019.

Trade-offs

Our operations consume non-renewable resources and our emissions and waste have a negative impact on natural capitals. Regretfully, in light of Eskom's frequent load shedding during the period, the use of back-up generators increased substantially.

By converting Natural capital into products and services, we add value to our other capitals.

Through various green initiatives, we will continue to prioritise awareness around behaviour and usage of all utilities in all our operations. Our goal is to reduce the Group's carbon footprint through more efficient use of Natural capital and better management of negative outputs.

These initiatives are discussed in more detail in the ***Environmental report*** 70, which also contains an analysis of the Group's current carbon footprint report.

Social and Relationship capital

Our Social and Relationship capital refers to our relationships with our stakeholders, including the communities in which we trade and our customers.

Creating value

Trusted relationships with stakeholders are essential to securing our reputation and enabling us to meet our growth objectives. We also believe that the communities we serve should be better off as a result of our presence, and helping to uplift them will support the sustainability of our business.

Goal: create value through ENHANCING our relationships

Input	Actions to enhance or mitigate outcomes	Outcome (value for stakeholders)	2020	2019
Support from our customer base	• Value offerings which support cash-strapped consumers • Customer loyalty programmes that reward customers	• Affiliation with best-in-class brands reflected by a plethora of awards across the portfolio • Consistent, reliable value-driven offering perceived as responsive to customers' desires	Total number of awards: **18** % increase in customers: **1.9** % increase in loyalty members: **97** % increase in social media followers: Facebook: **10.4** Twitter: **58.8** Instagram: **198**	* * * *
Trusted reputation with communities, civil society bodies, non-governmental organisations and media	• Support by our Leading brands for varsity sports and FNB Varsity Cup • Fundraising activities and donation of products to needy communities by our franchise partners • Outreach activities by our employees with community charities/organisations *Corporate social investment* 75	• Our sponsorships promote the development of future sporting stars in SA Eligible student athletes benefit from funding support after leaving school and before turning professional • Funds raised for charities and donation of products assist with community upliftment • Our promotional activities also raise the profiles of recipient charities and funding campaigns, enabling them to expand their reach	Total sports sponsorship **R20.1 million** Total funds raised for charities and donation of products: **R729 000**	R18.8 million R2.7 million
Constructive relationships with government and regulators	Rigorous compliance with industry regulations and best practice benchmarks.	FSSC 22000- or FSA-certification by regulators of all facilities/sites	**92%** of sites	69%

* Not measured in 2019.

Trade-offs

Reducing our financial investment in CSI would improve our Financial capital in the short term but have a negative impact on the communities we serve (our target market), which in turn would damage our brand. Over the long term, our investment creates goodwill in our trading markets and has a positive impact on our Financial capital.

Human capital

Our Human capital refers to the wellbeing, attitude and innovation of our employees, franchise partners, suppliers and business partners.

Creating value

We require this input to generate value and we strive to nurture the commitment and support of this resource through strong personal relationships and incentives which recognise and reward the dedicated individuals who make a positive difference to our business.

Goal: create value through ENHANCING the contribution of our Human capital

Input	Actions to enhance or mitigate outcomes
• High-performance culture and strong value system • Experienced executive leadership team • Diverse, skilled and motivated workforce • Supportive contracted business partners and service providers with aligned goals • Good engagement with unionised and non-unionised workforce • Safe working environment • Fair labour practices	• Implementation of automated scorecard system, driving performance management disciplines linking performance to rewards; trained managers on performance management incorporating the Company values, which focus on empowerment, talent management, transformation, employment equity, succession, health and safety and sustainability • Internal recruitment and promotion are a natural part of our growth culture; where additional skills are needed, they are recruited externally • Talent management (performance and potential) is measured through our bi-annual Human capital reviews • Annual employee engagement surveys serve as an indicator of overall organisational health and our climate survey scores translate into business unit action plans • Our Growing Champions programme centres on motivating the entire workforce and recognises specific individuals who contribute to the Company's success and who demonstrate dedication and commitment to their work beyond the norm • In our South African operations, we support the principles of BBBEE. Our executive leadership is responsible for implementing the strategy in their respective functional areas • Managing the succession pipeline at senior and executive level especially is key to the sustainability and future of our business. Our target is to ensure a 2:1 succession cover ratio at leadership level. KPIs are included in executive and management scorecards in support of this sustainability imperative • Across our operations, we are committed to sustainable business practices and providing a healthy and safe working environment for our employees. The Group complies with the requirements prescribed by the Occupational Health and Safety Act, No 85 of 1993 (OHS Act) and health and safety risk assessments are conducted by an approved inspection authority every two years. All sites passed their NOSA certification of compliance with the OHS Act effective 29 February 2020 • We have policies and controls in place to measure and monitor the Group's sustainability performance. Where necessary, material issues and risks related to employee health and safety, food safety and the environment are escalated to the Social and Ethics Committee and the Audit and Risk Committee where appropriate.
• Ambitious entrepreneurial franchise partners	• Comprehensive business management support provided, including bespoke training programmes

Outcome (value for stakeholders)	2020	2019
Full-time permanent employees*	**3 209**	3 213
Non-permanent employees#	**1 256**	1 592
Region of origin of employees		
SA	**2 276**	2 411
AME	**847**	740
UK#	**1 264**	1 654
Ireland#	**78**	86
Unionised employees (SA)	**671**	664
Non-unionised employees (SA)	**198**	254
Bargaining Unit (BU) employees	**973**	973
Unionised BU employees (%)	**69**	68
Gender of employees		
Male	**2 559**	2 750
Female	**1 906**	2 055
Increased skills development spend per employee (% of leviable amount)	**2.4**	1.6
Employee turnover	**5.6**	6.5
Administration employees engagement score	**72**	73
BU engagement score	**60**	58
Remuneration paid (R000)	**1 411 165**	1 374 229
Accident frequency rate	**0.077**	0.077
Fatalities	**0**	0
BBBEE level score	**4**	7
Health and safety accreditations – NOSA rating	**Good or very good**	Good or great
Two-year wage agreement and cordial relations with workforce and unions		
Our most recent surveys, which were conducted in 2019 for BU employees and for Administration employees, indicated a high level of employee engagement and motivation		
Loyal, long-standing partners		

* *Excludes: associates, non-permanent and outsourced staff.*
# *The lower headcount is a reflection of the CVA process at GBK UK which resulted in retrenchments.*

Trade-offs

Across the Group, remuneration paid to employees increased by 3% (2019: 4%). Given the inclusion of GBK, Wimpy UK and the AME operations, this figure is affected by exchange rate differences.

In the core SA business, remuneration paid to employees increased by 10% (2019: 8%). Remuneration paid to employees in the AME region rose 22% (2019: 6%), reflecting a high increase in Botswana specifically. In the GBK UK business, employee remuneration declined 9% (2019: flat).

While higher remuneration costs in SA and the AME impacted on our Financial capital, we believe the investment in our workforce is fair and appropriate recognition and reward for their contribution. Costs incurred in recruiting additional expertise have strengthened our operating capability and succession planning, which will create long-term value and offset the short-term impact.

Message from the Chief Executive Officer

Dear stakeholder

The reports in this section provide insight into our approach to sustainability, which focuses on creating value for stakeholders and driving growth, underpinned by our core principles of growth, integrity, innovation, agility, speed, quality and humility. Our ability to create value for our stakeholders is supported by maintaining robust ethics, governance and risk management processes and structures.

The reports in this section include:

- our strategic focus and key material matters;
- our operating context, its implications for the business and our response;
- our key stakeholders, their interests and issues, and our response;
- the risks and opportunities our business faces;
- transformation in the business to date and our goals;
- an overview of our environmental approach;
- the sustainability journey of our brands; and
- our CSI activities in local communities.

In addition, the Remuneration report, which has taken into account the views and recommendations of some of our key stakeholders, contains enhanced disclosure regarding sustainability and governance measures. There is now greater focus on performance-related measures which are used to drive and evaluate the business, resulting in a better alignment of management incentives with shareholder interests.

Our efforts to address social and environmental challenges and contribute to transformation in our business align with the United Nations' Sustainable Development Goals (UN SDGs), which define global priorities and aspirations for 2030 in terms of sustainability by eliminating extreme poverty, protecting the planet and ensuring prosperity for all. We recognise these SDGs as being of vital importance to short, medium and long-term sustainability and a key driver of economic growth, whereas failure to address these goals will perpetuate social and economic instability.

We have identified the following SDGs to which we believe we can contribute the most and have the most impact on. In order to integrate the SDGs into our strategic approach, we mapped our material matters to the SDGs to determine which goals provide the greatest potential for impact and where the key opportunities lie in our business. Our contribution to the SDGs is largely determined by the changing landscape in our operating markets, as well as the interests and issues raised by our stakeholders.

UN SDG	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Goal	Promote sustained, inclusive and **sustainable economic growth**, full and productive employment and **decent work** for all	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster **innovation**	Ensure **sustainable consumption** and production patterns	Take urgent action to combat **climate change** and its impacts
Famous Brands' related key strategic/ material matter	• Develop our people; ongoing commitment to transformation • Enhance our financial performance • Optimise capital management	• Lead in the categories we compete in • Improve our operational efficiencies • Enhance our financial performance • Optimise capital management	• Ensure regulatory compliance • Optimise capital management.	• Ensure regulatory compliance
Responsible member of Executive Committee ***Group Executive Committee*** 124	• Darren Hele • Lebo Ntlha • Jabulani Mahange	• Darren Hele • Derrian Nadauld • Andrew Mundell • Adolf Fourie • Philip Smith • Norman Richards	• Darren Hele • Norman Richards • Ntando Ndaba • Andrew Mundell	• Darren Hele • Norman Richards • Ntando Ndaba • Andrew Mundell

Strategic focus areas and key enablers at a glance

Vision 2017 – 2020

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

Vision achieved by end date. Global headwinds dictated a review

Vision fine-tuned 2021 – 2023

To be the leading innovative branded franchised and food services business in SA and selected markets

Three-year roadmap constructed: ***customer inspired**, **brand led and supported by the back-end value chain***

Strategy

To grow our business in a sustainable manner and create value for all stakeholders

Strategic intent

Grow capability and capacity to deliver unique customer experiences in the branded franchised and food services space

Enabled by key strategic imperatives

- Improving our operational efficiencies
- Enhancing our financial performance
- Prioritising our franchise partners
- Developing our people; ongoing commitment to transformation
- Leading in the categories we compete in
- Optimising capital management
- Ensuring regulatory compliance

Leading to

- Innovative branded food services solutions
- Mutually beneficial relationships with franchise partners
- Unique consumer experiences
- Sustainable like-for-like growth

Resulting in

R7.8 billion	417 cents	R912 million	11.7%*
Revenue	**HEPS**	**Operating profit**	**Operating profit margin**
↑ 1%	**↑ 32%***	**↑ 8%***	

* *Includes IFRS 16 impact.*

Strategy and key strategic material matters

Our overriding goal to grow our business in a sustainable manner, creating value for all our stakeholders, requires us to make strategic decisions to enhance and preserve all our capitals.

This report seeks to explain how the execution of our strategy created value over the past year. It illustrates how our key strategic objectives address our primary risks and how we measure our performance against achieving our strategies.

Our approach to our key strategic business matters is outlined below.

Identify → Prioritise → Respond → Report → Monitor

Identify: Relevant information is identified from Board and Exco meetings, engagement with key management and stakeholders, industry developments and regulations, economic research and pertinent media reports.

Prioritise: Strategic material matters are prioritised based on our risk appetite and tolerance framework.

Respond: We evaluate the potential impact and implement strategies to either mitigate against negative outcomes or pursue opportunities.

Report: We provide updates at our regular Board and sub-committee meetings, in shareholder reports, in formal communication with employees and through interactions with regulatory/ industry authorities.

Monitor: We continuously monitor and evaluate against KPIs, competitor activities and in consultation with stakeholders.

Scorecard by strategic matter

We measure management's delivery on our strategic material matters using KPIs that are aligned to our remuneration structure 148.

Improve our operational efficiencies

Why it matters

To ensure long-term sustainability of the business and achieve our goal of being the leading innovative branded food services business in our markets, we need to ensure optimal use of the capitals available to us.

Impact on stakeholders

Franchise partners, customers and prospective customers, suppliers and business partners, employees, shareholders, market analysts and prospective investors.

Key stakeholders 44

KPI

- Revenue growth
- Operating profit growth

Remuneration report 140

Related risks

1 5 6 10

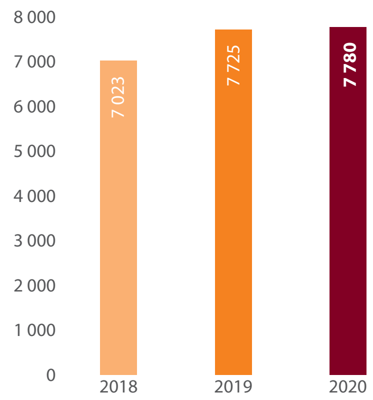
Risks and opportunities 54

Impact on capitals

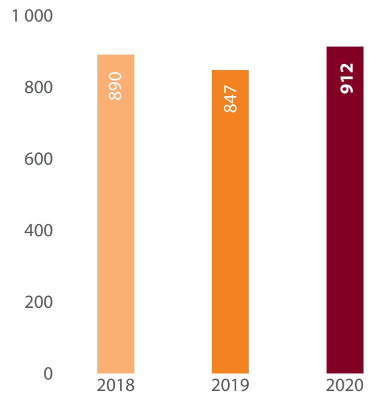
16 to 27

Three-year trend

Revenue (R million)



Operating profit (R million)



Enhance our financial performance

Why it matters

- We are intent on growing capability, capacity and scale across manufacturing, branded franchised and food services spaces.
- Trading conditions in all of the Group's markets are extremely challenging. We need to make strategic choices to ensure our business is optimally structured to be efficient, competitive, achieve our benchmarks and meet the expectations of our stakeholders.

Impact on stakeholders

Franchise partners, suppliers and business partners, employees, shareholders, market analysts and prospective investors.

Key stakeholders 44

KPI

- HEPS
- ROCE
- Total shareholder return (TSR)

Remuneration report 140

Related risks

1 7

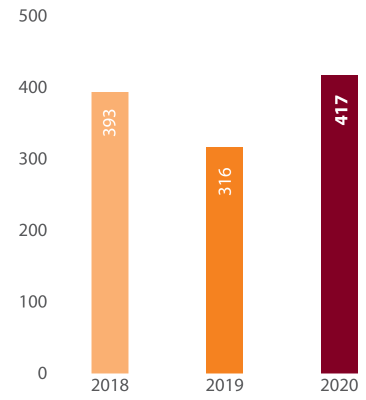
Risks and opportunities 54

Impact on capitals

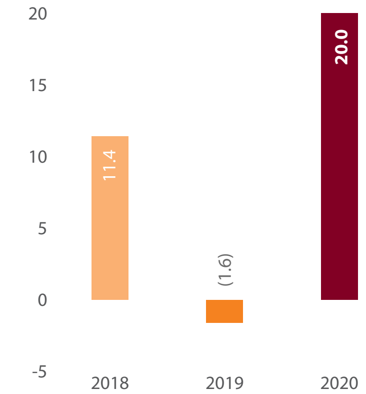
16 to 27

Three-year trend

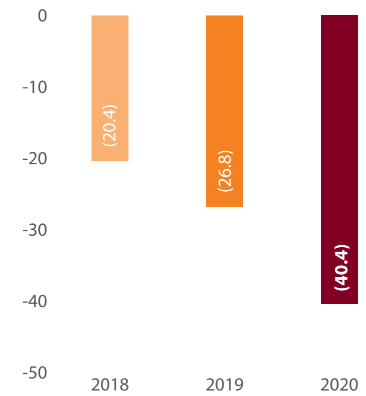
HEPS (cents)



ROCE (%)



TSR (%)



Lead in the categories we compete in

Why it matters	• We are passionate about unique consumer experiences, through innovation, flawless execution and continuous improvement • The food services industry is an exceptionally competitive one. In the current subdued consumer spend environment, local and international operators compete aggressively for a share of the limited wallet, and in some cases, for survival. To promote the Group's continued success, we need to ensure our brands are differentiated through their unwavering appeal to customers
Impact on stakeholders	Franchise partners, suppliers and business partners, employees, shareholders, market analysts and prospective investors. *Key stakeholders* 44
KPI	• Internal research metrics, and • like-for-like sales growth. *Remuneration report* 140

Related risks

2 3 4 9

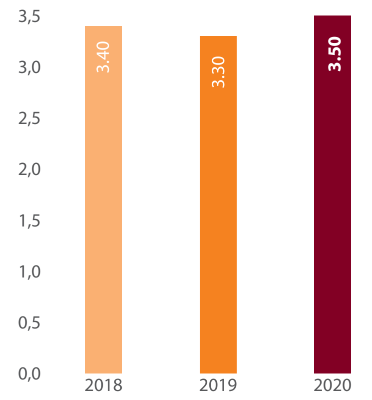
Risks and opportunities 54

Impact on capitals

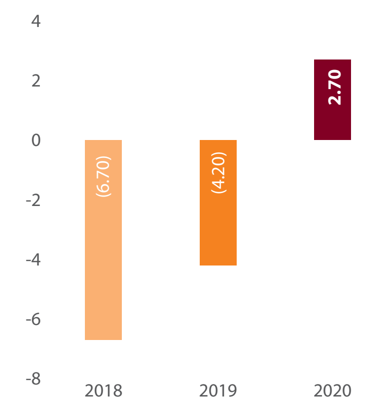
16 to 27

Three-year trend

Like-for-like sales growth SA (%)



GBK (%)



Prioritise our franchise partners

Why it matters	We are obsessed with being close to our trading partners because they are vital to the success of our business
Impact on stakeholders	Franchise partners, customers and prospective customers, suppliers and business partners, employees, shareholders, market analysts and prospective investors *Key stakeholders* 44
KPI	Regular interactions are concluded with the national franchise forums for each brand and associated metrics are evaluated These metrics are strategic and hence not disclosed

Related risks

3 4 5 6 9 10

Risks and opportunities 54

Impact on capitals

16 to 27

Ensure regulatory compliance

Why it matters	We are mindful that compliance with all relevant regulations and good relationships with industry authorities enhances our capitals and improves our reputation as a responsible corporate citizen among our stakeholders
Impact on stakeholders	Government and regulators, customers and prospective consumers, shareholders, market analysts and prospective investors *Key stakeholders* 44

Related risks

2 3 8

Risks and opportunities 54

Impact on capitals

16 to 27

Develop our people; ongoing commitment to transformation

Why it matters	• We are a team of results-oriented people, characterised by a unique high-performance culture • Human capital is considered a core corporate asset at Famous Brands, with the calibre of our people being a key ingredient to our success. Mutually beneficial relationships result from ensuring our people are developed, recognised and rewarded appropriately
Impact on stakeholders	Employees, trade unions, government and regulators. *Key stakeholders* 44
KPI	• Annual morale engagement survey • Training conducted and completed • BBBEE rating *Remuneration report* 140

Related risks

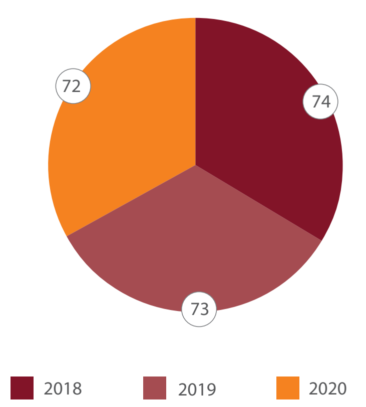
Failure to develop our people and commit to ongoing transformation will impact negatively on our good relationships with them and have an adverse effect on the business and its growth objectives.

Impact on capitals

16 to 27

Three-year trend

Employee engagement survey (%)



BBBEE score

Optimise capital management

Why it matters	• We are focused on organic and acquisitive growth in SA and other selected markets • Following a series of acquisitions in FY2017, the Group's capital structure includes debt as a permanent feature. We need to ensure that capital is deployed optimally to meet operational requirements, service debt, fund future growth and pay distributions to shareholders when appropriate
Impact on stakeholders	Shareholders, market analysts and prospective investors; funding institutions. *Key stakeholders* 44
KPI	Net debt:earnings before interest, taxation, depreciation and amortisation (EBITDA). *Remuneration report* 140

Related risks

1 7

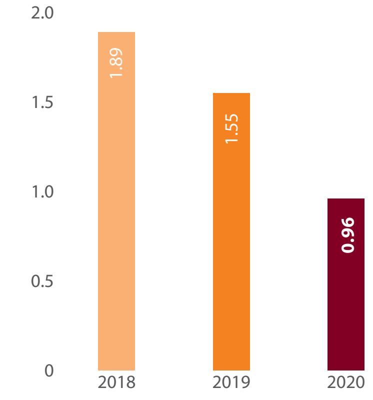
Risks and opportunities 54

Impact on capitals

16 to 27

Three-year trend

Net debt:EBITDA*



* *Excludes IFRS 16 lease liabilities*

Operating context

Our ability to deliver on our strategy to grow our business sustainably and create value for all stakeholders is affected by the context in which we operate.

The period under review was characterised by

- economic and political uncertainty across our trading markets which subdued consumer sentiment;
- constrained consumer discretionary spend;
- keen competitor activity and low food inflation, which intensified margin pressure on operators; and
- country-specific adversities in SA including load shedding, service delivery protests and ratings downgrades.

These conditions influenced our key strategic material matters, namely to:

Improve our operational efficiencies

Develop our people; ongoing commitment to transformation

Enhance our financial performance

Optimise capital management

Lead in the categories we compete in

Prioritise our franchise partners

Ensure regulatory compliance

Continued market trends

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Consumer behaviour			
Decline in average frequency of customer visits over the past three years	Decline in revenue and increased margin pressure experienced by franchisees in aggressive price and promotions environment.	We continued to ensure accessible offerings across the value/price spectrum.	Disposable income will remain constrained in the short to medium term. Continued improvement of operational efficiencies will assist in maintaining margins. Leveraging our category leadership and competing vigorously in the market will drive revenue growth and market share gain.
Time-poor	Demand for convenience and ease of access has resulted in a reduction in footfall in medium and major malls and a significant expansion of online ordering and delivery offerings.	• Rolled out smaller format convenience-centred outlets • Expanded into new outlying markets • Upweighted our online and home delivery offering and expertise	Home meal replacement will remain a key trend for consumers seeking convenience.
Growing urban commuter numbers	Out-of-home consumption has increased.	Our sites are located at consumer hubs, including transit sites and we continue to develop and roll out convenient formats.	Increasingly, the younger populace will commute to urban areas. We will continue to evolve our offering to capture a share of this growing market.

Continued market trends

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
In-store experience is key – driven by social media	There is increased customer focus on store design, furnishings, add-ons (Wi-Fi), in-store displays, etc.	Our store designs and revamp programmes are aimed at remaining relevant and contemporary and growing our appeal to the millennial market.	The role of social media and influencers will continue to gain foothold among younger generations and our focus will be on ensuring our brands deliver on their expectations.
Dining trends			
Traditional meal times blurring	This blur is evidenced by all-day breakfasts and snacking.	Our brands remain vigilant of emerging trends and opportunities to win over consumers and menu innovation remains a key focus.	We anticipate that consumers will become increasingly demanding in the limited discretionary spend environment. Our primary goal will be to continue to deliver an unrivalled offering in terms of quality, service and price, and by ensuring we are accessible to customers across every brand, format and channel.
Return to simple, "honest" and authentic cuisine	There is a demand for fresher/ healthier and more elegant simplified food and ingredients.	Our niche Signature brands are deliberately positioned to capitalise on this trend.	
Eating out is being redefined, as at-home dining becomes an occasion due to increased accessibility of online ordering/ delivery across the category, growth of pre-prepared meal delivery services and delivery of alcohol	In-restaurant dining may decline; therefore, brands must ensure they are accessible on all platforms.	We upweighted our online ordering and home delivery offering to include Signature brands and launched our Frozen For You home meal replacement offering.	
Competitive landscape			
Consolidation and closure of industry competitors	While the entry of imported brands reframed consumers' expectations, enticing them to seek out untried offerings, following an initial frenzy, the market has recalibrated and consumers have gravitated back to tried and tested offerings.	In the face of increased competition from international operators, we continued to focus on our core competencies and refrained from being distracted by short-term trends. We were rewarded by our loyal customers and succeeded in gaining market share.	The industry remains extremely competitive as operators strive to survive in the weak economy. We are committed to ensuring the sustainability of our brands and franchise partners, and unrelenting effort is made to offer an optimal solution to our customers and restaurant network.

Continued market trends

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Competitive landscape (continued)			
Emergence and influence of food delivery aggregators	In both the local and UK market, there has been a proliferation of food delivery aggregators which offer consumers the convenience of ordering online, as well as options to compare menus, prices and reviews from a community of users.	This trend has afforded us opportunities and challenges in equal measure. Brands which have not previously offered delivery have benefited from the new income stream, whereas brands with existing delivery offerings have been required to hone their offering in the intensely competitive environment.	Industry participants continue to invest heavily in this market segment and we expect competition to intensify. We will continue to finetune our offering focusing on leading-edge technology.
E-commerce and technological advancements	Credit card usage and access to smartphones and the internet continue to grow, increasing the demand for seamless integration of brick-and-mortar stores with online retail and e-commerce. Technology in store is also increasing, evidenced by digital menu boards, digital payment options and self-ordering terminals. The rise of artificial intelligence and immersive technology, including augmented reality, will promote a shift from customisation to personalisation. Consumer data has become a powerful brand currency.	We recognise that the restaurant of the future will use technology throughout the customer journey. In this regard, we continued to upweight our technological capability in the digital and social media arenas, including faster delivery times and convenient online payments. We also rolled out new innovations, including self-service terminals and delivery driver tracking, all aimed at improving the customer experience. Communication and offers can be tailored based on consumers' past behaviour – increasing their desire for personalised interaction rather than mass communication.	Our industry will continue to feature growing use of e-commerce and technology, and in our business the online offering will remain a key focus. We are mindful of the need to continually upgrade our delivery and pre-ordering services, and evolve towards connecting better to customers in-store to offer customisable menus and dynamic pricing. Our customer relationship management (CRM) programmes are constantly evolved using proprietary data to provide insight into our customers to enable us to communicate with them in a personalised manner. We have in place a privacy policy and are extremely mindful of protecting the privacy of our customers' data. We have robust systems to ensure their data remains secure and our systems are assessed regularly to test for appropriateness.
General trading environment and economic conditions			
Constrained consumer discretionary spend and aggressive competitor pricing	There is intensified value scrutiny and heightened expectation of value.	We continued to review our menu price bands and portion sizes to ensure optimal value. We expanded our loyalty offerings, rewards and value bundles, which were favourably received.	Weak consumer spend is expected to persist as rising unemployment, low wage inflation, higher living costs, and growing debt levels remain permanent features of the economy. Our key drivers in this environment include our value offering (price, service and quality), menu innovation and compelling marketing and promotions.

Continued market trends

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
General trading environment and economic conditions (continued)			
Low food inflation	It is not feasible to implement above-inflation menu price increases in a weak demand, cash-strapped consumer environment.	We continued to leverage cost and productivity efficiencies throughout the business, and specifically in our supply chain operations, in an ongoing effort to support the profitability of our franchise partners.	It is unlikely that very low inflation, and in some instances, deflation, will be reversed in the short term. This will continue to apply intense margin pressure on the business and management's key priority in this regard will be to ensure the business adjusts and grows in this environment.
Load shedding	The inconvenience of load shedding impacts on consumer sentiment, as well as the ease of customers' access to our stores. Regretfully, a lost sale opportunity in our industry cannot be regained at a later date. In our restaurants, year-on-year sales are notably lower in stores where it is not practical to install generators and where operations cease for the duration of load shedding. While the Manufacturing and Logistics operations switch to alternative power supplies, there are direct costs attached; furthermore, there are indirect costs which relate to delayed deliveries to the stores and lost sales for both parties.	Where practicable, generators are installed in stores and restaurants, but this is not possible in all locations. Our Manufacturing and Logistics divisions doubled their use of generators during the period, impacting negatively on the Group's carbon footprint. Where possible, alternative energy supply has been investigated or installed in our operations and we will continue to explore opportunities to reduce our reliance on Eskom supply.	Unstable power supply will remain a reality for the forthcoming two years at a minimum. This will have direct and indirect costs for the business and our franchise partners and is expected to impact on revenue and profitability.
Black Friday in November is now consistently one of the biggest trading weekends on the annual calendar	Consumers save specifically for this day/weekend, which impacts on spending patterns for the weeks prior to and following Black Friday.	Our restaurants in malls benefit from the collective shopping centre hype. Elsewhere in the network, we ensure our offering is geared to capitalise on the occasion. We are mindful to assist our franchise partners where possible to ensure predictable revenue flow over the period.	Given the perceived value associated with this event, it is anticipated that Black Friday will continue to grow in popularity. Our sales have consistently grown over the past few years and the benefits of participating are evident. Having gained several years of experience in this regard, we are well positioned to ensure that this weekend is a win-win for our franchise partners and customers.

Emerging and/or growing market trends

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Consumer behaviour			
ESG activism	Demand for ethical behaviour from both consumers and shareholders. There is an increased focus on ESG issues (compliance with legislation, responsible sourcing, food security and the impact of behaviour on sustainability of the environment).	We are a responsible corporate citizen and are mindful of operational practices which may have a negative impact on our stakeholders and the environment in general. We strive to comply meticulously with all industry and other related legislation. We have also developed policies and committed to timeframes in regard to single-use plastic and packaging, as well as cage-free eggs. Across our business we strive to practise responsible use of non-renewable resources, reduce wastage of food and recycle where possible.	We anticipate consumer activism regarding the environment, specifically, to grow in this country, aligned with the global trend. We will continue to progress our sustainability initiatives as outlined on page 74. We also expect healthier eating to remain a focus area for interest groups and we continue to conduct menu reviews, introduce a variety of healthier meal options on our standard and children's menus and ensure we are compliant with all industry legislation regarding salt and sugar consumption. We are mindful that institutional shareholders are under intense scrutiny with regard to their investments, and we strive to engage openly and transparently with investors and prospective investors regarding our policies and timeframes on ESG-related matters.
The reputation of brands is increasingly in the hands of the consumer	The growth of social media platforms provides a mouthpiece for consumers to publicly censure brands which fail to live up to expectations and promises.	Our franchise partners and management team are sensitised to reputational risk, and our control processes are designed to ensure we respond swiftly and effectively to pre-empt issues becoming crises.	South African consumers are under enormous socio-political and economic stress, and public discourse is often volatile and unpredictable. Protecting our good reputation and mitigating against potential brand taint are key operating imperatives – as illustrated by the inclusion of loss of reputation and brand damage as a top 10 risk in our risk assessment. 54

Emerging and/or growing market trends (continued)

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Consumer behaviour (continued)			
The COVID-19 global pandemic emerged post year-end, but given the unprecedented impact it will have on consumer behaviour and the industry landscape it is imperative to include it in this report.	The business has been severely impacted by trading restrictions implemented since the introduction of lockdown measures in our various markets. Although every effort has been made to flex the business model to optimise sales within the prescribed regulations, the negative impact on revenue has been significant. The full long-term impact of the pandemic is uncertain, but in the short-term consumers are likely to favour delivery and collect offerings above sit-down service. This will have a notably adverse impact on our Signature brand portfolio. We anticipate that our operations will only return to some degree of normality once all trading restrictions are lifted in all of our markets.	Ensure compliance with COVID-19 global pandemic risk mitigating measures to provide reassurance to all stakeholders. Support our franchise partners to flex their business models to adapt to changing consumer behaviour and spending patterns. Continue to innovate across the offering to capitalise on all opportunities for growth.	We anticipate the trading landscape and consumer behaviour will continue to evolve as the pandemic progresses. Our focus will be on adapting and adjusting the business to manage the impact of the crisis and pre-empt potential business risks, with strategies centered on recovery, rehabilitation and re-invention. The re-prioritisation of digital initiatives and innovations has also been expedited.

Key stakeholders

Our stakeholders are those individuals or organisations that have an impact on, or are affected by, our operations.

We believe that good relationships with our stakeholders underpin our ability to create value for them in the short, medium and long term. In line with the inclusive approach recommended by King IV, we strive to engage constructively with our stakeholders to understand their interests and concerns, and address these where possible.

Identifying our priority stakeholders

We have used the following criteria to prioritise the relative importance of the wide range of individuals and organisations that have a stake in our Company:

- Our dependence on the stakeholders' support to achieve our strategic goals;
- the stakeholder's influence on our organisational performance;
- the significance of the issues linking the stakeholders to the Group; and
- the risks we face should we not engage constructively with stakeholders.

Evaluating the quality of relationships with our stakeholders

This evaluation is based on our internal assessment of our relationships.

