famous | brands

INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2021

CONTENTS

Navigational icons

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

Download icon

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

Business processes and activities

Manufacturing
Logistics
Brands
Retail

Our capitals

Financial capital
Manufactured capital
Intellectual capital
Human capital
Social and relationship capital
Natural capital

Key strategic matters

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

ABOUT OUR INTEGRATED ANNUAL REPORT

Reporting suite and principles

We are committed to reporting transparently to our stakeholders. We continue to enhance the transparency and quality of our disclosures. We are aware that further improvements are possible, and we invite feedback to be sent to investorrelations@famousbrands.co.za.

This FY2021 Integrated Annual Report is our primary report to stakeholders. Our suite of reports comprises:

Reporting suite	Integrated Annual Report (IAR or this report)[1]	Group Audited Financial Statements (AFS)	Notice of Annual General Meeting (AGM)
Reporting period			
Covers the year from 1 March 2020 to 28 February 2021.			
Scope			
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 and the Middle East (AME) and the United Kingdom (UK).			
Boundary			
	The scope of this report covers our core operations' financial and 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. For the most part, unless stated otherwise, statistics in this report relate to the South African business (excluding our associates). Statistics related to a specific geographic territory are denoted as such.	A comprehensive report of the Group's financial performance of the year.	Information for shareholders to participate in the AGM.
Materiality applied			
	The legitimate interests of all our key stakeholders were considered in determining information considered to be material for inclusion in this report. **Key stakeholders** 26. 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 future sustainability of the Group. **Strategy and key strategic material matters** 46.	The AFS are audited by the materiality as determined by the external auditor in terms of the International Standards on Auditing (ISA).	All information as required by regulation.

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

Reporting suite	Integrated Annual Report (IAR or this report)[1]	Group Audited Financial Statements (AFS)	Notice of Annual General Meeting (AGM)
Frameworks used			
	• Companies Act, No 71 of 2008, as amended (Companies Act) • Listings Requirements of the JSE Limited (JSE) (JSE Listings Requirements) • King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[2] • International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), specifically IAS 34 Interim Financial Reporting • International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework	Companies Act, the JSE Listings Requirements, IFRS and ISA.	Companies Act, the JSE Listings Requirements and King IV.
Assurance obtained			
Combined assurance 120	• Internal controls • Management review • Internal audit assurance • Board of Directors (Board) approval, with the support of the Audit and Risk Committee • Independent unmodified audit opinion by KPMG on the audited financial statements • Verification certificate by Binder Dijker Otte (BDO) on broad-based black economic empowerment (BBBEE) statistics • Annual Greenhouse Gas Emissions Assessment by The Carbon Report	Independent unmodified audit opinion by KPMG on AFS. **Refer to page 148 of AFS**	• Internal controls • Management review • Board approval, with the support of the Audit and Risk Committee

The IAR, AFS and Notice of AGM are 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 future performance. 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.

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 22 June 2021.

Santie Botha
Independent Chairman

Darren Hele
Chief Executive Officer

[1] *There has been no material change in the scope and boundary of the IAR compared to the prior year or to historical financial data.*
[2] *Copyright and trademarks are owned by the Institute of Directors in South Africa (IoDSA) NPC and all of its rights are reserved.*

ABOUT FAMOUS BRANDS

Who we are

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

Famous Brands began as a family business in the early 1960s with the brand Steers. Today, the Group owns several well-known brands supported by a vertically integrated business model and operations on three continents.

Global footprint 7

In 1994 Famous Brands listed on the JSE in the Travel and Leisure sector.

What we do

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

Our portfolio of market-leading brands offers a powerful business proposition to our franchise partners and a high-quality solution across a diverse range of dining occasions to consumers across income groups. The Brands portfolio consists of 19 restaurant brands, represented by a network of 2 773 restaurants across SA, AME and the UK.

The portfolio is segmented into Leading (mainstream) brands and Signature (niche) brands. The Leading brands are further categorised as Quick Service and Casual Dining.

Our integrated supply chain comprises our Manufacturing and Logistics operations which support our Brands pillar in SA and selected African countries.

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

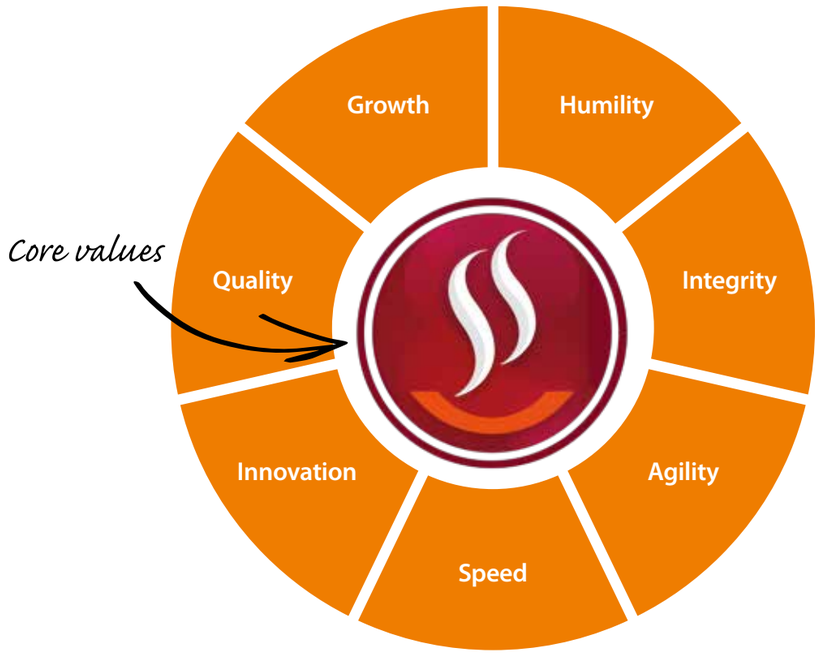
Business model 10

Pat and Dean, Milky Lane, KwaZulu-Natal

Vision and values

Vision

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



What drives us

We are deeply passionate about **innovative branded food services solutions**

We value our **mutually beneficial relationships** with our franchise partners

We strive to be the best in the world at **unique customer experiences**

Our economic engine is driven by **sustainable like-for-like growth**

ABOUT FAMOUS BRANDS continued

Our brands

Leading brands

STEERS
DEBONAIRS PIZZA
fishaways
milky LANE
MUGG & BEAN
WIMPY

Signature brands

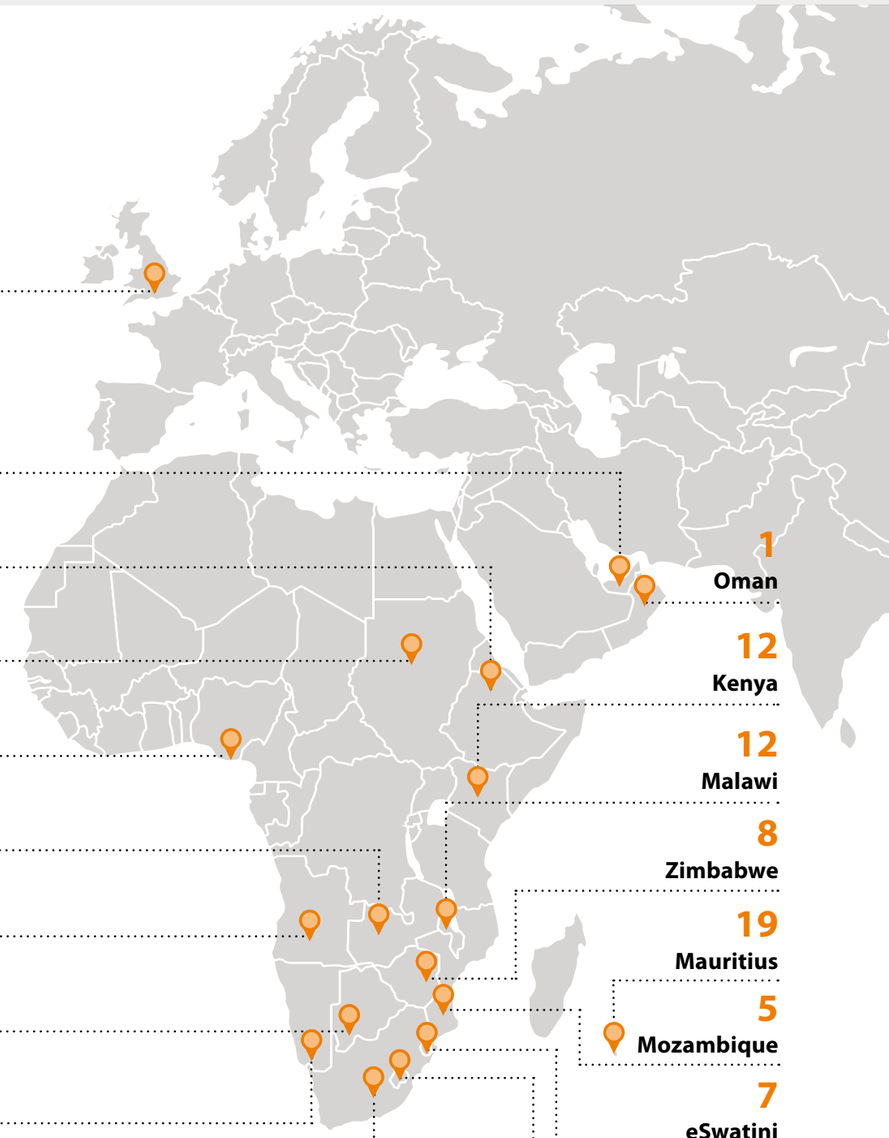
MYTHOS
LUPA OSTERIA
Turn 'n Tender STEAKHOUSE
SALSA MEXICAN GRILL
PAUL
yoyo tELO
FEGO Caffè
House of Coffees
coffee couture
NetCafé

Other

Mr Biggs
AQUA MONTE
BALTIMORE ORIGINAL ICE CREAM
TRUFruit
CHOICE GOLD SEAL GRADE

- Quick Service restaurants (QSRs)
- Casual Dining restaurants (CDRs)
- Wholly owned
- Joint venture (JV)/Associate
- Under licence

Global footprint



71 UK

5 United Arab Emirates

3 Ethiopia

7 Sudan

56 Nigeria

35 Zambia

6 Angola

38 Botswana

48 Namibia

2 436 South Africa

1 Oman

12 Kenya

12 Malawi

8 Zimbabwe

19 Mauritius

5 Mozambique

7 eSwatini

4 Lesotho

SA statistics

2 436 restaurants
(2020: 2 441)
9 logistics sites
(2020: 10)
12 manufacturing sites
(2020: 12)
2 056 employees
(2020: 2 276)

UK statistics

71 restaurants
(2020: 135)
14 employees
(2020: 1 342)

AME statistics

266 restaurants
(2020: 322)
930 employees
(2020: 847)

ABOUT FAMOUS BRANDS continued

The year in review

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	Deteriorated
Full year dividend per share		Deteriorated
Share price performance	Share price appreciation	Deteriorated
Headline earnings per share (HEPS)	ROI for shareholders	Deteriorated
Net debt:equity	Strength of liquidity and funding position	Deteriorated
Debt finance structure	Debt finance renegotiated to levels more appropriate for the business	Improved
Annual employee costs	Remuneration and benefits to employees	Deteriorated
Training spend	Investment in employee development; value through education	Deteriorated
Employee engagement score	Investment in employee development; value through education	Improved
Union engagement	Stable bargaining environment	Improved

Improved Deteriorated Remained stable

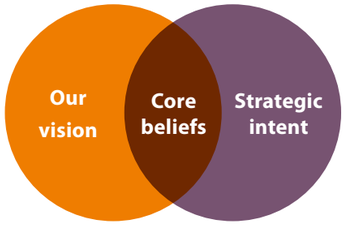
Key performance indicator (KPI)	Link to value creation	Year-on-year change
Corporate social investment (CSI) spend	Contribution to society	Deteriorated
Transformation: BBBEE rating	Progressing diversity in line with society's demographics	Remained stable
Procurement spend on enterprise supplier development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

Improved Deteriorated Remained stable

VALUE CREATION PROCESS
BUSINESS MODEL

Our innovative branded food services solutions and unique customer experiences drive sustainable like-for like growth and value creation. Our ability to create aspirational and market-leading brands that delight our customers is key to our success. Through the appropriate use of our inputs in efficient business processes, we maintain our capacity to create sustainable long-term value outcomes for all stakeholders.

To be the leading, innovative branded franchised and food-services business in South Africa and selected markets.



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

Read more on page 46

How we are governed, our values, vision and strategic intent impacts on the way we do business and the structure of our business model

Key factors that impact on our ability to deliver value

Within our control
- Operational efficiencies
- Brand offering (appeal, service, value)
- Product quality
- Cost management
- Stakeholder relationships

Beyond our control
- 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)

Operating context page 19

Customer inspired, brand led and supported by the backend value chain

Inputs
- Financial capital
- Manufactured capital
- Intellectual capital
- Natural capital
- Human capital
- Social and relationship capital

Read more on page 12

Business activities and processes

Capital management

Supply chain

Manufacturing
- 12 manufacturing facilities (Company-owned and joint ventures)

Procurement
- Buying power
- Preferential procurement

Logistics
- Owner-driver partnership fleet
- 9 distribution centres

Core business competency

Franchisee operated, brand led
- Operation and experience
- Concept innovation
- Supported by Company operations where required

Leading support
- Prioritise partners
- Marketing
- R&D
- Demand management

Back-end service of the front-end

Shared services and core corporate services

Outputs

Restaurants

Retail products (to lesser extent)

Customer-inspired

Occasion

Category

Format

2 773 branded restaurants
(franchised, Company-owned and master licence agreement)

Outcomes
- Financial capital
- Manufactured capital
- Intellectual capital
- Natural capital
- Human capital
- Social and relationship capital

Read more on page 12

Strategic objectives

Placement of the strategic objective icons in the business model to the left, represents the link between strategy and business model.

- 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

BUSINESS MODEL continued

Creating value using our capitals

(excludes our associate companies)

Financial capital

The key to creating long-term value for our stakeholders is the best possible capital management and allocation. We invest in other capital in a deliberate fashion to grow and sustain our business.

Input	2021	2020
Total equity (R million)	**391**	1 800
Gross interest-bearing debt (excluding lease liabilities) (R billion)	**1.5**	1.7
Cash and cash equivalent (R million)	**444**	486

Outcome (value for stakeholders)	2021	2020
Revenue (R billion)	**5.0**	7.8
Operating profit before non-operational items (R million)	**193**	912
Net finance costs (R million)	**214**	219
Cash generated from operations (R million)	**574**	1 340
HEPS (cents)	**(86)**	417
Return on equity (ROE) (%)	**(7.9)**	25.1
Return on capital employed (ROCE) (%)	**(50.9)**	20.0
Gearing (%)*	**351**	143
Wealth created (R billion)	**1.4**	2.8
Net asset value per share (cents)	**390**	1 797
Closing share price at year-end (cents)	**4 603**	5 360

* *Includes IFRS 16 lease liabilities.*

Manufactured capital

Ongoing investment in Company-owned restaurants, facilities, equipment, fleet and IT infrastructure allows us to remain relevant to customers and supportive to our franchise partners. Over time, we will continue to reduce our environmental impact. Through our business activities we create social, economic and environmental value.

Input	2021	2020
Total restaurants* (units)	**2 773**	2 898
– Opened*	**92**	127
– Revamped*	**90**	295
Total manufacturing plants (units)**	**12**	12
– Capital investment (R million)	**20**	37
– % of plants certified Food Safety System Certification (FSSC) 22000 or Food Standards Agency	**100**	92
Total logistics centres (units)**	**9**	10
– Capital investment (R million)	**4**	26
– Logistics fleet (trucks)**	**109**	104
IT infrastructure capital investment (R million)	**2**	8

* *Pertains to total restaurant network.*
** *Pertains to SA.*

Outcome (value for stakeholders)	2021	2020
Restaurants which are conveniently sited and appealing for our customers and provide optimal returns for our franchise partners and investors		
Customers served/ transactions concluded (million units)	**66.3**	136.9
Efficient manufacturing, logistics and distribution operations that provide a good, competitive service to our franchise partners		
• Product lines warehoused (units)	**1 338**	1 703
• Product procured (million tons)	**32.8**	44.6
• Product processed (million tons)	**47.2**	67.1
Distribution of product		
• Distance travelled (million km)	**5.3**	6.9
• Cases delivered (million units)	**9.6**	13.5

Intellectual capital

It is essential that we stay informed of fast-changing consumer trends affecting menu design, food choices and dining experiences. We rely on our franchise partners to re-invest responsibly in their businesses and to manage their operations efficiently to create value. It is a business imperative that our brands instil confidence among our stakeholders and that we protect those brands with the appropriate legal framework.

Input	2021	2020
Franchise workshops	**531**	9 674
Brand product training	**1 240**	5 179
Fundamental restaurant management training	**488**	871
Other ad hoc training	**1 690**	5 580
Marketing fund contribution by franchise partners (R million)	**313**	583
Leading brands' total media investment (decrease)/increase (%)	**(46)**	1
Digital media spend (decrease)/increase (%)	**(30)**	18
Research and development spend (R million)	**10**	17

Outcome (value for stakeholders)	2021	2020
Trademarks and brand names (R million)	**353**	1 602
Average years business relationship with franchisee	**7.90**	8.41

Rehana and Mohamed, Debonairs Pizza, KZN

Human capital

Our business model relies on having the right people with the right skills in the right jobs to create value. We invest in upfront and ongoing training for franchise partners and their employees to ensure that all stores deliver on their brand promise.

Input	2021	2020
Total employees trained	**201**	226
Total training spend (R million)	**6.7**	12.8
African, coloured and Indian (ACI) employees trained	**122**	174
Black women trained	**53**	101
Managers Challenge		
• Candidates	**18**	20
• Graduates	**N/A***	18
Junior Management Programme (New internal learnership)		
• Candidates	**25**	–
• Graduates	**N/A***	N/A
Supervisory Programme (New internal learnership)		
• Candidates	**12**	–
• Graduates	**N/A***	N/A
Executive Development Programme**		
• Candidates	**–**	4
• Graduates	**–**	4
International Executive Development Programme**		
• Candidates	**–**	2
• Graduates	**–**	2
Number of new interns**	**30**	57
People with Disabilities Learnership		
• Candidates	**69**	80
• Graduates	**N/A***	59
Ethics Programme		
• Candidates	**53**	37
• Graduates	**42**	35

Outcome (value for stakeholders)	2021	2020
Internships completed**	**–**	49
Interns employed by the Group	**–**	32
Employee engagement score %	**75**	72
Bargaining unit (BU) employee engagement score %	**60**	60
Employee turnover %	**2.8**	6.5
Internal promotions (number)	**51**	115
BBBEE score – Board presentation against 6-point target	**5.27**	5.27
BBBEE score – Employment equity against 13-point target	**9.11**	8.98
BBBEE score – Skills development against 20-point target	**19.76**	19.69
Lost time injuries	**1**	16
Fatalities	**–**	–

** The course is still to be completed.*
*** Cancelled due to COVID-19.*

Natural capital

Our business model uses natural resources in the supply chain process with unavoidable environmental impacts. Our environmental and climate change policy outlines our responsible practices with targets aimed at reducing our carbon footprint. We are committed to contributing to a more sustainable environment for the benefit of all.

Eliminating food waste is a priority issue for our industry. Here we actively promote portion control and practices across our stores. Our franchise partners voluntarily participate in the responsible redistribution of food by donating excess food.

We have committed to eliminate all single use plastic across our restaurant network by 2025. This will be replaced by fully recyclable or biodegradable alternatives.

These numbers are for the SA supply chain operations and numbers for the UK or AME are not reflected here.