- No existing relationship
- Relationship exists but requires substantial effort to improve
- Relationship established, generates value, but can be improved
- Mutually beneficial, good relationship, some opportunity for improvement
- Strong, mutually beneficial relationship

Nature of engagement

Our engagement strategies are based on the degree to which our stakeholders impact on us, our impact on them and the degree to which we interact with them:

- **Work closely**
- **Engage**

Measuring the impact of our stakeholders

1. Shareholders, market analysts and prospective investors
2. Funding institutions
3. Franchise partners
4. Customers and prospective customers
5. Civil society and communities
6. Suppliers and business partners
7. Employees
8. Trade unions
9. Government and regulators

Stakeholder relationship impact assessment

Stakeholder impact on the Group \ Group's impact on the stakeholder	Low	Medium	High	Very high
Very high			4	1, 2
High		9	6	3, 7
Medium			8	5
Low				

- Very high impact
- High impact
- Medium impact
- Low impact

1. Shareholders, market analysts and prospective investors

Engage

Stakeholder role: Provide Financial capital for growth

Their primary interest and our goal: Solid investment proposition and sustainable growth

Board/Exco member accountable: Darren Hele and Lebo Ntlha

How we engage

- JSE Stock Exchange News Service (SENS) announcements
- Media releases
- IAR
- AGM
- Company's website
- Results presentation
- One-on-one interactions with investors and prospective investors

Interests and issues raised

- Return on invested capital
- Regular dividend payments
- Sustainable earnings growth
- Judicious capital allocation
- Corporate governance, ethical and competent leadership

Our strategic response and future focus

- Management has extensive experience in our industry
- The Long-Term Incentive (LTI) Plan and other remuneration and reward structures serve to align management's interests with those of shareholders
- Management has a judicious approach to gearing in line with ensuring an appropriate capital structure
- Management endeavours to lead by example, and through behaviour and policies instil good corporate governance practices throughout the business

Key risks 55

1 3 6 7 9

Deterioration of investor confidence

Opportunities

By clearly and regularly communicating our investment case and delivering on our strategy, we build confidence in management and the business's investment potential

Capital 16 to 27

Key strategic material matter 32 to 37

UN SDG 29

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

2. Funding institutions

Engage

Stakeholder role: Provide Financial capital for growth and facilitate balance sheet support

Their primary interest and our goal: Responsible capital management

Board/Exco member accountable: Darren Hele and Lebo Ntlha

How we engage

- One-on-one interactions

Interests and issues raised

- Timely payment of interest and capital
- Compliance with debt covenants

Our strategic response and future focus

- Ensure debt service requirements are met in line with our debt repayment obligations, and that our covenants are complied with
- Proactive management of the debt maturity profile

Key risks 55

1 6 7 9

Breach of debt covenants and undertakings to the primary lender

Opportunities

By demonstrating our commitment to meeting our funding obligations, we will foster supportive long-term relationships

Capital 16 to 27

Key strategic material matter 32 to 37

UN SDG 29

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

3. Franchise partners

Work closely

Stakeholder role: The primary interface with our customers, custodians of our brand and reputation

Their primary interest and our goal: Supportive, preferred business partner

Board/Exco member accountable: Darren Hele, Derrian Nadauld, Philip Smith and Andrew Mundell

How we engage

- National franchise forums
- Personal contact
- Operational audits and reviews
- Operations campaigns
- Web and call-in support
- Annual brand conferences

Interests and issues raised

- ROI
- Strong brands
- Efficient and competitive supply chain
- Marketing spend
- Location of restaurants
- Ongoing business management support
- Product quality

Our strategic response and future focus

Our franchisees are our valued partners. We have dedicated operations teams which ensure franchisees receive support in all aspects of managing a successful restaurant, namely finance, marketing, design and development, training and procurement.

Our vertically integrated Manufacturing and Logistics operations strive to consistently supply high-quality products timeously.

We are committed to the franchise business model and are confident it remains the preferred source of growth for the Group.

We welcome the contribution and input of our franchise partners and will continue to evolve and improve our engagement with them to enable us to harness the unique and valuable insights they can provide. We view our partnerships as long-term relationships which require consistent attention and mindfulness to benefit all parties.

Key risks 55

3 4 5 6 9 10

- Health of the franchise network deteriorates in the weak economy
- Group's relationship with franchisees deteriorates due to our failure to meet their expectations

Opportunities

Constant interaction with our franchisees and responsiveness to their needs will improve our good relationships

Capital 16 to 27

Key strategic material matter 32 to 37

UN SDG 29

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

4. Customers and prospective customers

Engage

Stakeholder role: Purchase our products, providing the basis for revenue growth

Their primary interest and our goal: First-choice brand offering

Board/Exco member accountable: Darren Hele, Derrian Nadauld, Philip Smith and Andrew Mundell

How we engage

- Web and call-in support
- Digital and social media
- IAR
- Loyalty programmes
- Customer satisfaction surveys
- Industry competitions

Interests and issues raised

- Strong brands and value offering
- Location accessibility and convenience
- Positive total consumer experience

Our strategic response and future focus

Management is cognisant that for our brands to maintain and gain market share they must remain relevant, contemporary and accessible, and offer value.

We are passionate about unique consumer experiences through innovation, flawless execution and continuous improvement:

- We conduct regular restaurant reviews and audits to ensure our high standards are maintained
- We prioritise food quality and safety in all components of the supply chain
- We conduct an ongoing restaurant revamp programme to continue to meet our customers' expectations
- We strive to innovate across all areas of our business to meet evolving trends in the industry
- We operate a call centre to manage queries and complaints and we value and act on the feedback of our customers

Key risks 55

2 3 4 9

Loss of market share due to failure to meet our customers' expectations

Opportunities

Grow market share in new and existing markets by leading in the categories we compete in

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG 29

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

5. Civil society and communities

Engage

Stakeholder role: Provide the socio-economic context we operate in and impact on our reputation

Their primary interest and our goal: Responsible community participant

Board/Exco member accountable: Darren Hele and Jabulani Mahange

How we engage

- CSI initiatives and other sponsorships

Interests and issues raised

- Sustained support
- Association with a reputable brand
- Responsible use of natural resources

Our strategic response and future focus

- Our Leading brands conduct extensive CSI fundraising programmes to support worthy charities. We also invest in a sponsorship alliance with Varsity Sports to promote the development of future sporting stars in SA
- Our environmental policy sets out our commitment to responsible environmental practices and identifies key areas of focus and objectives with regard to reducing our environmental footprint and contributing to a more sustainable operating environment

Key risks 55

3 8 9

- Declining revenue dictates smaller CSI budgets; and
- reputation taint leads to a deterioration of relationships with CSI beneficiaries and other stakeholders.

Opportunities

- Continue to grow market share and improve the Group's favourable reputation by making a meaningful contribution to the communities in which we trade; and
- ensure our compliance culture is communicated through improved disclosure on ESG reporting.

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG 29

5 GENDER EQUALITY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

6. Suppliers and business partners

Work closely

Stakeholder role: Contribute to our ability to provide quality, cost-effective products and services

Their primary interest and our goal: Preferred business partner

Board/Exco member accountable: Darren Hele, Derrian Nadauld and Norman Richards

How we engage

- Regular procurement interactions
- Supplier audits, assessments and reviews
- Recognition of and awards for excellence

Interests and issues raised

- Timely payment
- Continuity of supply
- Fair treatment
- BBBEE compliance

Our strategic response and future focus

Contractual agreements facilitate quality and food safety adherence, and transparent, healthy relationships with suppliers.

Our procurement and planning teams interact on a frequent basis with suppliers to ensure mutually beneficial partnerships.

Key risks 55

5 6 8 9

Our suppliers and business partners lose confidence in our ability to fulfil their agreements and contracts

Opportunities

Continue to improve on our internal processes and fulfilment of commitments to our stakeholders

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG 29

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

7. Employees

Work closely

Stakeholder role: Provide skills, knowledge, experience and productivity to drive the development and execution of our strategy

Their primary interest and our goal: Employer of choice

Board/Exco member accountable: Darren Hele and Jabulani Mahange

How we engage

- Open-door policy
- Business feedback sessions
- Employee morale surveys
- Performance reviews and development discussions
- Core values

Interests and issues raised

- Fair remuneration and recognition
- Equal opportunities and career development
- Training and skills development
- Safe working environment
- Sustainable earnings growth which could impact on job security
- Corporate governance, ethical and competent leadership

Our strategic response and future focus

We regard Human capital as a core asset. Our HR policies ensure our employees are appropriately remunerated, incentivised and offer career development opportunities.

We support the principles of BBBEE in SA and our transformation policy and strategies are aimed at uplifting historically disadvantaged individuals.

We are committed to creating a culture of learning and invest significant resources in this regard. In addition to training our own employees, we conduct extensive training for our franchise partners and their employees.

Key risks 55

1 2 3 5 6 7 8 9

- Difficulty in attracting and retaining the calibre of skills which the business requires; and
- slow pace of transformation.

Opportunities

- Improve our recruitment and training methodologies;
- strengthen our career development plans and communicate growth opportunities better; and
- achieve improved BBBEE status.

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG 29

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

8. Trade unions

Engage

Stakeholder role: Serve as the interface with our unionised labour force

Their primary interest and our goal: Responsive employer

Board/Exco member accountable: Jabulani Mahange

How we engage

- Open-door policy
- Regular interactions
- Wage recognition agreements

Interests and issues raised

On behalf of their members:

- Sustainable earnings growth which could impact on job security
- Fair remuneration and recognition
- Equal opportunities and career development
- Training and skills development
- Safe working environment

Our strategic response and future focus

We recognise and respect the role of unions and engage professionally and cordially to find common ground on all matters.

Key risks

55

1 5 6 7 8 9

The relationship with our respective unions deteriorates and our cordial negotiation process fails

Opportunities

By demonstrating that we are an employer of choice and a good faith partner, we can continue to enhance our existing mutually respectful relationship

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG

29

8 DECENT WORK AND ECONOMIC GROWTH

9. Government and regulators

Engage

Stakeholder role: Provide regulatory parameters and measures with cost implications; provide operating licences

Their primary interest and our goal: Responsible corporate citizen

Board/Exco member accountable: Darren Hele, Celeste Appollis, Lebo Ntlha and Jabulani Mahange

How we engage

- Interactions with the relevant authorities
- On-site inspections

Interests and issues raised

- Tax revenues
- Compliance with legislation and regulations
- Transformation
- Supporting communities
- Responsible use of natural resources

Our strategic response and future focus

We recognise that business sustainability is advanced by complying with relevant regulatory and legislative frameworks.

We have systems and structures in place to monitor changes to legislation, assess the implication of any changes on our operations and communicate this to relevant stakeholders.

Maintaining our level 4 BBBEE status is a key management priority and the following areas have been prioritised for improvement: procurement, equity and skills development.

Key risks

55

2 3 8

- Health and safety and/or food quality risk control mechanisms fail; and
- failure to ready the business to comply with new legislation.

Opportunities

- Continue to improve our internal processes and risk preparedness programmes; and
- ensure our compliance culture is communicated through improved disclosure in ESG reporting.

Capital

16 to 27

Key strategic material matter

32 to 37

UN SDG

29

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Risks and opportunities

Risk management policy and process

Famous Brands' philosophy is that risk taking, in an appropriate manner, is an integral part of our business. Our success relies on optimising the trade-off between risk and reward. In the course of conducting business, the Group is exposed to a variety of risks, including but not limited to strategic, financial, operational, compliance and reputational risk. The long-term sustainable growth, continued success and reputation of the business are critically dependent on the effectiveness of risk management. Risk management continues to be one of our core focus areas and notable progress has been achieved since commencing implementation of our three-year risk management plan. The Group's risk management framework aligns to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework, illustrated below. Our risk philosophy is underpinned by our strategy to create value for shareholders through sustainable growth, in a manner that is consistent with shareholder expectations of the business's risk-bearing capacity and its risk appetite.

Our risk management process and frameworks enabled the business to remain flexible and resilient in the difficult trading conditions and assisted us in achieving our strategic objectives. They also provided a forum to identify and realise opportunities to deliver sustainable value for stakeholders.

Governance and culture | *Strategy and objective setting* | *Performance* | *Review and revision* | *Information, communication and reporting*

Source: Enterprise Risk Management Framework: integrating with strategy and performance © 2017 COSO. All rights reserved. Used with permission.

The Audit and Risk Committee oversees risk management on behalf of the Board, and the Committee and the management team, together with the established Risk Forum, promote a culture of risk governance and awareness throughout the organisation.

Risk activity and accountability

As illustrated below, risk is proactively managed across the Group.

	Governance	Assessment	Monitoring and reporting	Quantification	Assurance	Orientation and awareness	Response
Board	●	●	●				
Board Committee Chair	●		●				
Audit and Risk Committee	●	●	●	●	●		
Executive management	●	●	●	●	●	●	●
Senior operational management		●	●	●	●	●	●
External Audit					●		
Internal Audit					●	●	

Identification of risk

Key risks are identified based on:

- **Risk-bearing capacity** (the capacity to absorb losses arising from risks without an immediate threat to the Group's continued existence based on its current business model);
- **risk appetite** (the amount and type of risk the Group is willing to accept in pursuit of its strategic objectives); and
- **risk tolerance** (the acceptable levels of variation relative to the achievement of the Group's strategic objectives).

Key risks

Our key risks are outlined below, together with their potential impact, our mitigating actions, the opportunities presented, future focus and outlook. Both internal and external risks have been identified and are addressed through focusing on our business's key material matters.

The table below refers to the top 10 key risks identified and managed in FY2019 and FY2020. They are ranked according to their materiality to the Group's sustainability based on the inherent exposure.

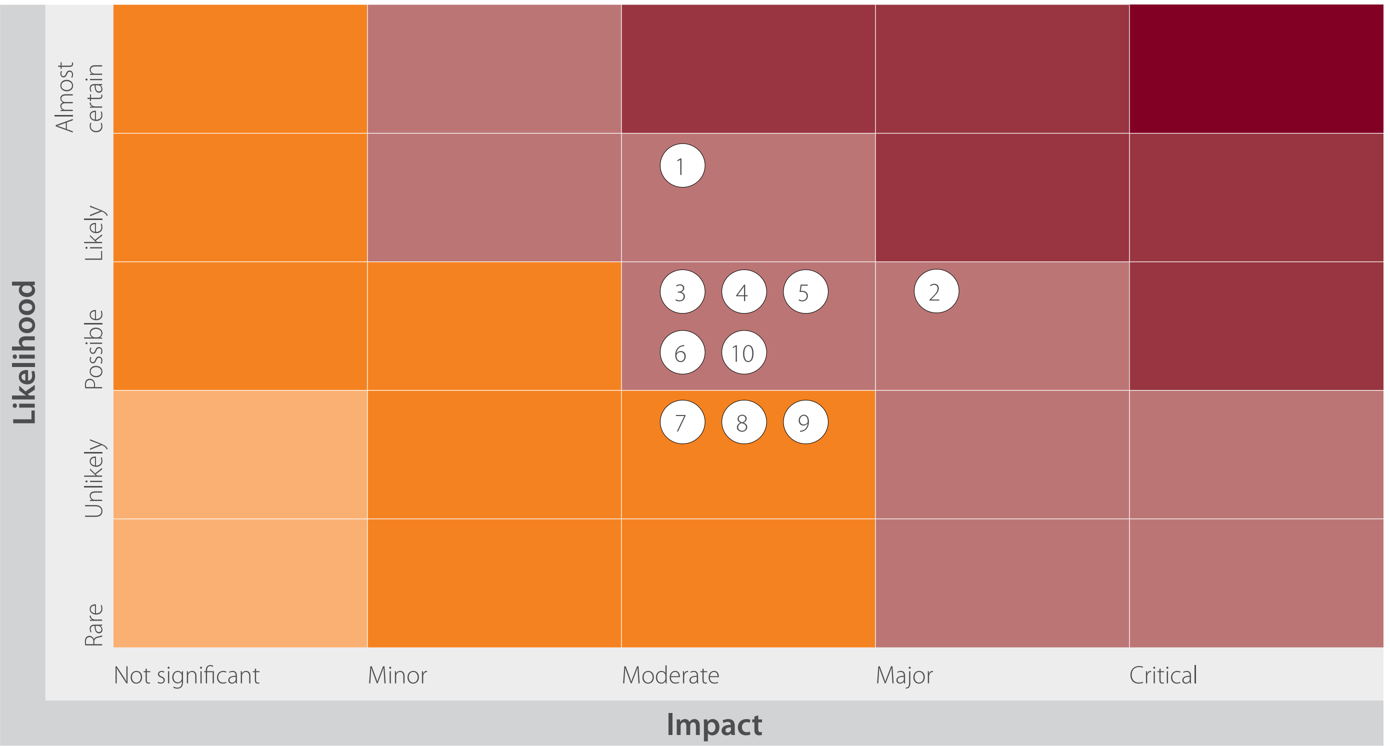
Top 10 inherent risks

Risk rating	Risk FY2019	Risk rating	Risk FY2020
1	Breach of debt covenants and undertakings to lenders	1	Inability to ensure GBK breaks even at PBIT level by FY2022
2	Vulnerability of IT infrastructure and network to cyber-attacks	2	Cyber-attacks on local and international entities
3	Decline in like-for-like revenue growth at franchised or Company-owned restaurants	3	Breach of food safety standards and regulations
4	Slow response to logistics capacity constraints	4	Lagging on consumer-facing technology in the industry
5	Decrease in shareholder returns (ROE/ROCE/return on net assets (RONA))	5	Unreliable electricity supply impacting the supply chain
6	Lack of smooth reporting processes	6	Inability to respond appropriately to business disruption
7	Digital and convenience strategy implementation decelerates	7	Breach of debt covenants and undertakings to the lender
8	Leading brand ideas fail to meet long-term sustainable growth projections	8	Failure to prevent and respond to major health and safety incidents
9	Failure to identify and execute on sites for new formats	9	Loss of reputation and severe brand damage
10	Adverse publicity impacts negatively on corporate reputation	10	Inability to materially improve franchisee profitability by FY2021

Residual risk heat map

The heat map below illustrates the residual risk rating for our key risks. Residual risk is the remaining risk exposure after the current control measures are applied and while implementation of the residual mitigation actions are being planned or are still in progress.

Residual risk



1 Inability to ensure GBK breaks even at PBIT level by FY2022

Root causes	Impact on value	Residual mitigation actions
• Low consumer confidence due to political and economic uncertainty amid Brexit transition • Failure of the GBK turnaround strategy to deliver growth • Natural or man-made disaster with major economic effects	• Assets impairment resulting in financial loss at entity and Group level • Loss of market share • Erosion of share price • Loss of confidence in management	• Implement the defined, narrowly focused business plan for GBK • Continuous engagement with landlords in line with the CVA process

Opportunities, outlook and focus on strategic matter

Business growth and enhanced shareholder value

Capital

2 Cyber-attacks on local and international entities

Root causes	Impact on value	Residual mitigation actions
• Inconsistent execution of independent vulnerability assessments • IT security policy control gaps • Ageing IT infrastructure	• Loss of intellectual property • System downtime impacting operational activities	• Define Group IT role for international entities and mirror local IT security controls in those entities • Implement the GBK IT transformation plan

Opportunities, outlook and focus on strategic matter

Increase competitive edge with new IT infrastructure and software

Capital

3 Breach of food safety standards and regulations

Root causes	Impact on value	Residual mitigation actions
• Failure to comply with the total quality and food safety management system • Sabotage	• Reputational damage, • Regulatory fines and penalties • Loss of consumer confidence	• Total quality and food safety management system to be tightened in Logistics division

Opportunities, outlook and focus on strategic matter

Enhanced delivery of unique consumer experiences

Capital

4 Lagging on consumer-facing technology in the industry

Root causes	Impact on value	Residual mitigation actions
• Strategy and investment not in line with current and future economic and consumer trends	• Negative impact on consumer experience • Negative impact on growth opportunities	• Commence implementation of the Leading brands technology roadmap

Opportunities, outlook and focus on strategic matter

Enhanced delivery of unique consumer experiences

Capital

5 Unreliable electricity supply impacting the supply chain

Root causes	Impact on value	Residual mitigation actions
• Dependency on unreliable Eskom and local distribution infrastructure • Inadequate back-up capacity	• Production inefficiencies and reduced day stock cover • Loss of revenue and increased operating costs	• Continue monitoring impact of load shedding on operating efficiencies and develop response plan

Opportunities, outlook and focus on strategic matter

Alternative energy sources with reduced impact on the environment

Capital

6 Inability to respond appropriately to business disruption

Root causes	Impact on value	Residual mitigation actions
• Lack of a comprehensive business continuity plan for local and international entities	• Extended time lag in recovering operations resulting in loss of revenue and increased operating costs • Interruption of service to franchise network and consumers	• Complete business continuity plan development project

Opportunities, outlook and focus on strategic matter

Business growth and enhanced shareholder value

Capital

7 Breach of debt covenants and undertakings to lender

Root causes	Impact on value	Residual mitigation actions
• Contribution to EBITDA and tangible assets by the guarantor entities falling below the required coverage thresholds relative to Group	• The lender exercising the right for immediate repayment of the loans • Impact going concern status and solvency • Erosion of share price	• Finalised debt refinance negotiations with primary lender

Opportunities, outlook and focus on strategic matter

Strong balance sheet providing opportunity for further organic and acquisitive growth

Capital

8 Failure to prevent and respond to major health and safety incidents

Root causes	Impact on value	Residual mitigation actions
• Failure to effectively implement health and safety management system	• Reputational damage • Regulatory fines and penalties • Loss of life	• Health and safety is a standing item on the Exco agenda • Embed cloud-based injury and follow-up action system • Social and Ethics Working Group to monitor international entities

Opportunities, outlook and focus on strategic matter

Responsible corporate citizen and equity enhancement

Capital

9 Loss of reputation and severe brand damage

Root causes	Impact on value	Residual mitigation actions
• Unethical conduct by any key stakeholder • Absence of appropriate skills to respond to and manage a crisis • Non-adherence to agreed escalation framework	• Reputational damage • Erosion of share price	• Continue promotion of ethical practices among our key stakeholders Group-wide • Ensure all business policies are regularly updated and communicated

Opportunities, outlook and focus on strategic matter

Responsible corporate citizen and equity enhancement

Capital

10 Inability to materially improve franchisee profitability by FY2021

Root causes	Impact on value	Residual mitigation actions
• Low return on investment in restaurant technology, • High total cost of production of licensed products, and • Access to and cost of servicing store revamps onerous on franchise partners.	• Loss of status as preferred franchise partner, and • Increased supply chain margin sacrifice.	• Numerous operational projects are under way to improve franchisee profitability • We have also undertaken to ensure our supply chain pricing is competitive, which has resulted in some notable margin sacrifices in both Manufacturing and Logistics divisions.

Opportunities, outlook and focus on strategic matter

Product innovation

Alignment of operating model and formats to consumer behaviour

Capital

Forward looking

Our risk management processes and responses will continue to evolve, and may materially change as the socio-economic and political impact and ramifications of the COVID-19 global pandemic continue to unfold locally and globally. Our key priority in the year ahead will be to implement all reasonable risk-mitigating measures to ensure the long-term sustainability of the business.

In addition, our risk preparedness profile incorporates a watch list of other emerging and potential risks that we monitor. This includes among others:

- deterioration of the local and global economic outlook elevating the risk of recession;
- increasing pressure on health systems due to pandemics and other health crises;
- local and global security risks;
- poverty and rising unemployment rate;
- impact of climate change, including the looming water shortage crisis;
- erosion of the Company's share price;
- supply chain disruptions;
- slowing food inflation;
- rising household debt and declining consumer discretionary spend;
- increase in development and enforcement of regulations and standards; and
- transformation of corporate operating procedures in the COVID-19 era.

Our agile risk management processes will continue to enable the business to remain flexible and resilient in the forthcoming challenging trading conditions and ensure we realise opportunities to deliver sustainable value for our stakeholders.

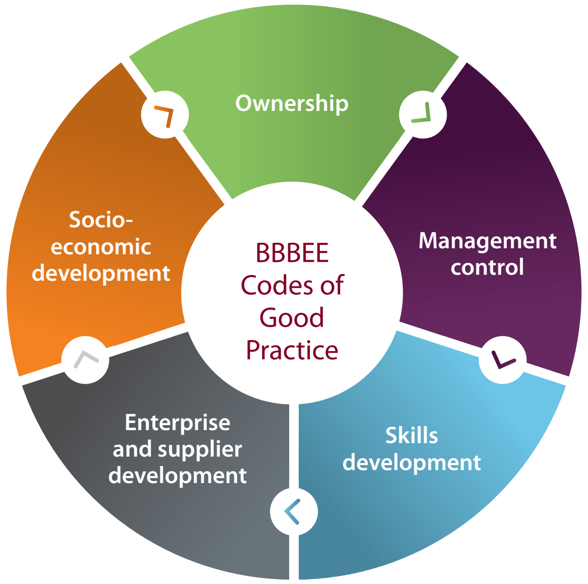
Transformation report

Our transformation journey

In line with our ongoing endeavour to enhance the extent and transparency of our disclosure, we have for the first time in the IAR included a dedicated report on the Group's transformation programme.

Monitored and implemented by our Social and Ethics Committee and Working Group, we strive to adopt best practice by operating in a manner which is consistent with the 10 Principles of the UN Global Compact. Our goal is to ensure our operations are responsible, ethical and accountable.

We regard transformation as a social, moral and strategic business imperative. As a responsible corporate citizen, we are committed to making a meaningful contribution to developing a more equal and inclusive society through socio-economic transformation in our business and the communities in which we operate.

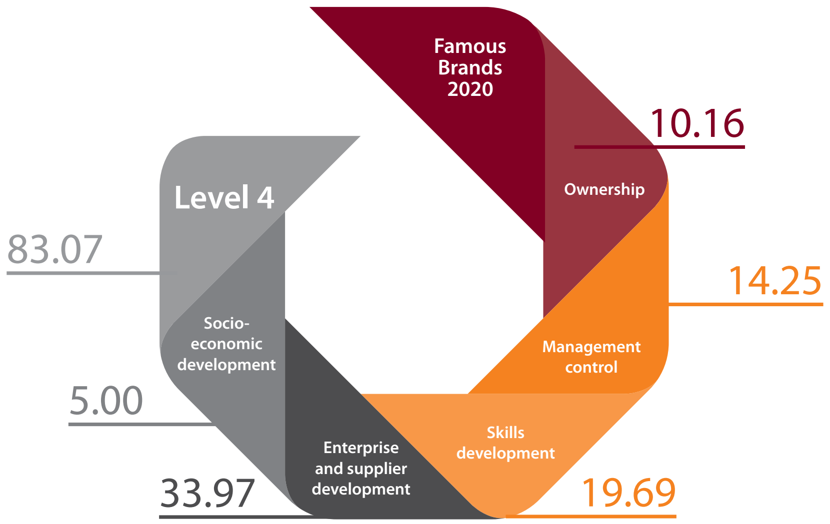


In our SA operations, our business transformation strategy is closely aligned to the objectives of the Department of Trade and Industry's BBBEE Codes of Good Practice (CoGP), and we employ an integrated approach to accelerate transformation across the CoGP's five criteria in accordance with the Tourism Sector Codes.

Our executive leadership team members under the guidance of the Group Transformation Manager are responsible for implementing our BBBEE transformation strategy in their respective functional areas. As a consequence of sustained management focus and implementation of a range of meaningful transformative interventions in the business over recent years, the Group improved its BBBEE status from non-compliant in 2017 and 2018 to compliant, at level 7, in 2019; we furthered that progress in the year under review, attaining a level 4 status.

The consistent progress achieved in improving our BBBEE score is depicted below.

The commentary in this report details our progress, targets and outlook with regard to transformation in our business. As outlined in the adjacent table, improvements were achieved across the following codes: ownership, management control and enterprise and supplier development (ESD). While pleasing progress was made, we are mindful that there is still room for improvement.



Composition of Famous Brands' FY2020 BBBEE scorecard (%)

BBBEE score analysis

Scoring element	Target points	Achieved points FY2020	Achieved points FY2019
Ownership	27.00	**10.16**	0.00
Management control	19.00	**14.25**	12.68
– Board representation	6.00	**5.27**	5.73
– Employment equity	13.00	**8.98**	6.95
Skills development	20.00	**19.69**	21.28
ESD	40.00	**33.97**	32.35
– Procurement	25.00	**17.97**	15.34
– Supplier development	10.00	**10.00**	10.00
– Enterprise development	5.00	**5.00**	5.00
Socio-economic development (SED)	5.00	**5.00**	5.00
Total	111.00	**83.07**	71.31
Level contributor status		**4**	7

Our achievements in terms of each BBBEE element are outlined in the following narrative.

Ownership

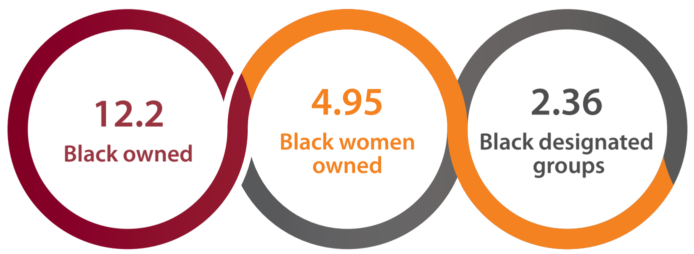
Ownership measures the effective ownership of enterprises by Black people. Ownership recognises and measures the entitlement of Black people to the voting rights and economic interest associated with equity holding. Voting rights afford the rights to determine strategic and operational policies of an enterprise, while economic interests result in the rebuilding and accumulation of wealth by Black people.

Ownership

- **Voting rights**
  - Black voting rights
  - Black women voting rights
- **Economic interest**
  - Black economic interest
  - Black women economic interest
  - Designated group economic interest
- **Net value**

The Group scored 10.16 points on this element of the scorecard. As a listed entity, many of our shareholders are ordinary South Africans who own shares through their investments.

Percentage composition of ownership element



Management control

Management control is exercised through the governing bodies of an enterprise and is normally measured at Board level (or equivalent) and executive management level (or highest equivalent). The Board is measured according to African, Coloured and Indian (ACI) for transformation purposes.

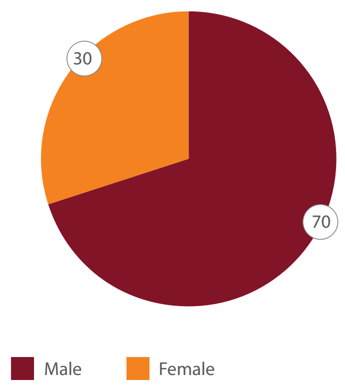
Board participation and other executives

- **Voting rights**
  - Exercisable voting rights
  - Black executive directors
- **Black top management**
  - Black senior top management
  - Black senior other management

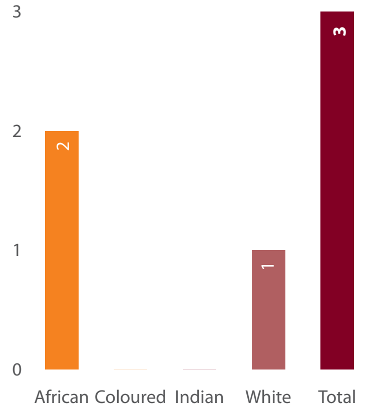
This element is a reflection of the composition of the Board and Exco. The Board comprises 40% black directors, with women making up 30%.

Board of Directors 120

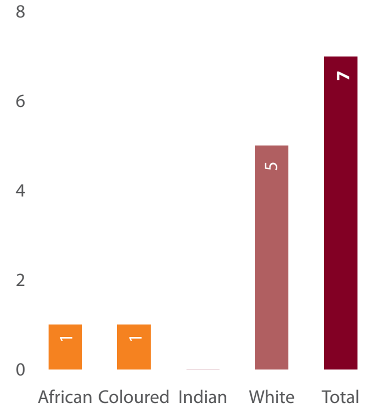
Board of directors: gender composition (%)



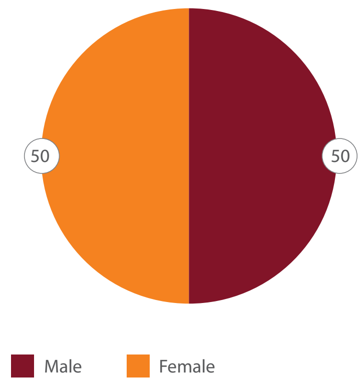
Female Board composition

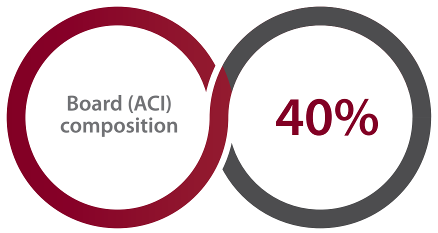


Male Board composition



Executive directors: gender composition (%)





The employment equity element measures initiatives intended to achieve equity in the workplace, under the regulations of the Employment Equity Act, No 55 of 1998 (Employment Equity Act).

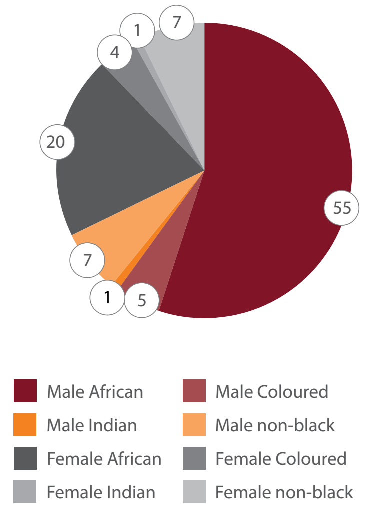
Employment equity

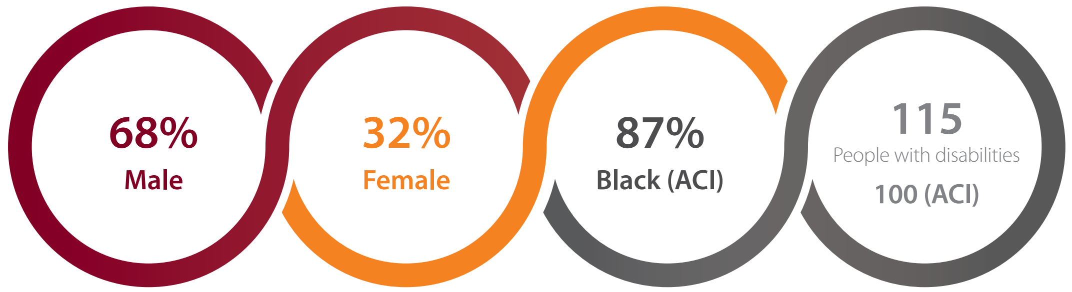
- **Senior management**
- **Middle management**
- **Junior management**
- **Disabled**

At Famous Brands, we recognise diversity as a strength. We improved our employment equity score from 6.95 to 8.98. This improvement is a reflection of the commitment to targets we set with the Department of Labour. Below is a breakdown of our achievements.

	Male				Female				
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Executive management	0	0	0	1	1	0	0	0	**2**
Other executive management	5	0	2	30	1	0	0	12	**50**
Senior management	3	1	1	3	1	0	1	2	**12**
Middle management	34	10	15	75	39	3	10	66	**252**
Junior management	267	33	10	49	104	25	10	63	**561**
Other, semi-skilled and unskilled	999	80	8	1	339	65	5	17	**1 514**
Employees with disabilities	41	17	3	1	41	10	2	0	**115**
TOTAL	1 308	124	36	159	485	93	26	160	**2 391**

Total workforce (%)





The skills development element evaluates the extent to which enterprises implement measures that are aimed at developing the core technical skills and competencies of Black employees in order to assist them to perform their duties for a sustainable workforce.