Input	2021	2020
Number of certified manufacturing plants	**12**	12
Proteins (tons)	**10 398**	14 258
Dairy (tons)	**51 645**	58 002
Grains (tons)	**1 495**	1 759
Vegetables (tons)	**13 604**	17 559
Fruit concentrates (Kl)	**210**	468
Coffee beans (tons)	**631**	1 097
Water (Kl)	**287 201**	368 371
Number of distribution centres	**9**	10
Electricity (MWh)	**25 914**	30 734
Electricity generated by solar (MWh)	**548**	442
Diesel (Kl)	**1 461**	2 073
Petrol (Kl)	**452**	731
Paraffin (Kl)	**54**	182
Liquefied petroleum gas (LPG) (tons)	**32**	48
Natural gas (Gigajoules)	**29 257**	35 696
Coal (tons)	**2 121**	4 667
Steam	**6 617***	–
Cardboard boxes (m)	**3.4**	4.9
Plastic bottles (m)	**10.9**	12.4
Paper serviettes (tons)	**525**	634

Outcome (value for stakeholders)	2021	2020
Consistently safe, high-quality processed, branded food products for menu and brand-specific baskets for our franchise partners and customers		
Proteins (tons)	**13 234**	16 231
Cheese (tons)	**7 887**	8 738
Ice cream (tons)	**5 738**	7 220
Bread products (tons)	**3 107**	3 182
Vegetable products (tons)	**5 313**	8 166
Juice (tons)	**1 861**	1 778
Coffee (tons)	**789**	857
Sauces and spices (tons)	**16 539**	16 842
Distance travelled (km)	**5 297 719**	6 871 100
Product delivered (cases)	**9 631 707**	13 474 228
Greenhouse gas emissions (metric tons CO_2e)		
• Scope 1	**12 467**	21 688
• Scope 2	**28 464**	31 963
• Scope 3	**988**	605
Cardboard and paper recycled (tons)	**636**	761
Plastic recycled (tons)	**128**	110
Metal recycled (tons)	**78**	62
General waste to landfill (tons)	**1 249**	1 685
Number of Black Eastern Cape beef farms supported	**220**	188
Number of livestock under care by Black and/or land reform farmers	**14 500**	16 000

** Supplied from a third party coal user.*

Social and Relationship capital

Our business model is highly dependent on strong, mutually beneficial relationships with stakeholders. These relationships secure our reputation and enable us to meet our growth objectives. We are committed to community upliftment through our CSI initiatives.

Input	2021	2020
Total sports sponsorship (R million)	**8.0**	20.1
Total funds raised for charities and donation of products	**15.7**	14.2
Percentage of FSSC 22000 or FSA certificated sites	**100**	92
Number of CSI initiatives	**5**	5
Total CSI spend (R million)	**15**	12
Disabled training and development spend (100% ACI) (R million)	**4.6**	3.6
Invested in bursaries (R million)	**0.1**	0.1
Qualifying BBBEE supplier spend (R billion)	**2.3**	2.2
Preferential procurement spend on small, medium and micro-enterprises (SMMEs) (R million)	**511.0**	653.3
Spend on >51% Black-owned suppliers (R billion)	**1.2**	1.1
Spend on Black women-owned suppliers (R billion)	**1.0**	0.9
Investment into community Beef initiative per year (R million)	**5**	5
Value of purchases through Beef initiative	**279**	240
Manhours invested into Beef initiative	**120**	96
Investment in owner-driver initiative to support supply chain (since inception; R million)	**12.7**	10.0

Outcome (value for stakeholders)	2021	2020
Total number of awards	**7**	18
% decrease in customers	**(38.2)**	(13.8)
% increase in loyalty members	**173**	97
% increase in social media followers:		
• Facebook	**4.8**	10.4
• Twitter	**16.9**	58.8
• Instagram	**55.1**	198.0
BBBEE contributor status level	**4**	4
BBBEE score against target of 111 points	**81.97**	83.07
BBBEE ESD score against 40 point target	**31.32**	33.97
ESD suppliers supported	**2 866**	1 800
SMME suppliers supported	**1 454**	450
BBBEE socio-economic development (SED) score against target of 5	**5**	5
Beef initiative		
• Jobs created since inception	**850**	800
• Beneficiaries (direct and indirect)	**3 500**	3 500
Owner driver initiative		
• Number of drivers	**28**	37
• Jobs created	**110**	100
Number of varsity sports beneficiaries	**170**	400

* *Not measured in 2020.*

RESET. REFOCUS. RENEGOTIATE.

To balance the factors within our control with factors out of our control, we need to remain agile by changing and trading off capitals against each other, as they are all inter-related and subject to change. It is a balancing and renegotiating of resource allocation with the aim of creating sustainable long-term value.

Some of the significant trade-off decisions made by Famous Brands in the current year are discussed below.

Gourmet Burger Kitchen enters administration

After the UK and Irish governments forced all restaurants to close for an indefinite period to reduce the spread of COVID-19, Famous Brands took the decision to cease further investment into GBK. Although GBK showed promising signs of recovery, the uncertainty surrounding the length of the lockdown forced the GBK Board to place GBK under administration in October 2020. Administrators were appointed to assume control of the business. While relinquishing control over GBK means that we reduce our geographic footprint, the move means that no further operating losses will impact the Group's results and no additional capital will be allocated as the business has been disposed of.

Implementing salary reductions

In March 2020 we took the decision to freeze planned salary increases for Executive and Admin staff. In April 2020 we took the decision to implement salary reductions to preserve our cash reserves and protect the sustainability of the Group. While we recognise that the salary freeze and reductions have an impact on our Human capital in the form of employee morale, we believe this was the right course of action as it enabled job security in the face of the economic uncertainty caused by the pandemic.

Refocusing on our core business

In August 2020 we sold our 51% controlling stake in the boutique café brand tashas back to its founders, the Sideris family, who held the remaining 49%. In October we sold our 49.9% stake in It's a Matter of Taste to majority shareholders and founders Karen and Adrian Short. The business comprises the By Word of Mouth and Frozen for You brands. These sales are in line with the Group's three-year strategic road map, which includes a narrower focus of resources in the Signature brands portfolio. During 2020 we mothballed the Europa and Keg brands in SA. While these sales reduce our brand portfolio and footprint, they allow us to focus on our core business and preserve cash for optimal financial capital allocation in the medium to long-term.

Placing franchise partners first

The success of the Group is dependent on a financially healthy franchise network. Many of our franchise partners were in business survival mode as COVID-19 forced them to temporarily close their businesses. We supported our franchise partners by offering fee breaks and payment deferrals that continued until February 2021.
In some instances, we committed to take on some Leading brands company stores to retain key locations where franchisees have struggled to get through the difficult trading conditions. Whenever possible we also stepped in to negotiate fairer rental terms with landlords. While this negatively impacted our financial results in the short term, we believe that these fee breaks safeguard the Group's Financial and Social and Relationship capital in the long term.

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 27 years as a JSE listed company;
- underpinned by a high-performance culture; and
- a compelling business proposition for franchise partners and a quality solution for customers.

About Famous Brands 4

Performance overview 91

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 91

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 112

Strategy and key strategic material matters 46

Strategic business model

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

Business model 10

Effective capital allocation

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

Chief Executive Officer's (CEO's) report 76

Supportive financial position

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

Group Financial Director's (FD's) report 86

ESG mindfulness

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

Embedding SDGs into strategy 53

STRATEGIC INTENT AND VIABILITY

OPERATING CONTEXT

Our operating context shapes the successful implementation of our strategy, sustainable growth and value creation for all our stakeholders.

The period under review was characterised by:

- lockdown restrictions in different markets, including curfews, alcohol bans and capacity restrictions;
- high food inflation;
- economic and political turmoil across our trading markets leading to low business and consumer confidence;
- concentrated competition in a subdued consumer spend environment;
- technology is becoming increasingly pervasive in the food services industry and a differentiating driver; and
- South African-specific challenges including high unemployment, load shedding, service delivery protests and ratings downgrades.

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Consumer behaviour			
Decline in customer visits	COVID-19 and fierce price competition has meant less visits to restaurants.	We strive to make sure that we offer more options across the value/price spectrum. We also place more emphasis on delivery.	We will continue to improve our operational efficiencies to boost margins. We will market our value offerings and promotions aggressively to drive revenue growth and win market share.
Time-poor consumers demand convenience and safety	Footfall in medium and major malls has fallen further due to COVID-19. This has meant that smaller, more accessible local shopping centres have seen increased foot traffic and online ordering and delivery offerings have expanded.	• Significant investment of resources into home delivery. • Expansion into new outlying markets. • Rolled out smaller format convenience-centred outlets.	Convenience and home meal replacement is likely to remain a key trend for time-poor, travelling consumers.

OPERATING CONTEXT continued

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Consumer behaviour			
ESG activism on the rise	Stakeholders demand greater transparency on responsible food sourcing, fair trade practices and impact of farming and production on the environment. Institutional investors are focusing more on responsible investment opportunities.	We are a responsible and compliant corporate citizen and are mindful of operational practices. **Social and Ethics Committee report** 122 We have developed policies and committed to timeframes regarding single-use plastic and packaging, as well as cage-free eggs. We strive for responsible consumption of resources across the Group. **Natural capital** 15	We expect momentum in consumer and shareholder activism regarding ESG issues including climate, plastic waste and sustainable farming practices. We will continue to implement and refine our sustainability initiatives.
Consumers and social media	Social media is increasingly used to complain or publicly censure brands who don't meet expectations. Additionally, consumers are looking for an experience as well as a meal. This means that interesting décor and backgrounds make for shareable content. Free Wi-Fi is expected.	• Our entrenched processes allow us to respond quickly to damaging social media posts. • Our store designs and revamp programmes are aimed at boosting our appeal to the millennial market. • Our promotional activities keep the in-store element in mind to drive social media interaction.	We continue to monitor reputational risk and innovate improved brand campaigns via social media.

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Dining trends			
Traditional mealtimes blurring	With consumers increasingly working and learning from home, mealtimes have become more flexible and spread across the day. Snacking and all-day breakfasts are evidence of this trend. The popularity of sandwiches as a quick and easy meal continues to rise.	We constantly scan local and international trends to remain ahead of emerging menu innovation opportunities.	We can expect that consumers will become more demanding in the limited discretionary spend environment. We anticipate that healthier eating will remain a focus area for interest groups. Here, we will continue to review our menu, introduce healthier meals on our standard and children's menus. We will continue to monitor our compliance with industry legislation regarding salt and sugar consumption. We will continue to deliver an unbeatable offering that meets consumer requirements in terms of quality, service and price. We will ensure that we are accessible across every brand, format and channel.
Eating out replaced by home-dining experiences	With consumers being much more home bound than ever before, there has been a renewed enjoyment of cooking at home. Increased availability of online ordering and delivery, including alcohol, has led to an increase in at-home-dining. Safety concerns during the pandemic and restaurant restrictions further promoted at-home-dining. As a result, menus and packaging needs should be designed to suit an at-home dining experience in taste and presentation.	• Our niche Signature brands are deliberately positioned to capitalise on this trend. • We have invested in online ordering and home delivery and have extended this offering to include Signature brands.	
Chicken consumption continues to rise	Chicken continues to represent the largest fast-food category in SA and other African markets.	While we do not have an exclusive chicken brand in our portfolio, we do offer many chicken options on most of our menus.	We remain open to potential chicken brand acquisitions as well as in-house start-ups. We will continue to enhance chicken options on our menus.

OPERATING CONTEXT continued

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Dining trends			
Food as medicine	The trend for food as medicine is a strong sign of consumers' growing need to take more responsibility for their health. COVID-19 has led to more consumers taking this approach and considering the long-term health benefits of what they consume. They will require brands to make them feel taken care of. This ranges from brands taking the necessary health precautions to brands enabling consumers' self-care.	We are innovating our menus to meet this trend.	We will expand our menu offerings to include beneficial ingredients. This includes evaluating existing menus to profile health benefits of ingredients.
Plant-based alternatives are becoming mainstream	The plant-based-protein or alternative-meat market is estimated to grow 28% per year to $85 billion by 2030[1]. Plant-based diets – whether flexitarian, vegetarian or vegan – are here to stay. This is driven by a consumer desire to be heathier and have less environmental impact. Mushrooms are gaining popularity as meat replacement.	We have vegetarian and vegan options on our menus.	We expect consumers' demand for plant-based products and plan to dedicate more menu space to plant-based options.
Competitive landscape			
Concentrated competition	With subdued consumer spend during the pandemic, competition has become more concentrated. The franchise market has become smaller as a result of economic conditions and potential franchise owners are weighing up more options before they commit to a brand.	We strive to make sure that we offer more options across the value/price spectrum. We also place more emphasis on delivery.	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. Unrelenting effort is made to offer an optimal solution to our customers and restaurant network.

[1] *https://markets.businessinsider.com/news/stocks/beyond-meat-ubs-plant-based-meat-market-85-billion-2030-2019-7-1028367962*

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
Competitive landscape			
Food aggregators increases	Food delivery aggregators are important players in the food service landscape in SA and the UK. The popularity of these aggregators has been accelerated by COVID-19. Consumers benefit from the convenience of ordering online from a variety of restaurants with the option to compare menus and prices and read reviews.	We have embraced these players and collaborate with them but have not and will not give up our own delivery capability and we together with our franchise partners continue to invest in capacity in this regard.	We recognise that the restaurant of the future will use technology throughout the customer journey. We have several innovations, including self-service terminals and delivery driver tracking, all aimed at improving the customer experience. We expect to see industry participants and competitors continuing to invest heavily in this market segment. We recognise that we need to continually upgrade our delivery and pre-ordering systems. Our sophisticated customer relationship management (CRM) programmes are continually improving. These programmes use proprietary data, in line with POPIA, to provide insights that allow us to communicate with customers in a tailored manner. We need to understand how different channels impact each other in relation to service and efficiencies.
Dark kitchens	Dark kitchens, also known as ghost and cloud kitchens, refers to kitchens that prepare food for delivery only. Orders are placed online without the option for the public to enter the premises, dramatically reducing overheads. Dark kitchens are already established in the UK and are gaining momentum in SA.	We consider the opportunities and risks presented by this channel but remain cautious.	
E-commerce and contactless payment	Access to credit cards, smartphones and the internet continues to rise. This increases the demand for e-commerce solutions, contactless payment options and the integration of physical stores with online retail.	COVID-19 accelerated the use of contactless payment for all deliveries.	The use of artificial intelligence and immersive technology, including augmented reality, will become more pervasive. We will continue to explore technology that improves our customer experience and provides actionable insights for our business.
Food technology	There are several food technology trends influencing the global food services industry. This includes traceability enabled by the digitisation of the food supply industry and greater levels of transparency across the food supply chain. Other technology trends include robotic chefs and servers, self-service kiosks and employee scheduling software that allows our managers to spend less time on scheduling.	We have increased our technology interfaces in store. These include digital menu boards, digital payment options and self-ordering terminals.	

OPERATING CONTEXT continued

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
General trading and economic conditions			
The South African consumer	48% of South Africans are younger than 24. Unemployment is a big challenge among younger consumer groups who experience an inability to join the job market. The middle-income market (53% of total population) is experiencing severe economic strain. Consumers have less disposable income and are eating at home as much as possible to save money.	We constantly review menu pricing and portion sizes to deliver on our value promise. We offer loyalty offering, rewards and valuable bundles, which resonate with our customers. Menu innovation will create new interest for consumers. We will continue to leverage cost and productivity efficiencies throughout the business, and specifically in our supply chain operations, to support improved profitability for our franchise partners. It is not feasible to implement above-food-inflation menu price increases when demand is subdued, consumers are cash-strapped, and the economy is recessionary. Our cost price inflation for all externally supplied and produced items were 5.3% based on bi-annual November price cycle.	We anticipate that consumers will remain under pressure as unemployment, inflation, living costs and debt rise. Sub-Saharan Africa growth is subdued, and regional markets are expected to recover at various rates post-COVID-19. Although pockets of growth do exist it is expected that it will take some time to return to a pre-pandemic economy. 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.
High food inflation	The prices of certain ingredients are driving up food prices. The prices of fruits, oils and fats have increased by approximately 11%. Meat prices increased with 8.4% and dairy products with 6.4%. Beef and pork trimmings had double digit growth in October 2020. Overall food inflation is 5.4% Trade in volatile markets, exchange rate pressure and import parity on wheat, maize and oil are driving food inflation.		
COVID-19 leads to corporates, including major food producers, stepping in to distribute food	SA imposed a severe lockdown in late March 2020, deepening an existing, pre-COVID-19 crisis of unemployment, poverty and hunger. The government shut down its school feeding programme, which exacerbated hunger among children.	Famous Brands donated R7.8 million worth of food to SA Harvest, a non-profit organisation.	As a major food producer, we have a role to play in alleviating hunger in the markets where we operate.

Trend	Impact and implication for future value	Our response	Future expectations, aligned focus areas and key enablers
General trading and economic conditions			
Load-shedding	Load shedding impacts consumer sentiment, access to stores and lost sales. Load shedding also increases costs for our Manufacturing and Logistics operations when we switch to expensive alternative power supplies. There are further indirect costs related to delayed deliveries to stores.	Wherever practical and possible, generators are installed in stores. Our Manufacturing and Logistics divisions doubled their use of generators during the period, impacting negatively on the Group's carbon footprint.	Eskom has warned that SA is expecting an electricity shortfall of between 4 000 and 6 000 MW for the next five years. This means that South Africans can expect intermittent load shedding for the foreseeable future. We continue to adapt to a scenario where unstable power supply is a business reality. We will continue to explore opportunities to reduce our reliance on Eskom.
Black Friday has been established as one of the biggest trading weekends in the year	Consumers look forward to Black Friday, which impacts spending for the weeks before and following the Black Friday weekend. Greater mall footfall results in higher turnover for shopping centre stores. In November 2020, Black Friday was more subdued due to COVID-19.	We ensure our offering is tailored to maximise Black Friday spend. We work with franchise partners to ensure smooth revenue flow over the period.	Black Friday will continue to grow in popularity. Some Black Friday specials have been extended for weeks instead of being confined to the day. With several years of experience, we are well-equipped to ensure that Black Friday is a success for our franchise partners and customers.

Lauwrens, Steers, Western Cape

KEY STAKEHOLDERS

Each stakeholder is essential to us and we are committed to delivering value to all groups that have an impact on our business.

Our stakeholders are those individuals or organisations that have an impact on, or are affected by, our operations. The Group believes that strong, sustainable stakeholder relationships form the foundation of our ability to create shared value 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.

Stakeholder management

Stakeholders are engaged by employees and business units with the expertise to do so constructively. Our stakeholder engagement and management principles rest on positive partnerships, consultation and teamwork to achieve common goals.

The functional disciplines embed the structured and thorough processes monitoring stakeholder engagement, including:

- Investor input and feedback through investor roadshows, one on one access and virtual events
- Formal customer feedback through customer service channels
- Monitoring social media for negative and positive reviews
- Community involvement through CSI activities
- A union relationship monitoring mechanism provided through the HR department
- Employee feedback through annual surveys
- Franchise partner feedback through regular engagement, national representative forums and annual franchise forums

Concerns and improvement opportunities are escalated to the responsible senior executives, or to the Exco or the Board if necessary.

The Social and Ethics Working Group assists the Social and Ethics Committee on an executive level to ensure effective stakeholder management within Famous Brands. The Working Group reports to the Social and Ethics Committee on a regular basis.

Social and Ethics Committee report 122

Identifying our priority stakeholders

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

Evaluating the quality of relationships with our stakeholders

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

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

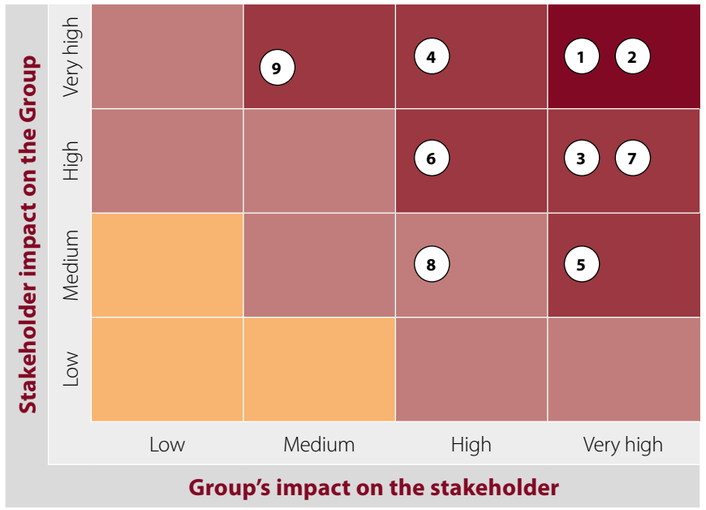
Nature of engagement

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

Stakeholder relationship impact assessment



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

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

KEY STAKEHOLDERS continued

Shareholders, market analysts and prospective investors

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Provide financial capital for growth	Solid investment proposition and sustainable growth	Darren Hele, Lebo Ntlha and Celeste Appollis

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

Key risks

37

1 2 3 4 5 6 7 8 9 10

Deterioration of investor confidence

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

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

Our strategic response and future focus
- Management has extensive experience in our industry
- The 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

Internal assessment of relationship quality | Work closely | Engage

Funding institutions

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Provide Financial capital for growth and facilitate balance sheet support	Responsible capital management	Darren Hele and Lebo Ntlha

How we engage
- One-on-one interactions

Key risks

37

1 8 9

Breach of debt covenants and undertakings to the primary lender

Interests and issues raised
- Timely payment of interest and capital
- Compliance with debt covenants

Opportunities

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

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

Julius and Llewelyn, Multiple brand franchisees, National

Internal assessment of relationship quality | Work closely | Engage

KEY STAKEHOLDERS continued

Franchise partners

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
The primary interface with our customers, custodians of our brand and reputation	Supportive, preferred business partner	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

Key risks

37

1 3 4 5 6 7 8 9

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

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

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

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.

Internal assessment of relationship quality | Work closely | Engage

Customers and prospective customers

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Purchase our products, providing the basis for revenue growth	First-choice brand offering	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

Key risks

37

1 2 3 4 5 6 7 8 9 10

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

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

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

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

Internal assessment of relationship quality | Work closely | Engage

KEY STAKEHOLDERS continued

Civil society and communities

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Provide the socio-economic context we operate in and impact on our reputation	Responsible community participant	Darren Hele, Philip Smith and Jabulani Mahange

How we engage
- CSI initiatives and other sponsorships

Key risks

37

1 6 9

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

Interests and issues raised
- Sustained support
- Association with a reputable brand
- Responsible use of natural resources

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
- Ensure our compliance culture is communicated through improved ESG reporting

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 regarding reducing our environmental footprint and contributing to a more sustainable operating environment

Internal assessment of relationship quality | Work closely | Engage

Suppliers and business partners

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Contribute to our ability to provide quality, cost-effective products and services	Preferred business partner	Darren Hele, Derrian Nadauld, Andrew Mundell and JP Renouprez

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

Key risks

37

1 2 3 4 5 6 7 8 9 10

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

Interests and issues raised
- Timely payment
- Continuity of supply
- Fair treatment
- BBBEE compliance

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

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 with suppliers on a frequent basis to ensure mutually beneficial partnerships.

Hein and Susan, Mugg & Bean, Mpumalanga

Internal assessment of relationship quality | Work closely | Engage

KEY STAKEHOLDERS continued

Employees

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Provide skills, knowledge, experience and productivity to drive the development and execution of our strategy	Employer of choice	Darren Hele and Jabulani Mahange

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

Key risks

37

1 2 3 4 5 6 7 8 9

- Difficulty in attracting and retaining the calibre of skills the business requires
- Slow pace of transformation

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

Opportunities
- Strengthen our career development plans and communicate growth opportunities better
- Achieve improved BBBEE status

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.

Internal assessment of relationship quality | Work closely | Engage

Trade unions

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Serve as the interface with our unionised labour force	Responsive employer	Jabulani Mahange

How we engage
- Open-door policy
- Regular interactions
- Wage recognition agreements

Key risks

37

1 2 5 6 7 10

On behalf of their members:
- Difficulty in attracting and retaining the calibre of skills which the business requires
- 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

Interests and issues raised

On behalf of their members:
- Sustainable earnings growth which could impact job security
- Fair remuneration and recognition
- Equal opportunities and career development
- Training and skills development
- Safe working environment

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

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.

Internal assessment of relationship quality | Work closely | Engage

KEY STAKEHOLDERS continued

Government and regulators

Stakeholder role	Their primary interest and our goal	Board/Exco member accountable
Provide regulatory parameters and measures with cost implications; provide operating licences	Responsible corporate citizen	Darren Hele, Celeste Appollis, Lebo Ntlha, Ntando Ndaba and Jabulani Mahange

How we engage
- Interactions with the relevant authorities
- On-site inspections
- Regulatory reports and disclosures

Key risks

37

1 2 6 10

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

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

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

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.

Internal assessment of relationship quality | Work closely | Engage

RISKS AND OPPORTUNITIES

Risk Management Policy and process

At Famous Brands we believe that calculated risk taking is integral to our business success and growth. It is the responsibility of the management team and the Board to optimise the balance between risk and reward.

The Group is exposed to a wide spectrum of risk, including but not limited to strategic, financial, operational, compliance and reputational risk. Risk management is an important discipline and one of our core focus areas.

Our overarching risk management framework is aligned to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework, illustrated below. Our risk philosophy is connected to our strategy to create value for stakeholders through sustainable growth, without exposing the business to unwarranted levels of risk or overextending its risk appetite.

Our risk management process and frameworks enabled the Group to remain agile and resilient in extremely difficult trading conditions overcast by global economic uncertainty due to COVID-19. Risk and opportunity co-exist; having a forum that focuses on identifying and responding to risks has allowed us to realise opportunities to innovate and deliver sustainable value for stakeholders.

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

Thando and team, Wimpy, Eastern Cape

RISKS AND OPPORTUNITIES continued

The Board has delegated the Audit and Risk Committee with the responsibility to oversee risk management for the Group. The Committee and the management team, together with the established Risk Forum, provide a culture of risk governance and awareness throughout the Group.

Risk activity and accountability

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

	Governance	Assessment	Monitoring and reporting	Quanti-fication	Assurance	Orientation and awareness	Response
Board	X	X	X				
Board Committee Chairman	X		X				
Audit and Risk Committee	X	X	X	X	X		
Executive management	X	X	X	X	X	X	X
Senior operational management		X	X	X	X	X	X
External Audit					X		
Internal Audit					X	X	

Key risks are identified based on:

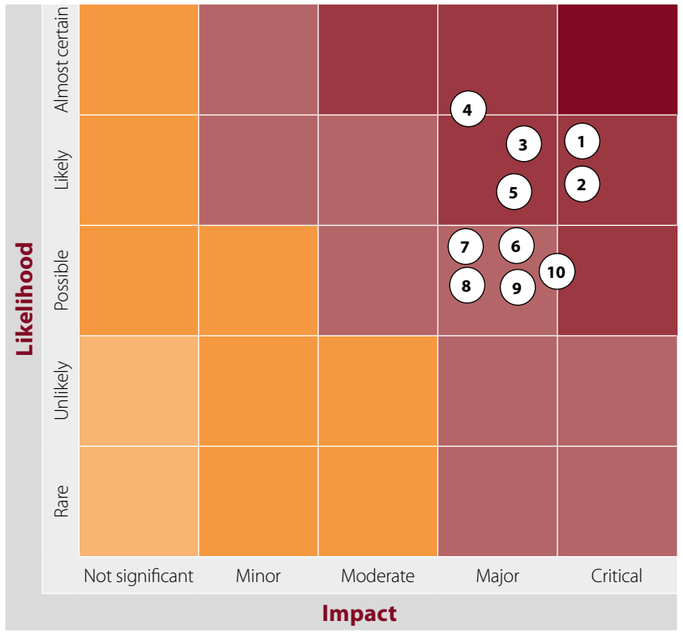
- **risk-bearing capacity** (the capacity to absorb losses related to risks without threatening the Group's ongoing sustainability based on its current business model);
- **risk appetite** (the amount and type of risk the Group is willing to accept in pursuit of its strategic objectives); and
- **risk tolerance** (the acceptable levels of variation relative to the achievement of the Group's strategic objectives).

Key risks

Our top 10 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 risks are ranked according to their materiality to the Group's sustainability based on the inherent exposure. Likelihood categories are based on probability of occurrence. Impact categories are determined based on tolerance levels across four areas: finance, reputation, consumer and employee factors. Timeframes across which impacts can occur are included in the four lenses through which we view impact and range from one month to over one year.

Inherent risk heat map

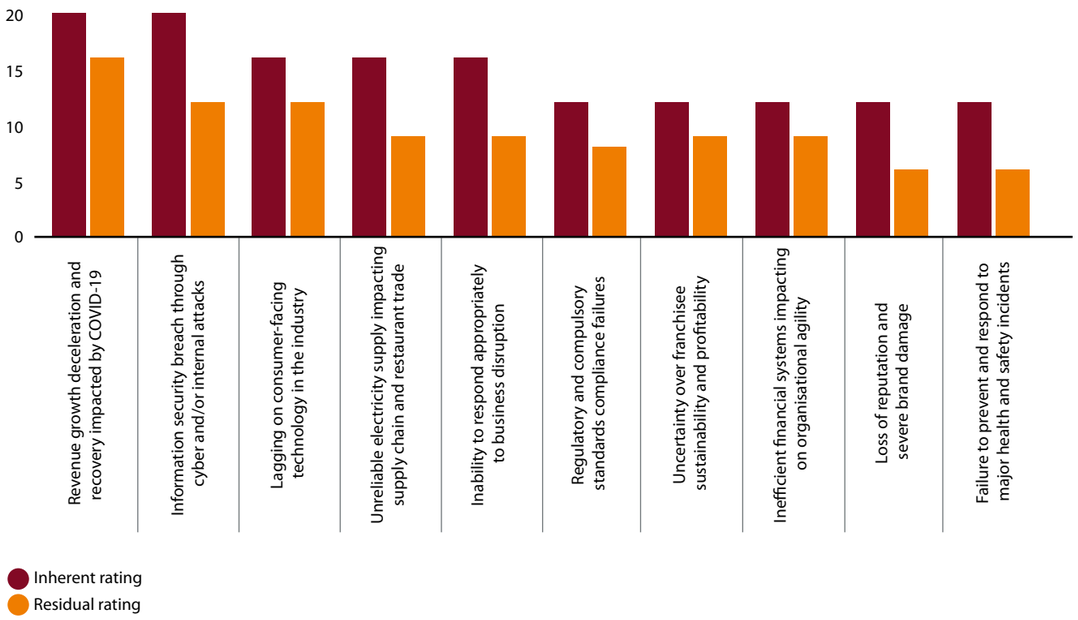


1. Revenue growth deceleration and recovery impacted by COVID-19
2. Information security breach through cyber and/or internal attacks
3. Lagging on consumer-facing technology in the industry
4. Unreliable electricity supply impacting supply chain and restaurant trade
5. Inability to respond appropriately to business disruptions
6. Regulatory and compulsory standards compliance failures
7. Uncertainty over franchisee sustainability and profitability
8. Inefficient financial systems impacting organisational agility
9. Loss of reputation and severe brand damage
10. Failure to prevent and respond to major health and safety incidents

Residual risk assessment

The residual risk and extent of mitigation is illustrated through the following graph:

Inherent and residual risk ratings



RISKS AND OPPORTUNITIES continued

Revenue growth deceleration and recovery impacted by COVID-19

Root causes
- Shift in consumer behaviour regarding safety due to COVID-19 impacts brands, particularly CDRs
- Uncertainty regarding future COVID-19 restrictions including liquor, capacity and curfew
- Limited movement in hospitals, which negatively impacts the Signature brands captive market
- Contraction of consumer discretionary spend due to economic depression
- Third-party aggregator disruption accelerated by COVID-19

Strategic matter

Impact on value
- Cashflow and working capital pressure
- Market share erosion
- Margin erosion
- Business structure rationalisation
- Debt covenants and undertakings breach

Capital

Residual mitigation actions
- Legacy CDRs big box format being addressed via smaller and more agile formats
- More focus given to delivery offering
- Company-owned store defence strategy in place for key sites
- Cash generation and preservation will continue to be a key focus for the business
- Continued investment in the AME division and retail basket will move the revenue needle in the medium to long term

Opportunities
- Leverage our presence in AME
- Leverage flexible trading formats
- Own Home Delivery
- Leverage BI and CRM technology
- Menus and basket innovation

Information security breach through cyber and/or internal attacks

Root causes
- IT structure misalignment to complexities, governance and risks associated with the group technology stack.
- Failure to adequately address identified IT security and general control vulnerabilities.

Strategic matter

Impact on value
- Loss of intellectual property
- Regulatory contravention
- System downtime
- Reputational damage

Capital

Residual mitigation actions
- Appropriately resource the IT structure to support the recently mapped applications and technology architecture
- Implement the three year IT security plan which includes enhanced cyber security control measures

Opportunities
- Innovative technology advancement

Lagging on consumer-facing technology in the industry

Root causes
- Strategy and investment not in line with current and future economic and consumer trends
- Dependency on third-party providers for technology solutions

Strategic matter

Impact on value
- Negative impact on consumer experience
- Growth opportunities not capitalised

Capital

Residual mitigation actions
- Execute on the consumer-facing technology strategy
- Refine and drive each brand's technology consumer experience requirements
- Step-up technology-enabled home delivery in AME growth pockets

Opportunities
- Leverage BI and CRM technology
- Next generation cloud-based POS system
- Payment gateway development

Unreliable electricity supply impacting the supply chain and restaurant trade

Root causes
- Dependency on unreliable Eskom and local distribution network
- Generator back-up solution not fit for purpose

Strategic matter

Impact on value
- Operational inefficiencies resulting in margin erosion
- Reduced day stock cover
- Interruption of service to franchise network and consumers

Capital

Residual mitigation actions
- Continue monitoring impact of load shedding on the business and execute response plan

Opportunities
- Alternative energy sources with reduced impact on the environment

RISKS AND OPPORTUNITIES continued

Inability to respond appropriately to business disruptions

Root causes
- Lack of a comprehensive business continuity plan for local and international entities
- Labour laws limiting speed and agility in a disruptive environment

Strategic matter

Impact on value
- Extended time lag in recovering operations resulting in loss of revenue and increased operating costs
- Interruption of service to franchise network and consumers

Capital

Residual mitigation actions
- Supply chain business continuity and disruption plans in place for majority of manufacturing sites
- BCM Steering committee in place to address key dependencies and outstanding actions
- Insurance gap analysis project underway to limit impact of insurable and non-insurable disruptions

Opportunities
- Shareholder value protection and enhancement

Regulatory and compulsory standards compliance failures

Root causes
- Unstructured monitoring of relevant government legislation due to absence of a regulatory compliance framework
- Failure to effectively ready the business for new standards and regulations, including amendments to JSE listing requirements, the Protection of Personal Information Act, No 4 of 2013 (POPIA), Administrative Adjudication of Road Traffic Offences Act, No 46 of 1998 (AARTO Act), National Environmental Management
- Waste Act, No 59 of 2008 (Regulations regarding extended producer responsibility)

Strategic matter

Impact on value
- Reputational damage
- Regulatory fines and penalties
- Loss of consumer confidence, especially on food related failures
- Litigation

Capital

Residual mitigation actions
- Develop and implement a regulatory compliance framework
- Project teams have been put in place to ensure the business is ready for new regulatory requirements

Opportunities
- Enhanced stakeholder value

Uncertainty over franchisee sustainability and profitability

Root causes
- Strained working capital due to recurring COVID-19 restrictions
- Uncertainty over favourable lease renegotiations and renewal terms as commercial landlords continue to experience cash flow pressure due to COVID-19
- Total cost of production of licensed products may be uncompetitive in some buckets due to operational inefficiency and food inflation

Strategic matter

Impact on value
- Store growth deceleration
- Increased franchisee business failures
- Margin erosion

Capital

Residual mitigation actions
- Providing business sustainability relief packages to franchisees for short to medium term
- Continuing to co-ordinate rent relief and lease renegotiations on behalf of franchisees
- Co-ordinating class action on business interruption claims with various insurance companies on behalf of franchisees
- Continuing to identify manufacturing technology that will increase operational efficiencies
- Ongoing weekly market price review meetings in collaboration with Leading brands and supply chain

Opportunities
- Apply and leverage total cost of ownership principles across the supply chain
- Accelerate franchisee COVID-19 recovery phase with lease renegotiation and renewals
- Menus and basket innovation

Inefficient financial systems impacting on organisational agility

Root causes
- Financial systems inadequacies contributing to month-end inefficiencies and human errors
- Delayed detection of breakdown in internal financial controls
- Delayed reporting from associates' that do not use SAGE reporting

Strategic matter

Impact on value
- Reduced dependency on financial information for decision-making
- Inefficient financial consolidation and reporting

Capital

Residual mitigation actions
- Rationalise the financial processes and technology stack (upgrade/replace/automate)
- Standardise across the business, general financial controls implementation and evaluation based on the COSO and combined assurance frameworks

Opportunities
- Enhanced financial modelling capability

RISKS AND OPPORTUNITIES continued

Loss of reputation and severe brand damage

Root causes • Unethical conduct by any key stakeholder • Non-adherence to agreed company procedures and escalation framework • Ineffective management of litigations and court action	**Strategic matter**
Impact on value • Key stakeholder trust deficit • Share price erosion	**Capital**
Residual mitigation actions • Continue promotion of ethical practices among our key stakeholders Group-wide • Ensure all business policies are regularly updated and communicated	**Opportunities** • Enhanced stakeholder value

Failure to prevent and respond to major health and safety incidents

Root causes • Failure to effectively implement health and safety management system • Failure to effectively implement COVID-19 regulations	**Strategic matter**
Impact on value • Reputational damage • Regulatory fines and penalties • Loss of life	**Capital**
Residual mitigation actions • Health and safety is a standing item on the Exco agenda • Embed cloud-based injury and follow-up action system • COVID-19 risk assessments and related procedures in line with the regulation implemented for each operational site	**Opportunities** • Enhanced stakeholder value

Emerging risks

Our risk management processes and responses include identifying emerging risks and will evolve as operating conditions change. Although black swan events such as COVID-19 are difficult to predict, our risk management process is agile enough to respond to outlier events. The pandemic further highlighted the importance of ongoing review of our insurance risk management strategy.

Leading brands, All regions

1 *Jaco, Milky Lane, Gauteng*
2 *Kobus, Fishaways, Free State*
3 *Shereen and Dean, Mugg & Bean, Gauteng*
4 *Ahmed and Vernesia, Steers, Western Cape*
5 *Sazi and Thanda, Wimpy, KwaZulu-Natal*
6 *Richard, Debonairs Pizza, Mpumalanga*

STRATEGIC FOCUS AREAS AND KEY ENABLERS AT A GLANCE

Vision

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

Strategic intent

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

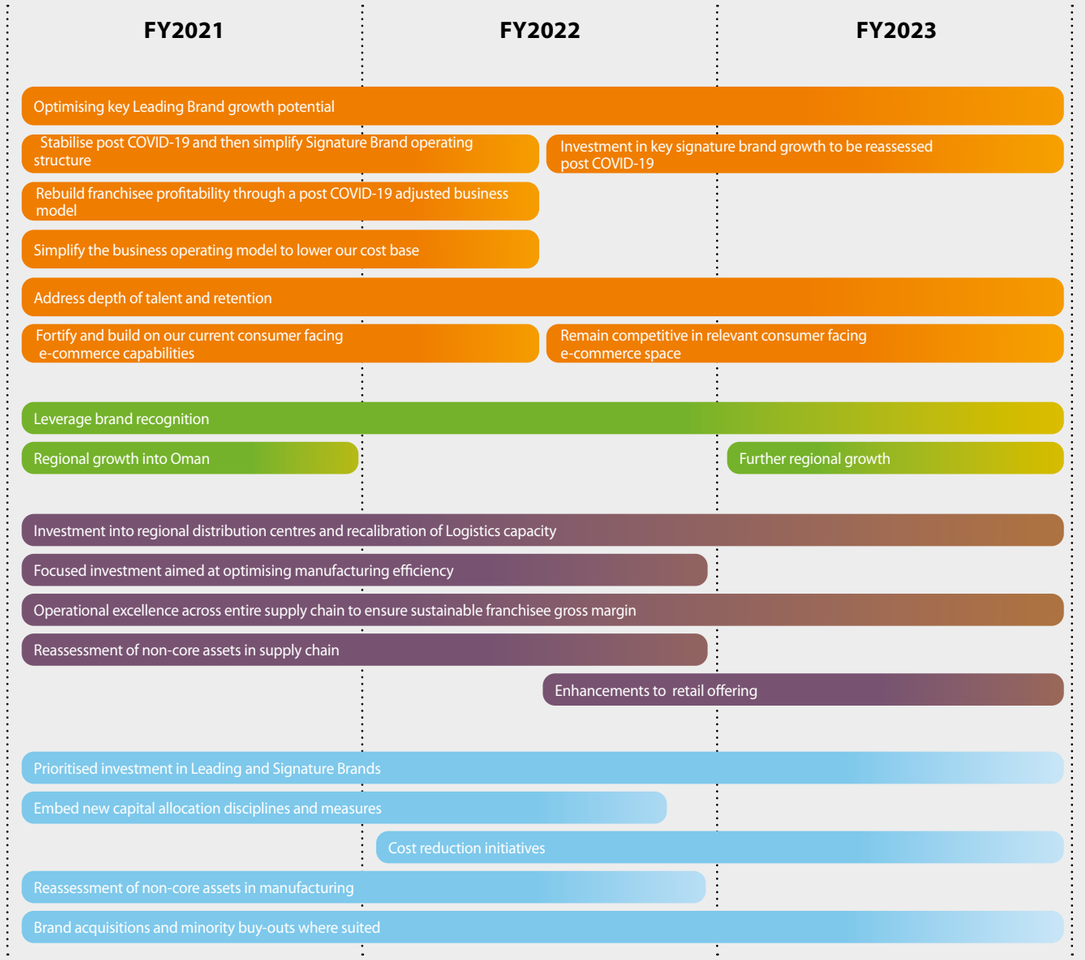
Leading to

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

Resulting in

∨ 35% **R5 billion** Revenue	∨ 121% **-86 cents** HEPS	∨ 79% **R193 million** Operating profit before non-operational items	∨ 7.9 **3.8%** Operating profit margin
∨ 100% **Rnil** To shareholders	∨ 38% **R893 million** To employees	∨ 29% **R3.6 billion** To suppliers	∨ 2% **R214 million** To lenders
	∧ 15% **R15.8 million** To communities	∨ 152% **-R115 million** To government	

Enabled by key strategic imperatives over a three-year period



SCORECARD BY STRATEGIC MATTER

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

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 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 continually monitor and evaluate against KPIs, competitor activities and in consultation with stakeholders.