Skills development

- **Skills development expenditure**
- **Skills development expenditure for disabled**
- **Learnerships, apprenticeships and internships**
- **Absorption**

Development of our talent pool is a key focus achieved through improving the integration between employment equity and talent development while delivering a value-adding learning and development strategy. The Group achieved 19.69 points for this element. Key projects included our learnership and internship programmes which provided an opportunity to over 169 young Black South Africans. We view skills development as a key enabler of sustainable transformation.

Skills development initiatives

We seek to create long-lasting, robust and broad-based benefits for all employees. We do this by investing in and empowering our employees through various initiatives such as the EDP, IEDP, Managers Challenge, learnership programmes, internship programmes and People with Disabilities (PWD) programme.

- In 2019, we spent approximately 82% of our total skills development budget on the development of Black employees across all levels of the organisation. Approximately 20% was spent at senior and executive management levels.
- It is vital that Famous Brands engages, develops and retains a high-value workforce which is achieved by investing significantly in a number of opportunities for the development and upskilling of employees and in leadership programmes to upskill current and future leaders. The HR teams play a critical role in the development of employees, as well as in assisting the business to achieve its strategic objectives.

Over R3.6 million
disabled training and development spend (100% ACI)

R102 000
invested in bursaries

90%
overall absorption rate

169
Black people on learnerships and internships (100% ACI)

80
disabled learnerships (100% ACI)

80
males (ACI) participating in learnership and internship programmes

89
females (ACI) participating in learnership and internship programmes

Enterprise and supplier development

ESD comprises two elements: preferential procurement and ESD.

Preferential procurement measures the extent to which enterprises buy goods and services from suppliers with strong BBBEE procurement recognition levels. ESD refers to the monetary and non-monetary support provided to develop and foster new or existing small and micro-enterprises.

ESD

- **Preferential procurement**
  - Spend on BBBEE suppliers
  - Spend on qualifying small enterprise suppliers
  - Spend on exempted micro-enterprise suppliers
  - Spend on >51% Black-owned suppliers
  - Spend on >30% Black-women-owned suppliers
- **Enterprise development**
- **Supplier development**

We scored 17.97 out of 25 for preferential procurement. This is a significant improvement against our score of 15.34 in the previous year. This improvement reflects our commitment to increased investment in procuring from Black-owned, Black-women-owned and qualifying small, medium and micro-sized enterprise (SMME) suppliers.

Preferential procurement spend

R2.2 billion on qualifying BBBEE suppliers

R653.3 million on SMMEs

R1.09 billion on >51% Black-owned suppliers

R946 million spent on Black-women-owned suppliers

Supported over **1 800** suppliers

Supported over **450** SMME suppliers

We continue to embark on projects in the ESD category that add value to our supplier chain but also to the communities in which these entities operate. We maintained our score of 15 points for ESD. A selection of our initiatives in this regard are outlined below.

Beef initiative

Famous Brands is a co-sponsor of the Eastern Cape AgriBEE Beef Fund initiative.

R20 million
Famous Brands will contribute a total of R20 million, comprising R5 million per year over four years

188
Black Eastern Cape beef farms are supported by the initiative

Over 800
jobs were created by this initiative

R100 million
This project raised R100 million

Over 16 000
calves on farms are taken care of by Black and/or land reform farmers under the mentorship and supervision of the Fund

Over 3 500
people are direct and indirect beneficiaries creating community development in the Eastern Cape

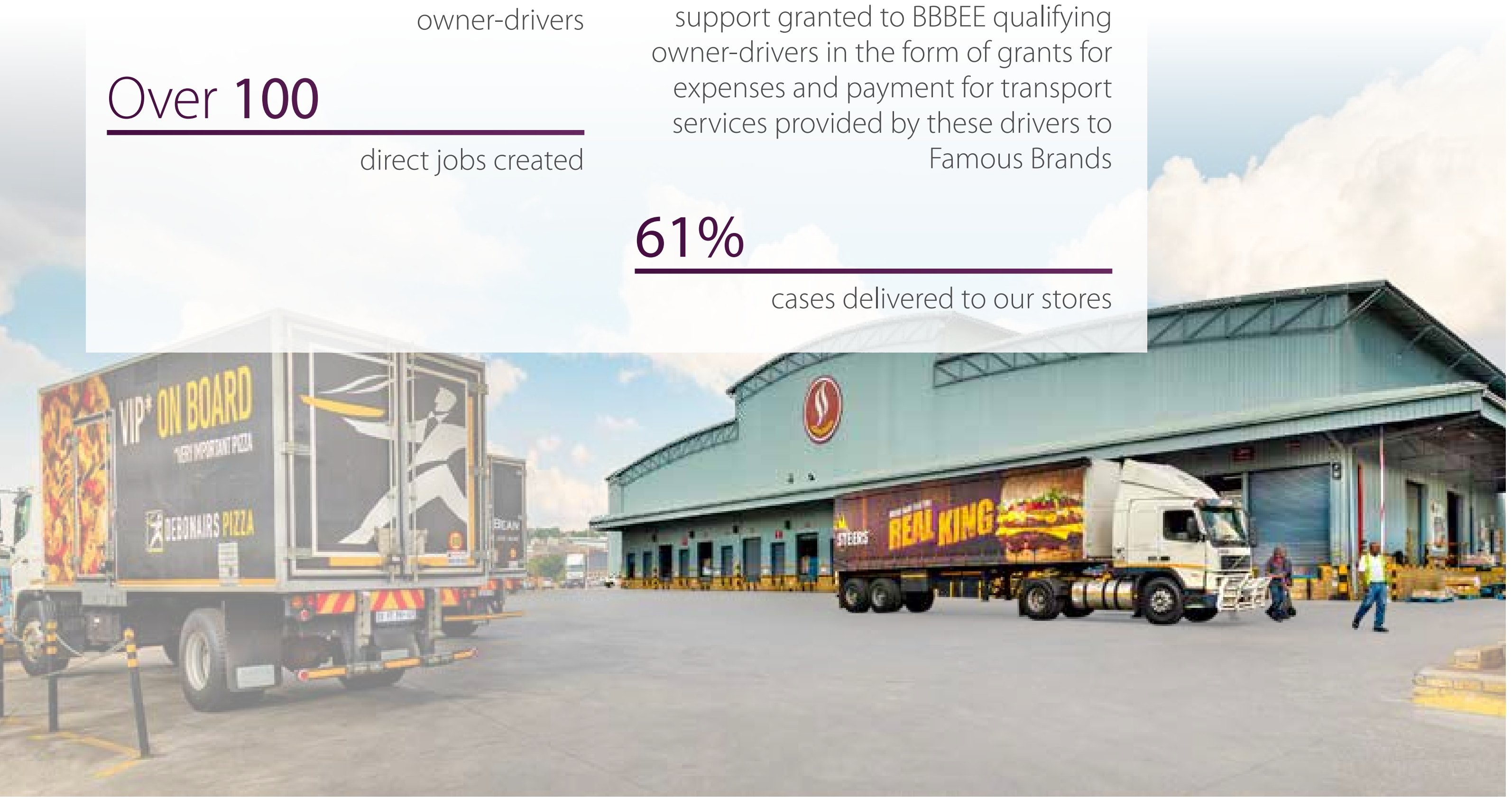
Owner-driver initiative

38
owner-drivers

Over 100
direct jobs created

R10 million
support granted to BBBEE qualifying owner-drivers in the form of grants for expenses and payment for transport services provided by these drivers to Famous Brands

61%
cases delivered to our stores



FoodConnect initiative

Famous Brands operates a JV partnership with FoodConnect, a sales and distribution business in the food and beverage sector.

FoodConnect has acquired the rights to our licensed Baltimore ice cream brand, and distributes and sells the products to third parties.

The business has traded profitably since its formation in 2018.

FoodConnect has subsequently also become a distributor on behalf of other companies.

FoodConnect is 51% Black owned and 31% female owned, and qualifies as a Level 2 BBBEE enterprise in terms of the preferential procurement and ESD criteria.

Socio-economic development

SED contributions are any monetary or non-monetary contributions implemented for individuals or communities, where at least 75% of the beneficiaries are classified as Black.

The Group achieved the full five points available for this element and we remain committed to changing the lives of people within our communities. Some of our key initiatives are highlighted below.

Varsity Sports*

Over R10 million
invested in grassroots sport development

Over 400
beneficiaries

6
different sporting codes

5
provinces within SA

* *Information supplied by Varsity Sports.*

Cupcakes for Hope

Support for children with cancer. This is an entirely community-driven project.

Over R1.2 million
donated to support this charity.

Outlook

Transformation will remain a key performance area for the Group. Our commitment is driven by intent, measurable goals and implementation timeframes. Our transformation initiatives will continue to focus on all aspects of the Tourism Codes and we are confident that the initiatives to entrench diversity in the boardroom, in our workforce and our supply base will gain further momentum.

We remain committed to identifying additional strategies across the five codes to improve our BBBEE rating, contribute positively to ESG requirements and create value for all our stakeholders. We are mindful, however, that these initiatives may be adversely impacted in the context of the COVID-19 global pandemic.

Environmental report

We have identified two of the UN SDGs which are relevant to our environmental philosophy and activities in the Group; these are goal 12 (responsible consumption and production) and goal 13 (climate action). The goals respectively relate to sustainable consumption and production, and combatting climate change and its impacts by regulating emissions and promoting developments in renewable energy.

Our environmental and climate change policy sets out our commitment to responsible environmental practices and identifies key areas of focus and objectives with respect to air pollution reduction and eco-efficiency aimed at reducing our environmental footprint and contributing to a more sustainable operating environment for the benefit of all.

These initiatives include:

- optimisation of transport efficiencies in our Logistics fleet;
- ongoing review and implementation of energy-saving initiatives;
- conversion of paraffin-fuelled boilers to compressed natural gas;
- conversion of restaurant equipment in Company-owned and franchised restaurants to operate on LPG where practicable and possible,
- investigating alternative cleaner fuel and energy options (with lower greenhouse gas (GHG) emission factors);
- efficient water usage and effluent management;
- maximising recycling opportunities for our general waste;
- responsible sourcing of sustainable food products for processing;
- reduction in food wastage through portion control and made-to-order practices in our restaurants; and
- responsible re-use or redistribution of food through donation of excess food products.

Our consumption of non-renewable resources on a geographical basis is detailed below and adjacent.

Input	Unit of measurement	2020	2019
SA operations: Manufacturing and Logistics divisions and head office			
Water	kilolitres	**368 371**	446 694
Energy			
Electricity	MWh	**30 734**	30 651
Electricity – solar	MWh	**442**	*
Diesel	kilolitres	**2 073**	1 956
Petrol	kilolitres	**731**	702
Paraffin	kilolitres	**182**	618
LPG	Tons	**48**	51
Natural gas	Gigajoules	**35 696**	18 742
Coal	Tons	**4 667**	7 764
CO_2 emissions	metric tons CO_2e		
Direct		**21 688**	28 658
Indirect		**31 963**	29 661
SA operations: Signature brands excluding Group associates			
Electricity			
All Company-owned restaurants	MWh	**3 238**	1 356
Water			
All Company-owned restaurants	kilolitres	**10 288**	9 293

* *No comparative data recorded for 2019*

Input	Unit of measurement	2020	2019
Consumption and emissions in our operations outside SA			
Botswana operations (Retail Group)			
Electricity	MWh		
All Company-owned restaurants		**3 815**	3 324
Headquarters		**36**	29
Water	kilolitres		
All Company-owned restaurants		**30 448**	25 889
Headquarters		**86**	73
GBK UK operations			
Electricity	MWh	**9 014**	12 639
	metric tons	**3 527**	6 787
Natural gas	M^3	**1 011 183**	1 779 958
	metric tons	**2 088**	3 667
Water	kilolitres	**38 907**	62 401
GBK Ireland operations			
Electricity	MWh	**470**	460
	metric tons	**180**	247
Natural gas	M^3	**79 832**	94 546
	metric tons	**165**	195
Water	kilolitres	**1 798**	2 271

Carbon footprint report

In line with recent developments in SA's regulatory and tax landscape regarding climate change, the Group has resolved to align its environmental assessment methodologies with local legislation and international best practices. This revised approach will enable the Group to comply with legislative requirements, adequately prepare for the impact of carbon tax and proactively manage its overall carbon footprint.

In this regard, a detailed assessment of the Group's carbon footprint was undertaken, specifically focusing on the following:

- identifying and quantifying direct (Scope 1) emissions that will require reporting to the Department of Environment, Forestry and Fisheries, and be liable for the carbon tax; and
- understanding the main sources of indirect emissions (Scope 2 and 3) contributing to the Group's overall carbon footprint.

The carbon footprint assessment applies to the Group's Manufacturing and Logistics divisions. The Group does not have equity in, nor financial and/or operational control of franchised restaurants, and hence the franchise operations are excluded from this assessment.

The GHG emission categories assessed are: direct (including mobile owned vehicles and stationary fuel combustion) and indirect (including purchased electricity, water supply and waste disposal).

The Group's total GHG emissions in FY2020 by Scope are detailed in the table below.

Scope	Emission source	Manufacturing tCO_2e	Logistics tCO_2e	Total tCO_2e	% increase/ decrease from previous financial year
Scope 1	Mobile fuel combustion		8 037.31	8 037.31	+5
	Stationary fuel combustion	13 599.67	51.73	13 651.40	-35
	Total Scope 1 emissions	13 599.67	8 089.04	21 688.71	-24
Scope 2	Purchased electricity – location based	23 038.14	8 925.35	31 963.48	+10
	Total Scope 2 emissions	23 038.14	8 925.35	31 963.48	+10
	Total Scope 1 + 2 emissions	36 637.80	17 014.39	53 652.19	-7
Scope 3	Water supply	198.19	11.42	209.60	-18
	Waste disposal	341.85	53.39	395.25	+37
	Total Scope 3 emissions	540.04	64.81	604.85	+12
All Scopes	Total Scope 1, 2 and 3 emissions	37 177.84	17 079.20	54 257.04	-7

GHG inventory by business unit tCO_2e

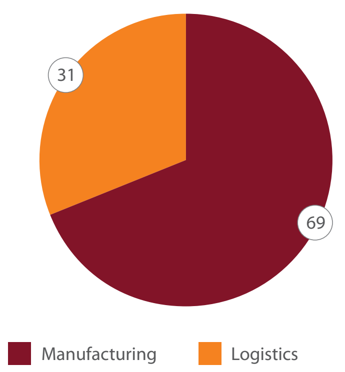


Figure 1 illustrates total GHG emissions by business unit.

GHG inventory by scope tCO_2e

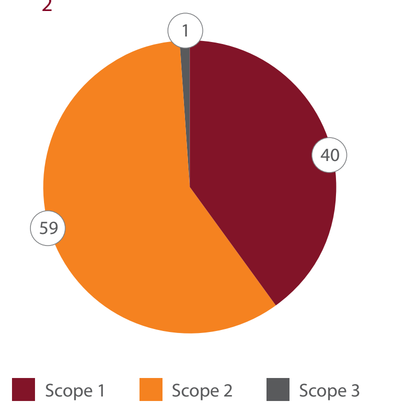


Figure 2 illustrates GHG emissions by Scope, with the majority of the Group's emissions being Scope 2 (indirect emissions from purchased electricity).

Emissions source tCO_2e

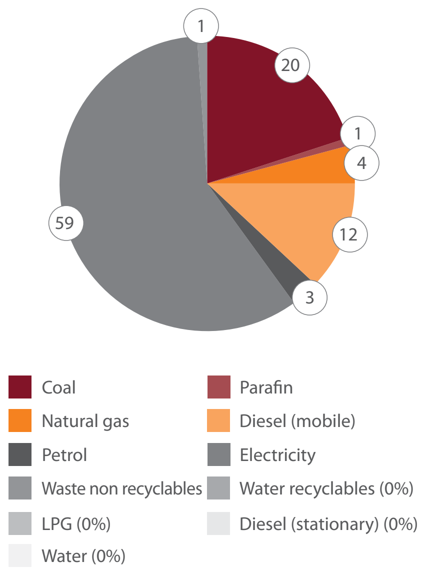


Figure 3 illustrates emission source contributions to total GHG emissions.

Carbon footprint by type (FY2018 to FY2020) (tCO_2e)

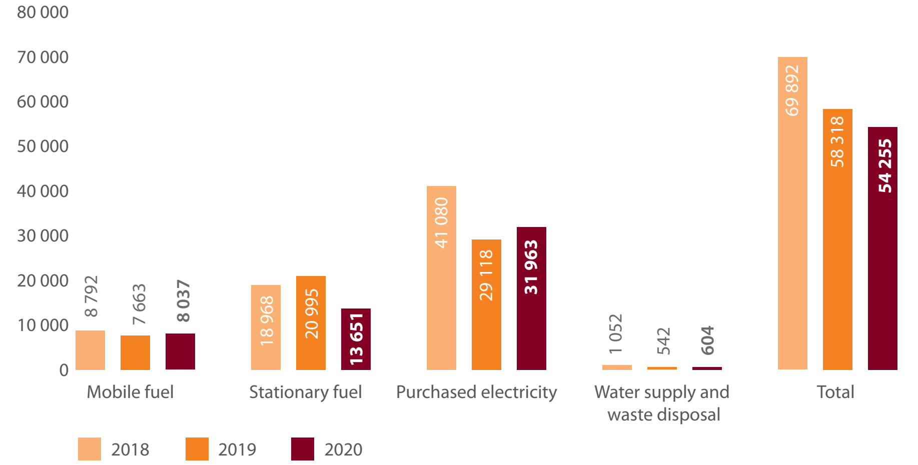


Figure 4 illustrates the year-on-year comparison of calculated emissions and the overall downward trend of the Group's carbon footprint impact.

Overall, the carbon footprint report reveals that the Group's emissions have decreased by 7% over the past year and 23% over the past two years. This can be attributed to:

- Company-wide utilities savings awareness programme;
- smart metering of electricity, water and key fuel usage tied to KPI settings for each business unit;
- fuel type conversion to lower carbon fuels; and
- lower production volumes at Lamberts Bay Foods (LBF) and the disposal of Coega Concentrate (October 2019).

In terms of reducing our carbon footprint in FY2021, we have identified the following key priorities:

- accelerate the roll out of smart utility metering;
- progress diesel to gas conversions for our fleet;
- closely monitor and evaluate newly acquired generators; and
- implement and expand employee awareness campaigns to encourage environmentally responsible behaviour.

The operations which are the heaviest consumers of non-renewable resources and utilities in the Group are the Meat Plant, Cater Chain, LBF and our Midrand Campus. Accordingly, particular attention will be paid in the year ahead to introducing mitigating measures to offset the GHG emissions of these business units.

Carbon tax implications

The Group's GHG emissions fall below the threshold of minimum carbon emissions and the business is therefore not liable for carbon tax.

Our sustainability journey

We are committed to growing our business in a sustainable manner. Our brands have embarked on a journey to achieve this goal through a range of best practice activities, and we have developed policies and implementation timeframes to hold us accountable.

January 2018
Wimpy UK converted to using free-range eggs in all own-label products.

December 2018
Our Logistics supply chain operation ceased stocking plastic straws.

February 2019
All plastic straws were removed from the SA and UK restaurant network and replaced with paper straws.

March 2019
We commenced converting all hot takeaway coffee cups to a fully biodegradable and compostable alternative. Vovo Telo and Mugg & Bean conversion complete; the remaining brands will follow in August 2020.

April 2019
Recycling logos were added to all our plastic cutlery to drive awareness that the material can be recycled and responsibly disposed of.

February 2020
Cage-free eggs in use by Vovo Telo, tashas, Mugg & Bean, Fego Caffé, PAUL, Creative Coffees and Europa. Steers will commence the transition in October 2020 and Wimpy in early 2021. The balance of the restaurant network will convert by 2025. Effective October 2019 egg products were removed from all manufactured sauces, (qualifying them as vegan), and a phased roll out of the sauces commenced.

All polystyrene eliminated from our Leading brands restaurant network and replaced with recyclable and recycled packaging.

June 2020
Concluded elimination of balloons in Debonairs Pizza, Fishaways and Wimpy SA and AME restaurants.

Ongoing
Eliminating food wastage is a key priority and we actively promote portion control and made-to-order practices in our restaurants. Our franchise partners also implement responsible re-use and redistribution of food through donation of excess food/by-products.

2025
Single-use plastic will be eliminated across our restaurant network and replaced with fully recyclable, compostable and/or biodegradable alternatives.

The information in this infographic pertains to our SA and UK restaurant network unless otherwise specified.

Corporate social investment

How we created value

Our CSI initiatives are conducted primarily by our Leading brands. Their promotional activities raise the profiles of funding campaigns and recipient charities, and the funds raised enable the beneficiaries to expand their enterprises.

Our Leading brands also all support Varsity Sports and the FNB Varsity Cup across a range of sporting disciplines, including football (Debonairs Pizza), rugby (Steers), athletics and netball (Wimpy), and hockey (Mugg & Bean). These sponsorships provide funding to eligible student athletes after they leave school and before turning professional, promoting the development of future sporting stars in SA.

CSI projects

DEBONAIRS PIZZA

Debonairs Pizza's Doughnation initiative encourages restaurants to use the excess dough from pizza bases to make pizza flat breads which are donated to charities across SA. Through this programme, our franchise partners play a significant role in supporting needy communities and reducing food wastage in the business.

STEERS

With the support of our generous customers, **Steers** is the second largest restaurant contributor to the Rounda foundation, a public-private initiative which raises and distributes funds to organisations including Shout and Let's Play Physical Education, which promote children's education in SA. To date the funds raised by Steers have contributed to the building of four libraries in underprivileged communities in Gauteng, the Eastern Cape and Mpumalanga. In the year under review, Steers raised R1.6 million, made possible by customers who chose to donate R1.00 for each meal bought in store. The funds will be donated to building another library in 2020/1.

Wimpy partnered with Reach For A Dream for the sixth consecutive year, to raise funds and awareness for children suffering with life-threatening illnesses, contributing to projects to help make their dreams come true. With the generous support of customers, Wimpy raised R1.28 million through the sale of Reach For A Dream wristbands sold in Wimpy restaurants nationwide. As part of the campaign, on Slipper Day on 10 May 2019, Wimpy gave each customer wearing the wristband a free Famous Wimpy Coffee. 49 000 free coffees were redeemed by customers on that day.

In a first for the brand and the franchise industry, Wimpy partnered with Lifesaving SA (LSA), a non-profit organisation dedicated to preventing loss of life through drowning. LSA's vital lifesaving work is carried out by approximately 5 000 voluntary lifeguards over weekends and public holidays across SA's beaches, public pools and dams. Given Wimpy's brand positioning, which is synonymous with holiday moments, the sponsorship is well aligned. Sponsorship activities included:

- Supplying branded kit, umbrellas and lifeguard huts for LSA Duty Squads,
- supplying meals, children's toys and water-smart activity sheets for the LSA Schools Water Smart programme, whereby facilitators visit schools to teach children about water safety; and
- title sponsorship of the iconic Lifesaving Championship competition which displays the skills and talent of South African lifeguards. In addition to providing gazebos, Wimpy coffees and ice creams are also supplied.

Mugg & Bean is the main sponsor of the Cupcakes for Kids with Cancer campaign, in support of the Cupcakes for Hope Foundation. The 2019 fundraising initiative raised R1.2 million, primarily in September, which is Childhood Cancer Month. In the year ahead, in order to drive more donations, the brand will promote awareness of the campaign throughout the year as opposed to just campaign months.

Mugg & Bean also piloted a partnership, Safe Cycle Rides, with Cycle Lab Active, to sponsor and organise 46 weekend training rides in the Western Cape (Constantia), Gauteng (Broadacres) and KwaZulu-Natal (Hillcrest). The rides were sponsored by four franchisees each, enabling cycling communities around those restaurants to safely and comfortably enjoy their weekend ride, while the franchisees benefited from the sale of pre- and post-ride meals and beverages. Given the success of the trial, the initiative will be expanded in the next financial year.

Turn 'n Tender ran a campaign to raise funds for the Movember SA foundation, a subsidiary of the global charity which raises awareness of men's health issues, including prostate and testicular cancer, mental health and suicide prevention. Playing on the iconic moustache, which symbolises the movement, Turn 'n Tender donated R5.00 for every rib "stache" meal purchased.

To elevate the brand's coffee credentials, **Fego Caffé** launched a national barista competition across all its restaurants in all regions nationwide. Judia Moyo from Fego Caffé Nicolway was awarded first prize and will represent the brand at the national competition held by the Speciality Coffee Association of Southern Africa in August 2020.

LEADERSHIP COMMENTARY

> *The impact of the COVID-19 global pandemic will overshadow everything that has come before it.*
>
> SANTIE BOTHA

Chairman's statement

I am pleased to report that we concluded the review period having exceeded many of our benchmarks and targets, learnt vital lessons and emerged a more cohesive team and business – with an even clearer sense of purpose.

The year under review proved to be a thorough test of the Board and management's resilience, and an intense interrogation of the relevance of our strategies and the depth of the high-performance culture the Group prides itself on.

In the intervening months since the Group's financial year-end on 29 February 2020, the unprecedented impacts related to the COVID-19 global pandemic continue to overshadow everything before it.

In the interests of accurate and representative reporting, I have confined this statement to the review period and limited my observations on the extraordinary post-year-end events to the commentary on performance subsequent to the reporting date and the future outlook.

SA

In my 2019 statement I expressed the hope that the change of political leadership in SA and the President's stated commitment to growing the economy and enhancing governance would translate into increased investment in the private and public sectors. Unfortunately, the transformational reforms that stakeholders anticipated did not materialise, and consumer and business confidence remained at disturbingly low levels. Furthermore, country-specific adversities including frequent load shedding, sustained poor community service delivery, and incessant fraud and corruption further exacerbated the negative sentiment.

UK

For most of the year under review, trading conditions in the UK remained coloured by uncertainty surrounding Brexit and the lead up to national government elections in December 2019. The Conservative Party's subsequent election victory instilled a sense of direction for the country and served to improve consumer confidence over the last two months of the reporting period, notwithstanding generally subdued economic conditions.

Industry trends

The food services industry continues to evolve at a rapid pace and our responsiveness and flexibility to emerging challenges and opportunities are key to maintaining our leadership position in the market.

In line with the trend over recent years, the Quick Service category performed better than the Casual Dining segment, primarily due to perceptions of affordability and value. The expansion of delivery services also fuelled Quick Service growth ahead of the Casual Dining segment. Consumer category visits remained stable during the review 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. This experiential trend is primarily driven by the widespread increase in social networking via social media, and the rising influence of millennials, whose value set differs from previous generations, and who prize experiences over materialism.

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 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.

Our Sustainability journey and Better for You reports outline the Group's ongoing commitments to promoting responsible ESG practices according to clearly defined implementation timeframes. 74 and 102

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

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

Our brands' steady gain in market share and the plethora of consumer awards achieved over the year illustrate the support we enjoy from our customers and are rewarding recognition of the work our brand teams do to earn their loyalty.

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Strategy: building the sustainability of the business

Vision 2017 – 2020

In 2017 we outlined Famous Brands' vision: to be the leading innovative branded franchised and food services business in SA and selected international markets by 2020.

This vision was pursued relentlessly over the past three years and it is satisfying to note that the ambitions outlined were concluded in line with the 2020 end date.

The Group's leading position in the categories we compete in is demonstrated by:

- a network of 2 898 restaurants across select markets in Africa, the UK and the Middle East;
- a strategically structured portfolio of brands which enjoy strong loyalty and steadily growing market share;
- a vertically integrated supply chain which affords franchisees a competitive advantage; and
- a reputation for innovation, epitomised by our penetration into new and untapped categories and markets, and our leading-edge, consumer-facing technology.

Roadmap 2021 to 2023

Having attained the Group's 2020 ambition, the Board and management have constructed a new three-year roadmap, which is customer inspired, brand led and supported by the back-end value chain. This roadmap is consistent with the long-standing emphasis on the front-end (Brands) component of the business, but with a narrower geographical focus in terms of expansion into international markets. Our successful "deep but narrow" strategy pursued in the AME region will be applied to all further expansion outside of SA's borders.

Board focus in 2020

In my 2019 outlook statement I noted that the Group had committed to improve returns for our franchise partners and restore profitability of the GBK UK operation.

I am satisfied that good progress was made in both regards.

Franchise partner profitability

With the valued contribution and collaboration of our franchise partners, 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 (rationalising and cross-utilising menu ingredients), 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 in negotiations with property owners to secure fairer rental rates to afford overdue relief to our franchise partners.

GBK UK

During the review period remedial measures implemented in the GBK business continued to gain momentum: key areas of improvement included an improved product and customer experience as well as an increase in online sales, which helped to mitigate the industry trend of lower in-store footfall. The year-on-year decline in sales reflects both the economic malaise in the hospitality industry in the country as well as the fact that the GBK business operated with fewer restaurants, which was a deliberate strategy post the CVA process conducted during the prior period.

Due to the COVID-19 global pandemic during March 2020, the respective governments of the UK and Republic of Ireland issued directives to close all restaurants in those countries indefinitely until further notice. While various measures of support were offered 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.

In light of this dire situation, the Board reviewed its investment in GBK, and regretfully resolved to not provide any further financial assistance to the GBK business. Accordingly, the Board of GBK is in the process of considering the options available to the business.

Shareholders are referred to the commentary in the cautionary announcement paragraph in this report.

Debt structure

The Board is pleased to advise shareholders that management successfully concluded negotiations with the Group's primary lender regarding a more appropriate debt finance structure in March 2020. The debt covenants were concluded at the same level as the previous debt structure. Details of the new structure are discussed in the Group FD's report. 118

Dividend

The COVID-19 global pandemic and subsequent lockdown measures implemented across the Group's various trading jurisdictions have had, and will continue to have, 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 has been declared for the second six months of the reporting period.

Transformation

We have, for the first time in an IAR, included a dedicated report on transformation in the Group. We view transformation as a social, moral and strategic business imperative and will continue to improve on our disclosure in this regard over time. I am pleased to confirm that emanating from sustained management focus and implementation of meaningful interventions in the SA operations, the Group has improved its BBBEE rating from level 7 to level 4. Strategies are in place to accelerate transformation initiatives in the year ahead. We are mindful, however, that these initiatives may be impacted in the context of the COVID-19 global pandemic.

Corporate governance

Each year we strive to improve our disclosure and report more transparently across a wider range of performance indicators. I am particularly pleased with the enhanced disclosure regarding sustainability and governance measures contained in the Remuneration report, which takes into account the views and recommendations of some of our key stakeholders. There is now greater focus on performance-related measures which are used to drive and evaluate the business, resulting in a better alignment of management incentives with shareholder interests.

Remuneration report 140

Mandatory rotation of auditors

In respect of the Independent Regulatory Board for Auditors' 2017 ruling on mandatory audit firm rotation and in compliance with paragraph 3.75 of the JSE Listings Requirements, the Group's incumbent auditors, Deloitte, have completed the audit for the year ended 29 February 2020 and will retire with effect from 23 July 2020. KPMG has been appointed to succeed Deloitte, subject to approval received from shareholders at the AGM on 24 July 2020.

On behalf of the Board I would like to extend our appreciation to Deloitte for their service to the Group.

Appointment of Company Secretary

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

Performance subsequent to the reporting date

The period between the Group's year-end and the publication of this report has been fraught with challenges for the business. Due to the various government lockdowns and related regulations, the Group's operations have been severely impacted and accordingly, have generated minimal revenue.

In the context of the challenges faced since the middle of March 2020, a range of immediate measures were implemented across the business to protect liquidity through cost reduction initiatives, with cash preservation as a priority. These measures are discussed in more detail in the CEO's report on page 92.

Following the easing of lockdown restrictions from Level 5 to Level 4 on 1 May 2020, delivery-only trade was re-introduced in our industry. With the support of our franchise partners and by flexing business models, we succeeded in adapting approximately 40% of the brand portfolio to offer delivery-only services, which generated approximately 20% of budgeted revenue. Subsequent to further easing of restrictions from Level 4 to Level 3 on 1 June 2020, delivery-only trade was expanded to include collect/take-away services.

We anticipate that our operations will only return to some degree of normality once all trading restrictions are lifted in all of our markets.

Cautionary announcement

In the cautionary announcement published on SENS on 2 April 2020, the 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 were still in progress.

The future

At the close of the review period on 29 February 2020, the Group was on track, following a year of intensified focus on the core components of the business and our unwavering goal to align investment of resources with returns. Our success in this regard was exemplified by the solid results reported by the Leading brands in an extremely difficult environment and our streamlined business model reflected by the disposal of the non-core Coega Concentrate operation and exit of non-viable brands, including The Bread Basket and Catch.

At that point, it would have been a simple task to outline our plans and targets for the year ahead and our strategies to achieve them.

However, with the onslaught of the COVID-19 global pandemic across the world, we have been overtaken by an unprecedented event and all our future strategies and plans had to be reworked. In the initial stages of the pandemic our focus was on managing business continuity and providing an uninterrupted service to our customers, while safeguarding our people and ensuring the wellbeing of the communities we trade in. Following the various restrictive measures implemented to curb the spread of the pandemic by governments in all our trading markets, we, along with other companies across the country and the globe, have moved into managing the impact of the crisis and pre-empting potential business risks, with strategies centered on recovery, rehabilitation and re-invention. The reprioritisation of digital initiatives and innovations has also been expedited.

In the forthcoming months and possibly years, we anticipate that public and private sector focus will be on restoring the health of economies and the wellbeing of populations. In SA and AME specifically, we foresee greater financial hardship for consumers due to stagnant economic growth and higher levels of unemployment and indebtedness. Inevitably, the business landscape will alter dramatically with the downscaling of large enterprises and the closure of smaller independent businesses.