We track management's delivery on our strategic material matters using KPIs that line up to our remuneration structure 145.

Improve our operational efficiencies

Why it matters

We need to ensure we are as efficient as possible to enable the long-term sustainability of the business and that of our franchise partners and achieve our goal of being the leading innovative branded food services business in our markets.

KPI

- Revenue growth
- Operating profit growth

Remuneration report 132

Stakeholders impacted

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

Key stakeholders 26

Related risks

Risks and opportunities

1 3 4 5 7 8

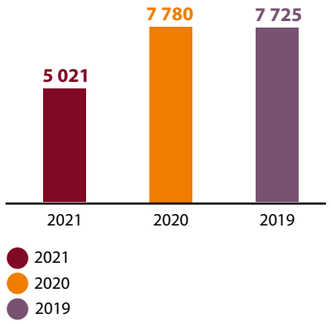
37

Impact on capitals

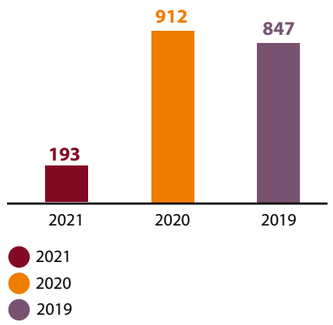
12 to 16

Three-year trend

Revenue (R million)



Operating profit (R million)



Enhance our financial performance

Why it matters

- We aim to grow capability, capacity and scale across manufacturing, branded franchised and food services spaces.
- Trading conditions in all 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.

KPI

- HEPS
- ROCE
- Total shareholder return (TSR)

Remuneration report 132

Impact on capitals

12 to 16

Stakeholders impacted

Franchise partners, suppliers and business partners, employees, shareholders, market analysts and prospective investors; civil society and communities.

Key stakeholders 26

Related risks

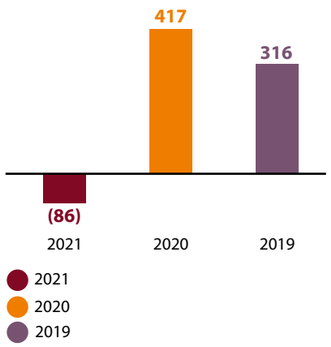
Risks and opportunities

1 3 7 8

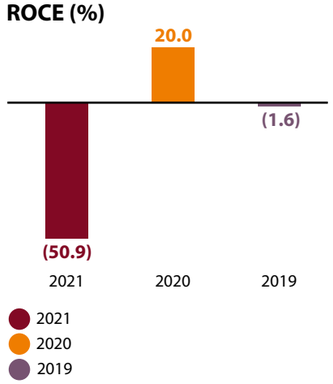
37

Three-year trend

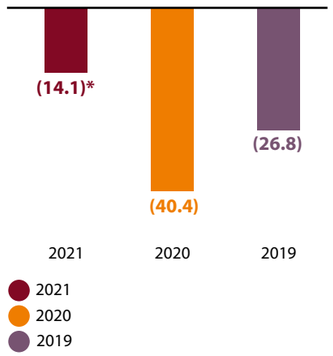
HEPS (cents)



ROCE (%)



TSR (%)



** 2021 relates to absolute TSR. 2019/20 relates to relative TSR.*

SCORECARD BY STRATEGIC MATTER continued

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 service industry is increasingly competitive. In a challenging operating environment, local and international operators compete for a shrinking wallet, and in some cases, for survival. To promote the Group's continued success, we need to ensure our brands are differentiated through their irresistible customer appeal

KPI
- Internal research metrics
- Like-for-like sales growth

Remuneration report 132

Impact on capitals

12 to 16

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

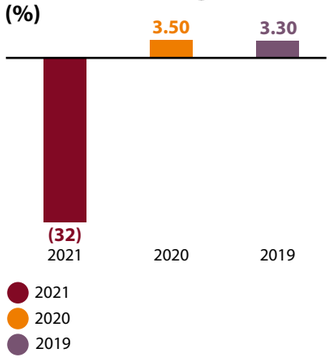
Key stakeholders 26

Related risks
Risks and opportunities
1 3 4 5 9

37

Three-year trend

Like-for-like sales growth SA (%)



Prioritise our franchise partners

Why it matters
We understand that our franchise partners represent our brands and that their success translates into our success. We work hard to develop close, mutually beneficial relationships with them.

KPI
Regular interactions are conducted with the national franchise forums for each brand and set metrics are evaluated. These metrics are strategic and therefore not disclosed.

Impact on capitals

12 to 16

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

Key stakeholders 26

Related risks
Risks and opportunities
3 4 5 6 7 9

37

Ensure regulatory compliance

Why it matters
We understand that compliance with all relevant regulations and strong relationships with industry authorities gives us permission to operate and enhances our reputation as a responsible corporate citizen among our stakeholders.

Impact on capitals

12 to 16

Stakeholders impacted
Government and regulators, customers and prospective consumers, shareholders, market analysts and prospective investors

Key stakeholders 26

Related risks
Risks and opportunities
2 6 10

37

Develop our people; ongoing commitment to transformation

Why it matters
- We are a team of results-oriented people operating in a high-performance culture
- Human capital is considered a core corporate asset at Famous Brands and the quality of our people is critical to our success. Mutually beneficial relationships stem from ensuring our people are developed, recognised and rewarded appropriately

KPI
- Annual morale engagement survey
- Training conducted and completed
- BBBEE rating

Remuneration report 132

Impact on capitals

12 to 16

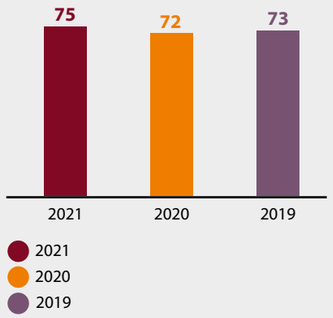
Stakeholders impacted
Employees, trade unions, government and regulators

Key stakeholders 26

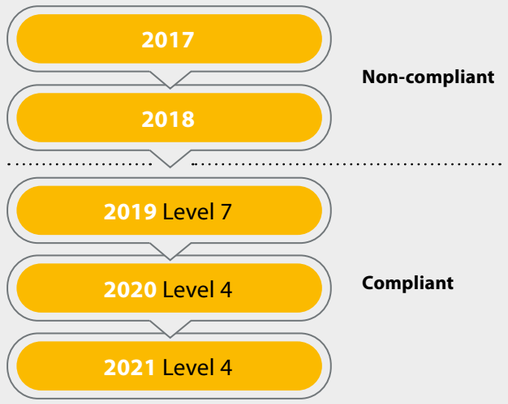
Related risks
Failure to develop our people and commit to ongoing transformation will impact negatively on our good relationships with them and have an adverse effect on the business and its growth objectives.

Three-year trend

Employment engagement survey (%)



BBBEE score



SCORECARD BY STRATEGIC MATTER continued

Jeff and team, Vovo Telo, Western Cape

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 correctly deployed to meet operational requirements, service debt, support future growth and pay dividends to shareholders when appropriate

KPI

Net debt:earnings before interest, taxation, depreciation and amortisation (EBITDA)

Remuneration report 132

Impact on capitals

12 to 16

Stakeholders impacted

Shareholders, market analysts and prospective investors; funding institutions

Key stakeholders 26

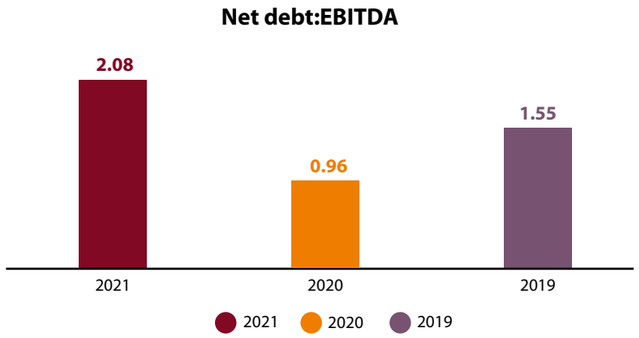
Related risks

Risks and opportunities

1 8

37

Three-year trend



Embedding SDGs into strategy

Famous Brands is a responsible corporate citizen. In the prior year, we reported our commitment to support and contribute to the United Nations' Sustainable Development Goals (UN SDGs). We recognise that the achievement of these SDGs is critical to long-term sustainability. Not only will our contribution assist in eradicating social and economic inequality, but it will assist in our operational efficiency objectives. Due to our vertically integrated business model we have long since understood the benefits of reduced and greener consumption to business model. For many years we have monitored progress on consumption initiatives and which to link our historic practices to our SDG commitments.

We have identified the SDGs that are the most relevant to our business and where we believe we can have the greatest contribution. We have committed dedicated executive management oversight to these areas.

SDG	
1 NO POVERTY, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. **End poverty** in all its forms everywhere.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Build resilient infrastructure,** promote **inclusive and sustainable industrialisation** and foster **innovation**
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure **sustainable consumption** and production patterns
13 CLIMATE ACTION	Take urgent action to **combat climate change** and its impacts
15 LIFE ON LAND	Protect, restore and promote **sustainable use of terrestrial ecosystems,** sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

As a responsible corporate citizen, we are moving away from simply mapping existing activities to the SDGs. During FY2021 we have commenced the process of identifying aspirational goals for each SDG. After approval by our Social and Ethics Committee, targets for each of the specific goals will be set, communicated and integrated into business processes.

SDGs 1 and 5 overlap with identified initiatives under our responsible consumption, equality, decent work and economic growth ideals. We can relate our SDG commitment to these areas:

- reducing food waste generated from plants going to landfill;
- reducing kilograms CO_2e generated from supply chain;
- recycling non-food waste products from supply chain (packaging material recycling);
- deliberately investing in renewable energy e.g. solar, wind, wave power; and
- reducing water usage from municipalities and wastewater sent to municipalities.

In future we aim to our progress in embedding selected goals and measurements into mainstream operations.

SUSTAINABILITY

OUR SUSTAINABILTY JOURNEY

Through continued innovation, research and development, and with the best-of-breed energy efficient practices, we are designing a sustainable food services business that benefits our customers and has a positive impact on the environment.

We recognise that sustainability and ESG matters have become a business imperative for our industry. We are on a journey to achieve sustainable growth through several best practice activities and policies together with timeframes in place to track progress.

Our commitment for the future

Our food philosophy is centred around creating food that is good for our customers, our people, local communities and the environment. We believe in FOOD with thought:

F	**Focus on the future of communities and the environment**
O	**Open, responsible sourcing**
O	**Observing and implementing eco-efficient practices**
D	**Developing and managing sustainability policies**

As we progress our mindful FOOD journey in line with best practice, we will:

- review and update our goals and timeframes on an ongoing basis;
- strive to ensure we remain responsive to emerging trends that have an impact on health and wellness, sustainability, and our communities;
- be continually mindful of the interests and expectations of our stakeholders; and
- be accountable for our actions.

Year	Heading
FY2019	Our Logistics supply chain operation ceased stocking plastic straws.
	All plastic straws were removed from the SA and UK restaurant network and replaced with paper straws.
FY2020	We commenced converting all hot take away coffee cups to a fully recyclable and compostable alternative. Vovo Telo and Mugg & Bean conversion complete.
	Recycling logos were added to all our plastic cutlery to drive awareness that the material can be recycled and responsibly disposed of.
	Cage-free eggs in use by Vovo Telo, Mugg & Bean, Fego Caffé, PAUL and Creative Coffees. Effective October 2019 egg products were removed from all manufactured sauces, and a phased roll out of the sauces commenced.
	All polystyrene eliminated from our Leading brands restaurant network and replaced with recyclable packaging.
FY2021	Concluded elimination of balloons in Debonairs Pizza, Fishaways, Wimpy SA and AME restaurants.
	Steers concluded the cage-free egg transition in October 2020.
	All brand packaging ranges are currently 100% recyclable and work is going ahead to improve our status by converting to bio-degradable and compostable packaging.
	Famous Brands became signatories of the South Africa Food Loss and Waste Agreement.
	We launched our fully recyclable, compostable and biodegradable packaging into Wimpy as a replacement for the widely used grill and breakfast box.
FY2022	Milky Lane converted to fully recyclable and compostable hot takeaway cups.
	NetCafé and Coffee Couture will be converted to fully recyclable and compostable hot takeaway cups.
	Targets to be set for Famous Brands' selected UN SDGs.
	Wimpy to transition to using cage-free eggs in October 2021.
	Wimpy to convert to fully recyclable and compostable hot takeaway cups.
2025	All operations will use cage-free eggs.
	Ensure that all our brand packaging material is 100 % recyclable, biodegradable and or compostable by 2025.
2030	Consumer Goods Council of South Africa is driving a project to reduce food waste by 50% by 2030.

South Africa Food Loss and Waste Agreement

Famous Brands have become a core signatory to the South Africa Food Loss and Waste Agreement and have committed to:

- working with the SA government, food sector and associated organisations to achieve the United Nations SDG 12.3 target which states "by 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses;
- adopt the food utilisation hierarchy which prioritises increased food utilisation and the reduction of food waste, followed by the redistribution of edible, nutritious surplus food for human consumption, and creation of secondary markets for surplus food, taking food safety into account; and
- confidentially report our annual quantities of food waste and quantities diverted to food surplus redistribution, according to the agreed reporting protocol.

Our efforts will be focused on:
- identifying food loss and waste arising in our operations and isolating the underlying causes;
- ensuring that food safety is maintained at every level; and
- building on our partnership with non-profit SA Harvest to redistribute edible surplus food to those in need.

We have an established partnership with the charitable organisation SA Harvest whose motto is 'Rescuing Food, Fighting Hunger'. This relationship began during the COVID-19 pandemic where Famous Brands management worked closely with the organisation to re-distribute stock which our hibernated operations were not able to use. SA Harvest provides an outstanding service to needy local communities and we look forward to developing this mutually beneficial partnership.

The information pertains to our SA restaurant network unless otherwise specified.

Better for You awareness

With our customers' health in mind and aligned to the Department of Health's goal to combat obesity, our Leading brands run several initiatives to promote healthier eating. Our extensive meal offerings across our wide variety of brands cater for dietary restrictions, food allergies, intolerances and lifestyle choices.

All Leading brands' menus:
- showcase a "Better for You" offering;
- offer vegetarian and/or vegan options;
- differentiate between sugar soda versus sugar-free soda; the sugar-free option being cheaper; and
- our TruFruit juice range's new formulation complies 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; and
- images of beverages on menus are of sugar-free varieties;
- beverages containing sugar may be swopped out for bottled water at no extra cost at Steers;
- Steers no longer promotes upselling, to disincentivise upsizing of meals;
- all QSR brands (Steers, Debonairs Pizza and Fishaways) have full kilojoule counts on their menus;
- Mugg & Bean On The Move menus had full kilojoule counts this April 2021.

ENVIRONMENTAL REPORT

Lessening our environmental impact is a priority for Famous Brands. We identify our environmental impacts and monitor them with the aim of introducing continual improvements over time.

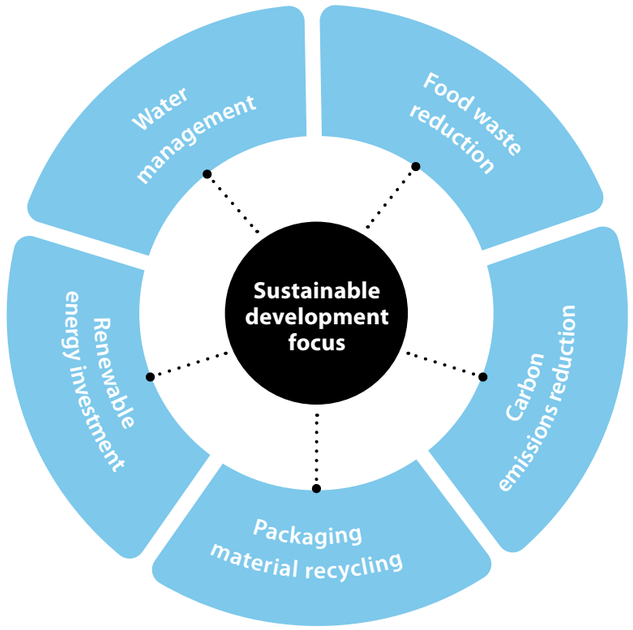
During the last review period we identified three of the UN SDGs that are aligned to our environmental philosophy and activities across the Group. These are goal 12 (responsible consumption and production) and goal 13 (climate action).

Our Environmental and Climate Change Policy outlines the Group's commitment to responsible environmental practices and identifies key areas of improvement. This includes measures to reduce air pollution and eco-efficiency aimed at reducing our environmental footprint and creating a more sustainable operating environment for the benefit of our stakeholders.

As a responsible corporate citizen, we are moving away from simply mapping existing activities to the SDGs. During FY2021 we have commenced the process of identifying aspirational goals for each SDG. After approval by our Social and Ethics Committee, targets for each of the specific goals will be set, communicated and integrated into business processes.

At present, we see the greatest opportunity for reducing our environmental impact in:
- food waste reduction across the supply chain; and
- utilities reduction (particularly fossil fuels) across the supply chain.