Going concern assessment

Our finance, audit and risk teams have committed extensive time and resources to assessing the past and projected future impact of the COVID-19 global pandemic on the business, and our Audit and Risk Committee has opined that the going concern assumption is considered to be appropriate for the preparation of the Group's AFS for the year under review. In this regard, key assumptions were made in respect of the Group's outlook regarding trading conditions that will persist, the easing of lockdown restrictions in the future, the Group's debt service and covenants requirements, working capital requirements, access to short-term funding and COVID-19 global pandemic related relief measures enacted by various governments.

The Committee's review is discussed in detail in the Audit and Risk Committee report. 156

We have communicated regularly and responsibly with the market since the President declared a national state of disaster on 15 March 2020. Given the continued fluidity of the situation we will continue to do so.

Message of condolence

The COVID-19 global pandemic has had a devastating impact on the countries in which we operate, and tragically taken the lives of many of their citizens. On behalf of the Board, I would like to extend my deepest sympathy to those of you who have lost loved ones during this unprecedented time. Our thoughts and prayers are with you.

Appreciation

Over the past year the business has endured among the most difficult trading conditions experienced in our lifetimes, and subsequent to year-end, the COVID-19 global pandemic has tested us all in a manner that no one could possibly have imagined. I would like to extend my sincerest appreciation to the Group CEO, Darren Hele and the Exco team, our franchise partners and all our people across the Famous Brands Group for their commitment, resilience and resourcefulness during this time.

I would also like to thank our wide range of stakeholders who contribute valued support to our business.

My fellow Board members have provided constructive and sage counsel throughout the year and I am grateful for their continued support and commitment to the Group.

Invitation to attend the AGM

Shareholders are invited to attend the 26th AGM to be held on Friday, 24 July 2020 at 14h00 via electronic format as outlined in the notice of the AGM.

Santie Botha
Chairman

29 June 2020

> *We have 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 in every component of the business.*

DARREN HELE

Chief Executive Officer's report

Year in review

In my previous report, I noted that the 2019 financial year had been one of the most difficult in our Group's history. Little did I – or anyone else – anticipate what would lie ahead.

In terms of timing, the COVID-19 global pandemic effectively commenced after the Group's year-end and therefore is covered in the commentary on performance subsequent to the reporting date in this report.

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

In this context, and operating in an industry which thrives best in a positive mindset, we resolved to overcome the demoralising distractions by focusing on our core task: to continue to win over and inspire customers – both existing and new, through an unrelenting strategy to surprise and delight. Key to this is our strategic intent to improve our competitive posture by delivering unique customer experiences.

I am pleased to report that across the repertoire, our brands enjoyed strong loyal customer support, evidenced by the numerous consumer and industry accolades achieved and their growth or retention of market share in the extremely competitive operating environment.

As discussed in the Chairman's statement, we also successfully concluded the goals aligned to our 2020 vision and have constructed our roadmap for the next three years. **This roadmap is customer inspired, brand led and supported by the back-end value chain**. We have commenced tackling our new goals with the energy and zeal our business is renowned for.

Notably, we have 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: 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 ROI.

Our starting point had been to more appropriately weight the balance of the business with priority focus on the front-end versus the back-end. Commencing with the key contributor, our Leading brands division, we have undertaken an in-depth analysis of how to improve value creation by brand, by format and by channel. Simply by resourcing these brands more accurately, we equip them to compete more equitably in a global brand environment.

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

Our Group performance

SA

Brands

Our Leading brands delivered solid results, reflecting their leadership of the categories in which they trade. While remedial measures implemented in the Signature brands' portfolio started to deliver notable improvements, this business unit remains the subject of ongoing review and reconstruction. 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%. The 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 towards 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 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%. Our Signature brands' system-wide sales improved 10.6%, while like-for-like sales declined by 0.8%.

Supply chain

Our Manufacturing and Logistics supply chain businesses are in service to the front-end Brands division, and their primary function is to ensure they provide a competitive advantage to our franchise partners through efficient and effective supply and margin support. Combined revenue reported by the operations rose 1% to R4.5 billion, reflecting significant pressure on consumer spending in the Brands division, and operating profit reduced 11% to R457 million. The operating margin declined to 10.2% from 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.

The rest of Africa and the Middle East (AME)

In line with our deep and narrow strategy in this region, 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.

Solid system-wide and like-for-like sales were reported for the period, with 12 of our 16 trading markets recording positive system-wide sales growth. Combined revenue for the region grew 15% in Rand terms.

UK

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 business reported sound results in the year under review, boosted by an increased contribution from the delivery offering. Sales rose by 9% in the reporting period.

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. Like-for-like sales in the year under review increased by 2.7%.

On 2 April 2020, the Board announced 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 post 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.

In light of the Board's announcement to cease further financial support for GBK, the Board of GBK is in the process of considering the options available to the business.

This decision by the Board to not provide further financial assistance may result in the impairment of the full value of Famous Brands' investment in GBK. This is discussed in detail in the Group FD's report.

Strategy and performance scorecard

Our performance as a management team and business is evaluated against our success in delivering on our key strategic imperatives. The commentary that follows outlines our progress in the review period.

It is imperative to note that the commentary regarding our plans for the 2020/21 period were committed to at the end of the prior year, being 29 February 2020 and pre COVID-19 global pandemic. Given the severe impact of the pandemic on the business to date and the continuing uncertainty regarding potential future impact, it is anticipated that these goals and targets may have to be adapted and will evolve as the situation unfolds.

Our priority will be to navigate the trading circumstances as dictated by the pandemic and the government's risk-adjusted economic activity model. Management will continue to monitor and mitigate the risks where possible and adjust our strategies as appropriate.

Our key strategic imperatives

Improve our operational efficiencies

Enhance our financial performance

Prioritise our franchise partners

Lead in the categories we compete in

Develop our people; ongoing commitment to transformation

Optimise capital management

Ensure regulatory compliance

✓ Achieved   » Under way   X Not achieved

Improve our operational efficiencies

FY2019/20 what we said we would do	Evaluation
Continue to leverage efficiencies achieved and drive profitability and margin growth across the operations.	✓

FY2019/20 what we did

- Finetuned our priority areas for investment in the business based on appropriate returns, with a key focus on our Leading brands
- Progressed the programme to build logistics capacity and capability for the next decade with the opening of DCs in the Western Cape and Free State
- Rationalised a non-core regional meat plant in the Manufacturing business to leverage existing synergies and reduce costs
- Progressed the goal to streamline the business by exiting non-performing brands and restaurants in weak markets
- Disposed of the Coega Concentrate business in line with the strategy to focus on core competencies and ensure optimal ROI
- Critically reviewed the supply chain cost drivers to maintain its competitive advantage
- 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 supply chain
- Ended the review period on track with the three-year programme to return GBK to profitability by 2022

FY2020/21 what we will do

- Commence a programme to reduce excessive corporate and shared services costs
- Build on the potential offered by direct retail distribution
- Drive cost leadership across the business
- Continue to apply a critical filter to analyse the business model with a view to further rationalisation, consolidation and asset sales aimed at ensuring an optimal structure and ROI.

Enhance our financial performance

FY2019/20 what we said we would do	Evaluation
Improve our measurement and evaluation models and make progress in better identifying key areas for priority and investment in the business.	✓

FY2019/20 what we did

During the review period we made good progress across the following key areas:

- Prioritised investment in enabling our brands to attain growth targets
- Embedded new capital allocation disciplines and measures
- Commenced cost-reduction initiatives to enhance free cash flow

FY2020/21 what we will do

Our key focus will be on capital management and improving returns across the business. We will prioritise the following:

- Drive cost-reduction initiatives
- Continue to reduce our net debt:equity ratio
- Critically review the business model on an ongoing basis to identify non-core, non-performing assets for disposal
- Progress/conclude future capitalisation of the GBK business

Prioritise our franchise partners

FY2019/20 what we said we would do	Evaluation
• Prioritise profit growth by improving franchisee margins	✓
• Focus on breakthrough innovation in our consumer-facing technology to ensure long-term growth, aligned with market dynamics	✓
• Position our Signature brands to penetrate untapped dining occasions	»
• Profitably incubate future Leading brands	»
• Continue to support our franchise partners	✓

FY2019/20 what we did

- Our franchise network is stable, and we continue to monitor and support our partners in the testing environment. To ensure that the total value chain delivers franchisee profitability, we implemented a range of initiatives to bring down input costs, including menu and product re-engineering (rationalising and cross-utilising menu ingredients), 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 to enable it to remain competitive against peer offerings
- Our key goal was to improve declining margins in an environment of high fixed overheads through better alignment of our supply chain and cost drivers
- We focused on positioning brands to deliver like-for-like growth ahead of inflation through cutting-edge innovation, marketing and research and development
- Our food services capability provides a unique competitive advantage to franchise partners and we intensified focus on operational excellence to leverage efficiencies and benefits

FY2020/21 what we will do

- Strive to position the Group as the first-choice franchisor for prospective franchisees in a competitive market
- Franchisee profitability and sustainability will remain a core focus, and are particularly critical given the sustained economic downturn and the impact of the pandemic on the restaurant industry

Lead in the categories we compete in

FY2019/20 what we said we would do	Evaluation
Open 187 restaurants and revamp 308.	✓
SA	**Evaluation**
• Focus on improving the total customer experience through optimising home delivery and consumer-facing technology	✓
• Optimise our portfolio by rationalising underperforming brands and restaurants	✓
AME	**Evaluation**
• Expand our strategic alliance partnerships, trial new trading formats, strengthen our marketing capability and leverage delivery offerings	✓
UK	**Evaluation**
• Capitalise on opportunities in the operation and the market to outperform the UK Casual Dining market segment and return GBK to profitability	»

FY2019/20 what we did

- Our brands remain number one or two in the categories they compete in, reflected by our market share, which was maintained or gained by Leading brands in the review period, and the vast array of consumer and industry accolades awarded,

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- In light of the weak trading conditions, a deliberate decision was taken to scale back on new store openings, and 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 improving accessibility to customers through new flexible, convenience-centered trading formats
- Drove cost leadership to entrench the sustainability of the franchise model for our partners

FY2020/21 what we will do

- Our ability to innovate in format, category and technology will remain a key driver of differentiation and growth
- Leverage our business model, which features two distinct brand groupings (Leading and Signature brands) with distinct dynamics, which positions us optimally for growth
- In line with the consistent historical trend, our Leading brands will remain the key growth driver in the business. We will position them to continue to achieve this role through competitive pricing, authentic brand propositions and operational excellence
- Further simplify the Signature brands portfolio and invest in those brands that have the ability to achieve critical mass
- Identify potential SA or AME franchise brand acquisitions

Develop our people; ongoing commitment to transformation

FY2019/20 what we said we would do	Evaluation
Monthly monitoring of the BBBEE scorecard targeting level 6.	✓

FY2019/20 what we did

- Emanating from sustained management focus and implementation of meaningful interventions in the SA operation, the Group improved its BBBEE rating from level 7 to level 4, outperforming its stated target of level 6
- During the review period, an automated scorecard system incorporating the Company values was implemented which enhanced performance management, linking performance to rewards
- The Exco team has been progressively strengthened in terms of diversity, experience and expertise available to the business. Further detail in this regard is discussed in the Transformation and Governance reports 62 and 128

FY2020/21 what we will do

Strategies are in place to accelerate transformation initiatives in the year ahead and maintain our BBBEE rating. We are mindful, however, that these initiatives may be impacted in the context of the COVID-19 global pandemic.

We will continue to develop and transform our team to build a fit-for-purpose resource to achieve our growth objectives. Developing and retaining depth of talent is a key management priority.

Optimise capital management

FY2019/20 what we said we would do	Evaluation
• Continue to focus on prudent capital allocation	✓
• Leverage investment in enterprise resource planning (ERP) to enhance reporting processes and data analysis	✓
• Embed divisional balance sheet reporting to enhance monitoring of divisional ROCE	✓

FY2019/20 what we did

We continued to tightly control the capital investment programme with focus on a range of key areas.

- In March 2020, management successfully concluded negotiations with the Group's primary lender regarding a more appropriate debt finance structure
- Invested in key growth markets in SA and selected markets, spearheaded by our Leading brands portfolio
- Invested in key growth brands, while continuing to divest from underperforming brands
- Invested in consumer-facing technology which enhances the customer experience
- Prudent investment in logistics capacity and manufacturing maintenance capex
- Re-orientated the business leadership to focus on working capital management and free cash generation
- Continued to drive reduction of interest-bearing debt
- Recommenced an interim dividend

Optimise capital management (continued)

FY2020/21 what we will do

- Continue to drive cost-reduction initiatives across the Group
- Continue to rationalise non-performing, non-core brands and plants, specifically in the Signature brands portfolio and Manufacturing business
- We have advised that no further financial support will be provided to GBK

Ensure regulatory compliance

FY2019/20 what we said we would do	Evaluation
Continue to improve our quality of ESG reporting and implement our sustainability policies in line with the timeframes we have committed to.	✓

FY2019/20 what we did

- Continued to drive our sustainability journey programme across the business to promote greater awareness of consumption of non-renewable resources and the impact of our operations on the environment. The report on page 74 details our initiatives and measures to mitigate the negative impacts produced in this regard
- We view transformation as a social, moral and strategic business imperative and have, for the first time in an IAR, included a dedicated report on transformation in the Group 62
- We have also enhanced disclosure regarding sustainability and governance measures in the Remuneration report, which now has greater focus on more appropriate performance-related measures which are used to drive and evaluate the business 140
- On their first attempts, our SA manufacturing plants and DCs were awarded NOSA grade 3 (good) and 4 (very good) ratings, which is pleasing recognition of the continued focus and improvement on safety, health and environment parameters
- The COVID-19 global pandemic provided an opportunity to test and assess our risk preparedness and management protocols across the business. Maintaining hygiene and food safety is an integral part of the daily discipline in our business and the Group is accustomed to safeguarding its environments through strong operational and hygiene protocols which comply with industry best practice

FY2019/20 what we said we would do

- We will continue to improve our disclosure in the Transformation and Remuneration reports and communicate more transparently across a wider range of performance indicators over time
- Risk assessment and management have become key disciplines in the business over the past two years, which has been of benefit across our operations. We will continue to implement rigorous protocols in this regard; more specifically, hygiene and health and safety controls and regimes will continue to be monitored closely
- We will strive to maintain and improve on our NOSA gradings (3 and 4) in the year ahead

Performance subsequent to the reporting date

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. Accordingly, aligned with our three-year roadmap, and accelerated by the pandemic, our focus over the past three months has been to right-size the business and prioritise core long-term operations, reduce costs and preserve cash to facilitate balance sheet flexibility.

In this regard, a range of measures were swiftly implemented across the business. These included a freeze on headcount and operational and capital expenditure; providing franchisees with relief in the form of temporarily deferred payments (for pre-lockdown debt) and reduced royalties and fees post the lockdown; negotiations with landlords; strategic temporary hibernation of parts of the business which are not permitted to operate under current lockdown restrictions; reduced working hours, salary sacrifices and a limited retrenchment programme where all other options have been exhausted and access to the UIF TER Scheme from April 2020. In addition, additional cash facilities were negotiated with the Group's primary lender.

Management's operational focus over this period has been on collaborating with our franchise partners to assist them to flex their business models to adapt to evolving restrictions prescribed by Level 4 economic activity (delivery-only services) and subsequently Level 3, (delivery and collect/take-away services).

The severe impact of the pandemic on the performance of the Group's SA brands over the past three and a half months since year-end can best be analysed in terms of the progression of the pandemic. In the first phase – awareness of the pandemic, commencing prior to 15 March 2020 – our Leading brands' Quick Service sales declined by approximately 25% while Casual Dining brands' sales decreased by 31%. Our Signature brands' sales declined by 22%.

In the second phase – following the declaration of a national state of disaster from 16 March 2020 – Quick Service brands' sales declined by 15%, while Casual Dining brands' sales decreased by 48%. Notably Signature brands' sales declined by 48%.

In the third phase, which commenced with the national lockdown on 27 March and subsequently eased slightly on 1 May with delivery-only sales permitted, only 40% of the brand portfolio was adaptable to trade. Revenue declined by 62% in the Leading brands division, and 72% in the Signature brands portfolio.

With further easing of lockdown restrictions on 1 June to Level 3 in SA which permits delivery and collect/take-away services, it is anticipated that 70% of our Leading brands and 20% of our Signature brands will trade. They are forecast to deliver 35% and 15% of budgeted revenue, respectively.

In our AME operation, year-on-year sales declined by 30% in March and April 2020. In May 2020, 74% of our restaurants traded, achieving 45% of budgeted revenue.

From the commencement of the lockdown in SA to date, our retail operation continued to trade, supplying third-party retailers. Only one of our manufacturing plants, LBF, was permitted to operate given its "essential service provider" status. In Level 4, small scale logistics and manufacturing services were required to support our franchisees' delivery-only trade. In Level 3, we will continue to ramp up the manufacturing and logistics operations in line with demand from the franchise network.

Looking forward

Our operating environment post the COVID-19 global pandemic will provide unfamiliar and challenging conditions which will need to be navigated. The new normal will also be different and testing, and it is very likely that the business will undergo extensive transformation as we overcome the challenges we face. However, the Board and management are confident that we have a solid business model and the specialist skills in place to guide our recovery. Our strategically structured, diverse portfolio, agility and the ability to innovate across brands and trading formats will be key to driving growth.

The safety of our customers, staff and the communities in which we operate is of paramount importance to us. Over the past few months since the declaration of a national state of disaster, we have prioritised the wellbeing of our employees and their communities through comprehensive work-from-home arrangements where practicable.

Going forward, as trading restrictions are eased, we will be extremely mindful that our business needs to continue to play a key role in curbing the spread of the pandemic. Hygiene and food safety are integral daily disciplines across the Group and we are experienced at safeguarding our workplace through strong operational protocols which are compliant with industry best practices. I am therefore comfortable that our business has the ability and flexibility to ensure we will meet the required risk-mitigating measures to re-open our operations fully, efficiently and safely.

Prospects

Our concerns regarding the future centre around how long lockdown regulations will remain in force, and the long-term impact of the pandemic on consumer behaviour and spending in the hospitality and travel industry. Our Signature brands are firmly positioned in the Casual Dining category, which has remained closed since the start of the lockdown. We anticipate that this segment of the market will only re-open once the pandemic has subsided, and thereafter, will recover very slowly. We are also preparing to navigate the potential decline in foot traffic in malls and the restrictions on local and global travel, which will affect our restaurants situated on transit routes.

With regard to the forthcoming period, parallel to the remedial and revival activities discussed, we have absolute clarity of purpose in terms of our three-year strategic roadmap, which we will continue to roll out. We have identified the following opportunities.

Expansion programme

- Our Leading brands are strong and agile and our goal is to reinvigorate them to gain market share. This is exemplified by our traditional Casual Dining 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 further, 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 Casual Dining 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 review 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 review 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.
- The Board has resolved to not provide further financial assistance to the GBK business.
- We will continue to align the supply chain and cost drivers to afford our franchise partners a competitive advantage while maintaining ROCE targets.

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.

Appreciation

Thanks to the sheer determination and perseverance of our management team, our franchise partners and everyone across our Group, we delivered a commendable set of results for the review period – for which I would like to extend my sincerest gratitude.

Subsequent to the year-end, the COVID-19 global pandemic has impacted on our economy and our society, how we live, interact and work, and it is likely that life will never be the same as before. But "before" is in the past and we need to move forward. We need to learn important lessons and build a better future.

I would like to thank each one of you for the sacrifices made to curb the spread of the virus, thereby ensuring the wellbeing of our Company, our customers, our communities and our country.

My thanks also go to our stakeholders who support us and contribute to the success of our business: our customers and the broader communities in which we trade, our investors, strategic alliance partners and business partners.

My fellow Board members have provided steadfast guidance over this time and I appreciate their dedication.

Darren Hele
Chief Executive Officer

29 June 2020

Operational review

Brands

Our Brands portfolio comprises our Leading brands and our Signature brands. The Leading (mainstream) brands portfolio is segmented into Quick Service, Fast Casual and Casual Dining brands. Several of our Signature (niche) brands are JV partnerships with the founders of the respective brands 103.

Our brands are represented through a network of 2 791 franchised and 107 Company-owned restaurants in SA, the AME region and the UK.

SA

Salient features	Leading brands 2020	Leading brands 2019	Signature brands 2020	Signature brands 2019
Segment revenue (%)	**80.4**	83.7	**19.6**	16.3
Like-for-like sales growth (%)	**3.5**	2.9	**(0.8)**	(0.6)
Operating margin (%)	**57.4**	61.1	**12.0**	12.8
Total number of restaurants	**2 290**	2 244	**151**	158
New restaurants opened	**81**	125	**11**	32
Number of restaurants revamped	**260**	238	**2**	5
Number of restaurants closed	**34**	53	**17**	20

Leading brands portfolio: Quick Service

Our **Leading Quick Service** brands are those that prioritise take away and delivery offerings. While these restaurants offer a limited sit-down option, their focus is on quick service. The brands in this segment are: **Steers, Debonairs Pizza, Fishaways** and **Milky Lane**.

While **Wakaberry** and **Giramundo** remain part of the Leading brands' results, they are not reported on and are in the final stages of being rationalised.

The commentary which follows outlines the key developments and initiatives, awards and areas of future focus for each of our Leading brands. We have also rated the performance of each brand in the review period against our FY2020 areas of focus and targets.

This rating is denoted as follows:

✓ **Full achievement** » **Partial achievement** X **Non-achievement**

Areas of focus in FY2020

- Continued to leverage the delivery capability ✓
- Intensified focus on the core offering and continued to grow the flame-grilled chicken offering ✓

Key developments and initiatives

- Steers competed successfully and grew market share in the robust burger category through strong value promotions
- The brand reported a higher transaction count and delivered double-digit, system-wide and like-for-like sales
- Innovations were developed on new menu items, including veggie burgers, and across key strategic price bands
- Profitability for franchise partners was enhanced though improved efficiencies in the supply chain
- Digital screens were rolled out and are now available in 214 restaurants

Awards

Best of Pretoria Readers' Choice Awards

- Winner – takeaway burgers
- Winner – takeaway chips

Best of Joburg Readers' Choice Awards

- Winner – best chips

What we will focus on in FY2021

- Grow the drive-thru format, supported by a re-engineered menu
- Identify and innovate on better burger projects
- Increase the contribution of third-party and own-delivery service
- Continue to roll out the Khula format from the current footprint of 48 restaurants and also launch a container format
- Expand the roll out of self-service terminals and digital screens

617
Number of restaurants in SA
2019: 600

662
Number of restaurants in total
2019: 643

DEBONAIRS PIZZA

Areas of focus in FY2020	• Prioritised franchisee profitability through intensified cost management, menu engineering and refining the delivery model ✓ • Drove sharing value through familiar favourites and innovative products and promotions ✓ • Retained leadership of the remote delivery space through entrenching the brand's delivery USP ✓ • Focused on delivering unique customer experiences at every touchpoint ✓
Key developments and initiatives	• Debonairs Pizza opened its milestone 700th restaurant • The transaction count improved and market share was gained in the middle- and upper-income segments through popular value offerings and sharing promotions • Recorded good system-wide and like-for-like sales growth, although own-delivery turnover experienced pressure in an aggressively competitive market space • The new look and feel was rolled out to 73 restaurants • Invested further in innovative technology through key strategic projects including self-service terminals, electric bicycles and central delivery services. Good results were achieved, with the projects offering opportunities to improve customer experience and drive down costs
Awards	Sunday Times *Top Brands Survey* Awarded second position in the Most Loved Quick Service restaurant (QSR) brand category – up from third position in the previous year
What we will focus on in FY2021	• Drive market share through popular favourites and innovative new products • Continue to improve profitability for standard delivery restaurants • Invest in own-delivery technology and entrench leading position in the remote convenience arena through the brand's delivery app and online deals • Grow penetration of the lunchtime occasion

590
Number of restaurants in SA
2019: 569

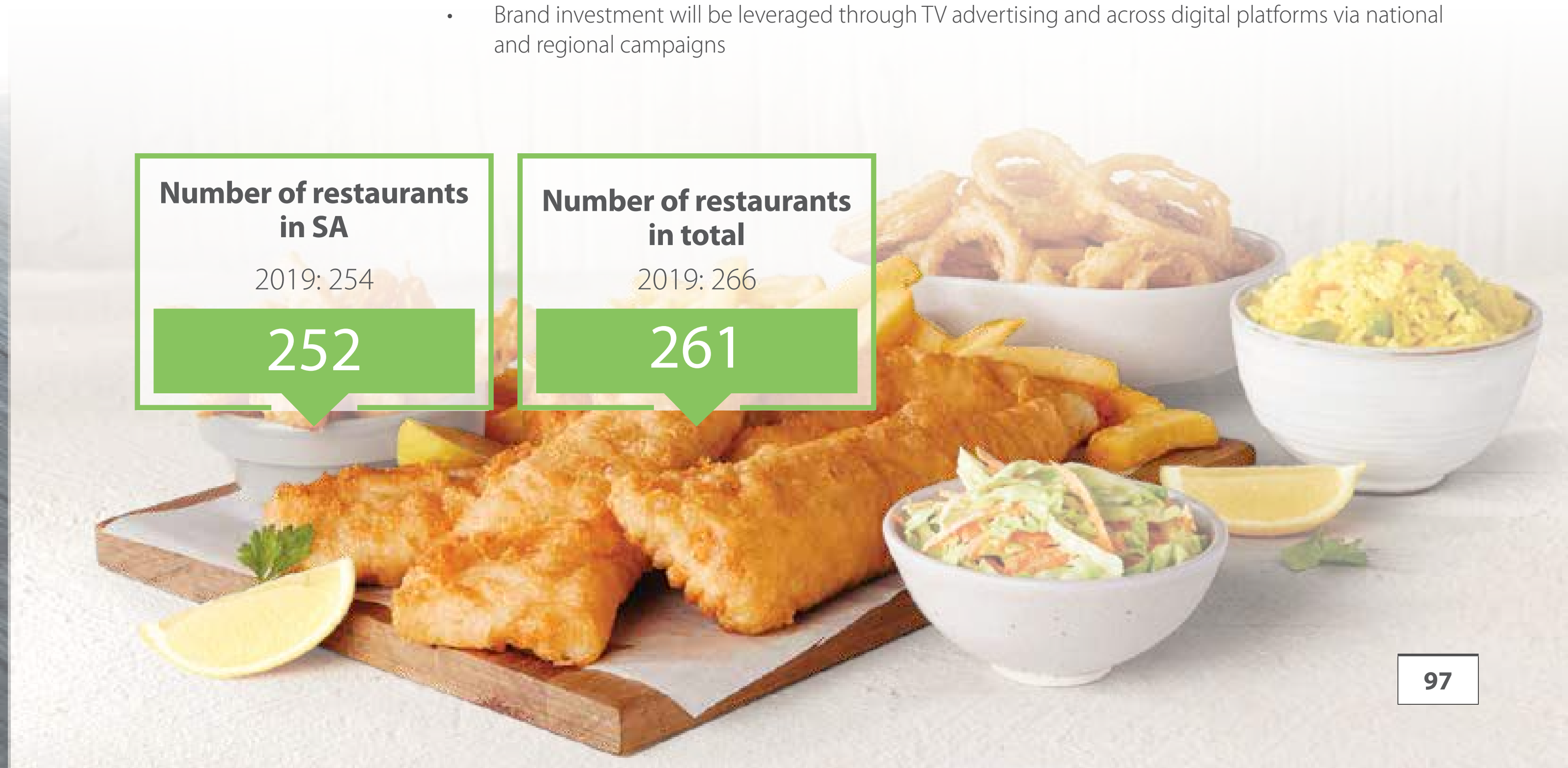
700
Number of restaurants in total
2019: 672

fishaways

Areas of focus in FY2020	• Cautiously expanded the store footprint into favourable untapped markets with five new restaurants ✓ • Grew the online ordering platform and delivery offering ✓ • Leveraged the brand's healthier positioning through innovative value-driven summer campaigns and exploited opportunities in the sharing and additional occasions categories ✓ • Invested in TV advertising and a strong digital plan ✓
Key developments and initiatives	• Fishaways grew market share for the third consecutive year despite the continued decline in fish segment category visits • 35 restaurants were revamped to promote a consistent experience across the nationwide network • The introduction of menu items approved by the Heart and Stroke Foundation entrenched the brand's healthier choice positioning, while strong menu credentials regarding sustainable sourcing and support for local communities also gained favour with discerning customers • Prioritised franchise partner profitability through tactical promotional offers and margin management • Fishaways remains the only fish brand in SA with its own online ordering platform and continues to grow its app user base • Own-delivery capability has been expanded to almost 90% of the network
Awards	• **AMASA Gold Digital Award** for the most effective use of a small budget on digital media
What we will focus on in FY2021	• Disruptive competitor promotions are anticipated and will be managed through clear promotional strategies targeted across the consumer profile spectrum • The general decline in category visits is expected to continue and the brand will leverage its strong loyal following through value propositions and promotional offerings • Further investment will be made in enhancing the brand's delivery offering via third-party service providers • Brand investment will be leveraged through TV advertising and across digital platforms via national and regional campaigns

Number of restaurants in SA
2019: 254
252

Number of restaurants in total
2019: 266
261



Areas of focus in FY2020

- Rolled out the new format NiceCream Cakes offering to ensure strategic growth of the brand ✓
- Prioritised menu innovations and promotional campaigns linked to key holiday periods with good results ✓
- Continued to leverage the brand's social media presence and always-on strategy across all relevant technology channels ✓

Key developments and initiatives

- Milky Lane delivered good system-wide and like-for-like sales growth
- The brand successfully launched the bespoke new-look store format at Montecasino, Gauteng
- A hub-and-spoke business model was introduced to improve productivity, whereby in-store downtime is used to create products for distribution to other points of purchase including mobile carts, mobile solar panel power bikes, carry boxes and in-store display freezers. Based on favourable trial results, the model was rolled out across the network in early March 2020

What we will focus on in FY2021

- Continued innovation in products and points of purchase to improve appeal and access for consumers

83
Number of restaurants in SA
2019: 78

91
Number of restaurants in total
2019: 85

Leading brands portfolio: Casual Dining

Our **Leading Casual Dining** restaurant brands are those that offer patrons a full-service, sit-down experience. The brands in this segment include: **Wimpy**, **Mugg & Bean** and **Fego Caffé**.

Areas of focus in FY2020

- Advanced the dual strategy to grow the contribution from the lunch occasion (burgers and grills) while maintaining leadership in the breakfast category ✓
- Positioned the brand for growth through leveraging sponsorships and strategic partnerships ✓
- Intensified capability for the rising demand for convenience through an improved delivery and takeaway offering ✓
- Continued to utilise creative platforms, disruptive offers, additional media exposure and a strong CRM focus to ensure continued success of our promotional campaigns ✓
- Launch a new App, Wimpy Rewards, offering customers a unique loyalty scheme X

Key developments and initiatives

- In the fiercely contested Casual Dining market, Wimpy retained market share after two years of decline. A diversified marketing campaign across a range of mediums and strong value promotions served to drive awareness and footfall
- While in-store consumption comprises the majority of Wimpy's revenue, good growth was reported for take away and delivery sales, reflecting the introduction of relevant, customised menu offerings
- Commendable progress was made in improving profitability for franchise partners through lower input costs while maintaining quality and good value
- The programme to drive down revamp costs resulted in 41 restaurants being converted to the new look design; revamped restaurants continue to report improved results
- The strategy to drive the Wimpy Kids contribution through effective promotions and in-store experiences proved very successful, with a significant growth in kids' parties

Awards

Best of Ekurhuleni Readers' Choice Awards
- Winner – best spot to head for brunch
- Winner – best place to get an English breakfast

Best of Pretoria Readers' Choice Awards
- Winner – best place to get an English breakfast

Best of Mbombela Readers' Choice Awards
- Winner – best breakfast in town

Sunday Times *Generation Next Award*
- Fourth position for Coolest eat out place

Sunday Times *Top Brands Survey*
- Third place for Best sit-down restaurant and seventh place for Best fast food restaurant

APEX Award
- Silver award for Double Double campaign and Bronze Award for Grill Up Fill Up campaign

Loerie Awards
- Finalist for Grill Up Fill Up TV campaign

What we will focus on in FY2021

- Roll out mobile payments and mobile vouchers, which are currently in their infancy for the brand, but offer good sales potential
- Wimpy has embarked on a new strategic partnership with Momentum Multiply Health, as the exclusive redemption partner for Momentum customers who achieve their weekly exercise goals. Initial results indicate that this partnership could have strong sales benefits in the future
- Continue to invest in digital technology, and following an unforeseen delay in FY2020, launch the new app, Wimpy Rewards, introducing our customers to a unique loyalty scheme

Number of restaurants in SA
2019: 467
464

Number of restaurants in total (including UK)
2019: 559
556

Fego Caffé

Areas of focus in FY2020

- Continued to optimise and align the flexible trading format model with relevant markets ✓
- Built on the good growth achieved in the Kaap Agri Fego Caffé To Go outlets ✓
- Leveraged the delivery offering with third-party service providers ✓

Key developments and initiatives

- Fego's operating segment remained heavily overtraded, and consumer visits declined further across the category
- The strategic partnership with Kaap Agri continued to flourish, delivering solid sales growth
- Despite the generally difficult environment, KwaZulu-Natal and Western Cape performed ahead of other regions
- In line with strategy, two new mobile coffee carts were launched in Gauteng
- Good delivery sales growth was recorded, with partnerships with third-party aggregators extending across the entire network

Awards

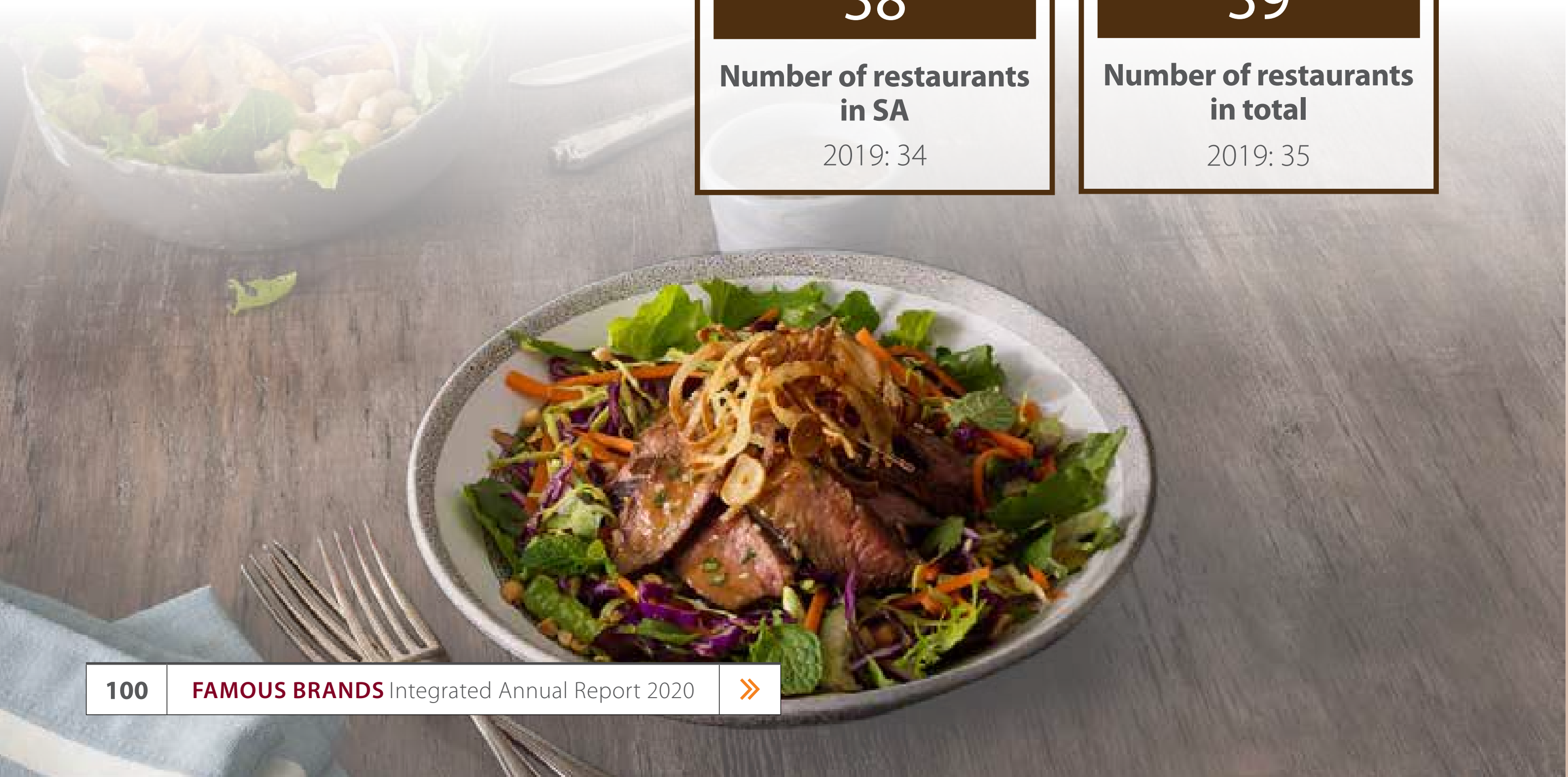
- A national Barista Competition was conducted across the network, and the winner will represent the brand at the national Speciality Coffee Association of SA's competition in August 2020

What we will focus on in FY2021

- Continue to ensure optimal alignment of the flexible trading format with markets across key segments being malls, transit and captive environments
- Enhance the custom locality marketing offers to franchise partners to optimise their returns
- Continue to build on the brand's menu innovations and coffee credentials

38
Number of restaurants in SA
2019: 34

39
Number of restaurants in total
2019: 35



Mugg & Bean

Areas of focus in FY2020

- Rolled out the On The Move (OTM) offering in various formats ✓
- Invested in an always-on communication campaign, talking directly to consumers via CRM, outdoor, digital and social media ✓
- Focused on third-party delivery, which is in its infancy for the brand ✓
- Leveraged the new training platform for employees to offer exceptional customer experiences ✓
- Drove the Generosity app ✓
- Continued to respond to customers' evolving desires with our extension of healthier menu alternatives and expansion of a vegan offering ✓

Key developments and initiatives

- Despite the fiercely competitive landscape, Mugg & Bean retained market share, primarily due to its flexible formats which afford access across occasions and categories, including OTM, OTM Limited Service and OTM Express Formats
- Menu innovation and re-engineering resulted in improved efficiencies and profitability for franchise partners and a more relevant menu for customers
- The number of Generosity app users doubled and very strong sales were generated by this channel,
- Expanded the partnership with Discovery with the launch of a bespoke Vitality Healthy Dining menu offering. Redemption of Vitality Active Rewards continued to grow strongly
- The OTM partnership with Total continued to gain momentum, delivering pleasing system-wide and like-for-like growth

Awards

Best of Joburg Readers' Choice Awards
- Winner – best coffee shop
- Runner-up – best breakfast

Ask Afrika Icon Brands Survey
- Winner – iced coffee (ready to drink) category

Sunday Times *Top Brands Survey*
- Fourth in the Sit down restaurant (national) category

Sunday Times *Generation Next Awards*
- Second position – coolest eat out place (nationally – all categories)

What we will focus on in FY2021

- The Generosity app will be leveraged to create a comprehensive CRM strategy
- The OTM Limited Service and other aligned flexible format services will be rolled out across SA as opportunities permit
- Third-party delivery will remain a growth driver
- The successful online training platform will continue to be developed to assist franchisees and their teams to deliver enhanced customer service

236
Number of restaurants in SA
2019: 227

270
Number of restaurants in total
2019: 247

Better for You awareness

In the interests of our customers, and in line with the Department of Health's goal to assist South Africans to reduce obesity, our Leading brands have implemented a range of initiatives to raise awareness of healthier eating. All Leading brands' menus:

- showcase a "Better for You" offering;
- offer vegetarian and/or vegan options*; and
- differentiate between sugar soda versus sugar-free soda; the sugar-free option being cheaper. Our TruFruit juice range has also been reformulated to comply with beverage sugar legislation.

In addition:

- full nutritional guidelines, including a list of allergens, are provided on our Leading brands' websites to enable customers to make informed choices.

With effect from October 2019 our Leading brands committed to providing information at point of sale to enable customers to make informed meal choices and manage kilojoule intake. Fishaways was our first brand to publish a full calorie/kilojoule count for every item on the menu, followed by Steers and NetCafé in April 2020. Debonairs Pizza and Mugg & Bean OTM are scheduled to follow in October 2020.

Complementing the collective effort of our Leading brands, the individual brands have also implemented bespoke initiatives, as outlined below.

STEERS

- Images of beverages on menus are "no sugar" varieties;
- beverages containing sugar may be swopped out for bottled water, at no extra cost;
- vegetarian and bunless burger meal options have been introduced; and
- the Steers "upsell" concept previously promoted on menus has been discontinued, to disincentivise upsizing of meals.

DEBONAIRS PIZZA

- The menu offering includes a Rustic Slim Fit Range of pizzas made with reduced cheese and half the dough ball; and
- images of beverages on menus are "no sugar" varieties.

fishaways

- The offering includes an Under-500-calorie menu, which continues to be expanded, incorporating new vegetarian options;
- images of beverages on menus are "no sugar" varieties; and
- for the first time, two Heart and Stroke Foundation-endorsed meal options are available.

WIMPY

- Salads and vegetables are offered as a swop-out for chips on the main menu, and the children's menu offers vegetables as a swop-out to chips. This alternative offering is promoted by visuals on the menus;
- Coca-Cola No Sugar has been moved to the top of the beverage menu, and still mineral water has been listed as a beverage option; and
- fresh fruit salad has been added to the dessert menu.

MUGG & BEAN

- In partnership with Discovery Health, Mugg & Bean is participating in a Vitality Healthy Dining initiative, represented by a bespoke "Nutritious and Delicious" menu offering promoting healthy and nutritious items;
- significant changes have also been made to the children's menu: vegetables or salad are offered as a swop-out for chips, sweet potato fries as a swop-out for potato fries and grilled chicken strips as a swop-out for crumbed chicken strips; and
- Coca-Cola No Sugar has been added to the menu and bottled water is offered as a swop-out for soda, at no extra cost.

This does not apply to Wakaberry and Giramundo menus.

Signature brands portfolio

Our **Signature** brands portfolio comprises a wide range of niche bespoke Casual Dining offerings, including **tashas**, **Turn 'n Tender**, **PAUL**, **Vovo Telo**, **Mythos**, **NetCafé**, **Coffee Couture**, **Salsa Mexican Grill**, **Lupa Osteria**, **Europa**, **Keg** and **House of Coffees**.

Some of these brands are wholly owned, while others are JV partnerships* with the founders of the respective brands.

Signature brands' restaurant footprint

Brands	2020		2019	
	SA	**Total**	SA	Total
Europa	**6**	**6**	9	9
House of Coffees	**1**	**1**	2	2
Keg	**4**	**4**	6	6
Lupa Osteria*	**13**	**13**	12	12
Mythos	**13**	**13**	15	15
NetCafé	**33**	**33**	31	31
Coffee Couture	**14**	**14**	14	14
PAUL	**2**	**2**	1	1
Salsa Mexican Grill*	**14**	**14**	13	13
tashas*	**18**	**25**	18	24
Turn 'n Tender*	**21**	**22**	20	21
Vovo Telo	**12**	**12**	13	13
Catch	**0**	**0**	2	2
The Bread Basket	**0**	**0**	2	2
Total	**151**	**159**	158	165

* *Joint venture partnership.*

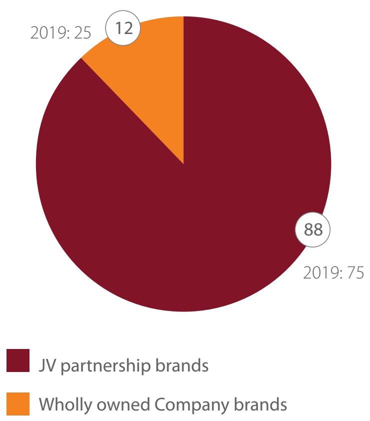
During the review period, we exited two brands: The Bread Basket and Catch.

Performance summary

Our Signature brands operate in the overtraded, highly competitive Casual Dining market segment and their performance for the review 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, 10 of which resulted from the portfolio rationalisation strategy. 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.

Contribution to revenue (%)



Signature brands portfolio (continued)

Performance summary (continued)

Areas of focus in FY2020

- Continued to optimise the portfolio through rationalising underperforming brands and restaurants and growing the footprint of brands which are scalable ✓
- Drove margin growth ✓
- Better aligned investment in resources with returns ✓
- Where possible, upweighted brand awareness across all technology channels ✓
- Continued to explore opportunities to develop and incubate new innovative brand concepts which have the potential to be substantial brands ✓

Key developments and initiatives

- Progress was made in re-engineering the central hub operating structure and costs
- The operating model was restructured to categorise similar brands into appropriate silos, being captive markets (coffee brands), traditional markets (Salsa Mexican Grill, Lupa Osteria, Turn 'n Tender and Mythos), and luxury brands (PAUL and tashas)
- The enhanced delivery offering through third-party aggregators continued to deliver good sales growth
- The Group acquired a further 27% in Turn 'n Tender from minority shareholders, bringing the total shareholding in the business to 78%
- Significant success was achieved in reducing new store set-up costs

Awards

SALSA

Best of Joburg Readers' Choice Awards
- Winner of the Best Mexican restaurant category

Best of Pretoria Readers' Choice Awards
- Winner of Best business lunch, Beat the budget and Best new restaurant

Best of Ekurhuleni Readers' Choice Award
- Winner of the Best Mexican restaurant

SA Council of Shopping Centres Award
- Best restaurant design won by the Menlyn Maine restaurant

tashas

Best of Joburg Readers' Choice Awards
- Winner of the Best breakfast and Best brunch categories

BBC Food Awards (won by tashas Dubai and tashas Flamingo Room)
- Best Breakfast and Best Mediterranean restaurant

Time Out Restaurant Award
- Best breakfast (tashas Abu Dhabi)

Harper's Bazaar
- Best interior design award in the Middle East (Avli by tashas)

MYTHOS

Best of Joburg Readers' Choice Awards
- Winner of Best Greek restaurant, Best outdoor dining, Best business lunch, Best neighbourhood restaurant
- Best of Pretoria and Ekurhuleni Readers' Choice Award for best Greek restaurant

PAUL

Best of Joburg Readers' Choice
- Winner of Best French restaurant category

Turn 'n Tender

Best of Joburg Readers' Choice Awards
- Winner of Best steakhouse

Best of Ekurhuleni Readers' Choice Awards
- Winner of Best steakhouse and Best business lunch

Best of Pretoria Readers' Choice Awards
- Winner of Best steakhouse

Diners Club Platinum wine list award
International Business Excellence Award for Best steakhouse restaurant of the year – SA

Areas of focus in FY2021

- Continue to optimise the portfolio to drive growth and ROI, including rationalising underperforming brands and restaurants
- Expand the footprint of those brands which are scalable through franchised, and if required, Company-owned stores in the short term to establish brand footprints

AME

The Group trades in 16 countries in this region. Debonairs Pizza, Steers, Wimpy, Mugg & Bean and Mr Bigg's contribute almost 93% of all brand revenue in the AME. Other brands include Fishaways, Milky Lane, Fego Caffé, Keg and Europa.

Salient features	2020	2019	Salient features	2020	2019
Segment revenue (R million)	**314**	273	Total number of restaurants	**322**	326
Operating profit (R million)	**55**	22	Restaurants opened	**28**	29
Operating margin (%)	**17.5**	7.9	Restaurants revamped/relocated	**26**	13
System-wide sales growth (%)	**2.8**	5.9	Restaurants closed	**41**	35
Contribution to total Group system-wide Brands' division sales (%)	**8.7**	10.2	Number of corporate employees	**74**	56

Solid system-wide and like-for-like sales were reported for the period, with 12 of the 16 markets recording positive system-wide sales growth. Six of those delivered double-digit growth. 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.

Areas of focus in FY2020

- Implemented a more direct approach to developing brands in the region, through establishing an in-country team and investing in Company-owned outlets in key nodes in the Middle East and East and West Africa ✓
- Continued to expand strategic alliance partnerships, trialled new trading formats, strengthened marketing capability and leveraged delivery offerings where appropriate ✓

Key developments and initiatives

- Acquired the intellectual property rights for Mugg & Bean in the Middle East and took on master licensees in the United Arab Emirates (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
- Signed a master license agreement for the development of the Debonairs Pizza brand in the UAE
- Opened the first Company-owned Debonairs Pizza outlet in Kenya
- Opened an office in Dubai dedicated to providing support to the Middle East master license partners
- Launched a new dark store (delivery only) format for Debonairs Pizza in the UAE
- Launched a dark store format for GBK in the UAE

Areas of focus in FY2021

The primary goal is to grow system-wide turnover through the following initiatives:

- Entrench the Group's successful deep and narrow strategy by investing in key markets and growing scale, while rationalising non-performing markets, brands and stores which offer no growth or recovery potential
- Leverage new master license agreements in Oman, Saudi Arabia and the UAE
- Leverage strategic petroleum and other alliance partnerships
- Grow supply chain capability in the region where viable
- Develop and leverage in-country brand management teams
- The key markets identified for expansion include Kenya, Nigeria, Zambia, Botswana, Mauritius and Malawi

UK

Our brand portfolio in the UK is segmented into Fast Casual (GBK) and Casual Dining (Wimpy).

Salient features	GBK		Wimpy	
	2020	2019	**2020**	2019
Revenue (R million)	**1 285**	1 431	**122**	113
EBITDA operating profit (R million)	**151**	25	**25**	18
EBITDA operating margin (%)	**11.7**	1.8	**20.6**	16.3
Total number of restaurants	**62**	70	**67**	67
Restaurants opened (UK)	**–**	–	**2**	1
Restaurants revamped	**3**	2	**4**	3
Restaurants closed*	**8**	25	**2**	12
Number of corporate employees	**49**	53	**14**	13

* *The number of restaurants closed in 2019 and 2020 includes GBK UK restaurants which were closed prior to or as part of the CVA process.*

WIMPY

67
Number of restaurants
2019: 67

Areas of focus in FY2020

- Expanded the multi-partner delivery platforms across the estate ✓
- Continued to roll out connection to the cloud across the network. All new and revamped restaurants have installed cloud functionality, affording instant access to accurate sales data ✓
- Ongoing review to ensure the portfolio is optimally structured and appealing to capitalise on growth opportunities in the constrained economic environment

Key developments and initiatives

- Reported solid results based on two new restaurants, four revamps and an increase in the number of stores offering delivery service. The delivery offering now makes a notable contribution to total revenue
- The new look and feel store design continued to be well received and impact positively on sales in post-revamp sites
- The new menu, printed on recyclable material, was launched in June 2019 and has been very well received by customers

What we will focus on in FY2021

- The subdued trading environment will continue to weigh heavily on performance, however, following rationalisation of 12 underperforming 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

For the purposes of accurate and representative reporting, the information regarding GBK below outlines the performance for the period under review. Additional commentary regarding events subsequent to the year-end is published on page 87.

GOURMET BURGER KITCHEN

Number of restaurants in UK
2019: 70
62

Areas of focus in FY2020

- In line with the stated goal to achieve profitability by FY2022, ongoing focus remained on progressing the turnaround and stabilisation of the business ✓
- Continued to strengthen the health of the brand through a focused approach on quality (product and experience), targeted investment in refurbishments and online sales ✓
- Leveraged opportunities to expand the multi-party delivery platform as consumers continued to choose premium in-home experiences ✓

Key developments and initiatives

- Year-on-year sales continued to decline, aligned with the general trend across the industry. While online delivery revenue grew, the solid performance was offset by weaker in-store sales in malls and on the high street. System-wide sales (Sterling) were lower largely due to the closure of 25 stores in FY2019 as a result of the CVA process, and a further eight during the review period. GBK UK and Ireland's combined like-for-like sales increased by 2.7% (2019: decrease of 4.2%)

What we will focus on in FY2021

- The business will be singularly focused on navigating its recovery following the impact of the COVID-19 global pandemic

Supply chain

The Group's supply chain comprises our Manufacturing and Logistics businesses, which are managed and measured independently.

The overriding feature of the period was persistently low food inflation, which placed pressure on these divisions to contain price increases to support growth and profitability in the front-end Brands business.

Manufacturing

The majority of our manufacturing plants are wholly owned, but we also operate certain JV partnerships, as outlined in the adjacent table.

Salient features*	2020	2019
Segment revenue (R million)	**2 771**	2 912
Segment operating profit (R million)	**419**	429
Operating margin (%)*	**15.1**	14.7
Capex (R million)	**37**	40

** The information in this table pertains to our South African operations.*

Areas of focus in FY2020	• Intensified the focus on efficiencies, reducing costs and increasing production volumes to drive profitability across all plants. Good progress was achieved, although LBF continued to underperform against targets ✓
	• The FY2020 capex approach was conservative and phased, aimed at unlocking capacity at among others, the Cheese Company, ✓
	• Improved attainment of KPIs namely: quality, speed, cost, morale, safety, delivery and utility consumption ✓
	• Increased volume production of chicken wings to meet the growing demand from our Meat Plant and Cater Chain ✓
Key developments and initiatives	• Total volumes for the business declined in light of lower demand levels, although certain plants performed ahead of others (specifically the meat and cheese plants) • We embedded the Group's Manufacturing Way (a blueprint for plant management), focused on asset care methodology, improved preventative maintenance schedules and generally ran more efficiently (including improved productivity and process yields), with notable step-changes achieved in the bakery, sauce and spice plant and LBF • Successful closure of the Western Cape meat processing plant and relocation of production to the facilities at Cater Chain and Midrand Campus • Supply to the retail business (direct to consumers) remained a key component of the manufacturing strategy • We invested R10 million in more efficient equipment to manufacture Debonairs Pizza toppings, resulting in an improvement in process yield
Areas of focus in FY2021	• Continue to review relevance and ROI of all manufacturing plants, and if appropriate, exit selected non-core plants. A range of new capex projects have been identified to expand capability and enhance efficiencies. These will be selectively implemented, pending the outcome of the pandemic on future cash reserves and cash flow priorities. Projects include upgrading the bacon line for the brands, and further roll out of the enhanced asset care programme to ensure plant reliability and agility • Ongoing focus on enhancing efficiencies and reducing costs to improve sustainable profitability of the business and franchise partners • Continual review of asset care practices and ensuring maintenance capex focusing on safety and environmental aspects • Intensify focus on managing and reducing negative environmental impacts

E S G

The goal to drive environmental awareness and reduce our carbon footprint was advanced through a range of initiatives:

- The Cater Chain boiler was converted from paraffin to gas, resulting in a marked reduction in the Group's CO_2 emissions;
- more precise electricity and water metering was rolled out to all the major manufacturing sites;
- Coega Dairy implemented a solar project in November 2019; the 3 250 photovoltaic (PV) panels installed can generate up to 1.2 MW of energy;
- our new DC in the Free State has a solar roof system that will contribute to reducing the carbon footprint; and
- water consumption was reduced by over 15% at the LBF plant through optimising water pressure settings and nozzle sizes.

All manufacturing plants continued to drive projects to improve their work practices across all key utilities. Where possible, machines and equipment are switched off when not being used and on again just in time for use; fridge and freezer doors are securely closed at all times and continual checks are done to identify leaks and unnecessary waste of utilities.

Disappointingly, as a result of Eskom's frequent load shedding, use of back-up generators more than doubled year-on-year.

Manufacturing plant statistics

Plant	Product	2020		2019	
		Plant size m²	**Revenue growth year-on-year (%)**	Plant size m²	Revenue growth year-on-year (%)
Famous Brands Bakery Gauteng	Rolls and subs	**1 065**	**(4.1)**	1 065	3.7
Famous Brands Coffee Company^	Espresso and filter coffee and powdered products	**1 850**	**(7.7)**	1 850	1.0
TruBev^	Juice and water	**1 650**	**33.9**	1 650	8.7
Famous Brands Meat Plant	Beef and chicken patties, boerewors, sausages and pizza toppings	**6 045**	**6.2**	6 045	8.4
Turn 'n Tender Central Kitchen^	Brand-specific, choice-cut meat products	**905**	**0.2**	75	15.1
Cater Chain^	Beef, lamb, mutton, chicken and pork	**8 950**	**15.2**	8 950	(7.2)
Famous Brands sauce and spice plant	Steers, Wimpy and Debonairs Pizza sauces, sugar and seasoning sachets	**2 970**	**(2.4)**	2 970	2.9
Famous Brands ice cream plant	Soft serve, hard ice cream and milkshake flavours	**980**	**1.9**	980	(4.7)
Famous Brands Fine Cheese Company^	Mozzarella, cheese slices, cheddar cheese and cheese spread	**5 200**	**13.1**	5 200	4.8
Famous Brands Great Bakery Company^	Specialised breads, baked and frozen products, pastries and confectionaries	**652**	**(9.5)**	652	(4.8)
LBF	French fries and other value-added potato products	**13 000**	**(23.3)**	13 000	(11.9)
Famous Brands serviette plant	Serviettes	**244**	**9.8**	244	3.6

Coega Concentrate was sold with effect from 1 October 2019.

^ JV.

Logistics

Salient features*	2020	2019
Segment revenue (R million)	**4 095**	3 942
Segment operating profit (R million)	**60**	84
Operating margin (%)	**1.5**	2.1
Number of trucks	**104**	108
% of cases delivered by owner drivers	**61**	50
Energy consumption (diesel, petrol, other) (L)	**2 733 400**	2 821 777
CO_2 emissions	**8 037**	8 415.94
Number of owner drivers	**37**	38
Capex (R million)	**26**	7

* *The information in this table pertains to our South African operations.*

Areas of focus in FY2020

- Commissioned new DCs in the Free State and Western Cape within budget of R24.3 million and on time. Deployed our warehouse management system in both regions, the benefits of which are beginning to manifest through better information and improved efficiencies and controls within the operations ✓
- Continued to plan for growth and reviewed and enhanced capacity, capability and efficiencies across our 10 DCs on an ongoing basis ✓

Key developments and initiatives

- Expenses in the Centres of Excellence exceeded sales growth, primarily due to higher key input costs including above-inflation wage costs and the strategic decision to support the front end of the business by containing price increases
- Successfully took on previously outsourced retail distribution business
- Centralised the Logistics reporting function, focusing on operational efficiencies and cost reduction
- Installed more precise utility electrical meters in all DCs and implemented systems to facilitate daily utility reporting and management
- Rolled out new software across all DCs for the efficient and effective management of health, safety and environmental parameters
- Internal re-alignment of costs in terms of stock storage to mitigate off-site storage spend in the division,
- All DCs achieved either NOSA 3 (good) or 4 (very good) gradings at the first attempt
- Capex managed well and within budget

Areas of focus in FY2021

- Continue to address capacity constraints with a planned investment programme in regional DCs (this will be robustly reviewed in light of the COVID-19 global pandemic impact)
- Primary distribution costs have been de-linked from logistics. With effect from 1 March 2020, all of Famous Brands' manufacturing plants and third-party suppliers will offer delivered prices to regional DCs
- The division is in the process of benchmarking secondary distribution rates to the market, with a view to moving to a rate per case margin for delivery, as opposed to the current method of a margin as a percentage of sales
- Benchmark logistics processes, costs and margins to market best practice to enhance efficiencies and reduce operating costs to improve sustainable profitability of the business and franchise partners
- Continued focus on managing and reducing negative environmental impacts

Performance post year-end

The impact of the COVID-19 global pandemic has been extremely challenging for the supply chain businesses, which have been severely affected by the total closure of our restaurants during the initial lockdown and subsequent restricted trading of restaurants thereafter.

In Level 5, while our retail operation continued to trade, Lamberts Bay Foods was our only manufacturing plant permitted to operate given its 'essential service provider' status. In Level 4, only limited small-scale logistics and manufacturing services were required to support our franchisees' delivery-only trade. In Level 3, manufacturing and logistics operations will be ramped up in line with demand from the franchise network. We anticipate that our operations will only return to some degree of normality once all trading restrictions are lifted.

The full impact of the pandemic on this component of the business remains uncertain as the situation continues to evolve. Management will continue to monitor and mitigate the risks where possible.

Group associates

The Group holds strategic stakes in the following entities: UAC Restaurants Limited in Nigeria and By Word of Mouth, FoodConnect and Sauce Advertising in SA.

uac restaurants limited

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.

Shareholding owned by the Group: 49%

Areas of focus in FY2020

- Continued to implement best practices across the Mr Bigg's network to improve operating standards and leverage growth opportunities Stabilisation and consolidation remained the watch words for this brand ✓
- Leveraged growth opportunities for Debonairs Pizza by gaining back lost market share and expanding the brand's presence ✓

Key developments and initiatives

- Weak trading conditions in Nigeria were worsened by the closure of land borders, resulting in double-digit food inflation
- Significant store closures took place, primarily due to underperforming 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 Bigg's restaurants, in line with the strategy to grow the Company-owned footprint
- Launched a new express format for Mr Bigg's, which has traded well since opening
- Capital investment in expanding the bakery's bread production capacity yielded very strong double-digit growth and grew the bread category contribution to the central kitchen's turnover

What we will focus on in FY2021

- Continue to support and consolidate the operation to ensure it is positioned for growth
- Develop and expand the Company-owned footprint to leverage investments in the business

Mr Bigg's
(2019: 93)
72

9
Debonairs Pizza
(2019: 8)

BY WORD OF MOUTH

Shareholding owned by the Group: 49.9%

Nature of business	• Premium commercial catering and events company • High-end home meal replacement offering through Frozen For You online and retail stores
Investment rationale	Affords the Group access to the food services leisure sector. In the longer term, opportunities exist to enter the premium corporate market
Areas of focus in FY2020	Finetuned the Frozen For You online and retail offering
Key developments and initiatives	• The brand expanded its Frozen For You offering into the Western Cape, with a store in Constantia; we also opened a further store in Gauteng, in the Morningside Shopping Centre as well as a store-within-a-store concept at Tyrone Fruiterers in Parkview • The traditional events and catering business remained under intense pressure in the review period with the continued decline in spend in the premium events segment
What we will focus on in FY2021	Further expansion of the Frozen For You offering in the Western Cape and Gauteng

sauce ADVERTISING

Shareholding owned by the Group: 37%

Nature of business	Below-the-line advertising agency
Investment rationale	Enhances the Group's marketing capabilities and leverages its marketing spend
Areas of focus in FY2020	Improved IT capability to enhance all forms of digital marketing
Key developments and initiatives	Partnered with a business specialising in enhancing the online presence of brands
What we will focus on in FY2021	Continue to improve the business's competence in digital marketing

Food Connect

Shareholding owned by the Group: 49%

Nature of business	• Sales and distribution business in the food and beverage sector • Owns the rights to the Group's Baltimore ice cream brand and distributes and sells the product on to third parties
Investment rationale	• Contributes to the Group's BBBEE rating (FoodConnect is a Level 2 BBBEE business in terms of preferential procurement and ESD criteria) • Affords the Group a strategic route-to-market
Areas of focus in FY2020	Expanded listings of products to all regions in SA with focus on KwaZulu-Natal and the Eastern Cape
Key developments and initiatives	Signed up as a distributor for a leading supplier of syrup products
What we will focus on in FY2021	Continue to investigate opportunities for distribution in new product categories

> *The business orientated its focus on the core disciplines of working capital management and free cash flow generation.*
>
> LEBO NTLHA

Group Financial Director's report

Strategy and scorecard

In my 2019 report I noted that the business had committed to focusing on the following key areas in the year ahead:

- prudent capital allocation;
- leveraging the investment made in our new ERP system to improve our reporting processes for enhanced data analysis; and
- embedding divisional balance sheet reporting for monitoring divisional return on invested capital.

This focus would be pursued within the context of two of our fundamental strategic imperatives, being to improve our financial performance and optimise capital management.

It is rewarding to report that important achievements were made in terms of each of the key areas. During the review period, management significantly re-orientated the business leadership to focus on working capital management and free cash flow generation. Good progress was made in entrenching effective capital allocation through balance sheet reporting and management at business unit level, with a better understanding of how to create value for stakeholders at every level of the business. There is now a clear focus on cost leadership and ROI. We have also strengthened the finance capability in the organisation.

Management's objectives in terms of capital are to safeguard the Group's ability to continue as a going concern, to provide sustainable returns for shareholders, benefits for our other stakeholders and to maintain an optimal structure to reduce the cost of capital.

Our intensified focus on balance sheet management has substantially improved working capital management and related KPIs, and led to the second successful refinancing of the Group's debt structure on improved terms.

Financial performance

The Group's results for the year ended 29 February 2020 were pleasing, taking into account the challenging economic environment. The SA business reported a strong performance in H1, which unfortunately was not sustained in H2 primarily due to further deterioration of macro-economic conditions. It is also pleasing to report that solid results were recorded by the AME region and GBK and Wimpy in the UK.

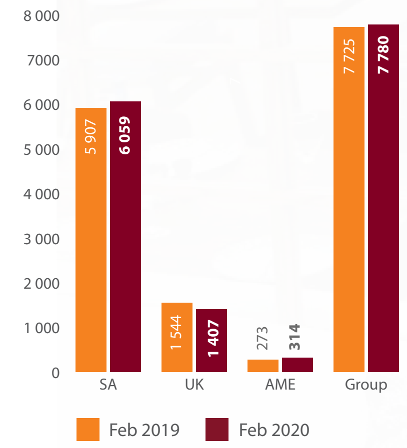
Revenue

Revenue for the period rose by 1% to R7.8 billion (2019: R7.7 billion). This increase is attributable to organic growth in our SA and AME operations, with SA contributing 78% to total revenue (2019: 76%). Higher revenue from the SA business is underpinned by an increase of 9% in Brands' revenue to R974 million (2019: R895 million), and a 1% increase in supply chain revenue to R4.5 billion (2019: R4.4 billion). These results are creditable in the context of extremely challenging trading conditions featuring weak consumer sentiment and spend and an aggressively competitive operating landscape. The Group's improved performance is tribute to the popularity of our brands, the commitment of our franchise partners to lead in the categories we compete in and management's steadfast campaign to continuously innovate the offering and improve efficiencies across the business.

Operating profit before non-operational items and operating profit margins

The Group's operating profit before non-operational items grew to R912 million (2019: R847 million), positively impacted by improved results from GBK, and the disposal of Coega Concentrate tomato paste plant which reported an operating loss of R22 million in the prior comparable period.

Revenue (R million)



Operating profit (%)

The Group's operating profit margin improved to 11.7% (2019: 11%). Our SA business reported a decline in margin to 14.0% (2019: 15.1%), however, a substantially improved margin of 17.5% was recorded in the AME region, up from 7.9% 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 Botswana, effective 1 August 2015.

In our UK business, the improvement in margin is attributable to the reduced operating loss in GBK compared to prior year. Our Wimpy UK business delivered another pleasing performance, evidenced by an increase of 31% in operating profit to R23 million (2019: R18 million).

Non-operational item

The Group's non-operational item of R53 million (2019: R917 million) comprises an impairment recognised in the GBK business (at store level) due to the impact of the CVA on property, plant and equipment.

Net finance costs

The Group's net finance costs reduced to R219 million (2019: R228 million) mainly as a result of our lower gearing level and lower average finance costs secured on the refinanced debt structure.

Income from associates

The Group holds equity interests in the following companies: Sauce Advertising (37%), UAC Restaurants (Mr Bigg's) in Nigeria (49%), By Word of Mouth (49.9%), FoodConnect (49%) and the tashas group (49%). The Group's share of associates' profit for the review period was R5 million (2019: R4 million).

Tax

The Group's tax expense was R219 million (2019: R133 million), representing an effective tax rate of 33.9%, mainly as a result of the impairment recognised during the review period at GBK restaurant level and unutilised tax losses. In the corresponding reporting period, a negative effective tax rate of 45.4% applied, impacted by the impairments recognised in that period.