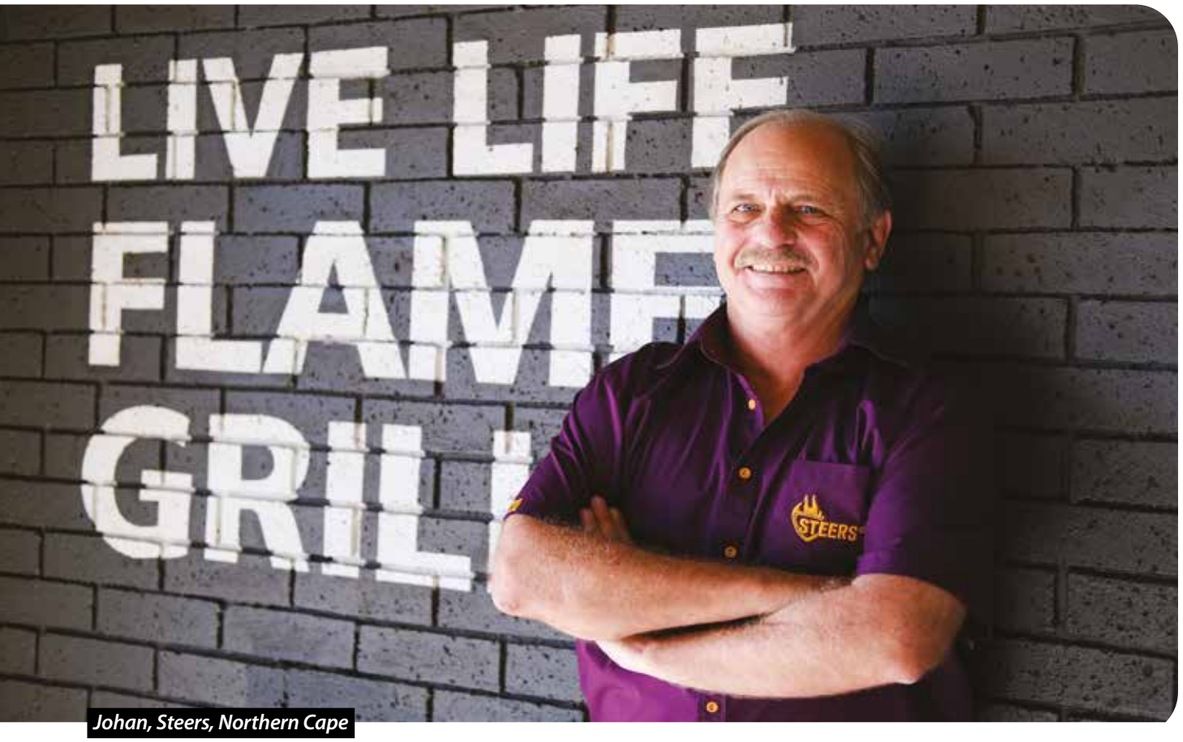
Famous Brands sustainable development focus areas



ENVIRONMENTAL REPORT continued

Our current activities to reduce our environmental impact include:

Manufacturing	Logistics	Restaurants
• Efficient water usage and effluent management set against a continuous improvement target • Maximising recycling opportunities for our general waste • Responsible sourcing of sustainable food products for processing • Responsible re-use or redistribution of food through donation of excess food products • New plant design focused on responsible consumption • Planned projects around renewable energies to replace fossil-based sources of energy	• Investigating alternative cleaner fuel and energy options (with lower greenhouse gas (GHG) emission factors) • Optimisation of transport efficiencies in our Logistics fleet • Better route planning • Reduction in number of trips • Responsible redistribution of near expiry date stock through donations to identified charities • Use of improved quality refrigerants, reducing electricity consumption	• Maximising recycling opportunities for our general waste • Eliminating balloons • Eliminating plastic straws • Rolling out fully bio-degradable and compostable takeaway coffee cups • Converting from plastic toothpick wrapping to paper wrapping • All brand packaging ranges are currently 100% recyclable • We are investigating converting to bio-degradable and compostable packaging • Reduction in food wastage through portion control and made-to-order practices in our restaurants • Responsible re-use or redistribution of food through donation of excess food products



Johan, Steers, Northern Cape

The Group's consumption of non-renewable resources on a geographical basis is detailed below. All energy sources have decreased in the year under review when compared to the comparable periods in the previous years.

Input	Unit of measurement	2021	2020
SA operations: Manufacturing and Logistics divisions and head office			
Water	kilolitres	**287 201**	368 371
Energy			
Electricity	MWh	**25 366**	30 734
Electricity – solar	MWh	**548**	442
Diesel	kilolitres	**1 461**	2 073
Petrol	kilolitres	**452**	731
Paraffin	kilolitres	**54**	182
Liquefied petroleum gas	kilolitres	**32**	48
Natural gas	gigajoules	**29 257**	35 696
Coal	tons	**2 121**	4 667
Steam	tons	**6 617***	–
CO_2 emissions	metric tons CO_2e		
Direct		**14 961**	21 688
Indirect		**25 970**	31 963
SA operations: Signature brands excluding Group associates			
Electricity			
All Company-owned restaurants	MWh	**1 084**	3 238
Water			
All Company-owned restaurants	kilolitres	**5 584**	10 288

* *Supplied from a third party coal user.*

Carbon footprint report

In line with the SA regulatory and tax landscape regarding climate change, the Group has aligned its environmental assessment methods with local legislation and international best practice. This approach will allow the Group to comply with legislative requirements, adequately prepare for the introduction of carbon tax and take proactive steps to reduce its overall carbon footprint.

Famous Brands has conducted a detailed assessment of the Group's carbon footprint, with specific focus 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 therefore the franchise operations are not included in this assessment. The GHG emission categories assessed are:

- direct which includes mobile fuel combustion (own fleet) and stationary fuel combustion (on-site equipment); and
- indirect including purchased electricity, water supply and waste disposal.

ENVIRONMENTAL REPORT continued

The Group's total GHG emissions in FY2021 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	116.82	5 414.92	5 531.74	-31%
	Stationary fuel combustion	6 890.94	43.90	6 934.84	-31%
	Total Scope 1 emissions	7 007.75	5 458.82	12 466.58	-31%
Scope 2	Purchased electricity, heat and steam	20 935.12	7 528.72	28 463.84	-19%
	Total Scope 2 emissions	20 935.12	7 528.72	28 463.84	-19%
	Total Scope 1 + 2 emissions	27 942.87	12 987.54	40 930.42	-24%
Scope 3	Water supply	340.63	19.04	359.67	72%
	Waste disposal	536.13	91.87	628.00	59%
	Total Scope 3 emissions	876.76	110.91	987.67	63%
All scopes	**Total Scope 1, 2 and 3 emissions**	28 819.63	13 098.45	41 918.08	-23%

Steam emissions at Coega Cheese, previously categorised as Scope 1, have been recategorised to Scope 2 purchased electricity, heat and steam. To compare like with like, the percentage increase or decrease from the previous year in stationary fuel combustion emissions, purchased electricity emissions and Scope 1 and Scope 2 totals have been based on the previous year's emission source categorisation.

Purchased electricity use across operations decreased 17%, however due to the 2% decrease in the Eskom grid emission factor purchased electricity emissions decreased 19%.

Lifecycle studies in the water industry have shown that the contributor which carries the highest environmental burden is the use of electricity. This presents an argument for the use of an electricity index as a measure of environmental performance for urban water systems.

For this reason, the measurement approach was changed to use an emission factor based on electricity use. This has increased the emission factor by 120% from the previous financial year. Water use in Famous Brands' operations decreased 22% from the previous year, however the emission factor change has had the net effect of increasing water supply emissions by 72%.

Waste generated in operations has increased due to more complete data across operations, as well as a significantly higher emission factor applied to mixed industrial and commercial waste to landfill (458.176 kg CO_2e/tonne waste compared to the previous year's factor of 99.7592 kg CO_2e). The emission factor increase was due to remodelling based on the most up to date compositional analysis.

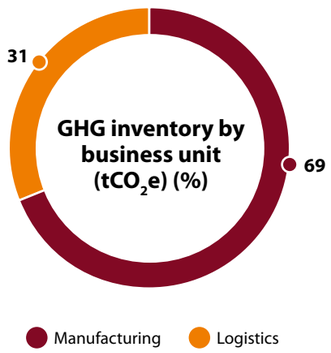


Figure 1 illustrates total GHG emissions by business unit.

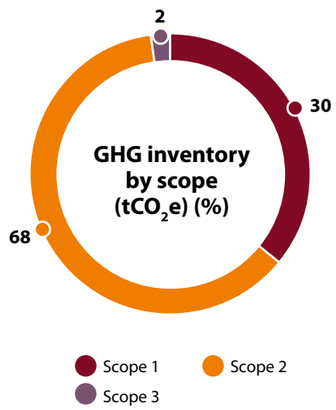


Figure 2 illustrates GHG emissions by Scope, with most of the Group's emissions being Scope 2 (indirect emissions from purchased electricity).

Emissions source tCO_{2e} (%)

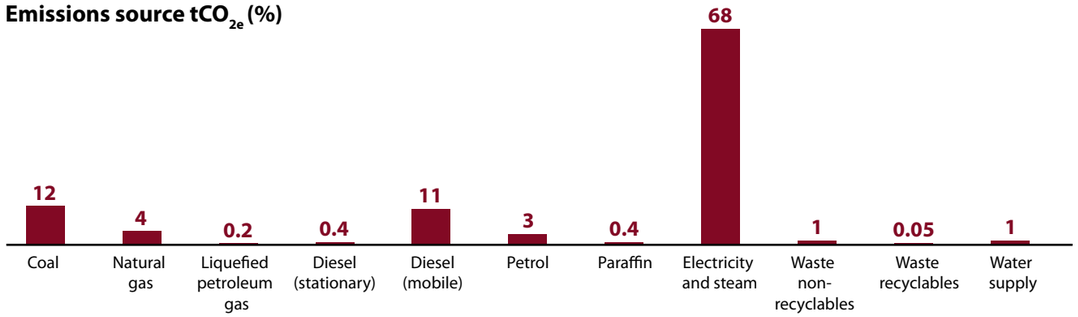
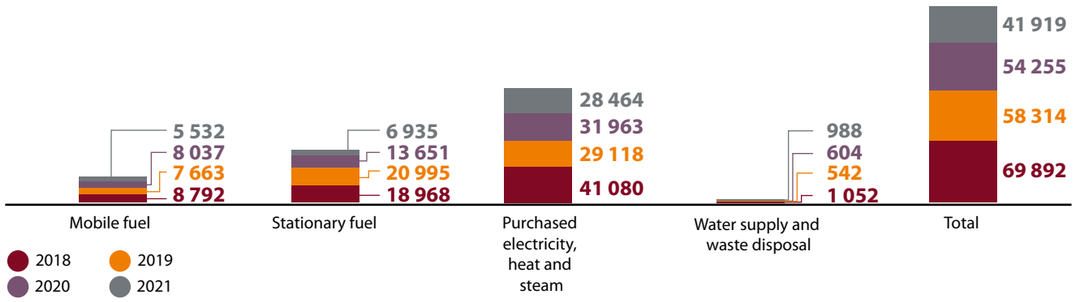


Figure 3 illustrates emission source contributions to total GHG emissions.

Carbon footprint by type (FY2018 to FY2021) (tCO2e)



Overall, the carbon footprint report reveals that the Group's emissions have decreased by 22% over the past year and 28% over the past two years. This can be attributed to the following:

- Less operational activity due to COVID-19;
- a Company-wide utilities savings awareness programme;
- smart metering of electricity, water and key fuel usage tied to key performance indicator settings for each business unit;
- fuel type conversion to lower carbon fuels;
- paraffin consumption has stopped in KwaZulu-Natal since April 2020, with the closure of the ice cream plant;
- the annual electricity generated from solar systems increased during the year;
- close monitoring and evaluate of new generators; and
- employee awareness campaigns to encourage environmentally responsible behaviour.

To reduce our carbon footprint in future, we have identified the following possible opportunities:

- Improving plant efficiencies to make more units per hour of plant time
- Better measurement of large utility users to bring more management focus to must win sites daily and even every shift
- Making fuel switches to low carbon fuels where practical For example, less Coal and paraffin and more gas and solar)
- Reduction of electricity usage per ton produced by improving refrigeration plant efficiencies
- Fleet route optimisation, reducing the number of trips taken and so the carbon impact
- Investment in renewable energy, for example Solar.

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

We are targeting a 25% improvement in our water and carbon usage per case of production over the next 5 years. F2022 to F2026.

Carbon tax implications

Although Famous Brands is below the threshold for paying carbon tax, all sites are registered for carbon tax with SARS.

TRANSFORMATION REPORT

Our transformation journey

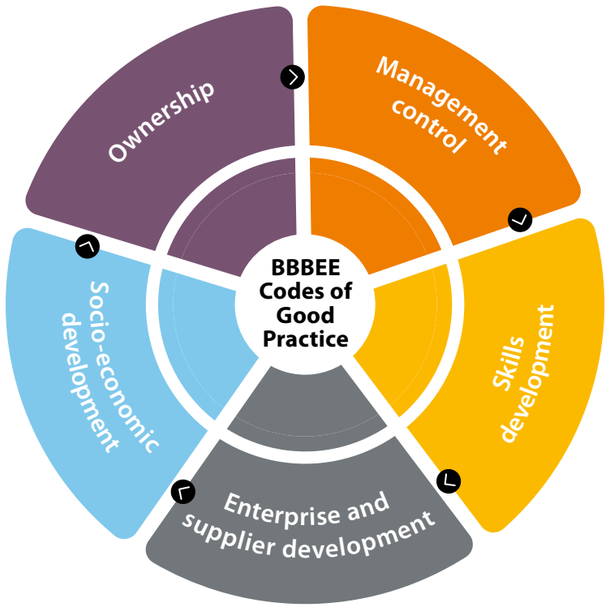
Famous Brands works towards an employee demographic that represents South Africa (SA). We observe the principles of equality and fair treatment in all operations and interactions with employees.

We view transformation a social, moral and strategic business imperative. We are committed to developing a more equal, inclusive and fair society through the ongoing transformation of our business and initiatives that empower the communities in which we operate.

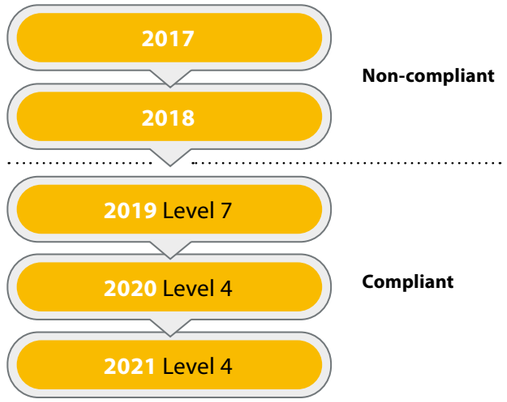
In SA, our business transformation strategy follows the objectives of the Department of Trade and Industry's BBBEE Codes of Good Practice (CoGP). This year Famous Brands moved from the CATHSSETA (Tourism and Hospitality) to the FOODBEVSETA (Food and Beverages) which is more aligned to our business activities.

Our Group Transformation Manager together with our executive leadership team are responsible to execute our BBBEE transformation strategy across the business. We have made good progress over the years.

Our transformation journey is monitored by our Social and Ethics Committee and Working Group. We endeavour to follow best practice and align our activities with the 10 Principles of the UN Global Compact. We aim to ensure that our operations are responsible, ethical and accountable.



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



This report provides details on our progress, targets and outlook regarding our transformation journey. While pleasing progress was made, we are mindful that there is still room for improvement.

Composition of Famous Brands' FY2021 BBBEE scorecard (%)

Ownership	Management control	Skills development	Enterprise and supplier development (ESD)	Socio-economic development		Overall score and level
11.46	14.43	19.76	31.32	5.00	=	81.97%

BBBEE score analysis

Scoring element	Target points	Achieved points FY2021	Achieved points FY2020
Ownership	27.00	**11.46**	10.16
Management control	19.00	**14.43**	14.25
• Board representation	6.00	**5.27**	5.27
• Employment equity	13.00	**9.11**	8.98
Skills development	20.00	**19.76**	19.69
ESD	40.00	**31.32**	33.97
• Procurement	25.00	**15.32**	17.97
• Supplier development	10.00	**10.00**	10.00
• Enterprise development	5.00	**5.00**	5.00
Socio-economic development	5.00	**5.00**	5.00
Total	111	**81.97**	83.07
Level contributor status		**4**	4

Ownership

Ownership

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

The ownership element measures the effective ownership of a company by Black people. This includes the entitlement of Black people to the voting rights and economic interest associated with equity holding. Voting rights refer to the rights to direct the Company's strategic and operational policies, while economic interests, such as shareholding, build the wealth of Black people. Ownership increased to 14.4% from 12.20%, based on an analysis of mandated investments.

Management control

Board participation and other executives

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

Management control is exerted through the company's governing bodies including the Board level and executive management level. The Board is measured according to African, Coloured and Indian (ACI) for transformation purposes.

As a result of COVID-19, retrenchments are ongoing and new employment equity targets will be set and communicated with the Department of Labour. An employment equity target template is being developed to enable managers to keep track of targets and use for the hiring process. The Talent and Development team utilises the template to align with training and succession planning processes for employment equity candidates. This element reflects the composition of the Board and Exco. The Board includes 40% Black directors and 20% Black female directors.

Board of directors: gender composition (%)

Executive directors: gender composition (%)

Female Board composition

Male Board composition

Employment equity

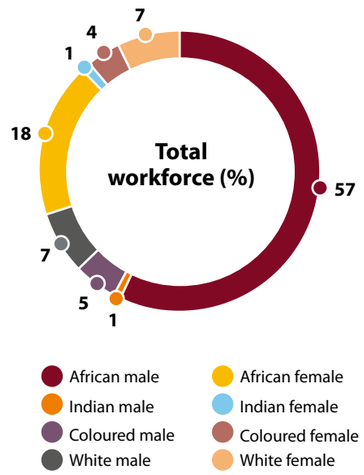
- Senior management
- Middle management
- Junior management
- Disabled

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.

At Famous Brands, we acknowledge the value that diversity brings to our business. Our employment equity score is 9.11 (2020: 8.98 points). This score has been affected by retrenchments and a new target was set with the Department of Labour in November 2020. See below for a breakdown of our employment equity numbers.

Occupational Levels	African Male	African Female	Indian Male	Indian Female	Coloured Male	Coloured Female	White and Designated Groups Male	White and Designated Groups Female	Total
Executive Management	–	1	–	–	–	–	1	–	2
Other Executive Management	6	2	3	2	2	–	27	9	51
Senior Management	2	1	1	–	–	–	6	3	13
Middle Management	38	38	12	9	8	2	64	57	228
Junior Management	275	100	11	10	58	30	43	51	578
Other, Semi-Skilled & Unskilled*	834	216	3	5	38	45	2	13	1 156
Total	**1 155**	**358**	**30**	**26**	**106**	**77**	**143**	**133**	**2 028****

** Includes employees with disabilities.*
*** BBBEE audited employment equity breakdown at the end of August 2020 for SA operations.*



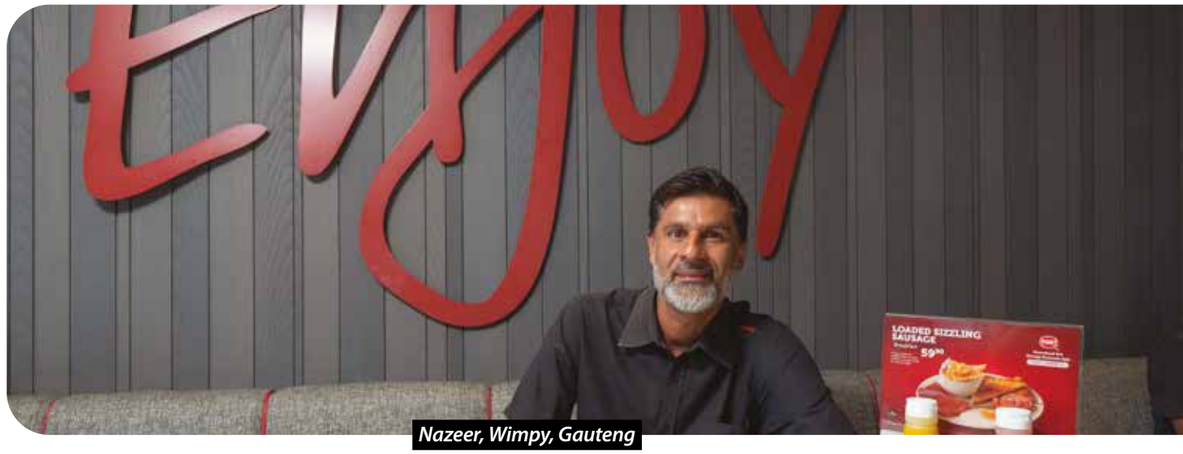
Skills development

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

Skills development initiatives

The skills development element measures the extent to which enterprise's executives initiate ongoing training to enhance the core technical skills and competencies of Black employees to support their optimal performance and enrich SA's labour pool.

Continuous training of our talent is a business imperative and acts as a bridge between employment equity and talent development. We are



Nazeer, Wimpy, Gauteng

committed to engaging, developing and retaining a highly skilled workforce by investing in the development and upskilling of employees. Our Human Resources team plays a leadership role in training employees and supporting the business to achieve its strategic objectives. The Group achieved 19.76 points for this element. The CoGPs are changing, especially in skills development, where it is now more costly to achieve the same score.

The COVID-19 pandemic forced the Group to cancel or postpone key skills development initiatives:

- the internship and YES programme were cancelled at the start of COVID-19 (130 people); and
- the International Executive Development programme, Executive Development Programme, Managers Challenge and Junior Management Programme were not completed.

The pandemic also reduced our spend across our total skills development budget. In FY2021, we spent approximately 90% of our total skills development budget on the development of Black employees across the organisation. Approximately 15% was spent at senior and executive management levels.

Over R2.8 million disabled training and development spend (100% ACI)

R102 000 invested in bursaries

48.53% overall absorption rate

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

80 disabled learnerships (100% ACI)

75 males (ACI) participating in learnership and internship programmes

70 females (ACI) participating in learnership and internship programmes

Enterprise and supplier development

ESD comprises two elements: preferential procurement and ESD. Preferential procurement refers to the extent to which enterprises buy goods and services from suppliers with strong BBBEE credentials. ESD refers to the financial and non-financial support given to grow and nurture new or existing small and micro-enterprises.

We scored 15.32 out of 25 points for preferential procurement (2020: 17.97 points). We believe that preferential procurement offers the greater immediate improvement opportunity.

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

Preferential procurement spend

Supported over 2 866 suppliers

Supported over 1 454 SMME suppliers

R2.3 billion on qualifying BBBEE suppliers

R511 million on SMMEs

R1.2 billion on >51% Black-owned suppliers

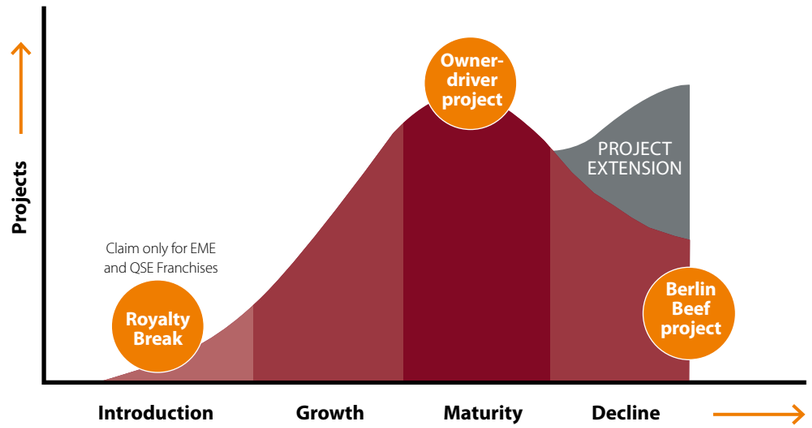
R1 billion spent on Black women-owned suppliers

We are actively investing in the development and transformation of our supply chain; however, these initiatives take time. We focus on understanding the contributor level of each supplier in the database. Suppliers between non-compliant and a level 5 contributor status will be assisted with a transformation plan or replaced with a qualifying supplier.

We currently also track BBBEE certificates which have expired and monitor our initiatives on a monthly basis.

ESD

We have assembled a task team to inject new energy into our key ESD initiatives. We achieved a score of 15.00 points for ESD.



Berlin Beef initiative

R5 million
Famous Brands contributed a total of R20 million made up of R5 million per year over four years (2018-2021)

220
Black Eastern Cape beef farms are supported by the initiative

Over 850
jobs were created by this initiative

R100 million
This initiative 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

28
owner-drivers

Over 110
direct jobs created

3 635 317
cases delivered to our stores

R12.7 million
support granted to BBBEE qualifying owner-drivers in the form of payments for transport services provided by these drivers to Famous Brands

42%
owner-driver contribution

Socio-economic development

Socio-economic development contributions are any financial or non-financial 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 our socio-economic development initiatives are rooted in supporting and investing in communities where we operate. A few of our key initiatives are included below:

Over R8 million
invested in grassroots sport development

Over 170
beneficiaries

1
sporting code

5
provinces within SA

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

Over R1.03 million
donated to support this charity

Outlook

Transformation will remain a key priority for the Group as measured by the achievement of our goals within our set implementation timelines. Our transformation plans include initiatives to address the five elements of the CoGP. We will continue to promote diversity at all levels of management. We are excited by the opportunities and partnerships that exist in our downstream supply chain. We are cognisant that some of our initiatives were and will be negatively impacted by the COVID-19 pandemic and associated restrictions.

CORPORATE SOCIAL INVESTMENT REPORT

Famous Brands makes a substantial contribution to economic and social development in SA and beyond through annual CSI initiatives.

Famous Brands' Corporate Social Investment (CSI) Programme is a deliberate, focused, coherent and progressive programme that is professionally managed, guided by a common policy framework and is seen as strategic to the business. All CSI activities are coordinated by the Transformation Office and Social and Ethics Committee.

CSI Programme's Strategic Objectives

To achieve our CSI goals, our policy and programmes are aimed at:

- focusing on initiatives which enjoy broad-based stakeholders' support while avoiding handout tendencies which prove unsustainable;
- ensuring that communities and beneficiaries of the programmes are actively consulted in the process of project selection, implementation and evaluation;
- quantifying the costs and benefits of the programmes selected and evaluating them in terms of their ability to contribute to capacity building, improving the quality of life and ensuring sustainable development;
- defining the roles and responsibilities of stakeholders and projects/programme beneficiaries, with specific emphasis on financial controls and corporate governance compliance;
- building community awareness and recognition of the role played by Famous Brands in developing communities through appropriate and transparent outreach initiatives;
- contributing to the socio-economic upliftment of primarily historically disadvantaged communities; and
- to build and improve relationships with the company's existing and potential stakeholders through forming mutually beneficial partnerships.

Corporate social investment initiatives

Our biggest CSI initiatives are driven by our Leading brands. These brands' promotional activities elevate the profiles of recipient charities and funding campaigns and the funds raised allow beneficiaries to expand their activities.

Sport is a big focus for all our Leading brands. These brands support the FNB Varsity Cup (rugby for 2020). Sponsorships provide funding to talented student athletes after they leave school and before turning professional, boosting the development of rising sporting stars in SA.

In 2020, the COVID-19 pandemic brought all Varsity Sports to a halt. Famous Brands donated R8 million to support rugby grassroots development in 2020.

COVID-19 food donation

Our Manufacturing division provided essential food donations to the value of R7.8 million to SA Harvest, a non-profit organisation. SA Harvest was founded to address food security as one of the most urgent crises facing SA today. Even before COVID-19, millions of South Africans had inadequate access to nutritious food, and this crisis was exacerbated by the pandemic. COVID-19 and the resultant lockdowns have caused mass unemployment, which has dramatically increased food insecurity. SA Harvest delivers to more than 40 vetted beneficiaries who, combined, are responsible for feeding approximately 6 000 people per day.

Cupcakes of Hope

Mugg & Bean has supported Cupcakes of Hope since 2012. The aim of this organisation is to raise awareness for the early detection of cancer, which can save children's lives. In FY2021, we significantly revised our planned CSI activities due to trading restrictions and financial constraints. In September 2020, we hosted a scaled-down donation drive and invited customers to donate on our online portal. We firmly support the work Cupcakes of Hope does to assist families with cancer-affected children and are evolving our activity with their input and involvement.

Botswana's CSI activities

Debonairs Pizza's Doughnation initiative was started in 2012 and is a daily community project that encourages Debonairs Pizza restaurants to use the excess pizza dough to make flat breads. The flat breads are then donated to charities in local communities. In 2020, the Doughnation initiative was enhanced in Botswana with each Debonairs Pizza restaurant supporting a local charity from their community on a monthly basis.

Famous Brands Canteen – Tembisa Feeding Scheme

Tembisa Child Welfare was established in 1986 to provide for abandoned, abused and neglected children and HIV/AIDS infected orphans. Ideally, the organisation aims to place children with foster or adoptive families. Where this is not possible, children are placed in two children's homes. The organisation also creates local employment through projects such as a sewing school, a bakery, food gardening and soap recycling. The Famous Brands Head Office Canteen supports the organisation through a daily feeding scheme for 80 children and staff members.

Steers Rounda and Shout initiative

Food insecurity has long been an issue in South Africa, with 11% of the population (6.5 million people) suffering from hunger in 2019, according to Statistics South Africa. A 2016 survey by the South African Book Council found that six out of ten South Africans older than 16 years lived in households without a single book present.

Steers developed Rounda as a CSI initiative to both alleviate hunger and promote reading. The initiative, which runs both in-store and online, allows customers to donate an additional R1 with the purchase of any Steers product.

Rounda has fed thousands of hungry stomachs and enabled the building of five Shout libraries across South Africa. These libraries provide access to books for many South Africans who would not otherwise enjoy the benefits of reading.

Steers, with the support of staff and franchise partners, raised R940 329 in FY2021 to donate to the Shout Foundation, for building libraries, and to the Nikela Trust, for running several feeding schemes.

Patience and Thabo, Steers, Gauteng

LEADERSHIP COMMENTARY

Reset. Refocus. Restore.

Chairman's statement

The year under review was one of the toughest in Famous Brands' 60-year history. We had to place our expansion plans aside to accommodate a new business reality with the onslaught of the COVID-19 pandemic and reset all our business plans. We understood that rapid actions were required as we shifted gears to safeguard our business.

While our numbers may change, our core strategy remains the same. We remain committed to our vision of being the leading, innovative, branded franchised and food services business in SA and selected markets.

Aligned with our three-year roadmap, and accelerated by the COVID-19 pandemic, our focus over the review period was to right-size the business, reduce costs, and preserve cash to facilitate balance sheet flexibility. These immediate and decisive actions allowed us to navigate through the first year of the pandemic while positioning the business for future growth.

COVID-19 impact on the food services industry

Across all our trading markets being SA, AME and the UK, the negative financial impact of the COVID-19 pandemic on the business due to national lockdowns and trading restrictions has been severe. These restrictive trading conditions forced us to become a leaner and even more focused organisation. It included making the right decisions early to prepare for a worst-case scenario.

As a business, we acted swiftly to help prevent the spread of the COVID-19 virus and implemented a co-ordinated response to protect our employees, franchise partners and customers. We rolled out personal protective equipment and other safety measures seamlessly. The health and wellbeing of our employees, including mental health, were made an immediate priority by the business. We were also well-prepared for when lockdown restrictions eased.

SA was already in an economic recession before the COVID-19 pandemic came into effect due to structurally weak government finances, ongoing electricity shortages, lacklustre industry growth and dwindling business and consumer confidence. This meant that restaurants were already facing economic headwinds, including constrained consumer spend.

The SA economy deteriorated, with gross domestic product (GDP) slumping and negative economic growth for the year. The effects of the lockdown on unemployment were severe. According to Stats SA, SA shed 2.2 million jobs in the second quarter of 2020.

From award-winning top restaurants to local eateries, COVID-19 devasted the South African restaurant landscape. All restaurants in SA ceased trading on 27 March 2020. Restaurants could only commence trading on a delivery-only basis from 1 May 2020, with collection service being permitted from 1 June 2020. Full sit-down service was resumed on 29 June 2020. Lockdown regulations during the first phase of the pandemic including curfews, alcohol bans and travel restrictions shut down many businesses in the food services industry. The Signature brands portfolio was particularly hard hit as they are more reliant on evening trade and alcohol sales. Although lockdown restrictions have subsequently eased, trading conditions have not returned to pre-COVID-19 levels. Due to continuing COVID-19 fears and less spending power, larger malls are seeing lower footfall numbers. This obviously has a negative impact on our franchise partners based at these locations.

Measures to reduce the spread of COVID-19 were damaging for the UK restaurant industry as well. On 20 March 2020 restaurants were forced to close and only opened again on 4 July 2020, providing they followed strict hygiene conditions. The country re-introduced lockdown measures affecting all restaurants again on 5 November 2020, following a resurgence of COVID-19 infection cases. Data compiled by the Centre for Retail Research revealed that a significant number of jobs was lost across fine dining, independent businesses and large multiple casual dining chains during the calendar year. Despite a relaxation of lockdown restrictions, consumers have largely not returned to restaurants. As of March 3, 2021, the percentage of seated restaurant diners in the UK was down a staggering -99.63%[1] .

GBK enters administration

Famous Brands acquired Gourmet Burger Kitchen (GBK) in 2016. Its contribution to Group profitability had taken longer than expected, hampered by pressure on consumer spending as well as high property rates, increased input costs and a highly competitive restaurant market. We worked hard to reshape GBK to meet our performance targets and spent significant management time on improving the product and customer offering and experience. The burger chain started to show solid signs of recovery before the pandemic started. Unfortunately, the brand simply could not survive the lockdown restrictions without a further cash injection from the Famous Brands Group. The Board evaluated the GBK investment case as well as the uncertainty in the UK market caused by the pandemic and resolved that no further financial assistance will be provided to the GBK business. GBK was placed under administration in October 2020 in accordance with the insolvency legislation in the UK. The administrator oversaw the sale of GBK to UK-based Boparan Restaurant Group in a rescue deal that will save 35 restaurants and 669 jobs going forward.

A narrower focus of resources

In line with our three-year strategic roadmap which includes a narrower focus of resources in the Signature brands portfolio and non-core assets, we concluded two key disposals in FY2021. In August 2020, the controlling 51% stake in boutique café brand, tashas, was sold to the founding Sideris family, who hold the remaining 49%. In October 2020, the Group sold its 49.9% stake in It's a Matter of Taste, comprising the brands By Word of Mouth and Frozen for You, to majority shareholders and founders Karen and Adrian Short. In addition, we mothballed the Keg and Europa brands in SA.

Leading in a time of crisis

The Board met frequently in FY2021 and supported management wherever possible. The Board's primary focus was to assist and protect our franchise and JV partners. This assistance included royalty and marketing fee relief and stepping in to secure better rental agreements from landlords. Management's strong relationships with franchise and JV partners will lead to greater collaboration to find solutions that suit the business and partnership.

The continued transformation of our Group remains a social, moral and strategic business imperative. I am pleased to confirm that we retained our Level 4 BBBEE rating.

COVID-19 is an unprecedented global event. As a Board, we have interrogated how we can better protect the business should a similar event occur in the future.

Looking forward to restoration

Looking ahead, I am confident that Famous Brands is well positioned to deliver value for its shareholders. Famous Brands is a fully integrated food service business and the most successful branded food service franchisor in Africa. Achieving this ambition demanded vision, guiding principles, strategic intent and an audacious growth agenda – these will continue to inspire our future endeavours. There is still much work to be done to restore Famous Brands to its former glory.

Famous Brands will continue to reset the business with a focus on right-sizing, reducing costs and preserving cash to facilitate balance sheet flexibility in line with our three-year roadmap.

We remain committed to our vision of being the leading, innovative, branded franchised and food services business in SA and selected markets.

Santie Botha

[1] *This statistic is from https://www.statista.com/statistics/1104991/coronavirus-restaurant-visitation-impact-united-kingdom-uk/.*

CHAIRMAN'S STATEMENT continued

Operating conditions are anticipated to remain challenging across all geographies and sectors in the year ahead whilst the pandemic is still with us. In the coming months and years, we anticipate that governments will focus on revitalising the economy.

We predict a slower roll-out of the COVID-19 vaccine in SA and AME due to funding and production constraints. This, and the resulting lower levels of economic growth, could result in greater financial woes for consumers. Yet, unlike small independent restaurateurs, franchise partners benefit from a proven brand system and ongoing support from the Group.

As the world moves from crisis mode to a new 'normal', there will be other growth avenues to consider. While we have withheld capital expenditure in the short term, our goal to be at the forefront of our industry is undiminished and we remain committed to embracing further expansion opportunities.

Closing remarks

The COVID-19 pandemic has affected the health and wellbeing of millions of people across the globe and has had severe secondary effects on our economies and communities. Tragically, it has taken many lives and devasted families.

On behalf of the Board, I extend my sincerest sympathy to those who have lost loved ones during the past year. This includes the passing of seven of our franchise partners and a JV partner. Our thoughts and prayers remain with you during this difficult time.

Emma Mashilwane has given notice to the Board that she intends to retire at the upcoming Famous Brands AGM in July 2021 and will not be available for re-election as an independent non-executive director. She will further step down as a member of the Audit and Risk Committee and as Chairman of the Remuneration Committee. Emma has been a committed Board member since December 2017, and I would like to thank her for her valuable time and contributions over the past years.

Lebo Ntlha resigned as Group Financial Director effective 30 November 2021. On behalf of the Board, I would like to thank Lebo for her dedication, hard work and commitment over the past few years and wish her well in the future.

Fagmeedah Petersen-Cook has been appointed as an independent non-executive director to the Board, and member of the Audit and Risk and Investment and Remuneration Committees effective from 1 June 2021. I welcome Fagmeedah and look forward to her contribution.

I would also like to thank Darren Hele, our CEO, and the executive team for steering the Group through these difficult and uncertain times. Their entrepreneurial leadership and resilience have been exemplary in guiding our franchisees, employees and customers to a new normal.

I would also like to acknowledge our franchise partners who have endured hardship but have emerged resolute. Thank you for your continued faith in our leadership and brands.

My sincere appreciation to my fellow Board members for their steadfast support, constant availability and wise counsel during the year.

Finally, I would like to thank our various stakeholders who contribute meaningfully to our business.

Santie Botha
Chairman

22 June 2021

LEADERSHIP COMMENTARY

2020: the year everything changed.

Chief Executive Officer's report

SA was declared a state of disaster due to COVID-19 on 15 March 2020 – fifteen days into our financial year; the first year of our three-year strategic roadmap. Likewise, the UK and AME regions closed borders and put in measures to curb the spread of the virus. While we are accustomed to trading in tough economic conditions, nothing could have prepared us for the economic devastation of the COVID-19 pandemic and resulting lockdown restrictions.

The restaurant industry was one of the hardest hit by various lockdown levels across our trading markets. Stats SA's breakdown of the food and beverages industry shows a decline of 44.4% in food and beverages income for the first six calendar months of 2020 over March to July R18 billion in revenue year-on-year was lost due to the various levels of lockdown and the impact it had on the economy.

The restaurant industry is a significant employer of young people. It is unfortunate that jobs have been shed and few entry level positions exist. This means that we need strong economic growth in SA to recover these positions and grow the pool of job opportunities available.

A significant decrease in revenue and cash flows is a frightening prospect for any business. Famous Brands reacted quickly by implementing several measures to reduce cash outflows. We also stepped in to assist franchise partners get through the hardest months. Plans to expand were suddenly replaced by plans to survive.

The Group's performance

SA Brands

The SA restaurant industry was badly affected by the various lockdown levels, starting with a hard lockdown from 27 March 2020. Our combined SA Brands division reported a 42% decline in revenue to R567 million. Operating profit fell by 64% to R169 million (2020: R472 million), while the operating profit margin dropped to 29.9% from 48.5%. The initial re-opening of delivery and take away in May 2020 played to our relative strength in these channels and demand remained strong. Casual Dining experienced a much slower recovery due to seating capacity restrictions, reduced trading hours as a result of the curfew and consumer nervousness around eating out. Consumers' changing their shopping and travelling habits impacted sales in major malls and major transport routes. Leading brands' system-wide sales declined by 28.6%, while like-for-like sales decreased 29.1%. Signature brands' system-wide sales deteriorated by 53.7%, while like-for-like sales reduced by 52.0%.

Supply chain

Supply chain consists of our Manufacturing, Logistics and Retail divisions. These divisions' primary function is to support our franchise partners through competitive pricing and efficient supply. We sold 34% less units in FY2021 across all plants. This was a knock-on effect of the COVID-19 lockdowns on the front-end of the business. The lockdowns impacted each plant differently. Plants that primarily service QSRs were impacted less than plants with a high CDR exposure. Combined revenue by supply chain operations declined to R3.3 billion (2020: R4.5 billion). The operating margin declined to 5.0%, down from 10.2%, primarily due to rising food inflation and lower volumes produced. We kept our margins lower to support our franchise partners.

Retail

This was the first full year that Retail was measured as a stand-alone division – with pleasing results. The division reported sales of R151 million (2020: R124 million) and benefited from increased consumer demand for at-home consumption.

AME

All AME markets experienced border closures, curfews, travel restrictions and health protocol measures in varying degrees and timeframes over the past year. Many restaurants underwent temporary closures and all franchise partners experienced financial stress. We provided franchise partners assistance in the form of reduced royalties and extended payment terms. Our AME revenue (royalties, joining fees and project management fees) ended the year at 100% of the prior year.

UK

The UK experienced incredible economic hardship due to the COVID-19 pandemic and stringent lockdown conditions. Wimpy UK turnover was down by a total of 8%. While trading conditions remained tough throughout the year, franchise partners embraced delivery across third-party platforms and take away services. This meant Wimpy UK continued to trade throughout all lockdown stages.

Our focus was on the continued financial sustainability of our business and navigating the new normal.

Darren Hele

Lihle and Sikho, Debonairs Pizza, Eastern Cape

Strategy and performance scorecard

Our management team and Group performance is assessed against our achievement in delivering on our seven key strategic imperatives. The commentary below outlines the Group's progress in the review period. It is important to recognise that these plans were developed in February 2020 before the onslaught of the COVID-19 pandemic. Given the devasting effects of the pandemic on the Group, these goals and targets need to be viewed in a context where our priorities needed to change overnight. Our focus was on the continued financial sustainability of our business and navigating the new normal.