Profit attributable to non-controlling interests

Non-controlling interests refer to the strategic JV partnerships we hold with the founders of key businesses in our Signature brands portfolio and Manufacturing division. Profit attributable to non-controlling interests increased to R65 million (2019: R57 million), of which 86% (2019: 80%) is attributable to our manufacturing JV partners.

Headline earnings per share (HEPS) and Earnings per share (EPS)

HEPS increased by 32% to 417 cents (2019: 316 cents) and EPS improved by 175% to 362 cents (2019: negative 484 cents). EPS increased primarily due to the non-recurrence of costs and impairments recognised in the prior comparable period, being once-off costs of R17.2 million related to the CVA; an impairment of R873.9 million (pre-tax) relating to GBK, recognised at Group level, and an impairment of R25.5 million recognised in associate company, By Word of Mouth, in which the Group has a minority stake.

HEPS and EPS include the impact of IFRS 16 Lease liabilities which came into effect for the Group during the review period.

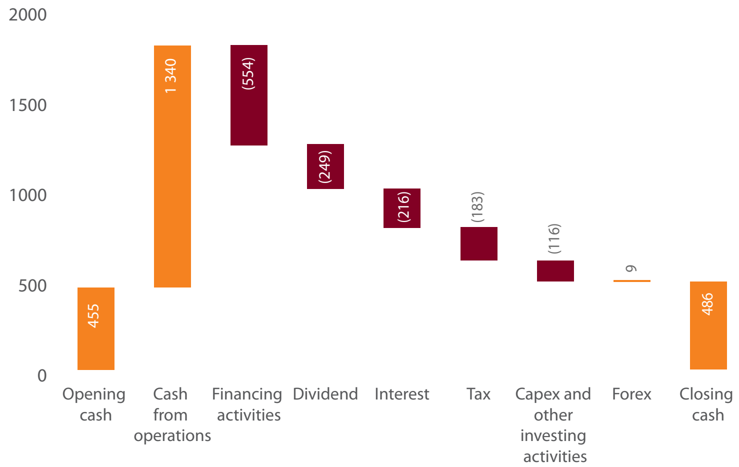
Cash flows and financial position

Salient features		2020	2019 Restated*
Statement of cash flows			
Cash generated by operations before working capital changes	R000	**1 228 406**	1 053 182
Working capital changes	R000	**111 984**	(19 598)
Net cash outflow utilised in investing activities	R000	**(115 964)**	(89 187)
Net cash outflow for financing activities	R000	**(553 893)**	(760 204)
Cash realisation rate**	%	**107.9**	96.6
Statement of financial position			
Cash and cash equivalents	R000	**486 257**	454 724
Net assets#	R000	**4 813 927**	3 687 518
Net debt^	R000	**2 574 420**	1 727 955
Net debt/equity	%	**143.0**	113.1
Total equity	R000	**1 800 392**	1 527 529
ROE***	%	**25.1**	20.0
ROCE^^	%	**20.0**	(1.6)

* *The restatement relates to marketing funds. Refer to Note 21 of the summarised AFS for further details.*
** *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 shareholders' interest. 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).*
^^ *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).*

Cash flow movement during the review period

(R million)



Net cash inflow from operating activities

The business generated robust cash from operations of R1.3 billion (2019: R1.0 billion), with a cash realisation rate of 107.9% (2019: 96.6%), representing pleasing earnings' quality.

Working capital changes for the review period were R112 million compared to the negative R20 million reported in the previous corresponding period, which is testament to our increased focus on working capital management.

The Group's net cash inflow from operating activities of R692 million (2019: R567 million) was positively impacted by reduced operating losses in GBK and an improvement in working capital.

Net cash outflow utilised in investing activities

Capex incurred on additions to property, plant and equipment and intangible assets rose to R173 million (2019: R137 million). This represents 68% invested in our SA business (2019: 67%), 20% in our UK business (2019: 29%) and 12% in our AME business (2019: 4%). No new businesses were acquired during the year under review.

The sale of the Group's Coega Concentrate tomato paste business was concluded in October 2019, realising R31.7 million.

Total net cash outflow utilised in investing activities was R116 million (2019: R89 million).

Net cash outflow from financing activities (debt repayment)

Net cash outflow from financing activities was R554 million (2019: R760 million). The reduced outflow was primarily due to reduced borrowings repayments in the review period.

The Group's closing net cash position as at 29 February 2020 was R486 million (2019: R455 million).

Financial position

The Group's balance sheet remains healthy, with net assets of R1.8 billion (2019: R1.5 billion), representing a net asset value per share of R17.97 (2019: R15.27). The increase in the net asset position is mainly attributable to the significantly lower impairment recognised during the period, being R53 million, compared to R899 million in the prior reporting period.

The reduction in total borrowings to R1.7 billion (2019: R2.1 billion) resulted in an improved gearing position of 66% (2019: 109%) excluding the impact of IFRS 16 lease liabilities. Including the impact of IFRS 16 the gearing ratio is 143%.

ROE increased from 20% to 25%, mainly as a result of GBK's reduced operating loss of GBP-0.6 million (2019: GBP-4.6 million). ROCE was 20.0% (2019: -1.6%).

Financial covenants	2020		2019	
	Actual	Required	Actual	Required
Net debt to EBITDA*	**1.30**	**<2.50**	1.89	<2.50
Interest cover	**7.37**	**>3.00**	3.32	>3.00

* *EBITDA excludes non-operational items.*

Gearing and debt structure

Subsequent to the review period, and as announced on SENS on 3 April 2020, we 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 outlined below.

			Interest rate			
New loans Loan facility	Currency	Maturity	Nature	Margin %	Rate	Facility (R)
A: Amortising loan	ZAR	February 2021	Variable	1.50	3-month JIBAR	150 000 000
B: Amortising loan	ZAR	February 2022	Variable	1.60	3-month JIBAR	150 000 000
C: Amortising loan	ZAR	February 2023	Variable	1.70	3-month JIBAR	150 000 000
D: Amortising loan	ZAR	February 2024	Variable	1.80	3-month JIBAR	400 000 000
E: Revolving credit facility	ZAR	February 2024	Variable	1.90	3-month JIBAR	760 000 000

We actively monitor the Group's debt covenants on an ongoing basis. 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.

Impact of the COVID-19 global pandemic on the business

Going concern status

The Audit and Risk Committee (Committee) has considered the going concern assessment as prepared by management, including the Group's outlook regarding trading conditions that will persist into the foreseeable future. This assessment is based on a range of varied scenarios (including assumptions regarding a worst-case scenario of a three-month total lockdown, the rate of return to normal trading, debt service and covenant requirements, working capital requirements and relief measures implemented by the respective governments in our various trading jurisdictions), and is satisfied that the Group is a going concern for the foreseeable future based on the information available at the time of approval of the AFS.

Post-balance sheet events relating to the Group's investment in GBK and Group associates

In the SENS announcement published on 2 April 2020 and renewed on 20 May 2020, shareholders were advised that the Board had reviewed its investment in GBK following a deterioration in GBK's store sales in the UK due to the COVID-19 global pandemic and the subsequent indefinite closure of all restaurants in the industry in the UK and Ireland until further notice. In this regard, the Board has resolved 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. Deliberations in respect of this matter are still in progress. While not impacting on the Group's ability to continue as a going concern into the foreseeable future, shareholders are advised that there is material uncertainty surrounding GBK's ability to continue as a going concern into the foreseeable future.

Shareholders are also referred to page 156 for comprehensive detail on post-balance sheet events.

Liquidity review

Our cash flow forecasts, which take into account the impact of COVID-19 global pandemic, are reviewed on a regular and ongoing basis. Our forecasts indicate that the Group's overall liquidity remains sufficient and stable to meet our working capital and operational needs over the foreseeable future. The Board and management are committed to paying all suppliers and service providers in line with negotiated terms.

Ongoing general measures to optimise liquidity

Following a series of acquisitions in 2016, the Group has significant long-term structured debt on the balance sheet, however a robust programme is in place to:

- manage gearing levels through intensive working capital management;
- finance growth through internally generated cash flow; and
- focus capital investment on lower-risk core local opportunities with potential for long-term sustainable returns.

The Group has established a strong strategic partnership with its primary lender, which provides a stable funding platform and necessary liquidity for the business.

COVID-19 global pandemic-related measures to optimise liquidity

As discussed in the commentary on gearing, management has actively engaged with the primary lender subsequent to the year-end and negotiated a favourable debt structure which is more appropriate to the business and ensures our cost of funding remains competitive. We have also engaged the lender regarding additional short-term loan facilities, and a R300 million facility was granted in April 2020 in this regard.

In terms of preserving cash and protecting the business, we have implemented the following urgent measures:

- freeze on operational and capital expenditure and headcount;
- temporary royalty and marketing fund fee relief for franchisees for March and May 2020 (restaurants were not permitted to trade in April 2020 due to lockdown restrictions);
- negotiations with landlords;
- temporary hibernation of parts of the business not permitted to trade;
- reduced working hours, salary and Board fee sacrifices and limited retrenchments where alternatives were exhausted; and
- commenced plans to disinvest from non-core operations.

Dividend

The lockdown measures implemented across the Group's various trading jurisdictions have had an extremely severe financial impact on the business. As part of the Group's broad response to maintaining its liquidity position through the crisis, the Board has taken the prudent and appropriate decision to suspend the dividend for the review period. The Board recognises the importance of the dividend to shareholders and will keep this position under review.

Change in auditors

As announced on SENS on 9 March 2020, the Committee, after following the process set out in paragraph 3.84(g)(iii) of the JSE Listings Requirements, recommended the appointment of KPMG to replace Deloitte as the Company's external auditor, with Nick Southon as KPMG's designated partner. The Board has accordingly appointed KPMG as external auditors in respect of the financial year ending 28 February 2021.

This appointment is effective from 24 July 2020, subject to the approval of the Company's shareholders at the AGM on 24 July 2020.

I would like to extend my sincere gratitude to our audit partner from Deloitte, Shelly Nelson, for the professional, supportive service extended to the Group.

Outlook

Aligned with our three-year strategic roadmap, and cognisant of the severe and ongoing impact of the COVID-19 global pandemic on our business, our primary activities in the year ahead will be centred on streamlining the business by prioritising core long-term operations, reducing costs and preserving cash.

Consistent with the business's re-orientation centered on working capital management and free cash flow generation, we have committed to the following priorities:

- optimise cash flow management and capital allocation (including terminating further financial support to GBK);
- driving cost reduction initiatives; and
- continuing to align the supply chain and cost drivers to support our franchise partners and meet ROCE targets.

It is inevitable that the business will undergo transformation as we navigate the new and uncertain environment created by the COVID-19 global pandemic, but we are confident that the Group's strong cash-generating ability and our low overhead structure position the business well for recovery.

Appreciation

I would like to extend my appreciation to my colleagues on the Finance team for their commitment and continued efforts to improve the division's performance and its contribution to the business. My thanks also go to the Board and other Group Committees for their input and support during the year.

We value the relationships with our long-standing shareholders and our new investors who recognise the strong investment proposition our business affords. We will continue to strive to reward your support for our business.

Lebo Ntlha
Group Financial Director

29 June 2020

Board of Directors

Norman Joseph Adami (65)

Independent non-executive director

Appointed to the Board on 24 February 2015

Qualifications

Bachelor of Business Science (Hons), MBA

Role at Famous Brands

- Member of the Audit and Risk Committee;
- member of the Nominations Committee; and
- member of the Investment Committee.

Directorships in other entities

- CCB Africa – Board member.

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

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

Areas of expertise

General management, risk, strategy, marketing, operational management, mergers and acquisitions

Santie Botha (55)

Independent non-executive Chairman

Appointed to the Board on 1 June 2012

Qualification

BEcon (Hons)

Role at Famous Brands

- Chairman of the Nominations Committee;
- member of the Remuneration Committee;
- member of the Investment Committee; and
- attends the Audit and Risk Committee meetings by invitation.

Directorships in other listed entities

- Curro Holdings – Independent Chairman;
- Capitec Bank Holdings – Independent Chairman;
- Mercantile Bank Holdings – Independent Chairman; and
- Telkom – non-executive director.

Santie served as an executive director of the MTN Group (2003 to 2010) and prior to that, of Absa Bank (1996 to 2003). She served as Chancellor of Nelson Mandela University from 2011 until 2017. Santie has received a range of awards, including Business Woman of the Year (2010).

Areas of expertise

Governance, marketing, strategy, remuneration, consumer insight and stakeholder relationships

Christopher Hardy Boulle (48)

Independent non-executive director

Appointed to the Board as an alternate non-executive director in December 2011 and as a non-executive director on 27 February 2014

Qualifications

BCom, LLB, LLM

Role at Famous Brands

- Chairman of the Investment Committee;
- Chairman of the Social and Ethics Committee;
- member of the Remuneration Committee; and
- attends Audit and Risk Committee meetings by invitation.

Directorships in other listed entities

- Advtech – Chairman and non-executive director.

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

Areas of expertise

Law, governance, strategy, risk and corporate finance

Deon Jeftha Fredericks (59)

Independent non-executive director

Appointed to the Board on 1 August 2018

Qualifications

BCompt (Hons), Business Management (Hons), CA(SA), CIMA

Role at Famous Brands

Chairman of the Audit and Risk Committee

Directorships in other entities

- South African Airways – Interim Chief Financial Officer.

Deon has previously held various other directorships including Telkom, Vodacom, BCX, Trudon, Gyro group and the Telkom Retirement Fund.

Areas of expertise

General management, risk and finance

Nicolaos (Nik) Halamandaris (45)

Non-executive director

Appointed to the Board on 9 November 2017

Role at Famous Brands

- Member of the Social and Ethics Committee; and
- attends the Audit and Risk Committee meetings and Investment Committee meetings by invitation.

Nik has extensive experience in the food services industry, having been a franchisee of many of the Group's mainstream brands over the past two decades up until 2010. He is currently an executive director of several non-listed property development and construction companies with primary responsibility for strategy and new business development.

Areas of expertise

General management, strategy, franchise management, food services and property management

Alexander (Alex) Komape Maditse (57)

Independent non-executive director

Appointed to the Board on 1 August 2019

Qualifications

BProc, LLB (Wits), LLM (Pennsylvania), LLM (Harvard), Dip Company Law (Wits)

Role at Famous Brands

- Member of the Social and Ethics Committee; and
- member of the Nomination Committee.

Directorships in other listed entities

- African Rainbow Minerals Limited – lead independent director, member of the Board, Audit, Remuneration, and Social and Ethics Committees, Chairman of the Investment Committee and Remuneration Committee;
- the Bidvest Group Limited – member of the Board, Remuneration, and Social and Ethics Committees; and
- Murray & Roberts – member of the Board, Remuneration, and Social and Ethics Committees.

Alex is an admitted attorney and is currently the CEO of Copper Moon Trading Pty Limited. He serves as a director on several boards and committees of listed companies. He has previously held the positions of Country Manager Coca-Cola East and Central Africa and Franchise Operations Director of Coca-Cola SA.

Areas of expertise

Law, governance, strategy, franchising, management and operations

Thetele Emmarancia (Emma) Mashilwane (44)

Independent non-executive director

Appointed to the Board on 1 December 2017

Qualifications

CA(SA), MBA, BCompt, BCom (Hons)/CTA, Global Executive Development Programme (GIBS)

Role at Famous Brands

- Chairman of the Remuneration Committee;
- member of the Audit and Risk Committee; and
- member of the Investment Committee.

Directorships in other listed entities

- Tiger Brands – Board member, Chairman of the Audit Committee and member of the Risk and Sustainability Committee;
- Capitec Bank Holdings Limited and Capitec Bank Limited – Board member and Member of the Audit Committee; and
- Mercantile Bank Holdings Limited – Board member and Member of the Audit Committee.

Emma stepped down from the Board of Murray & Roberts Limited in March 2020 where she was a member of the Risk Committee and the Audit and Sustainability Committee.

Emma is a seasoned chartered accountant and is the co-founder and CEO of MASA Risk Advisory Services. Emma was a finalist in the Businesswomen's Association of South Africa 2017 Regional Business Achiever Awards (Professional Services category).

Areas of expertise

Internal and external audit, risk management, financial management, corporate governance, strategy and general management

Kelebogile (Lebo) Ntlha (37)

Group Financial Director

Appointed to the Board on 1 July 2016

Qualifications

CA(SA), MBA, PGDip Tax

Role at Famous Brands

- Attends the Audit and Risk Committee meetings by invitation; and
- attends the Investment Committee meetings by invitation.

Lebo is a CA(SA) and holds an MBA degree (awarded cum laude) from the University of the Witwatersrand and a post-graduate diploma in tax. She completed her articles with PwC in 2007, after which she gained extensive experience in IFRS in her roles as Group Technical Accounting Adviser at Eskom and Group Reporting Manager at African Oxygen Limited.

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

Areas of expertise

Finance, risk and strategy

John Lee Halamandres (66)

Non-executive director

Appointed to the Board on 9 November 1994

Role at Famous Brands

- Member of the Investment Committee.

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

Areas of expertise

General management, franchise management, governance and strategy

Darren Paul Hele (48)

Chief Executive Officer

Appointed to the Board on 1 June 2012

Qualification

BCom

Role at Famous Brands

- Member of the Social and Ethics Committee; and
- attends all Committee meetings by invitation and attends various subsidiary and associate company Board meetings as a director.

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

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

Areas of expertise

General management, franchise management, marketing, strategy and stakeholder relationships

Group Executive Committee

Our Group Exco comprises a diverse and experienced management team, consisting of the Group CEO and nine other members of senior management.

Celeste Appollis (48)

BA LLB

Group Company Secretary and Head of Legal

Appointed August 2019

Joined Exco in August 2019

Six months' service at Famous Brands

Areas of expertise

Corporate law, governance, company secretarial, JSE listings environment, general legal administration, intellectual property law, mergers and acquisitions and competition law

Adolf Fourie (47)

BCom

Managing Director GBK Restaurants Limited

Appointed November 2019

Joined Exco in November 2019

Five years' service with Famous Brands

Previous position

Marketing Executive of Steers

Areas of expertise

Marketing, franchising, convenience retailing, general management, fuel retailing, strategy and stakeholder relationships

Darren Hele (48)

BCom

Chief Executive Officer

Appointed March 2016

Previous positions

Group Chief Operating Officer and CEO – Food Services, Chief Operating Officer Franchising, Managing Director Wimpy SA and UK

Areas of expertise

General management, franchise management, marketing, strategy and stakeholder relationships

Board of Directors 120

Jabulani Mahange (59)

BA, BED (Wits), PDM (Wits), MBL (SA)

Group HR Executive

Appointed July 2018

Joined Exco in July 2018

19 months' service with Famous Brands

Areas of expertise

HR strategy, organisational change, culture change, social and ethics, transformation/BBBEE and organisational development

Andrew Mundell (51)

BSc Agric (Hons), MBA(UCT)

Group Executive – Business Development

Appointed June 2017

Joined Exco in June 2017

Three years' service with Famous Brands

Areas of expertise

General management, franchise management, retail management, marketing, strategy and mergers and acquisitions

Derrian Nadauld (46)

National Diploma Catering Management and Diploma Marketing Management

Chief Operating Officer - Leading Brands

Appointed September 2019

Joined Exco in 2013

18 years' service with Famous Brands

Previous positions

Managing Director GBK and Wimpy UK, Managing Executive Franchising and Logistics, Chief Marketing Officer, Managing Executive Debonairs Pizza, Managing Executive Wimpy SA and General Manager Coffee Brands

Areas of expertise

General management, franchise management, marketing, strategy and operations

Ntando Ndaba (34)

BTech (currently studying towards an LLB qualification)

Group Risk Executive

Appointed in October 2019

Joined Exco in October 2019

Four years' service with Famous Brands

Previous position

Internal Audit Manager

Areas of expertise

Governance, risk management, internal controls, forensics and ethics

Kelebogile (Lebo) Ntlha (37)

CA(SA), MBA, PGDip (Tax)

Group Financial Director

Appointed July 2016

Joined Exco in July 2016

Six years' service with Famous Brands

Previous position

Group Financial Executive and Company Secretary

Areas of expertise

Finance, risk and strategy

Board of Directors 120

Norman Richards* (66)

FCG, MBA (Henley)

Supply chain Executive

Appointed May 2018

Joined Exco in August 2012

Eight years' service with Famous Brands.

Previous positions

Change Management Executive, Group FD and Group Commercial Executive

Areas of expertise

Change management, organisation design, financial management, mergers and acquisitions, strategy, supply chain strategy, management and systems, IT strategy and management, project execution, coaching and stakeholder management

Philip Smith (57)

A Levels (UK)

Managing Director AME

Appointed April 2016

Joined Exco in May 2016

Seven years' service with Famous Brands

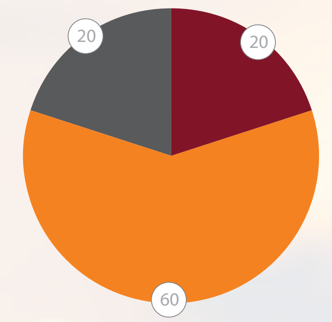
Previous positions

General Manager Milky Lane and Brazilian Café, General Manager Mpumalanga RCOE and Managing Executive Western Cape RCOE

Areas of expertise

Brand management, franchise management, general management, operations, stakeholder relationships and strategy

Exco demographics (%)

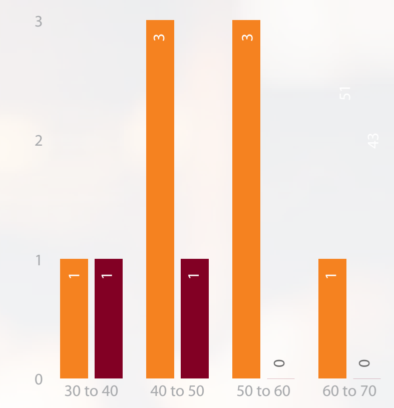


Coloured, Black, Indian female

White male

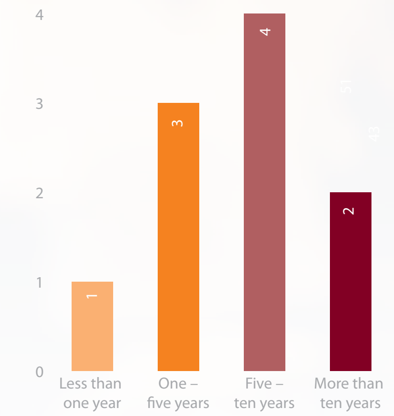
Coloured, Black, Indian male

Exco age and gender



Male Female

Exco tenure



* *Norman retired with effect from February 2019 and has served in this position on a fixed-term contract basis. With effect from 1 July 2020, he will assume an advisory capacity, assisting his successor, JP Renouprez, in a newly created position, Group Executive: Manufacturing and Logistics.*

Governance at Famous Brands

Creating value

Famous Brands' approach to governance

Famous Brands' governance philosophy is integral to its business approach and is based on our seven core values (refer to page 6 for our values) established over more than five decades. The Board and management of Famous Brands exercise effective leadership through living these values and applying the four King IV governance outcomes, namely ethical leadership, sustainable value creation, effective control and legitimacy.

The Board has reviewed and approved Famous Brands' vision to be the leading, innovative branded franchised and food services business in SA and selected markets and strategy for the period FY2021 to 2023 (refer to page 30) in demonstration of its responsibility of providing effective leadership.

The Board has further considered and reviewed the Company's compliance with the Companies Act and is comfortable that it complies with the applicable provisions of the Act in relation to its incorporation and that it operates in conformity with its Memorandum of Incorporation (MoI).

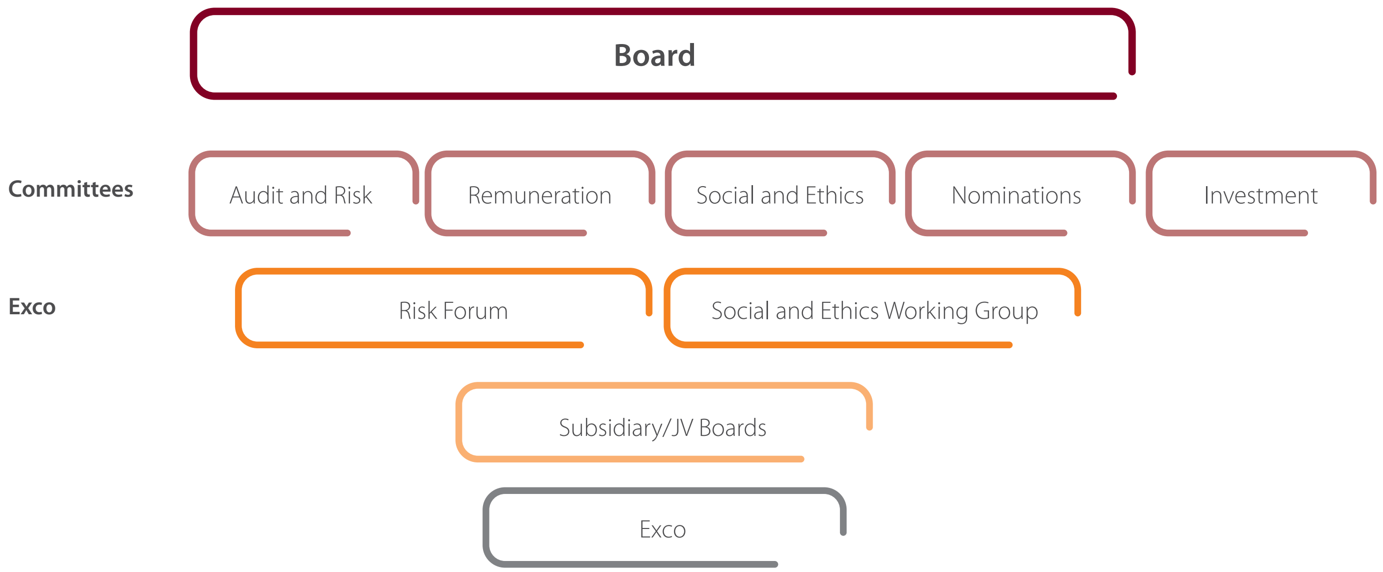
King IV

The Board is committed to achieving high standards of corporate governance, business integrity and ethics across all its activities.

In recognition of the need to conduct the affairs of the Group according to the highest standards of corporate governance and in the best interests of all stakeholders, the Group's commitment to good governance is formalised in its policies and operating procedures. These are intended to cover all aspects of the organisation's activities wherever situated, and in its reporting internally and externally to stakeholders.

The principles and structures for facilitating good corporate governance are in place throughout the Group and are operating well. The directors are satisfied that the Group substantially complies with the principles and spirit of King IV. Further details of the Group's King IV application register may be found on its website at https://famousbrands.co.za/investor-relations/.

Governance framework



Director	Age	Skills	Appointed	Independent or non-independent	Committees
SL Botha	55	Business/marketing	1 June 2012	Independent	Nominations Investment Remuneration
NJ Adami	65	Business/strategy/risk	24 February 2015	Independent	Investment Audit and Risk Nominations
CH Boulle	48	Legal/strategy/risk	1 December 2011 (alternate) 27 February 2014 (non-executive)	Independent	Investment Remuneration Social and Ethics
DJ Fredericks	59	Finance/governance/risk	1 August 2018	Independent	Audit and Risk Investment
JL Halamandres	66	Business/franchise management	9 November 1994	Non-independent	Investment
N Halamandaris	45	Business/property management/food services	9 November 2017	Non-independent	Social and Ethics
DP Hele	48	Business/franchise management/strategy	1 June 2012	Executive	Social and Ethics
A Maditse	57	Legal/governance/operational management	1 August 2019	Independent	Social and Ethics Nominations
TE Mashilwane	44	Finance/risk/auditing/governance	1 December 2017	Independent	Audit and Risk Remuneration Investment
K Ntlha	37	Finance/governance	1 July 2016	Executive	

Board composition

Refer to the detailed CVs on page 120

In line with King IV and the Board Charter, the Board comprises a majority of independent non-executive directors (six), two non-executive directors and two executive directors, being the Group CEO and the Group FD.

Board diversity and balance of skills and experience

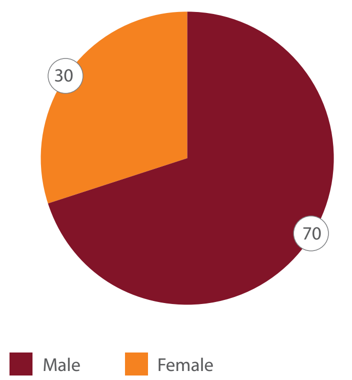
The Board encourages and supports diversity of gender, race, age, culture and fields of expertise.

In the year under review, the Board adopted a broad Diversity Policy as part of the Charter of the Nominations Committee, in line with the requirements of the JSE Listings Requirements, which stipulate that all attributes of diversity should be taken into account in the nomination and appointment of directors.

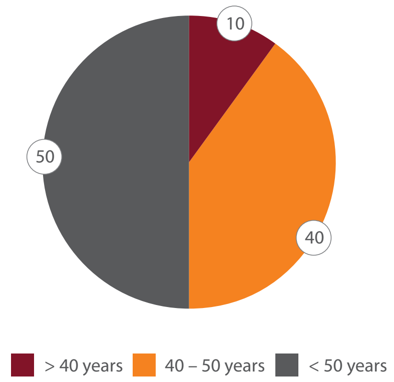
The Board is satisfied that the size of the Board and the knowledge, skill, diversity, experience and independence of the Board members are appropriate for the Company.

Board statistics

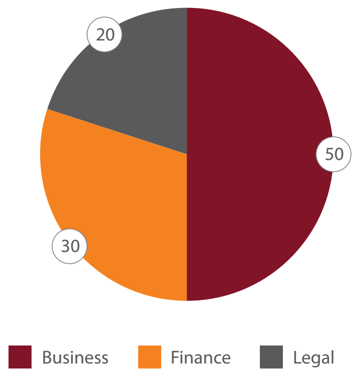
Gender (%)



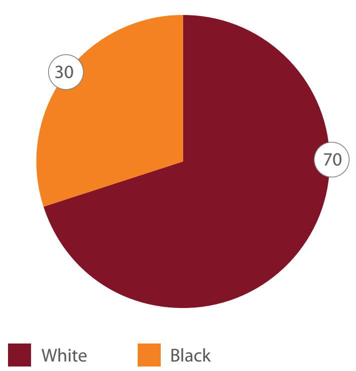
Age (%)



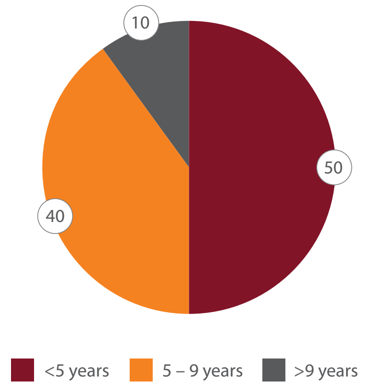
Expertise (%)



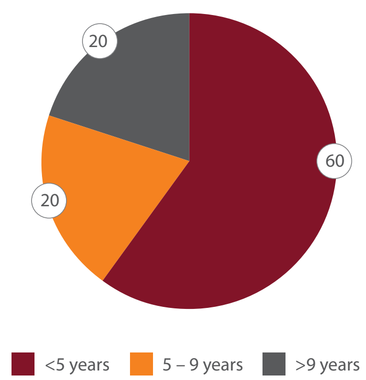
Demographic (%)



Tenure (%)



Independence (%)



Changes to the composition of the Board

Thembisa Skweyiya resigned effective from 8 March 2019 and Bheki Sibiya retired at the conclusion of the AGM on 26 July 2019. Alex Maditse was appointed to the Board effective 1 August 2019. In accordance with the Company's MoI, his appointment will be submitted to the shareholders for approval at the AGM on 24 July 2020. In addition, the following directors will retire by rotation and have made themselves available for re-election at the AGM:

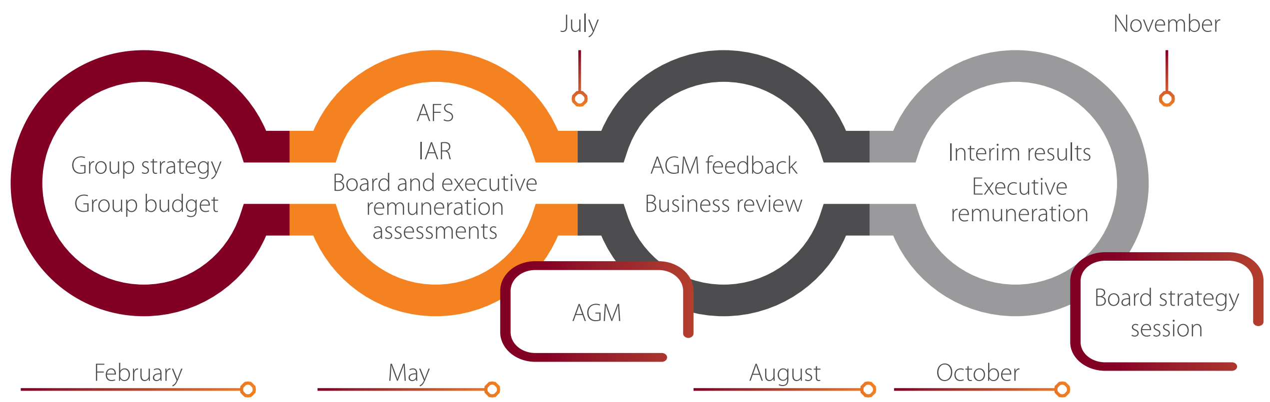
- Norman Adami, and
- John Halamandres.