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

Improve our operational efficiencies

Evaluation

FY2020/21 what we did

- Redefined operational efficiency benchmarks and measured efficiencies against these
- Accelerated the adoption of own delivery capacity and third-party delivery aggregators
- Menu rationalisation across the relevant channels ensured own and third-party platforms delivered on the required operating profit margins
- Kept food input costs low despite increasing food inflation
- Disposed of our stake in café brand tashas and It's a Matter of Taste (comprising By Word of Mouth and Frozen for You)
- Closed KZN ice cream plant
- Successfully downscaled and relocated Nelspruit distribution centre and relocated the Polokwane crossdock facility to add in multi temperature capability

FY2021/22 what we will do

- Focus on specific brands and rationalise our brand portfolio to eliminate distraction and grow successfully
- Continue to invest in technology, capacity, capability, partnerships to remain at the forefront and competitive within the home delivery marketplace
- Continue to invest in Manufacturing and Logistics capabilities and overhaul asset care practices
- Work to deliver much better efficiencies in our kitchens, improving franchisee profitability
- Roll out a proof of concept cloud based point of sale (POS) system to escape the constraints of charges in US dollars of legacy systems

Achieved Underway Not achieved

Enhance our financial performance

Evaluation

FY2020/21 what we did

- Drove cost-reduction initiatives across the business
- Placed the major portion of our business into hibernation during the hard lockdown
- Implemented stringent cash flow management measures
- Disposed of our stake in café brand tashas and It's a Matter of Taste (comprising By Word of Mouth and Frozen for You)
- Negotiated temporary payment terms with suppliers to protect cash flow
- The GBK business entered administration

FY2021/22 what we will do

- Increase free cash flow, decrease interest-bearing debt and non-essential capital expenditure (capex) and improve working capital management
- Continue to invest in lower-risk core local opportunities with a strong outlook for long-term sustainable returns
- Targeted growth in AME region
- Consider divestment from some manufacturing plants
- Dispose of non-core assets
- The Retail division (direct to consumer) will remain a key growth driver

Prioritise our franchise partners

Evaluation

FY2020/21 what we did

- Supported franchise partners with royalty fee discounts and payment deferrals
- Stepped in to renegotiate lease agreements with landlords
- Supported a class action case for the payment on business interruption insurance
- Simplified menus to allow for better operational efficiencies and profitability for franchisees

FY2021/22 what we will do

- Drive consumer activity through value offerings
- Continue to focus on franchisee profitability and sustainability

Lead in the categories we compete in

Evaluation

FY2020/21 what we did

- Innovated in format, category and technology to maintain and win market share
- Quickly pivoted to online delivery
- Simplified the Signature brands portfolio

FY2021/22 what we will do

- Grow market share in our existing brand portfolio through innovation in channels, formats as well as footprint expansion
- Further simplify the Signature brands portfolio and invest in those brands that can achieve critical mass
- Pursue promising SA or AME franchise brand acquisitions

Achieved Underway Not achieved

CHIEF EXECUTIVE OFFICER'S REPORT continued

Develop our people; ongoing commitment to transformation

Evaluation

FY2020/21 what we did	FY2021/22 what we will do
• Executed on some of our strategies to accelerate transformation initiatives; other strategies were not deliverable due to COVID-19 (such as internships and skills development programmes) • Maintained our BBBEE rating • Migrated some of our employee training programmes online	• Maintain and improve about BBBEE rating through initiatives to address each BBBEE element • Restart skills development programmes • Scale up training programmes for employees • Retain key talent

Optimise capital management

Evaluation

FY2020/21 what we did	FY2021/22 what we will do
• Refinanced debt with primary lender with more favourable terms • Proactively offered good payment terms and deferrals to franchisees to avoid bad debt • Improved our working capital management • Exited non-core brands in the Signature brands portfolio • Negotiated better payment terms and deferrals with suppliers	• Increase free cash flow • Decrease interest-bearing debt • Improve working capital management • Tightly control capital investment programme and be prudent in our capital investment decisions and budgeting

Ensure regulatory compliance

Evaluation

FY2020/21 what we did	FY2021/22 what we will do
• Improved our disclosure in our Transformation and Remuneration reports • Communicated regularly and responsibly with the market • Implemented and enforced rigorous hygiene and health and safety controls and COVID-19 protocols across the Group • Maintained our NOSA gradings	• Uphold hygiene and health and safety controls and COVID-19 protocols across the business • Develop and implement a regulatory compliance framework • Ensure the business is ready for POPIA, AARTO Act and amendments to the JSE Listings Requirements as they get enforced • Maintain and improve our NOSA gradings (3 and 4)

Achieved | Underway | Not achieved

Prospects

Trading is likely to remain subdued in the first half of FY2022 and is highly dependent on how well the infection rate and associated risks are managed. The possibility of a third wave in winter could potentially lead to tighter lockdown restrictions, resulting in further revenue pressure. More stringent restrictions over the July school holidays when consumers travel could have a negative impact on revenues. We have observed that as infections drop, consumer confidence and spending picks ups. Promotional activity and advertising spend will be a priority over the winter months to drive sales activity. We anticipate that delivery, which is traditionally strong in winter, will remain a key channel across all brands and lessen the impact of reduced foot counts in restaurants.

Our three-year strategic road map 47 sets out expectations against our strategic objectives.

OUR DEEPEST CONDOLENCES

Condolences during COVID-19

The health and wellness of our people throughout the Group is a priority. Sadly, I pay respects to nine of our franchise partners, Phillip Silenge, Tyrone Emmanuel Padayachee, Gerrie Kruger, Schalk Erasmus, Gary Poovan, Charl du Plooy, Joe Dunga Hlabangane, Lunga Gwayi and Victor Mntonga. We also tragically lost Rui Manuel Fernandes Tem Tem, our JV partner.

Other staff members have lost family and friends as a result of COVID-19, and I extend my condolences to them.

Western Cape

Schalk Erasmus

Schalk was our franchisee at Mugg & Bean Langeberg Mall in Mossel Bay, which he ran with his two sons. Schalk's passing is a great loss to his loving family, as well as to Mugg & Bean. Our thoughts and prayers are with his family during this difficult time.

KwaZulu-Natal

Phillip Silenge

Phillip joined the Famous Brands family in 2001 successfully operating multiple outlets, both CDRs and QSRs, across northern KZN. He was humble, a joy to be around, willing to lend a hand and always had time to chat. His passing has left a void within the KZN team as well as the Wimpy family. He will be missed by all. Our thoughts and prayers are with his family and friends. May he rest in peace.

KwaZulu-Natal

Tyrone Emmanuel Padayachee

Tyrone joined our Wimpy family on 1 December 2018. Within this very short time he achieved amazing results. He was loved by his staff, customers, his Wimpy family and all those he met. He leaves behind his wife, Praveena, and his two little boys, Austin and Mason. His passing has left a hole within the KZN team as well as the Wimpy family, and he will be missed dearly by all. We wish his family and the Wimpy Pavilion staff sincere condolences, strength and courage during this difficult time.

Eastern Cape

Gary Poovan

Gary's business career started when he joined Woolworths as a trainee auditor in 1980 and became a regional manager in 1988. He became a franchise owner of Woolworths Oxford Street in 2001, and eventually acquired Woolworths Grahamstown. Gary and his wife, Leonie, became successful owners of Engen Bonza Bay Service Station in Beacon Bay in 2016 and took Steers and Debonairs Pizza to great heights. Gary was respected by many and his generosity was felt by all who met him. Our thoughts are with his family and team.

Eastern Cape

Charl du Plooy

Charl joined the Debonairs Pizza brand in April 2019 at Total Cradock. He had the kindest heart and always made one feel welcome when visiting his restaurant. The Cradock team lost a gentle soul. Our thoughts go out to Charl's family and staff members.

Lunga Gwayi

Lunga was a long-serving franchisee along with his wife, Buyela, for Debonairs Pizza Mdantsane City Mall, Mdantsane North, as well as Kuyasa Mall. Lunga was an astute businessman who carried his passion on his sleeve and operated five successful businesses. Our heartfelt condolences to Buyela and the family on the passing of such an admirable gentleman and family man.

Victor Mntonga

Long-serving franchisee from the Eastern Cape, Sicelo Victor Mntonga was a successful multiple operator trading across southern KZN and the Eastern Cape. Despite his success, he remained humble and was an inspiration to all who knew him. His passion for the brands and his teams will be sorely missed.

Gauteng

Gerrie Kruger

Gerrie was a partner in the Petroport Panorama N1 which he ran for many years. He was known to all as a gentle giant who was always willing to assist, and his love for the Steers brand showed in the way he ran his operation. Gerrie will be sorely missed.

Joe Dunga Hlabangane

Joe joined the Famous Brands family in 2011 at Mugg & Bean Festival Mall and later ventured on to open a Steers and Debonairs Pizza in 2018. Joe was a pillar of strength to his family as well as his staff. He was a humble, gentle and exceptional businessman who led from the front through his hands-on approach. Joe will continue to live on in our hearts.

Rui Manuel Fernandes Tem Tem

Rui was our JV partner at Cater Chain Food Services. Sadly, Rui passed away on Christmas day 2020, leaving behind a massive hole for his family, friends, his brother, John, and the Famous Brands family. We salute his contribution, attitude, love for life and his beloved Liverpool FC. Our sincere condolences go to Charmaine, Luchi, Tyron, Daniella and Dylan for their personal loss.

Our thoughts are with their families, friends and teams.

May their souls rest in peace.

Appreciation

I could not be prouder of our Group and how we responded to the challenging environment.

Thank you to our Chairman, Santie Botha, and our Board for their support and counsel over the past year. They have gone beyond the call of duty to support the Exco during these trying times.

I would also like to thank our management team for their insights and tireless commitment. In an uncertain time, one thing I know for certain is that we have the right management team to take on whatever challenges arise.

To our employees, thank you for hard work and dedication over the past year. We know that the circumstances have not been easy.

Our franchise partners were remarkably brave, both during the hard lockdowns when they were not able to trade and when they could re-open their restaurants. For many of our franchise partners, keeping the lights on demanded a huge sacrifice. Thank you for your courage and persistence in the face of incredible challenges.

I would also like to thank all customers, shareholders, suppliers and communities for your continued loyalty during this challenging trading period.

Darren Hele
Chief Executive Officer

22 June 2021

WHEN WE LOSE SOMEONE WE LOVE WE MUST LEARN NOT TO LIVE WITHOUT THEM, BUT WITH THE LOVE THEY LEAVE BEHIND.

LEADERSHIP COMMENTARY

Our focus was to right-size the business, reduce costs, and preserve cash to facilitate balance sheet flexibility.

Group Financial Director's report

In my 2020 report I noted that our financial objectives would be to deliver against two of our fundamental strategic imperatives, namely, to improve our financial performance and optimise our capital management. These remain our overarching objectives for the coming year.

The COVID-19 pandemic shifted the Group into a survival masterclass. We had to take quick, drastic measures to ensure the ongoing sustainability of the Group. In line with our three-year roadmap, accelerated by the pandemic, our focus over the review period was to right-size the business, reduce costs, and preserve cash to facilitate balance sheet flexibility.

Some of our achievements for the year are as follows:

- implemented several actions to manage our cash flow;
- stringent working capital measures;
- proactively offered favourable payment terms and deferrals to franchise partners to mitigate debt risk;
- successfully renegotiated more appropriate terms with our primary lender;
- executed disposals of non-core assets; and
- negotiated payment terms and deferments with suppliers.

Financial performance

Across our trading markets in SA, AME and the UK, the negative financial impact of the COVID-19 pandemic and resulting national lockdowns and trading restrictions has been severe. During the lockdowns, in line with regulations, our SA and UK operations were shut in April 2020, excluding the SA Retail division. Restrictions in the AME region were slightly less onerous, affording some trading activity. The gradual easing of restrictions in SA and the UK in the first and second half of the reporting period enabled improved performance of the business while complying with regulations.

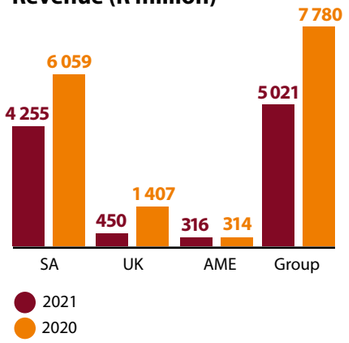
Revenue

Revenue from continuing operations declined to R4.7 billion (2020: R6.5 billion). This decrease can be attributed to poor trading conditions across our markets. Brands revenue declined to R567 million (2020: R974 million), reflecting lower royalty payments due to lower turnovers. Supply chain, which comprises the Manufacturing and Logistics divisions and supports the Brands division in SA, was particularly hard hit by restrictions. Compared to the prior year, Manufacturing revenue declined by 24% to R2.1 billion while Logistics revenue decreased by 27% to R3.0 billion. The Retail division, which supplies third-party retailers and wholesalers in SA with branded licensed products, was permitted to trade throughout the lockdown. Sales reported for the period were R151 million (2020: R124 million).

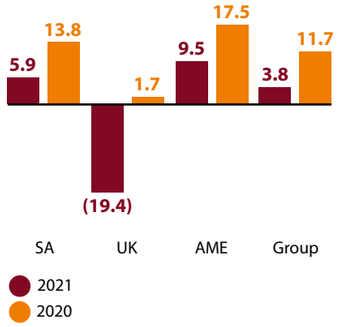
The COVID-19 pandemic shifted the Group into a survival masterclass.

Lebo Ntlha

Revenue (R million)*



Operating profit (%)*



* *Includes discontinued operations.*

Operating profit before non-operational items and operating profit margins

Due to COVID-19's toll on the business, the Group's operating profit before non-operational items declined to R193 million (2020: R912 million). Our SA business experienced a decline in margin to 5.9% (2020: 13.8%). The AME region recorded a margin of 9.5%, down from 17.5% in the prior year. The financial year played out in one of the toughest economic years the UK has seen due to the COVID-19 pandemic and the subsequent lockdown situations. The profit margin for Wimpy UK was 12.8%. Wimpy UK had a weaker performance, demonstrated by a decrease of 38% in operating profit to R14 million (2020: R23 million). The Group's overall profit margin was 3.8%.

Net finance costs

The Group's net finance costs decreased to R214 million (2020: R219 million). We have secured more favourable terms on the refinanced debt structure.

Income from associates

The Group holds equity stakes in the following associates: Sauce Advertising (37%), UAC Restaurants (Mr Bigg's) in Nigeria (49%) and FoodConnect (49%). The Group's share of associates' profit for the review period was R5 million (2020: R5 million). The Group sold its 49.9% stake in It's a Matter of Taste, comprising the By Word of Mouth and Frozen for You brands.

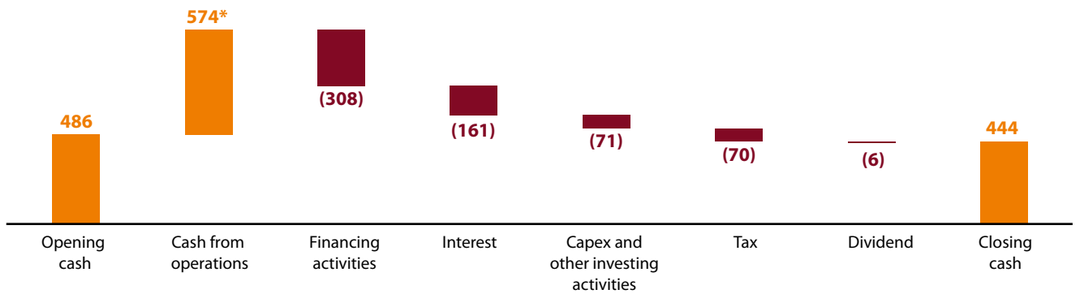
Profit attributable to non-controlling interests

Non-controlling interests are JV partnerships we hold with the founders of key businesses in our Manufacturing division and Signature brands portfolio. Profit attributable to non-controlling interests declined to R23 million (2020: R65 million).

HEPS and earnings per share (EPS)

Headline loss per share was recorded at -86 cents (2020: HEPS of 417 cents) while EPS dropped to negative 1 237 cents (2020: 362 cents). EPS decreased due to impairments recognised during the review period and poor financial performance.

Cash flow movement during the review period (R million)



* *Excludes net finance costs paid, income tax paid and dividends paid.*

Cash flows and financial position

Salient features		2021	2020
Statement of cash flows			
Cash generated from operations	R million	**574**	1 340
Net cash outflow utilised in investing activities	R million	**(71)**	(116)
Net cash outflow from financing activities	R million	**(308)**	(554)
Cash realisation rate*	%	**116.7**	107.9
Statement of financial position			
Cash and cash equivalents	R million	**444**	486
Net asset value per share	Cents	**390**	1 797
Net debt^	R million	**1 370**	2 574
Net debt/equity (gearing)	%	**351**	143
Total equity	R million	**391**	1 800
Return on equity (ROE)**	%	**(7.9)**	25.1
Return on capital employed (ROCE)^^	%	**(50.9)**	20.0

* *Cash generated by operations as a percentage of EBITDA.*
^ *Total interest-bearing borrowings (including lease liabilities) less cash.*
** *Headline earnings as a percentage of average total equity.*
^^ *Operating profit including non-operational items, divided by capital employed (which is calculated as the sum of total equity and interest-bearing debt and lease liabilities).*

Net cash inflow from operating activities

The Group generated cash from operations of R574 million (2020: R1.3 billion), with a cash realisation rate of 116.7% (2020: 107.9%). Working capital changes for the review period were R94 million compared to R112 million reported in the previous reporting period. We have put significant work into managing our working capital in an incredibly difficult year in which our trading activity was constrained by the COVID-19 pandemic. The Group's net cash inflow from operating activities was R337 million (2020: R692 million).

Net cash outflow utilised in investing activities

We put a freeze on non-critical capital investments considering the COVID-19 pandemic. Capex incurred on additions to property, plant and equipment and intangible assets decreased to R84 million (2020: R173 million). This represents 67% invested in our SA business (2020: 68%), 3% in our UK business (2020: 20%) and 30% in our AME business (2020: 12%). Famous Brands bought out the minority shareholders of Salsa Mexican Grill in October 2020, which means that the brand is now 100% owned by Famous Brands. This buyout was obligatory as specified in the initial purchase agreement which contained a put option.

Net cash outflow from financing activities

The net cash outflow from financing activities was R308 million (2020: R554 million). The Group allocated R188 million (2020: R430 million) towards deleveraging the balance sheet. The Group's closing cash position as at 28 February 2021 was R444 million (2020: R486 million).

Financial position

The Group's balance sheet remains strong with net assets of R391 million (2020: R1.8 billion), representing a net asset value per share of R3.90 (2020: R17.97). The decrease in net asset position is largely attributable to the impairment of GBK, at R1.5 billion pre-tax. The gearing ratio increased to 351% (2020: 14.5%) mainly as a result of the GBK impairment. ROE decreased from 25.1% to -7.9%. ROCE was -50.9% (2020: 20.0%).

Debt structure and financial covenants

We successfully concluded our negotiations with the Group's primary lender regarding a more favourable debt finance structure **(refer to Borrowings Note 19, 165).** The debt covenants were concluded as set out below.

Dates	Leverage ratio	Interest cover ratio	Liquidity
Feb-21	**Not required^^**	**Not required^^**	**R250 m^**
Aug-21	**3.75x**	**2.75x**	**R250 m**
Feb-22	**3.25x**	**3.00x**	**R250 m**
Aug-22	**2.60x**	**3.00x**	**R250 m**
Feb-23	**2.50x**	**3.00x**	**R250 m**
Aug-23	**2.50x**	**3.00x**	**R250 m**
Feb-24	**2.50x**	**3.00x**	**R250 m**

^ *The liquidity covenant test for the year ended 28 February 2021 has been satisfied.*
^^ *As agreed with the Group's primary lender, these financial covenants were not required to be measured for the period under review.*

Going concern

The going concern assumption is evaluated based on information available up to the date on which the Annual Financial Statements (AFS) are approved for issuance by the Board. While there is widespread uncertainty regarding the extent of the impact of COVID-19 on the economies of the geographies in which the Group operates, key 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;
- the Group's debt service and covenants requirements;
- the Group's working capital requirements and access to short-term funding; and
- the Group's unutilised facilities.

Post-balance sheet events

Famous Brands Design Studio (Pty) Ltd trading as DHQ has from March 2021 transitioned to an associate company. Famous Brands now holds 49% – formerly 60% – after the creation of the DHQ employees share trust. Famous Brands Management Company (Pty) Ltd donated the shares to the trust.