Board and Committee performance

Board/ Committee	Responsibility	Focus areas for the review period	Focus areas for FY2021
Board	Serves as the focal point and custodian of corporate governance in the organisation Sets the direction, purpose and strategy of the Company and delegates to management the responsibility of formulating and implementing the strategy Sets the direction, approach and conduct for reporting to the Company's stakeholders and approves the framework and when appropriate, the detail to be used	Enhanced governance structures: • Appointment of permanent Company Secretary Reviewed Board and Committee functions Enhanced reporting Encouraged ongoing learning for the Board of the operations of the Company through regular site visits	Review Board succession and composition in line with Diversity Policy Review Committee composition to enhance independence and skills Ongoing learning and training for Board members Evaluate Board performance Improve reporting
Audit and Risk Committee	Ensures the quality and integrity of AFS Ensures the quality and independence of external auditors Reviews the scope and effectiveness of the External Audit function Provides independent oversight of the system of internal controls and Internal Audit function Supports the Board in effective governance of risk	FD and Finance function assessment Approved AFS, IAR and Interim Results Issued RFP and appointment of external auditors for FY2021	FD and Finance function review Transition of new external audit firm Review compliance of AFS with JSE proactive monitoring recommendations Review IFCs to support CFO/CEO attestation
Social and Ethics Committee	Oversees the establishment of an ethical culture and good corporate citizenship Responds to the opportunities and challenges of the triple context and six capitals in which the Group operates Reviews transformation initiatives, including setting targets Reviews and monitors stakeholder engagement Monitors the governance of compliance	Improved monitoring and reporting of safety, health, environment (SHE) data Enhance transformation initiatives Improve BBBEE status – improved from Level 7 to 4 Enhanced ethics disclosures and reporting Risk Executive made permanent invitee to Committee meetings	Improve reporting of SHE information in line with global standards (GRI) Maintain Level 4 BBBEE status Improve transformation reporting Assess and improve Group's overall ESG rating

Board/ Committee	Responsibility	Focus areas for the review period	Focus areas for FY2021
Remuneration Committee	Sets the direction and approach for HR, labour, performance and remuneration practices Ensures that executive management functions are appropriately resourced and remunerated Annually evaluates the performance of the CEO and senior executives	Reviewed Short-Term Incentive (STI) and Long-Term Incentive (LTI) plans and rules Reviewed performance targets for executives Adopted a Malus and Clawback Policy following engagement with shareholders Improved remuneration reporting	Implement revised STI and LTI plans and rules Adopt robust performance targets for executives Implement and communicate Malus and Clawback Policy Ongoing improvements in remuneration reporting
Nominations Committee	Reviews the composition of the Board in terms of skills, experience and independence Reviews the succession of the CEO and other executives Reviews the composition requirements of Board Committees Ensures implementation of the Board's Diversity Policy in terms of race, gender and other attributes	Adopted a Diversity Policy for the Board Reviewed Board and Committee composition Reviewed rotation of directors for next three years	Review Board composition and succession in line with the Diversity Policy Restructure Board Committees Consider appointment of new independent director with the focus on digital or IT skills
Investment Committee	Review and recommend to the Board new investments in line with strategic objectives Consider proposed investment acquisitions or disposals Review performance of investments and projects Consider appropriate asset allocations and level of debt	Approved the sale of certain assets Considered and recommended the approval of a possible share buy-back Reviewed the performance of a number of acquisitions and projects Recommended approval of the refinancing of debt structure through Nedbank	Review investment and project performance guidelines Continuous review of business acquisitions by way of a post-acquisition analysis Identify opportunities for disposal and simplification

Board and Committee meetings



The Board has reviewed its performance and is satisfied that it and the Committees have fulfilled their functions as set out in the Board and Committee Charters.

Attendance at Board and Board Committee meetings during the year ended 29 February 2020

	Board	Audit and Risk Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Investment Committee
Number of meetings	5	4	3	2	3	2
Board/Committee members	10	3	4	3	3	5
NJ Adami	4	4		2		1
SL Botha	5	4*		2	3*	2
CH Boulle	5	4*	3		3#	2
DJ Fredericks	4	3				
N Halamandaris	5	4*	3			2*
JL Halamandres	5	4*			1#	1
DP Hele	5	4*	3	2*	3*	2*
TE Mashilwane	5	3			3	2
K Ntlha	5	4*				2*
A Maditse **	4		2	1		
BL Sibiya^	1		1		1	

* *By invitation.*
** *Appointed 1 August 2019.*
\# *Change to Committee composition 5 November 2019.*
^ *Resigned 26 July 2019.*
^^ *T Skweyiya resigned 8 March 2019.*

Company Secretary

The interim Company Secretary, Ian Isdale, was succeeded by Celeste Appollis on 1 August 2019. Celeste was appointed in a permanent capacity. She holds a BA LLB and is a qualified admitted attorney. Celeste ensures that the Board is aware of its fiduciary duties and that the Board and management execute their functions in accordance with the Board's Delegation of Authority. In addition to acting as Secretary to the Board and its Committees, she facilitates the appointment, induction and ongoing training of all directors. The Board and each individual director have unfettered access to the Company Secretary.

The Board has assessed the Company Secretarial function in accordance with the JSE Listings Requirements and the Companies Act and is satisfied that Celeste has the necessary experience and expertise to fulfil the role and that there is an arm's-length relationship between her and the Board in order to effectively execute her role.

Combined assurance

The Audit and Risk Committee (Committee) supports the Board in embedding combined assurance in the Group. The Committee holds the ultimate responsibility for overseeing Famous Brands' system of internal control which is designed to evaluate, manage and provide reasonable assurance against material misstatement and loss. The Committee also oversees that risks and opportunities are identified, assessed and quantified. The Board is further assisted by divisional management through the Group Risk Forum. The Group's combined assurance model optimises the assurance obtained from management and internal and external assurance providers while fostering a strong ethical climate and mechanisms to ensure compliance. The Internal Audit and Risk departments ensure adequate controls are in place. The external auditor, Deloitte, covers key controls and accounting matters during the course of its audit.

Board and Committee Charters

The Board and its Committees have Charters that are reviewed on an annual basis. The latest reviews took place during the period under review and where necessary the Charters were amended or updated in line with the King IV recommendations and the JSE Listings Requirements.

Code of Ethics

The Company has a Code of Ethics that is reviewed on an annual basis. Compliance with the Code is a requirement of employment.

Social and Ethics Committee report

Introduction

The Social and Ethics Committee (Committee) is constituted as a formal Committee in terms of the Companies Act and this report is prepared in compliance with the requirements of the Companies Act. The Committee operates according to a formal Charter which contains the terms of reference, composition, role, responsibilities and duties of the Committee. The Charter is reviewed from time to time.

Attendance and composition

The Committee met three times during the year under review and comprised three non-executive directors and the CEO. The Committee is chaired by an independent non-executive director. With effect from 8 March 2019, Thembisa Skweyiya resigned from the Board and the Committee. Chris Boulle replaced her as Chairman of the Committee. At the time of issuing this report, the Committee comprised of Chris Boulle (Chairman), Darren Hele, Alex Maditse and Nik Halamandaris. Attendance at the meetings is reflected on page 133.

Other executives who attend by invitation included the Group Executive: Business Development, Group HR Executive, Transformation Manager and the Group Risk Executive. The Company Secretary of the Company served as secretary for the Committee.

Reporting framework

The Committee and the Social and Ethics Working Group (which consists of the executives of the Group), have adopted best practice by operating in a manner which is consistent with the 10 Principles of the UN Global Compact. This globally recognised framework ensures that Famous Brands covers all social and ethics-related subjects in a comprehensive and holistic manner, in line with the requirements of section 72(4) to (10) read with Regulation 43 of the Companies Act.

At a national level, the South African Constitution, the Companies Act, the Labour Relations Act, the Employment Equity Act and the BBBEE Act form the fundamental framework around which the Committee operates.

At an environmental level, the formulation of an ESG policy and standards are the Company's focus.

The Committee has considered the relevant laws and regulations applicable to the Group's operations during the reporting period and its compliance with these. There were no material areas of non-compliance reported and that require to be disclosed. The Committee is further satisfied that it has fulfilled its mandate as set out in the Companies Act, read with Regulation 43 of the Companies Regulations and in its Terms of Reference.

Roles and duties

The duties of the Committee as outlined in the Companies Act include the following:

Social and ethics responsibilities

- Review and approve the Group's policy, strategy and structures to manage social and ethics issues against the 10 Principles of the UN Global Compact;
- oversee the monitoring, assessment and measurement of the Group's activities relating to good corporate citizenship. This includes the promotion of equality; prevention of unfair discrimination; contribution to the development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed; and recording sponsorship, donations and charitable giving;
- determine clearly articulated ethical standards (Code of Ethics, conflict of interest, anti-fraud) to be adopted by the Group, thus achieving a sustainable ethical corporate culture. This includes management of potential and actual conflicts of interest, fraud and corruption;
- assisted by the Social and Ethics Working Group, regularly review the Group's Code of Ethics and compliance therewith;
- monitor and oversee reporting and reduction of fraud and corruption;
- review the adequacy and effectiveness of the Group's engagement and interaction with its stakeholders;
- oversee the monitoring, assessment and measurement of the Group's consumer relationships including its advertising, public relations and compliance with consumer protection laws;
- oversee the monitoring of the Group's labour and employment practices, including its standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the Group's employment relationships and its contribution to the educational development of its employees;
- monitor and oversee sustainability matters including ESG matters; and
- oversee the implementation of King IV as it pertains to social and ethics issues.

Transformation responsibilities

- Research, evaluate and make recommendations to the Board regarding the appropriate nature, extent and methods of implementation of transformation at all levels within the Group;
- create an enabling environment within the Group which encourages and develops a new way of doing business which embraces and celebrates diversity;
- develop a skilled and motivated workforce whose profile is representative of the demographics of this country; and
- report to the Board on the transformation work undertaken, and the extent of any action taken by management to address areas identified for improvement.

Focus areas for the review period

During the review period, the Committee and/or the Social and Ethics Working Group carried out, *inter alia*, the following:

Governance

- Reviewed and approved the Charter of the Committee;
- reviewed and accepted management's feedback regarding the Group's activities, having regard to the relevant legislation and best practice, matters relating to:
  - social and economic development;
  - good corporate governance;
  - ESG matters;
  - consumer relationships; and
  - labour and employment; and
- reviewed and recommended to the Board for approval the non-financial disclosures contained in the IAR. These include, *inter alia*, the sustainability disclosures as well as the Governance report.

Transformation

- Reviewed and reported to the Board on the Group's employment equity performance relative to the Group's Employment Equity Plan;
- reviewed and reported to the Board on the Group's detailed BBBEE strategy, targets and budget, as well as progress made aligned to the scorecard; and
- reviewed and approved the approach with regard to the employment of people with disabilities.

Ethical conduct

- Reviewed, updated and approved the Group's Code of Ethics and policies regarding gifts, conflict of interest, fraud and whistleblowing.

Sustainability

- Introduced a globally accepted best practice measure for health and safety in our South African operations;
- introduced enhanced food safety measures across the business; and
- introduced systems and improved efficiency of utilities consumption in the manufacturing businesses.

Good corporate citizenship

- Approved the Group's CSI policy as pertaining to the South African operations, and provided the Board with updates on existing projects and progress achieved, as well as made recommendations regarding new proposed projects.

Key focus areas for the year ahead

The key focus areas for the Committee for FY2021 are:

- improve reporting of SHE information in line with global standards (GRI);
- roll out of ethics communication plan and training;
- implementation of Compliance programme with regard to fraud prevention;
- maintain level 4 BBBEE status;
- improve Transformation reporting; and
- assess and improve the Group's overall ESG rating.

Transformation and BBBEE

The Committee's priority focus throughout the year was on improving the Group's BBBEE status. We are pleased to report that resulting from concerted efforts on increasing ESD, skills development, preferential procurement and a significant increase in our ownership score, the Group attained a BBBEE level 4 status.

Our goal is to maintain a level 4 status in the forthcoming year through various opportunities, including preferential procurement, ESD, equity and skills development. Further detail of these initiatives is provided in our Transformation report on page 62.

The Committee is satisfied that management is committed to ensuring the Group's sustainability in the short, medium and long term; embraces its responsibilities with regard to the health and safety of its employees; and is mindful of the impact of its activities on the community and on the environment.

COVID-19 global pandemic

- The health and safety of our team, our consumers and our communities are key priorities, and maintaining food safety and hygiene is an integral part of the daily discipline in the business. Accordingly, the Group is accustomed to safeguarding its environments against bacteria through strong operational and hygiene protocols which comply with industry best practice. As lockdown restrictions are lifted, the Group will continue to implement these rigorous controls, and intensify these regimes if appropriate;
- an extensive communication programme has been implemented across the Committee's operations to ensure that all relevant information regarding the pandemic is distributed to employees and franchise partners on an ongoing basis; and
- strict protocols have been implemented in terms of social distancing and remote working. In line with the President's directive regarding the hospitality industry, all of our restaurants, and all but one of our manufacturing plants were closed for the duration of the lockdown.

As Chairman of this Committee, I will be available at the Group's AGM to respond to any enquiries regarding the statutory obligations of the Committee.

Chris Boulle
Chairman

29 June 2020

Remuneration Committee report

Chairman's letter

Dear shareholders and other stakeholders,

On behalf of the Remuneration Committee (the Committee), I am pleased to provide you with the Remuneration report, which includes the Remuneration Policy and Implementation report as required by the provisions of King IV that will be considered and voted upon at the forthcoming AGM of shareholders.

The Committee at Famous Brands is governed by its Charter that is reviewed annually. The Committee has during the year under review complied with its obligations as reflected in its Charter and in terms of the policy which is outlined hereunder.

The Committee is chaired by myself. Other Committee members are Santie Botha, (Chairman of the Company), and Chris Boulle (independent non-executive director) who was appointed as a permanent member in November 2019 when John Halamandres (non-executive director), retired as a member. The CEO, Darren Hele, and the Group HR Executive, Jabu Mahange attend by invitation. Darren and Jabu recuse themselves from the meeting when a conflict of interest arises. The Company Secretary is the secretary of the Committee.

The Committee met on three occasions during the year under review. During the reporting period, in addition to the standing agenda items, the Committee was responsible for the following actions, as guided by King IV:

- The ongoing engagement with our shareholders, regularly and in a transparent manner, and the implementation of the following key remuneration policy changes in response to those engagements. The engagement covered the top three quarters of the investor base and the insights gained were very valuable. Following feedback from key shareholders, a redesign of the incentive structures was finalised;
- the succession of the Group CEO and executive management. All executive positions were mapped and potential successors have been identified for each position. The Committee drives talent management within the Group, and has a clear succession plan at all times;
- the adoption of a Malus and Clawback Policy which is applicable from 1 March 2020;
- the review of the remuneration for the Exco, executive management, functional heads and BU employees, ensuring they are fairly and responsibly rewarded. This included benchmarking remuneration levels against industry peers;
- the review of the STI and LTI policies and the approval of revised metrics which included the introduction of MSRs;
- the approval of STIs for executives, senior management and other employees, and 13th cheque payments for BU employees;
- the review and the approval of the overall annual increase pool awarded to the Exco, executive management and BU employees, with particular focus on the increases awarded to senior management ensuring internal parity as well as external competitiveness; and
- the evaluation and approval of the vesting conditions of the FY2015 and FY2016 share allocations under the LTI Scheme.

Looking to 2020 and beyond

Subsequent to the year end, COVID-19 global pandemic was declared a pandemic by the World Health Organization (WHO) on 11 March 2020, which was followed by announcements of 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, 27 March 2020 in SA and later in other trading markets.

We are navigating uncharted territory because of the global onset of the COVID-19 global pandemic and are monitoring developments locally and globally. Based on current developments, there are indications that the COVID-19 global pandemic will have a significant impact on our remuneration targets and overall remuneration practices. In response, we have implemented the following key actions:

CEO

- Approved an interim scorecard for the CEO which is fluid, allows flexibility and agility. The key emphasis of the interim scorecard is on fiscal discipline and measures while trying to remain aligned to the approved three-year plan.

Executive directors, senior management and all employees

- Implemented salary sacrifices for every member of staff across the business;
- introduced reduced working hours, including 3 day working weeks where practicable and hibernated those components of the business which are not permitted to trade under lockdown restrictions;
- accessed the Temporary Employee Relief Scheme established by the South African government and the Furlough scheme in the UK;
- effected a 0% increase in salaries across all levels excluding BU employees; and
- instituted a limited retrenchment programme where all other options have been exhausted.

Non-executive directors

- Effected a 0% increase in Board fees and a 30% reduction in Board fees for the quarter ended 31 May 2020.

I can also confirm that the Committee will continue to monitor business conditions and exercise judgement in applying discretion relating to 2020 remuneration. We will proceed with great care in determining the timing and magnitude of any LTI awards. At year-end, when we assess performance, we will be thoughtful in the interpretation of results, balanced with shareholder expectations. I do believe that the Remuneration Policy provides us with maximum flexibility in applying discretion – which the current times call upon us to exercise.

In closing

As required by the Companies Act and recommended by King IV, the following resolutions will be tabled for shareholder voting at the forthcoming AGM, details of which can be found in the Notice of AGM on page 7 and 8:

- binding vote on non-executive directors' fees; and
- advisory vote on the Remuneration Policy and Implementation report.

In the event that these resolutions do not pass, the Board will engage with shareholders with a view to obtaining an understanding of their concerns regarding the Remuneration Policy and/or Implementation report.

I would like to thank my fellow Committee colleagues for your valuable contribution during the year.

I look forward to your continued support and commitment in the forthcoming years.

Please email any comments to the Company Secretary at: celeste.appollis@famousbrands.co.za. Our commitment is to enhance transparent communication to our shareholders and stakeholders, which is a goal that we intend improving upon each year.

Emma Mashilwane
Chairman: Remuneration Committee

29 June 2020

Remuneration report

Throughout this report the term executive directors is used to refer to both the CEO and the Group FD, while the Exco (excluding the executive directors) is referred to as Exco. Reference to the executive management team includes the executive directors and Exco. The Remuneration Committee (Committee) is responsible for the governance of the remuneration associated with these roles and this report will refer to both categories or separately highlight individual roles where it is appropriate.

Remuneration philosophy

At Famous Brands our remuneration philosophy is aligned to the longer term strategic objectives of the Company and shorter term operational, financial and other targets while ensuring that remuneration levels are competitive with the market. This is accomplished through a governance and application framework that primarily aims to reward, retain and where necessary attract talent through fair, transparent and competitive remuneration.

Key principles of the Remuneration Policy

In order to continue to support our remuneration approach, we have a Remuneration Policy which is based on the following key principles:

- the Remuneration Policy supports the business strategy, objectives, core beliefs, transformation goals, environmental, social, ethics and governance objectives of the Group. All these key focus areas are reflected in the scorecard of each executive employee, and are linked to the reward system;
- we reward for value created, contribution and performance to ensure alignment to shareholder interests. This is driven through the individual scorecard system, through which, each individual executive employee contracts on the KPAs and KPIs, aligned to the business strategy;
- our Remuneration Policy and principles have been benchmarked against the market by 21st Century, a reputable Remuneration Consulting Group. Guaranteed package, STIs and LTIs have been benchmarked at the 50th percentile of the market; and
- job profiles of Exco have been reviewed in line with the size of the organisation and complexities of work of each individual, and the grading exercise was completed by 21st Century, using the Paterson Job Grading system.

Remuneration design and pay mix

When determining appropriate remuneration, the Committee considers:

- the potential maximum total remuneration that each executive could earn, benchmarked against the market at the 50th percentile; and
- external influences, primarily being:
  - shareholder views and recommendations;
  - economic trends;
  - competitive pressure;
  - the labour market, and the pay gap between Executive management and the rest of the employee population in the Company; and
  - market benchmarks, premised on correct job grades, and choosing the appropriate benchmarks in the market with similar attributes including: complexity, industry, size, and geographic spread.

The Committee

The purpose of the Committee is to assist the Board in discharging its oversight responsibilities relating to all compensation matters, including reviewing all components of remuneration, proposing measures for both the short-term and long-term incentive schemes, implementation of all relevant employee compensation policies, including the Malus and Clawback Policy, ensuring alignment with market best practices, and compliance with the applicable sections in the King Codes.

Key areas of focus for the year

The Committee's key areas of focus for the year have been obtaining approval for the Malus and Clawback Policy, reviewing remuneration practices, and incentive scheme rules to align with market practices, and to ensure compliance with King IV and with shareholder feedback obtained. This included firming up on measures of both the Group's STI and LTI schemes.

Shareholder feedback

With effect from March 2020, several changes have been made to the Remuneration Policy, practices and implementation, for example the Malus and Clawback Policy has been implemented, and both the STI and LTI schemes have been aligned with market best practice. This was done based on feedback received from some of our largest shareholders.

Executive directors

Remuneration mix

- Base salary is targeted at the 50th percentile of the market benchmark;
- the STI bonus for the CEO at target is 60% and is capped at 120% of base pay, while the STI bonus for the Group FD is set at a target of 45% and is capped at 90% of base pay;
- on the LTI scheme, historic awards have been made with a 75% performance weighting and a 25% retention weighting. Shares are targeted at maintaining a multiple of base salary in line with the market benchmark at the 50th percentile, and the market benchmark is as follows:
  - CEO: Share Appreciation Rights (SARs) performance shares – at 6.53 times base salary at target (75%) and Retention Shares (RS) at 0.56% times base salary at target (25%); and
  - Group FD: SARs at 5.60 times base salary at target and RS at 0.47 times base salary at target.

Components of remuneration

The table below details elements of remuneration for the financial year ended February 2020 in terms of the policy and the maximum performance associated with each component. The changes to the metrics of the STI and LTI schemes are clearly indicated.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
Base salary			
A competitive salary is awarded to executives to ensure that their experience, contribution and the appropriate market comparisons are fairly reflected.	• Base salaries are reviewed annually and are effective on 1 March each year. In the case of executives, salaries are reviewed in May (post audited results) and increases are backdated to March • The executive base salaries are determined by considering the executive's performance, market benchmark, companies of similar size, geographic spread, complexity and in similar industry • The CEO makes recommendations in respect of the Exco to the Committee but does not make any recommendations on his own base salary, which is reviewed by the Committee	Executive base salary increases and increases for all non-BU employees are aligned and this is informed by the inflation percentage, which has an upward or downward adjustment to recognise individual performance (the overall increase pool being limited to a percentage agreed by the Committee).	Individual performance is reviewed on a scale of 1 to 5. Performance is measured against specific KPIs approved by the Committee. The 1 – 5 performance rating determines the percentage of the CPI increase pool which an executive will receive.
Retirement fund			
Provides a retirement benefit aligned to the schemes in the respective country in which he or she operates.	• The funds vary depending on jurisdiction and legislation (some countries have national insurance) • All Company-related funds are defined contribution funds • Any Company contribution towards the employee's membership of a retirement fund shall form part of the total guaranteed package	In SA, tax deductible contributions to retirement funds are capped at R350 000 per annum in line with current legislation.	Not applicable.
Medical insurance			
Provides medical aid assistance aligned to the schemes in the respective country in which he or she operates.	• The funds vary depending on jurisdiction and legislation (some countries have national insurance) • Any Company contribution towards the employee's membership of a medical aid fund shall form part of the total guaranteed package	All contributions to medical aid funds form part of the total guaranteed package, in line with Company policy.	Not applicable.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
Benefits			
Provided to ensure broad competitiveness in the respective markets.	Benefits are provided based on local market trends and can include items such as life assurance, disability and accidental death insurance, assistance with tax filing, cash in lieu of leave not taken (above legislated minimum leave requirements) and occasional spousal travel as per the executive travel guidelines.	In line with Company policy.	Not applicable.
STI Plan			
The STIP is designed to focus the participating executives on delivering on the key priorities for the year through achieving defined Company objectives/ targets. The performance objectives are reviewed and agreed upon annually based on their short to medium-term impact on the Company.	STIP metrics are defined annually and weightings are applied to each of the measures. The metrics are defined against the objectives that most strongly drive Company performance and are heavily weighted to EBITDA and HEPS achievements. Each metric is weighted and has a target and stretch definition based on the Company budget and the desired stretch targets for the year. The STIP is paid as a cash bonus (usually in June) after Company financial results have been externally audited.	**CEO** Maximum award: 120% of base salary Target award: 60% of base salary **Group FD** Maximum award: 90% of base salary Target award: 45% of base salary **Executives** Maximum award: 70% of base salary for Executives grade F-lower and target is 45% of base salary E- graded executives' maximum award is 30% of base salary and target is 15% of base salary	**CEO and Group FD** Performance measures: 70% Company objectives 30% individual KPIs (as reviewed by the Committee) **Other executives** Performance measures: SA: 30% Company objectives; 70% individual KPIs (as reviewed by the Committee) AME: 10% Group; 60% AME; 30% individual KPIs UK: 10% Group; 60% UK operations; 30% individual KPIs Both Company and individual performance are assessed over the financial year. **Company metrics for FY 2019/20** remain as follows for all participants with the exception of the CEO and Group FD: • EBITDA • HEPS The STIP KPAs and weightings are: • Financial performance 60% • Operational/market share performance 20% • People performance 10% • ESG (Transformation, Environment, Social, Ethics and Governance) 10% See description of these in the Implementation report.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
LTI Plan			
The primary intention of the LTIP is to ensure that the medium to long-term interests of the executives and shareholders are aligned, providing reward to the executives and wealth creation to the shareholders when the strategic performance drivers are achieved. The strategic drivers are used in defining the LTIP metrics.	The LTIP metrics are reviewed and defined for each grant in accordance with the strategy. Weightings are provided to the metrics which must be achieved over a three, four and five-year period for the first allocation and over a three-year period for subsequent allocations. LTIs are granted annually to the CEO, executive directors, executives and senior management (Grades F, E and D-upper roles on the Paterson Grading system). The Company operates the following LTIP: • RSs • SARs Shares are usually allocated in the ratio of 25% RSs: 75% SARs. In terms of clause 9.1 of the Share Incentive Scheme (2015) rules, if a participant's employment with Famous Brands terminates prior to the vesting date by reason of his resignation, or dismissal on the grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by him/her or otherwise or where he/she resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct), the grant will be forfeited in its entirety and all rights will lapse immediately on the date of termination of employment.	The shares are awarded with a first allocation and top-ups annually and vesting occurs as follows: • First allocation: targeted to 50th percentile of JSE benchmarked levels Vesting is staggered in equal portions in years 3, 4 and 5 from date of allocation. • Subsequent allocations: to top up to the 50th percentile of JSE benchmarked levels as required Vesting is cliff vesting at 100% at three years from allocation. The SARs are issued at a price determined by the 30-day VWAP[1] and the RS are issued at a zero-strike price. The range of benchmarked levels which guide initial allocations and any subsequent annual top-up to maintain market alignment are: **CEO** SARs: 6.53 (75%) times base salary at target RSs: 0.55 (25%) times base salary at target **Group FD** SARs: 5.60(75%) times base salary at target RSs: 0.47(25%) times base salary at target **Exco** F Lower: SARs: 4.67(75%) times base salary at target RSs: 0.40(25%) base salary at target E Upper grade: SARs: 3.54 times base salary at target RSs: 0.30 times base salary at target E Lower: SARs: 2.84 times base salary at target RSs: 0.24 times at base salary target D Upper grade: SARs: 2.13 times base salary at target RSs: 0.18 times base salary at target	Performance and service conditions are attached to the granting of SARs. Service conditions are attached to the allocation of RSs for vesting (retention objective). **Company metrics for the FY 2019/20** grants were as follows: • EBITDA • HEPS **New Group financial measures for future grants FY2019/20 onwards are:** • **HEPS**, (defined as growth in HEPS vs. CPI) – weighted 50% of the Company metrics • **ROCE** – weighted 20% of the Company metrics • **Relative TSR** compared to a peer group, as per the suggested list of companies below: – Spur Corporation – Taste Holdings – City Lodge – Sun International – Tsogo Sun. TSR is weighted **30%** of the Company metrics.

[1] *VWAP – volume weighted average price.*

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
LTI Plan (continued)			
		The individual grants will not exceed the maximum allocations allowed per level and subsequent top-ups will be done to maintain alignment with the market levels and will be the same for all qualifying employees of each level in the business. Annual allocations will not exceed 1% of shares in issue per year. **Minimum shareholding requirements (MSR)** Executive directors shall build and maintain a minimum holding of Famous Brands shares as follows: • CEO: 200% of net base salary • Group FD: 100% of net base salary Executive directors may sell only up to 50% of their shares that vest until such time as they have reached their MSR.	For share grants from 2019 going forward, the following conditions will apply on vesting: For **SARs**, vesting will be subject to: i. Targets for Company metrics for LTIs (e.g. HEPS, TSR and ROCE) having been achieved ii. Average level of individual performance = "meeting expectations" (as measured against the KPIs on the individual scorecard) iii. The individual must still be in service and in good standing (i.e. the individual is not undergoing disciplinary action and/or is not in a formal poor performance management process), with the in-service conditions met iv. Any "other" conditions set by Remco being fulfilled For **RSs**, vesting will be subject to: i. Average level of individual performance = "meeting expectations" (as measured against the KPIs on the individual scorecard) over the three years between the grant and vesting dates ii. The individual must still be in service and in good standing, with the in-service conditions met

Recruitment policy

When recruiting new executives, a comparative benchmarking exercise is done to determine the size, nature and complexity of the role and also the skills availability in the market prior to making a competitive offer. For new appointments, the Committee may compensate for remuneration forfeited by the appointee. The intention is to not grant more than what the executive would have received from the Company in a 12-month period. The Committee does have the discretion to compensate higher values if through a fair-value valuation it can be demonstrated that the forfeited amounts exceed the grants. The Committee will compensate the forfeits through a combination of equity and cash.

Termination policy

The executive management team does not have fixed-term contracts and thus contracts are all open-ended (except where prescribed retirement ages apply), but they do have termination notice periods defined. In addition, the incentive scheme rules are clear on the termination provisions by termination category. In the event of termination, the Company has the discretion to allow the executive to either work out his or her notice or to pay the base pay for the stipulated notice period in lieu of notice.

Reason for termination				
	Voluntary resignation	Dismissal/ termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
Base salary	Paid over the notice period or as a lump sum.	Base pay is paid up to date of dismissal (exit date).	Base pay is paid up to date of retirement or death or for a defined period based on policy and legislation governing retrenchment conditions. Death benefits would be paid to the spouse (if relevant).	Paid over the notice period or as a lump sum or per agreement to remain on Famous Brands' payroll until agreed date.
Retirement fund	Provident fund contributions for the notice period will be paid; the lump sum would not include provident fund contributions unless it is contractually agreed.	Contributions to provident fund will be paid until such time that employment ceases.	Contributions to the provident fund will be paid until such time that employment ceases.	Provident fund contributions for the notice period will be paid; the lump sum will be excluding provident fund contributions and risk benefits.
Medical provisions	Where applicable medical provision for the notice period will be paid.	Medical provision/ payment will be provided until such time as employment ceases.	Medical provision/ payment will be provided until such time as employment ceases. Subject to the medical aid rules, the employee can become a direct paying member to the medical aid.	Where applicable medical provision for the notice period will be paid; the lump sum can include medical fund employee contributions if it is contractually agreed.
Benefits	Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis.	Benefits will fall away at such time as employment ceases.	Benefits will fall away at such time as employment ceases.	Applicable benefits may continue to be provided during the notice period.
Short-term performance bonus	Forfeit, no bonus.	No bonus.	No bonus, but Committee has discretion to pro-rata for period worked during the financial year.	No bonus, but Committee has discretion to pro-rata for period worked during the financial year.
Sign-on or retention deferred bonuses	Deferred bonuses lapse.	Lapse all deferred bonuses.	Pro-rata deferred bonuses based on the length of employment from date of allocation.	Committee determines whether a pro-rata portion may be granted, and work-back clause may not apply.
	Sign-on bonus work-back clause will apply – i.e. if not worked back in full, pro-rata repayment.	Sign-on bonus work-back clause will apply – i.e. if not worked back in full, pro-rata repayment.	Sign-on bonus – work-back clause will apply i.e. if not worked back in full, pro-rata payment.	

Reason for termination	Voluntary resignation	Dismissal/ termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
LTIP	Unvested long-term shares will lapse in their entirety and all rights will lapse immediately.	Lapse of all long-term shares, (both unexercised and unvested). Vested shares will be unaffected.	Pro-rata unvested LTIs based on the length of employment from date of offer. Performance conditions tested over the full performance period and vest on the normal vesting dates. (In case of death, test performance as per the latest results apply immediate vesting).	Committee determines whether a pro-rata portion may be granted (or the Board in the case of the Executive directors). Performance conditions tested over the full performance period and vest on the normal vesting dates.

Service contracts

All members of the executive management team have permanent employment contracts which entitle them to standard Group benefits as defined by their specific region and participation in the Company's bonus scheme and the LTIP. The executive management team's contracts include a three-month notice period.

Non-executive directors

Remuneration Policy

The Company's non-executive directors are paid based on their role and the policy is applied using the following principles:

- a Board fee is paid for the five Board meetings held each year and the Committee members receive Committee fees for participation. The fees are split with a base fee of 20% and the remaining 80% paid based on meeting attendance. Each director's fee is paid quarterly in arrears;
- fees are reviewed annually, and increases are implemented in June after approval by shareholders at the AGM. The level of fees is set using a benchmark comparable group which is derived from companies with similar size, complexity and geographic spread; and
- the non-executive directors are not eligible to receive any short or long-term incentives.

The Committee approved the fees of non-executive directors as follows:

- No increases for the period FY2020/21;
- Board fees reduced by 30% in the quarter ended 31 May 2020; and
- no Board fees will be earned for the special/*ad hoc* Board meetings convened to date (with the exception of the special Board meeting held on 23 March 2020). This will apply to all *ad hoc* meetings relating to the COVID-19 global pandemic crisis.

Remuneration consultants

Where appropriate, the Committee obtains advice from independent remuneration consultants[1]. The consultants are employed directly by the Committee and engage directly with them to ensure independence.

The Committee engaged the services of 21st Century remuneration consultants to conduct a remuneration benchmarking exercise for the executive management to determine remuneration proposals ahead of the May 2020 Committee meeting (which takes place after audited results) and once approved, are backdated to 1 March 2020. The benchmarking included a comparison of guaranteed remuneration, STIs and LTIs, relative to the market. It is anticipated that the next formal benchmarking exercise will be conducted prior to the review of remuneration effective 1 March 2021.

The Committee is satisfied with the independence and objectivity of the service providers.

[1] *Consultants used in this financial year were 21st Century Remuneration.*

Implementation report

The Implementation report focuses on the adoption of the Malus and Clawback Policy, adoption of the revised LTI Scheme and the revised STI Scheme. Salary increases for the executive directors, other executives and administration staff were suspended due to the impact of the COVID-19 global pandemic on the economy and Famous Brands in particular.

The Malus and Clawback Policy was developed in line with the market best practice and was drafted by expert remuneration specialists. The policy allows the Famous Brands Board to defer or "claw back" certain elements of an executive's remuneration in exceptional circumstances if there has been a material misstatement of the Company's or Group's financial statements.

The Malus and Clawback Policy was adopted by the Board with a view to further aligning the interests of Famous Brands' executive directors with the long-term interests of Famous Brands and its shareholders, to ensure that excessive risk taking is prevented and not rewarded. To align shareholder interests and remuneration outcomes, variable remuneration, being STI and LTI may be subject to malus and/or clawback in exceptional circumstances.

Malus allows the Committee to reduce/cancel/forfeit variable remuneration prior to vesting.

Clawback allows the Committee to recover variable remuneration already vested or paid.

This policy was adopted by the Board, and will apply to all STI and LTI Awards granted on or after 1 March 2020 to executive directors of Famous Brands.

All STI and LTI awards to an executive director of Famous Brands on or after 1 March 2020 will be deemed to be made and accepted by the executive director, subject to the terms of the Malus and Clawback Policy.

LTI Scheme

The LTI Scheme was revised and adopted by the Board, with focus on clarifying the performance conditions, aligning the award quanta with the market median and clarifying the participating rules.

STI Scheme

Historically, the STI Scheme differentiated between customer facing executives and non-customer-facing executives. An external remuneration company was contracted to review the scheme in line with the market practice, including the rules of the scheme and the on-target and maximum awards. The awards are now based on grades, with the executive directors' on-target awards higher than other members of the Exco. The table below depicts the revised awards.

Target STI amount is set for each participant and is calculated as follows:

Cost to Company (CTC) earned for the STI period x target STI %, based upon Grade, per the following table:

Table 1: Target STI % of CTC

Paterson Grade	Target STI %
F Upper	60%
F Lower (Group FD)	45%
F Lower	35%
E	15%

In aligning with Famous Brands' Remuneration Policy of targeting remuneration at the market median, the Target STI % represent South African market median quanta. The Board may review this strategy from year to year, taking the Company's remuneration strategy and policy into account.

Maximum STI amount

STI amounts are capped at 2x the target STI % per the table above.

Table 2: Maximum STI % of CTC

Paterson Grade	Maximum STI %
F Upper	120%
F Lower (Group FD)	90%
F lower	70%
E	30%

Where performance is measured

In order to drive line-of-sight principles where individuals' STI earnings are linked to performance for which they have accountability, responsibility and ability to influence, performance will be measured at the following levels with the following weightings:

Table 3: Performance levels and weightings

Position	Group	SA operations	AME	UK operations	Individual
Group CEO and Group FD	70%				30%
Other Group executives	30%				70%
AME executives	10%		60%		30%
SA divisional executives		70%			30%
UK divisional executives	30%			40%	30%

The table below reflects the KPAs and weightings applicable to the STI Scheme:

Table 4: KPAs and weightings

KPA	Weighting
Financial performance	35%
Operational plan performance	30%
Market-share performance and customer measures	15%
People performance	10%
Transformation, environment, social and governance	10%

Changes to the Exco structure

During FY2020 there was a restructure of the Exco and the new structure comprises the following positions:

- CEO – Darren Hele (unchanged);
- Group FD – Lebo Ntlha (unchanged);
- Derrian Nadauld was appointed as COO Leading Brands;
- COO Enterprise Development title was changed to Group Executive: Business Development, to align with the market naming convention, and is occupied by Andrew Mundell (unchanged);
- Supply chain Executive title was changed to Group Executive: Manufacturing and Logistics and is headed up by Norman Richards, who retired from his previous role in February 2019, but has been retained on a fixed-term contract in this role until the end of the first half in 2020;
- Managing Executive, Africa and Middle East, title changed to Managing Director: AME, in line with market naming convention – Philip Smith (unchanged);
- Group HR Executive – Jabulani Mahange (unchanged);
- Group Risk Executive– Ntando Ndaba – internal promotion with effect from October 2019;
- Company Secretary and Group Legal – Celeste Appollis, appointed from external with effect from 1 August 2019; and
- MD: GBK Restaurants Limited – Adolf Fourie, promoted from within to replace Derrian Nadauld with effect from September 2019.

The Company's strategic focus

STIP metrics and CEO scorecard

New metrics for the STIP were outlined in the 2019 IAR, and are updated and expanded on for the 2020 financial year in the table below. In terms of the Group's scorecard, the CEO's performance was rated on a scale from 1 to 5, with the lowest level being 1 – defined as a "non-performer who does not meet expectations", improving to level 5, being an "exceptional performer, exceeding expectations". Based on this scale, the Chairman rated the CEO's achievements against key performance measures (KPMs) as 3.5. This score is defined as "having fully met expectations and reflects successful performance".

The following five KPMs are aligned with the Group's most material matters which determine management's strategic imperatives. The table illustrates the relationship between strategy, objective measurement and remuneration.

CEO's report 85

Scorecard by strategic matter 32

CEO's individual scorecard

Weighting (%)	KPM	Outcomes	Related key strategic material matter	Affected key stakeholders
30	Business plan performance	30		• Franchise partners • Customers • Shareholders, analysts and prospective investors • Suppliers and business partners
35	Financial performance HEPS, ROCE and TSR	25		• Shareholders, analysts and prospective investors • Funding institutions
15	Market share performance and customer measures	15		• Franchise partners • Customers
10	People performance	10		• Employees • Trade unions
10	Transformation and ESG measures	10		• Employees • Trade unions • Government and regulators • Customers • Civil society
100	**Total**	**90**		

The following commentary is a report-back by the CEO on the main achievements attained under his stewardship during the review period.

KPM 1: business plan performance

This strategic imperative links to our key material matters to improve our operational efficiencies, enhance our financial performance, lead in a competitive landscape and prioritise our franchise partners.

The main components of this imperative were to:

- optimise our brand portfolio;
- leverage operational efficiencies; and
- drive profitability and margin growth (for the Group and our franchise partners).

General

The Group's business plan was well executed, and our core Leading brands, Manufacturing and Logistics businesses have laid solid operational foundations to compete more vigorously in an increasingly aggressive but weak-growth market.

Brands

Re-orientation of focus around the key growth drivers being Leading brands, Signature brands and AME has ensured the Group's stronger cash-generating assets receive the proportionate time, resources and funding to compete, support franchise partners and deliver appropriate returns on investment.

Our strategy to prioritise our franchise partners and customers was embedded in our activities throughout the year. We made good progress in entrenching the health of the individual brands, and aligned the value chain to deliver on sustainable franchisee profitability. In the Leading brands' portfolio, we made pleasing headway in building capability and capacity to improve the brands' competitive posture and their ability to deliver like-for-like growth ahead of inflation. The Signature brands portfolio remains under constant review to optimise the offering and continues to deliver on its strategic mandate to profitably incubate future Leading brands and penetrate untapped dining occasions.

Supply chain

The total cost of ownership approach to the supply chain business has been a key driver this year with focus on capacity planning and operational improvement. In the Logistics division we commissioned two new DCs on time and on budget.

Good progress was also achieved in streamlining the division with the sale of Coega Concentrate, a non-core tomato paste plant and the closure of a regional meat plant. We have also progressed plans to close two non-core logistics centres and dispose of other non-core manufacturing facilities in the year ahead; these activities will further the goal to focus our attention and investment on our high return primary assets.

Retail

Our decision to take back ownership of the retail business and control our route-to-market proved to be particularly opportune, given that this was one of the few revenue streams functioning during the initial five-week lockdown and subsequent risk-adjusted conditions in SA. The performance of this business unit during the restricted trading period has proved the scalability of the offering.

Risk and IT culture

Particularly pleasing has been the adoption of a risk culture in the business, which has been achieved with limited resourcing, but has made a significant difference to the Group's operating mind-set and general preparedness.

IT continued to play a key role in the business and improvements were made in important areas including internal audit, automation, communication and BI needs. Innovation in terms of customer-facing technology is a key driver and ongoing investment is made in this area to entrench our market leadership position in the industry.

KPM 2: financial performance

This strategic imperative links to our key material matters to enhance our financial performance and optimise capital management.

The main components of this imperative were to:

- achieve/exceed FY2020 internal Group budgets;
- achieve/exceed FY2020 Group HEPS and ROCE targets; and
- improve capital discipline and allocation.

The overall performance of the Group was pleasing taking into account the challenging economic environment for the review period. While performance in the SA business in the second half of the year was hampered by negative macro-economic conditions, specifically persistently low food inflation, solid results were reported by the AME region and GBK and Wimpy in the UK.

During the review period, management significantly re-orientated the business leadership to focus on working capital management and free cash generation. Good progress was made in entrenching effective capital allocation through balance sheet reporting and management at business unit level, with a better understanding of how to create value for stakeholders by individual, by business unit and by the Group as a whole. There is now a clear focus on cost leadership and ROI.

The intensified focus on balance sheet management has significantly improved the Group's working capital management and associated metrics, and led to the second successful refinancing of the Group's debt structure on improved terms.

In terms of financial market activities and conveying the Group's investment case, a rigorous engagement programme was conducted with current and prospective shareholders, which proved to be extremely constructive given the low level of confidence in the local market. In light of the flight of international capital, the investment in building relationships with local shareholders has proved to be particularly beneficial.

KPM 3: market share performance and customer measures

This strategic imperative links to our key material matters to improve our operational efficiencies and lead in a competitive landscape.

The main components of this imperative were to:

- focus on improving the total customer experience;
- grow the network footprint by 187 restaurants;
- expand our presence in the AME by building on alliance partnerships, introducing new formats and leveraging delivery offerings; and
- capitalise on opportunities to outperform the UK Casual Dining market and return GBK to profitability.

Our focus on improving the customer experience centred on enhancing in-store technology, optimising our online ordering and home delivery capabilities, and improving accessibility to customers through new flexible, convenience-centred trading formats. The leadership position which our brands hold in their respective market segments and the plethora of consumer awards received this year demonstrate the attainment of our goal to grow market share and entrench customer loyalty.

The roll out of new restaurants fell well short of our target, but we take comfort that the deliberate decision to scale back on new store openings was prudent in the current subdued macro-economic conditions, which have impacted on the entire industry. Our restaurant footprint is actively and vigorously managed to mitigate the evolution in the real estate and trading format landscape.

Our operations in the AME region and the UK met management's performance expectations, notwithstanding the weak trading conditions experienced in both territories. In the AME, solid like-for-like sales were reported for the period, with 12 of our 16 trading markets recording positive growth. In the UK, both Wimpy and GBK reported pleasing like-for-like sales growth. Rewardingly, in the GBK business we implemented a seamless leadership transition mid-year, and also ended the review period on track with the three-year programme to return GBK to profitability by 2022.

KPM 4: people performance

This strategic imperative links to our key material matter to develop our people and commit to ongoing transformation.

The main components of this imperative were to:

- enhance performance management across the HR resource; and
- strengthen the Exco team.

A scorecard system incorporating the Company's values was implemented which has enhanced performance through linking performance to rewards.

The Exco team has been progressively strengthened in terms of diversity, experience and expertise available to the business. In addition, good progress has been made in terms of retention of key individuals and development of a clear succession pipeline.

Management also successfully concluded a two-year wage agreement which has created a stable environment and relations with our union partners remain cordial and constructive.

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KPM 5: transformation and ESG measures

This strategic imperative links to our key material matters to develop our people and commit to ongoing transformation, and to ensure regulatory compliance.

The key components of this imperative were to:

- target a level 6 BBBEE rating (from the 2019 level 7 rating); and
- develop and implement a comprehensive and Group-wide ESG plan.

As a result of sustained management focus and implementation of meaningful interventions, the Group's BBBEE rating improved to level 4. This achievement was particularly noteworthy given the sudden and unexpected changes in the tourism sector scorecard, which required a rapid and agile response.

Management continued to progress ESG programmes, implementing significantly improved reporting against metrics that demonstrate the commitment to greater awareness of consumer issues and entrenching sustainable operating practices. Policies, measures and timeframes have been instituted to reduce the Group's carbon footprint and build positive brand association through responsible sourcing and production, and mindful consumption of resources across the Brands, Manufacturing and Logistics divisions.

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Executive remuneration: salary increases, STI and LTI

The Committee approved the following proposals:

FY2021 salary increases

- Salary increases were halted across the business unless where deemed strategically necessary.

STI allocations

The Committee deliberated extensively on whether it is prudent to approve any STI allocations in light of the uncertainty brought about by the COVID-19 global pandemic. It was resolved that the STI allocations are based on performance from pre COVID-19 global pandemic and therefore while being prudent in terms of the timing of payment, the Company also needs to ensure that they act fairly and keep executives motivated.

The STI payment for the CEO was approved at 55% and the Group FD at 30%.

The payment for the STI will be made quarterly to ensure that cash preservation remains a priority and payment thereof is subject to the Group's financial position and cash flow. The first quarterly payment was made in early June 2020.

Famous Brands Limited shall, in its sole discretion, determine whether to continue payment of the individual annual performance bonus or any amount apportioned in respect thereof not yet paid over to the executives.

Non-executive directors' fees and allowances

The Committee approved the fees of non-executive directors as follows:

- no increases for FY2020/21;
- Board fees were reduced by 30% in the quarter ended 31 May 2020; and
- no Board fees will be earned for the special/*ad hoc* Board meetings convened to date (with the exception of the special Board meeting held on 23 March 2020). This will apply to all *ad hoc* meetings relating to the COVID-19 global pandemic crisis.

Other employees

The Group head count is 4 465 including employees in the UK, AME and Ireland. The SA number is 2 276.

The remuneration process for other employees is as follows:

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

BU employees are subject to the terms of wage agreements and enjoy a "basic plus benefits" remuneration scheme whereby Famous Brands contributes to their provident fund. They also qualify for a guaranteed bonus equal to a 13th cheque. The salary increase of the Administration staff was suspended in anticipation of the COVID-19 global pandemic impact, and subsequently, the national lockdown.

Famous Brands remains committed to equitable and competitive pay practices.

In SA, pay audits are conducted in terms of the Code of Good Practice on Equal Pay/Remuneration For Work of Equal Value (Code of Good Practice) under the Employment Equity Act 1998 (as amended). In the UK, gender pay audits are conducted under the terms of the Equality Act 2010.

Pay audits

In January 2020, a pay audit exercise was completed in SA, in accordance with the Code of Good Practice. The exercise excluded the BU and the executives. A limited number of gaps were identified but could not be appropriately addressed due to the salary increase freeze implemented as a result of the impact of the COVID-19 global pandemic and national lockdown on the business.

Gender pay gap legislation: GBK UK

The industry-wide enforcement of gender pay regulations was welcomed at GBK, as it raised the importance of gender pay equality and provided an opportunity to review the practices in the business.

The gender pay gap in GBK is in line with the UK average, however management remains committed to driving further positive change in the organisation.

The calculations set out in the Gender Pay Gap Information Regulations 2019 have been used to calculate the results below.

GBK GENDER PAY GAP REPORT 2019					
What is Gender Pay Gap?					
Gender Pay Reporting is a regulation under the Equality Act 2010. As an employer of more than 250 people, we are required by law to publish our Gender Pay Gap results. Data is taken from those employed on 5th April 2019. This involves carrying out six calculations that show the difference between the average earnings between all men and all women at GBK. This does not include publishing any individual's pay data. This is not to be confused with equal pay, which is when there is a difference in pay between men and women who carry out the same or similar job or work of equal value. Any number above zero represents a gap in favour of men, any minus figure is favourable to women					
We are required to report six metrics					
Hourly pay rate			**Bonus pay (12-month period)**		
(1) Mean Average Gap	(2) Median Average Gap	(3) Pay Quartiles	(4) Mean Average Gap	(5) Median Average Gap	(6) Bonus Proportions
Our results					
Hourly pay					
Proportion of male and female employees according to quartile pay bands			Female	Male	UK Gender Pay Gap: 11.3%
Mean Pay Gap 11.3%		**Upper quartile**	**Upper middle quartile**	**Lower middle quartile**	**Lower quartile**
Median Pay Gap 1.1%		42.1%	48.9%	54.4%	45.9%
Mean Pay Gap 17.8%		57.9%	51.1%	45.6%	54.1%
Median Pay Gap 9.8%		30% males who received a bonus	Males who did not receive a bonus	30.7% females who received a bonus	Females who did not receive a bonus

FINANCIALS

Directors' report

The directors have pleasure in submitting their report for the year ended 29 February 2020.

Nature of business

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

Famous Brands' vertically integrated business model comprises a portfolio of 24 brands represented by a franchise network of 2 898 restaurants across South Africa (SA), the Rest of Africa and Middle East (AME) and the United Kingdom (UK), underpinned by substantial Logistics and Manufacturing operations.

Directors' responsibilities

The responsibilities of the Company's directors are detailed on page 8 of the AFS.

Financial statements and results

The Group and Company's results and financial position are reflected on pages 8 to 108 of the AFS.

Significant events

All significant events have been detailed within the financial results.

Corporate governance

The Corporate governance report is set out on pages 120 to 152 of this document.

Tangible and intangible assets

Movements in the Group's tangible and intangible assets are set out in Note 1 *Property, plant and equipment* and Note 2 *Intangible assets* in the AFS.

Performance subsequent to reporting date

Shareholders are referred to the detailed commentary related to events after the reporting period contained in Note 35 *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 re-introduction 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, which impacted further on projected revenue; this trend will likely continue into the second quarter unless all trading restrictions are lifted before the winter holiday period.

Aligned with our three-year roadmap, and accelerated by the COVID-19 global pandemic, our focus over the past three 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 emergency 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 continue to 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 growth going forward.

Prospects

The adverse financial impact on the travel and hospitality industry due to the outbreak of 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 re-open 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 the heading Performance subsequent to reporting date in this report, 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 Casual Dining 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; and
- 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 Casual Dining 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; and
- capital expenditure (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;
- 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; and
- we will continue to align the supply chain and cost drivers to afford our franchise partners a competitive advantage while maintaining Return on Capital Employed (ROCE) targets.

Dividends

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. With almost all of our operations shut down for the duration, the Group earned no material revenue for five weeks. 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.

Share capital

The authorised and issued share capital of the Company at 29 February 2020 is set out in Note 9 *Issued capital and share premium* of the consolidated financial statements.

Issued during the year

The Company issued 119 839 (2019: 88 784) ordinary shares for a cash subscription of Rnil (2019: Rnil) to participants of the 2015 Share Scheme for the vesting of the retention shares.

Shareholder spread and material shareholders

In terms of the JSE Listings Requirements paragraph 3.37 and 4.28 (e), Famous Brands complies with the minimum shareholder spread requirements, with 76% (2019: 75%) of ordinary shares being held by the public at 29 February 2020. Details of the Company's shareholder spread and material shareholders are set on page 183.

Staff Share Incentive Scheme

Details are reflected in Note 30 *Share-based payments* of the consolidated financial statements.

Directors and Company Secretary

The names of the directors and the Company Secretary at the date of this report are detailed on page 185 of this document.

Changes to the Board

The following changes took place during the period:

- Thembisa Skweyiya resigned as an independent non-executive director with effect from 8 March 2019;
- Bheki Sibiya, a long-standing member of the Board retired at the AGM on 26 July 2019; and
- with effect from 1 August 2019, Alexander Maditse was appointed as an independent non-executive director to the Board.

Special resolutions

The special resolutions passed by the Company at its AGM held on 26 July 2019 are detailed on page 3 to page 5 of the 2019 Notice of AGM of Shareholders and Summarised Results.

At the next AGM to be held on 24 July 2020, shareholders will be requested to approve special resolutions detailed in the Notice of AGM of Shareholders.

Subsequent events

Refer to Note 20 of this document for details on subsequent events.

Audit and Risk Committee report

In terms of section 94 of the Companies Act, No 71 of 2008, as amended (the Companies Act) the report by the Audit and Risk Committee, (the Committee), which is chaired by Deon Fredericks, is presented below.

Composition of the Committee

- Deon Fredericks (Chairman);
- Norman Adami; and
- Emma Mashilwane.

Responsibilities of the Committee

During the financial year ended 29 February 2020 the Committee met on four occasions. The attendance at the Committee's meetings is set out below:

Meeting attendance

Independent non-executive director	21 May 2019	28 June 2019	22 October 2019	4 December 2019
DJ Fredericks	1	1	1	1
NJ Adami	1	1	1	1
TE Mashilwane	1	1	1	1

In addition to the duties set out in the Committee's Charter, the Committee carried out its functions, *inter alia*, as follows:

External audit

- Nominated the re-appointment of Deloitte & Touche as the registered independent auditor for the financial year ended 29 February 2020, after satisfying itself through enquiry that Deloitte & Touche and SJ Nelson are independent as defined in terms of the Companies Act and the Independent Regulatory Board for Auditors (IRBA) in terms of the Auditing Profession Act;
- determined the terms of engagement, reviewed the external audit plan and reviewed the fees to be paid to Deloitte & Touche;
- ensured that the appointment of Deloitte & Touche complied with the legislation relating to the appointment of auditors;
- considered the tenure of Deloitte & Touche and the engagement partner;
- considered the quality controls processes of the external auditor and specifically audit quality reviews conducted over the designated auditor, including those performed by the IRBA as part of its routine review process in terms of the Auditing Profession Act;
- considered the appropriateness of the other auditors engaged to perform audits within the Group, being Rees Pollock Chartered Accountants in the UK and PKF Botswana and deem them appropriate;
- understood and assessed the procedures performed by Deloitte & Touche to place reliance on the work performed by the other auditors;
- reviewed the external auditors' report on the consolidated and Company Annual Financial Statements (AFS) and the key audit matters; and
- issued a request for proposals for rotation of auditors due to the Company's early adoption of mandatory audit firm rotation.

Mandatory rotation of auditors

Following careful consideration including the need for rotation of external auditors, the Board of Famous Brands (the Board) embarked on a tender process to consider the appointment of an external audit firm.

The Audit Committee, after following the process set out in paragraph 3.84(g)(iii) of the Listings Requirements, recommended the appointment of KPMG as the Company's external auditor with N Southon as designated partner.

The Board has accordingly appointed KPMG as auditor in respect of the financial year ending 28 February 2021 as a replacement for Deloitte & Touche.

This appointment is effective 24 July 2020, subject to the approval of the Company's shareholders at the AGM. The effective date for the retirement of Deloitte & Touche will be 23 July 2020 and they remain responsible for the completion of the audit in respect of the year ended 29 February 2020.

The Committee has assessed the independence and the suitability for appointment of KPMG and the designated individual partner, N Southon, and in doing so has requested from and consulted with the audit firm on the information detailed in paragraph 22.15(h) of the Listings Requirements, and is satisfied with the information provided and the suitability of KPMG as external auditor and N Southon as designated individual partner.

The appointment of KPMG and the auditor is presented and included as a resolution at the AGM as set out in the Notice of AGM.

Internal Audit

- Reviewed the Internal Audit reports and processes;
- reviewed and approved the Internal Audit business plan, budget and audit plan;
- performed the annual review and approval of the Internal Audit Charter; and
- the Committee is satisfied with the competence of the Head of Internal Audit.

Risk management

- Reviewed and approved the risk management business plan and budget;
- reviewed the Group risk register; and
- reviewed the IT governance.

Financial statements, accounting practices and other financial matters

- Reviewed an assessment prepared by management of the going concern status of the Company and made recommendations to the Board. The Committee concurred that the adoption of the going concern premise in the preparation of the AFS is appropriate;
- reviewed the financial and general covenants applicable to the Group based on the current lending structure and the current capital structure, which was found to have been complied with and appropriate;
- considered concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the Group's and the Company's financial statements, internal financial controls and any related matters;
- evaluated and reported to the Board on the effectiveness of risk management controls and governance processes;
- reviewed the processes in place for reporting concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the Group's and the Company's AFS, internal financial controls and any related matters. The Committee can confirm that there were no concerns or complaints noted;
- reviewed and recommended the short and long-form announcements to the Board for approval;
- reviewed and recommended the Interim and AFS to the Board for approval;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- considered accounting treatments, significant unusual transactions and key accounting judgements;
- reviewed and recommended the IAR to the Board for approval;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control including financial controls, business risk management and maintenance of an effective internal control system;
- received assurance from management that proper and adequate accounting records were maintained and the systems safeguard the assets against unauthorised use or disposal therefore;
- annual review and approval of the Committee Charter;
- considered and noted the following reports published by the JSE and ensured that appropriate actions were taken to apply the recommendations made:
  - reporting back on proactive monitoring of financial statements in 2019 (published 18 February 2020);
  - IFRS 9/15 Thematic Report 2019 (published 6 November 2019);
  - the Activities of the FRIP in 2019 (published 22 October 2019); and
  - combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2018 (published 11 October 2019)

Based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial control, business risk management and the maintenance of effective material control systems.

Expertise and experience of the Group Financial Director (Group FD) and finance function

The Committee is satisfied with the experience and expertise of the Group FD, Kelebogile Ntlha. The Committee is also satisfied with the expertise and adequacy of resources of the finance function.

Key audit matters and significant areas of judgement

In considering key accounting judgement areas, the Committee considered the key audit matters as follows:

Adjusting vs. non-adjusting post-balance sheet events

The Committee has considered the COVID-19 global pandemic and related impact on the Group's operations and the preparation of the FY2020 AFS. The Committee is satisfied that the events related to the COVID-19 global pandemic are non-adjusting post-balance sheet events for the purposes of approving the FY2020 AFS and these events have been disclosed accordingly as part of Note 20 *Subsequent events* of this document and *Significant area of judgement and sources of estimation uncertainty* Accounting Policy Note 4 in the AFS.

Going concern

The Committee has considered the going concern assessment as prepared by management, including the Group's outlook regarding trading conditions that will persist into the foreseeable future. This assessment is based on a range of varied scenarios (including assumptions regarding a worst-case scenario of a three- month lockdown, the rate of return to normal trading, debt service and covenant requirements, working capital requirements, and relief measures implemented by the respective governments in our various trading jurisdictions), and are satisfied that the Group is a going concern for the foreseeable future based on the information available at the time of approval of the AFS.

Impairment assessment of goodwill and indefinite life intangible assets associated with GBK

The Committee has considered the significant estimates and judgements in the valuation model of the GBK cash-generating unit, which are disclosed in Note 8 *Intangible assets*. The Committee is satisfied that no impairment (2019: R573 million) is required on the GBK cash-generating unit for the current year based on the conditions that existed on 29 February 2020.

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. Refer to Note 20 *Subsequent events*.

Impairment assessment at GBK store level property, plant and equipment

Due to underperformance of certain stores in the UK and the Republic of Ireland, management has applied judgemental assessment on the recoverability of assets on these stores at year-end. An impairment of R53 million (2019: R301 million) has been recognised. The Committee is satisfied with the impairment recognised and disclosure thereof.

Impairment of investment – GBK (Famous Brands Limited level)

The impairment of the investment at Famous Brands Limited has been assessed in line with the assumptions in the indefinite life intangible assets key audit matter. The Committee is satisfied no impairment (2019: R713 million) is required for GBK in the Company financial statements based on the conditions that existed as at 29 February 2020.

IFRS 16 lease liabilities

The Committee is satisfied with the process followed by management in implementing IFRS 16. The accounting policy for IFRS 16 is disclosed in Accounting Policy Note 9 in the AFS and details are set out in Note 4 in this document, Note 1 *Property, plant and equipment* and Note 13 *Lease liabilities* in the AFS.

Other significant judgement areas

The Committee has further considered the remaining significant judgements and sources of estimation uncertainty per Accounting Policy Note 4 in the AFS and is satisfied that appropriate judgement has been made and processes followed in concluding on the significant judgement areas.

Restatement of AFS relating to marketing funds

The Committee has considered the restatement related to marketing funds in Note 21. The Committee has considered the circumstances that led to the restatement and has implemented the necessary steps to prevent the re-occurrence of such a restatement.

Conclusion

Having considered all the material factors and key audit matters, the Committee recommended the AFS for the year ended 29 February 2020 for approval to the Board. The Board has approved the AFS which will be open for discussion at the forthcoming AGM of shareholders.

DJ Fredericks
Chairman

25 May 2020

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.*

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 global 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 154.

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 covenant 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 million 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.

6 Capital expenditure and commitments

	2020 R000	2019 R000
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.

7 Property, plant and equipment

	2020 R000	2019 R000
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 20.2 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 20.2 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.*

11 Basic and headline earnings/(loss) per share

	Note	2020 Gross amount R000	2020 Income tax R000	2020 Net R000	2019 Gross amount R000	2019 Income tax R000	2019 Restated* Net R000
11.1 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.*

12 Non-operational items

	2020 R000	2019 R000
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.*

13 Net finance costs

	2020 R000	2019 Restated* R000
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), and
- 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, 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 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	

SUPPLEMENTARY FINANCIAL INFORMATION

	2020 R000	2019 R000	2020 %	2019 %
Property, plant and equipment				
Total	**2 226 797**	1 048 537	**100**	100
SA	**598 778**	368 676	**27**	35
UK	**1 551 121**	643 364	**70**	61
AME	**76 898**	36 497	**3**	3
Intangible assets				
Total	**2 274 895**	2 179 770	**100**	100
SA	**846 946**	857 126	**37**	39
UK	**1 381 658**	1 277 967	**61**	59
AME	**46 291**	44 677	**2**	2
Non-controlling interest put option liabilities				
Total	**104 295**	104 295	**100**	100
SA	**14 829**	19 441	**14**	19
UK	**–**	–	**0**	0
AME	**89 466**	84 854	**86**	81
IFRS 16 Lease Liabilities				
Total	**1 383 240**	–	**100**	–
SA	**312 416**	–	**23**	–
UK	**1 038 619**	–	**75**	–
AME	**32 205**	–	**2**	–
Employee costs				
Total	**1 411 165**	1 374 229	**100**	100
SA	**842 282**	767 170	**60**	56
UK	**516 718**	565 012	**37**	41
AME	**52 165**	42 047	**4**	3
Depreciation and amortisation				
Total	**329 893**	222 547	**100**	100
SA	**145 267**	107 112	**44**	48
UK	**164 126**	108 052	**50**	49
AME	**20 500**	7 383	**6**	3
Net lease charges				
Total	**53 087**	419 324	**100**	100
SA	**48 672**	77 633	**92**	19
UK	**2 611**	329 787	**5**	79
AME	**1 804**	11 904	**3**	3

SUPPLEMENTARY INFORMATION

Shareholders' diary

Financial year-end	29 February 2020
AGM	24 July 2020

Reports

Announcement of annual financial results for the year ended 29 February 2020	26 May 2020
Publication of the IAR for the year ended 29 February 2020	29 June 2020
Announcement of interim results for the half-year ended 31 August 2020	26 October 2020

Administration

Famous Brands Limited

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

Directors

Norman Adami, Santie Botha (Independent Chairman), Chris Boulle, Deon Fredericks, Nik Halamandaris, John Halamandres, Darren Hele (CEO)*, Alex Maditse, Emma Mashilwane and Lebo Ntlha (Group FD)*.

** Executive*

Company Secretary

Celeste Appollis

Registered office

478 James Crescent, Halfway House, Midrand, 1685 PO Box 2884, Halfway House, 1685
Telephone: +27 11 315 3000
Email: investorrelations@famousbrands.co.za
Website address: ***www.famousbrands.co.za***

Transfer secretaries

Computershare Investor Services Pty Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

Sponsor

The Standard Bank of South Africa Limited
Registration number: 1969/017128/06

30 Baker Street, Rosebank, 2196

Auditors

Deloitte & Touche
5 Magwa Crescent,
Waterfall City,
Waterfall, 1685

Glossary

ACI	African, Coloured and Indian per the Employment Equity Act definition
AME	Africa, Middle East and Europe
BBBEE	Broad-based Black economic empowerment
BU	Bargaining unit
Capex	Capital expenditure
CDR	Casual Dining restaurant
CoGP	Codes of Good Practice
COVID-19	Coronavirus global pandemic
CSI	Corporate social investment
CVA	Company voluntary arrangement
DC	Distribution centre
DEFF	Department of Environment, Forestry and Fisheries
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDP	Enterprise development programme (BBBEE transformation)
EDP	Executive development programme (HR)
EME	Exempted micro-enterprise
ESD	Enterprise and supplier development
ESG	Environment, social and governance
Exco	Executive Committee
FC	Fast Casual
FD	Financial Director
FSA	Foods Standards Agency (certification)
FSSC	Food Safety System Certification
FY	Financial year
GBK	Gourmet Burger Kitchen Restaurants
GHG	Greenhouse gas emissions
GRI	Global Reporting Initiative
H1 and H2	First half and second half of the financial year
HEPS	Headline earnings per share
IEDP	International executive development programme
IFC	Internal financial control
JIBAR	Johannesburg Inter-bank Average Rate
LBF	Lamberts Bay Foods
KPA	Key performance area
KPI	Key performance indicators
KPM	Key performance measures
LPG	Liquefied petroleum gas
LTI	Long-term incentive
MSR	Minimum shareholding requirements
NOSA	National Occupational Safety Association of SA
OHS	Occupational health and safety
OTM	On the move (Mugg & Bean format)
PBIT	Profit before interest and tax
PWD	People with disabilities
QSE	Qualifying small enterprise
QSR	Quick Service restaurant
RCOE	Regional Centre of Excellence
RFP	Request for proposal
ROCE	Return on capital employed
ROE	Return on equity
ROI	Return on investment
SED	Socio-economic development
SHE	Safety, health, environment
SMME	Small, medium and micro-enterprises
STI	Short-term incentive
Swop-out	Optional alternative
tCO_2e	Tonnes of carbon dioxide equivalent
TSR	Total shareholder return
UN SDG	United Nations Sustainable Development Goal

NOTES

NOTES

GREYMATTERFINCH # 14354

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Contact information

Tel: +27 11 315 3000
investorrelations@famousbrands.co.za
companysecretary@famousbrands.co.za
478 James Crescent
Halfway House, South Africa, 1685