Famous Brands Great Bakery Company (Pty) Ltd trading as Bread Basket was 51% owned by Famous Brands and this majority stake was sold on 1 May 2021 to our long standing partner and family founders of the business.

Lupa Osteria was 51% owned by Famous Brands. On 1 May 2021 Famous Brands acquired the 49% non-controlling interest from the founders of Lupa Osteria , Guy Cluver and Chris Black.

None of the above transactions were categorised transactions in terms of the Listings Requirements of the JSE.

Liquidity review

Our cash flow forecasts reveal that the Group's overall liquidity, which considers potential future restrictions due to COVID-19, remains adequate and stable to meet our working capital and operational needs for the foreseeable future. The Board and management remain committed to meeting obligations to suppliers and service providers according to negotiated terms.

The Group has a solid, mutually beneficial relationship with its primary lender, which allows for a steady funding platform and essential liquidity for the business.

COVID-19-related measures to ensure financial viability

We undertook the following measures to ensure the financial viability of our business:

- we froze capital expenditure and headcount;
- took several measures to reduce salary costs including salary cuts, furloughing employees, small scale retrenchments and freezing planned salary increases; froze planned salary increases;
- Board members agreed to fee sacrifices;
- we renegotiated rental terms on behalf of franchise partners and for Company-owned restaurants; and
- we commenced plans to disinvest from non-core operations.

Dividend

We will not be declaring a dividend for the period under review. The restriction from our primary lender is that the Group will need two measurement periods to reduce net debt: EBITDA to be less than 2.5 times before resuming a dividend. The Board acknowledged the importance of the dividend to shareholders and has committed to resuming dividend payments in the future.

Outlook

COVID-19 caused significant disruption to our business, especially during the hard lockdowns where minimal trading activity was possible. We anticipate that our revenue recovery will be slow with incremental improvements as consumer confidence returns to the markets where we operate.

Our focus for the coming year is centred on creating further operational efficiencies, prioritising core operations, optimising investment returns for our franchise partners and preserving cash. This will be achieved through:

- growing our Leading brands and Retail division and building depth in the AME region;
- disinvesting from non-core brands; and
- optimising capital management and allocation.

We are concerned about the weak state of the economy which, together with the financial and psychological impact of COVID-19, will continue to dampen consumer confidence and discretionary spend. As we have seen in the review period, the easing of restrictions is followed by increased consumer activity, reflected by an upwards sales trend.

Change in auditors

As announced on SENS on 9 March 2020, there was a rotation of auditors during the financial year. KPMG was appointed to replace Deloitte as the Company's external auditor. We welcomed Nick Southon, KPMG's designated audit partner, and team as our incoming auditors. This appointment was approved by the Company's shareholders at the AGM on 24 July 2020.

Appreciation

Thank you to my colleagues for their sustained input to improve the Group's financial performance during these unprecedented times. You have demonstrated that you have the determination to withstand any crisis. We also thank our long-standing shareholders for their continued support and ongoing engagement with management and we welcome new investors.

Lebo Ntlha
Group Financial Director

22 June 2021

OPERATIONAL REVIEW

Brands summary

Our Brands portfolio comprises Leading brands and Signature brands. The Leading (mainstream) brands portfolio is segmented into Quick Service and Casual Dining brands. Several of our Signature (niche) brands are JV partnerships with the founders of the respective brands. 98

Brands

Our brands are represented through a network of 2 725 franchised and 48 Company-owned restaurants in SA, AME and the UK.

Salient features – Global footprint

	Start of FY2021	New stores	Converted stores	Revamped stores	Stores closed	End of FY2021		Segment revenue (%)	Like-for-like sales growth (%)	Operating margin (%)
AME	**310**	13	0	5	57	**266**	102	6	(23.1)	9.5
SA	**2 451**	74	2	78	91	**2 436**		11	(32)	29.9
Leading brands	**2 291**	69	2	77	51	**2 311**				
Signature brands	**160**	5	0	1	40	**125**				
UK	**67**	5	0	7	1	**71**	103	2		12.8
	2 828	92	2	90	149	**2 773**				

SA

Salient features – SA	Leading brands 2021	Leading brands 2020
Segment revenue (%)	**86.6**	80.4
Like-for-like sales growth (%)	**(29.1)**	3.5
Operating margin (%)	**40.9**	57.4
Total number of restaurants	**2 311**	2 290
New restaurants opened	**74**	81
Number of restaurants revamped and/or converted	**80**	260
Number of restaurants closed	**65**	34

Leading brands portfolio: Quick Service

Quick Service

Prioritise take away and delivery offerings. These restaurants have smaller sit-down areas and focus on quick service.

	Start of FY2021	New stores	Converted stores	Revamped stores	Stores closed	End of FY2021
Steers	**617**	21	0	28	7	**631**
Debonairs Pizza	**591**	26	0	21	7	**610**
Fishaways	**252**	3	0	8	7	**248**
Milky Lane	**83**	3	1	3	2	**85**
Fego	**38**	2	0	0	4	**36**
Giramundo	**4**	0	0	0	0	**4**
Wakaberry	**6**	0	0	0	3	**3**
Total	**1 591**	55	1	60	30	**1 617**

Steers

Launched in the 1960s in SA, 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.

Key developments and initiatives

- Steers acted with speed to comply with different lockdown regulations and build trust with consumers
- With work from home, Steers saw a shift in trading from lunch to mid-afternoon to mid-morning
- Consumers ate with family rather than work colleagues, resulting in the growth of sharing meals and a higher average spend
- Wacky Wednesday continues to drive sales activity as Steers continues to "own" Wednesdays as the biggest turnover day of the week
- The second COVID-19 wave and lockdown in December resulted in subdued sales figures for promotional items
- Escalation of input costs, most notably on beef and oil, had a massive impact on pricing strategy and margin management

Areas of focus in FY2021

- Ensured that hygiene standards and COVID-19 protocols were upheld
- Launched a limited menu to increase operational efficiencies
- New opportunities and growth for delivery and Kerbside Collection
- Developing value offering for cash-constrained consumers

Focus for FY2022

- Continue to drive convenience and ensure that there is maximum presence on every available order channel
- Own delivery and third-party delivery platforms will continue to be a growth driver
- Continue to build capacity and drive operational efficiencies with the roll-out of self-service terminals and a mobile point of sale solution
- Deliver on improved profitability for the franchise partner

Debonairs Pizza

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.

Key developments and initiatives

- Consumer response to COVID-19 impacted sales from the start of the financial year
- Due to the national lockdown, the brand had no trade in April and minimal sales activity in May when only delivery was allowed
- From July, the brand returned to year-on-year growth with strong sales in July, October and January despite tightened lockdown restrictions
- Non-delivery restaurants, particularly those in shopping malls, took the most strain as foot traffic dropped significantly
- Regionally, the Western Cape was hardest hit, with the impact of the decline in tourism, absence of university students and workers in the Cape Town central business district
- The brand responded to shifting consumer behaviour by enabling additional ordering channels including Kerbside Collection and rolling out with third-party delivery providers
- From June 2002 we promoted our flagship speciality pizzas, sharing value bundles and the Real Deal offer at counters to meet the consumers' demand for good value
- The average order value increased due to an uptick of larger sharing bundles and a decline in demand for meals for one

Awards

- Daily Sun Readers' Choice Platinum Award 2020 – Best Pizza Outlets
- Twitter creative award – February 2021
- Sunday Times Generation Next Awards – 5th place in the Coolest Fast Foods brands category

Areas of focus in FY2021

- Ensured that hygiene standards and COVID-19 protocols were upheld
- Entrenched the use of the Debonairs Pizza app and delivery channel
- Rolled out delivery via third-party aggregators
- Targeted communications campaigns to promote the brand's value offerings

Focus for FY2022

- Online ordering and third-party delivery will continue to be a growth driver
- Continue to promote value sharing bundles
- Win market share through popular favourites and innovative new products

OPERATIONAL REVIEW continued

Fishaways

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

Key developments and initiatives

- Due to the national lockdown, the brand had no trade in April and minimal sales activity in May, when only delivery was allowed
- Franchise partners re-invested in the brand with three new restaurants and seven revamps
- We saw an increase in consumer confidence as lockdown restrictions eased, with more consumers returning to the brand
- Take away became the preferred consumer channel, supported by call and collect and delivery
- A channel margin strategy was set up to better understand how each channel performs and how to better service each channel

Areas of focus in FY2021

- Ensured that hygiene and COVID-19 protocols were upheld
- Menu rationalisation to improve supply and operational efficiencies
- Marketing campaigns including TV advertising for national promotions
- Continual communication to franchise partners regarding health and safety standards

Focus for FY2022

- Promotion of ordering channels including Kerbside Collection and third-party aggregators
- Continued brand investment into TV advertising and across digital platforms via national and regional campaigns
- The brand will leverage its strong loyal following through value propositions and promotional offerings

Milky Lane

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

Key developments and initiatives

- Due to the national lockdown, the brand had no trade in April and minimal sales activity in May, when only delivery was allowed
- Opened five new restaurants, closed one restaurant and relocated one restaurant
- Launched the hub (standard, kiosk and pop-up formats) and spoke (carts, bicycles, carry boxes and third-party delivery) model to the franchise partner network. This model addresses downtime in restaurants during quieter morning trade and is in line with current consumer trends around impulse and convenience
- Promoted the Nicecream Cakes to consumers for special occasions
- Most Milky Lane restaurants signed up for third-party delivery
- We launched the Milky Lane app and online ordering to drive brand turnover on new channels

Areas of focus in FY2021

- Ensured that hygiene standards and COVID-19 protocols were upheld
- Improved online brand presence
- Accelerated adoption of third-party delivery

Focus for FY2022

- Continued product innovation and more points of purchase to improve appeal and access for consumers

Leading brands portfolio: Casual Dining

Casual Dining

Offers customers a full-service, sit-down experience.

	Start of FY2021	New stores	Converted stores	Revamped stores	Stores closed	End of FY2021
Mugg & Bean	**236**	9	1	7	10	**236**
Wimpy	**464**	5	0	10	11	**458**
	700	14	1	17	21	**694**

Mugg & Bean

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.

Key developments and initiatives

- Due to the national lockdown, the brand had no trade in April and minimal sales activity in May, when only delivery was allowed
- Consumers are eating out less in sit-down restaurants due to fears about contracting COVID-19 and financial constraints
- Following the hard lockdown, we saw a gradual improvement in turnover performance from June to October
- The second COVID-19 wave from November led to a challenging last quarter of the financial year
- Airport sites were impacted by restrictions on domestic and international travel
- Sit-down restaurants in major malls experienced a greater decline in customer numbers
- We have grown our average basket size through relevant communications and offerings
- Menu innovation was focused on value items in the form of bundling favourite items at a lower price than buying individually
- Comfort food experienced growth over the past year
- Our footprint remained at 236 stores. We opened several On The Move format restaurants, offsetting the closure of some sit-down restaurants
- Our partnership with Discovery Vitality remained strong. We continued to develop our partnership in Healthy Dining and Vitality Active rewards -both had direct and indirect benefits to the brand

Areas of focus in FY2021

- Ensured that hygiene standards and COVID-19 protocols were upheld
- Reduced menus to simplify franchise partners' operation
- Managed menu price increases below food inflation to remain competitive
- Cancelled or postponed marketing campaigns that were not essential
- Ongoing direct financial and non-financial support to our franchisees to guide them through the challenging year
- Increased use of third-party delivery

Focus for FY2022

- Continue our successful partnership with Discovery Vitality and increase communication to Discovery consumers
- Enhance our presence in the digital ordering space
- Build our CRM and digital media capabilities
- Re-assess our advertising plan with a focus on out-of-home media
- Third-party delivery will remain a growth driver

OPERATIONAL REVIEW continued

Wimpy

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

Key developments and initiatives

- Due to the national lockdown, the brand had no trade in April and minimal sales activity in May, when only delivery was allowed
- Our operational plan focused on business sustainability during these uncertain times
- We saw consumer behaviour change in response to COVID-19 with a shift to off-site dining as consumers were nervous to leave their homes
- Our December holiday period started off well, but the second wave restrictions impacted sales as consumers become more cautious
- We opened five new stores and revamped six stores, although store openings and revamps were slowed due to the pandemic
- We closed 11 stores due to changing market conditions as a result of the pandemic

Awards

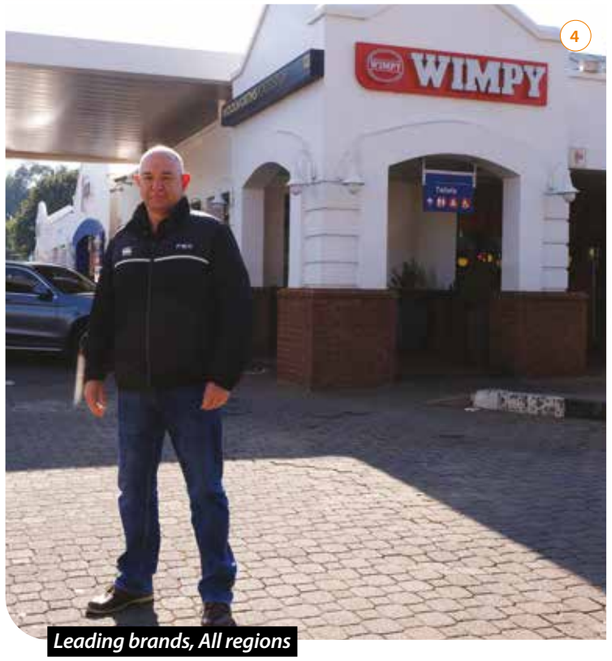
- Reach for a Dream Virtual Slipper Week – Orchids Award
- Read for a Dream Virtual Slipper week – Assegai Certificate
- Wimpy Engen Summer Campaign – Craft Mention
- 2020 Sunday Times Generation Next Awards – 3rd place in the Coolest Brands to Go Out and Eat Category

Areas of focus in FY2021

- Ensured that hygiene standards and COVID-19 protocols were upheld
- Simplified operations to deliver better efficiencies in our kitchens and improve franchisee profitability
- Simplified our menu to contribute to optimal operations while enhancing our core product categories
- Kept our food costs low to deliver a better bottom-line for franchise partners while still delivering a popular menu
- Developed our lunch options while maintaining our leadership within the breakfast category
- Utilised our newly launched app to deliver superior customer service and welcome more customers in their home language

Focus for FY2022

- Invest in technology to improve service speeds and customer experience
- Position Wimpy as the inclusive restaurant that welcomes all South Africans
- Balance price and product to ensure compelling price points and profitability
- Continue strategic partnerships including Engen, FNB and Momentum
- Focus on building CSI partnerships with Reach for a Dream and Lifesaving South Africa
- Continue with our "safe to sit-down" promotional campaign



Leading brands, All regions

1 *Amanda and Antoinette, Debonairs Pizza, Western Cape*
2 *Vasu and Asho, Mugg & Bean, KwaZulu-Natal*
3 *Johan and Sarel, Multiple brand franchisees, Mpumalanga*
4 *Hendrik, Wimpy Engen, Gauteng*
5 *Songeza and Phumla, Steers, Western Cape*
6 *Dean, Pat and team, Milky Lane, KwaZulu-Natal*

Signature brands portfolio

Our **Signature** brands portfolio comprises a wide range of bespoke Casual Dining offerings. Some of these brands are wholly owned, while others are JV partnerships* with the founders of the respective brands. During the review period, we sold tashas and mothballed the Europa and Keg brands (excluding one new format Europa store).

Lupa Osteria

With a strong Roman influence, **Lupa Osteria** offers modern yet traditional neighbourhood 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.

Mythos

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.

PAUL

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 licence agreement for PAUL in SA.

Salsa

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.

Turn 'n Tender

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.

* *Nine stores are Company-owned.*

VOVO TELO

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

Coffee Couture

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.

House of Coffees

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.

NetCafé

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 SA.

FEGO CAFFÉ

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.

* *Moved to the Signature brands portfolio in March 2021.*

OPERATIONAL REVIEW continued

Salient features – SA	Signature brands 2021	2020
Segment revenue (%)	**13.4**	19.6
Like-for-like sales growth (%)	**(52.0)**	(0.8)
Operating margin (%)	**(41.1)**	12.0
Total number of restaurants	**125**	151
New restaurants opened	**5**	11
Number of restaurants revamped and/or converted	**1**	2
Number of restaurants closed/sold	**40**	7

Trading conditions

Our Signature brands operated in a crowded and difficult Casual Dining market segment. Their performance reflects a year when the COVID-19 lockdown forced restaurant closures and led to capacity restrictions, curfews and alcohol bans. Constrained consumer spending and economic hardships are the main drivers of Signature brands' subdued performance, which had a significant effect on the portfolio.

Performance and focus areas

Like-for-like sales were down by 52.0% and system-wide sales were down by 53.7% for the review period. Operating margins declined to 41.1% and we achieved only 69% of our overall target to roll-out new stores and revamp existing stores. Store closures increased to 14 stores from seven stores in the prior year. In addition, 26 stores were sold as part of the tashas exit, making a total decline of 40 stores.

NetCafé and Coffee Couture, which operate in the Netcare and Mediclinic hospitals respectively, were impacted most severely. Patient numbers were restricted in hospitals nationwide. Sit-down was restricted and these restaurants relied solely on counter sales.

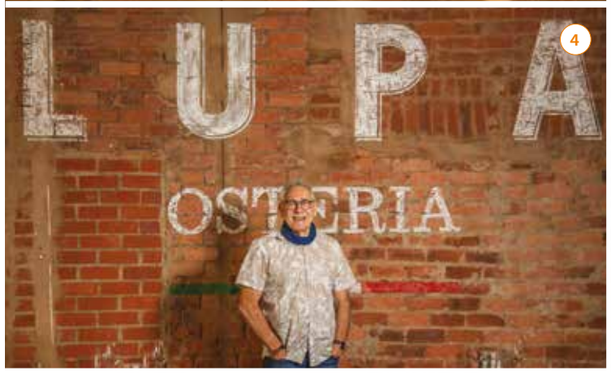
PAUL showed the best performance in the Signature brands portfolio. This can be attributed to the fact that the brand has strong day-trading and relies less on alcohol sales and evening trade. Sit-down, take away and delivery sales performed well during the post-lockdown period.

As margins on alcohol sales are high and bans precluded alcohol sales, most Signature brands' revenue were severely impacted. To assist restaurants, menus were streamlined to simplify restaurant operations and manage gross profit margins. Restaurants had to quickly adopt delivery platforms to capitalise on revenue where possible. When restaurants could re-open, all hygiene, health and safety standards and COVID-19 protocols were rolled out across the portfolio.

Future focus

The pandemic and resulting economic conditions in SA will continue to impact the growth of our Signature brands portfolio significantly. To scale brands, double digit growth in Signature brands over the next five years is required. As a result, we aim to:

- grow selected brands in SA;
- increase franchisee profitability through operational efficiencies and cost reduction initiatives. This would entail simplification of Signature brands' operating structures;
- accelerate usage of own delivery and third-party delivery platforms;
- consider minority buy-outs; and
- continue to seek out good acquisition opportunities and develop own brands.



Signature brands, All regions

1 *Anita, Turn 'n Tender, Gauteng*
2 *Stephen, PAUL, Gauteng (joint venture partner)*
3 *Liza and team, Mythos, Gauteng*
4 *Leon, Lupa, KwaZulu-Natal*
5 *Maria and John, Vovo Telo, Gauteng*
6 *Chris and team, Coffee Couture, Western Cape*

AME

Salient features – AME	Leading and Signature brands 2021	2020
Segment revenue (%)	**6**	4
Like-for-like sales growth (%)	**(23.1)**	2.8
Operating margin (%)	**9.5**	17.5
Total number of restaurants	**266**	310
New restaurants opened	**13**	28
Number of restaurants revamped and/or converted	**5**	26
Number of restaurants closed	**57**	41

AME	Start of FY2021	New stores	Converted stores	Revamped stores	Stores closed	End of FY2021
Leading brands						
Debonairs Pizza	**110**	7	–	1	18	**99**
Steers	**45**	3	–	1	7	**41**
Wimpy	**25**	–	–	–	–	**25**
Fego	**1**	–	–	–	1	**–**
Fishaways	**9**	–	1	–	2	**7**
Mugg & Bean	**34**	–	–	3	6	**28**
Milky Lane	**8**	2	–	–	1	**9**
	232	12	1	5	35	**209**
Signature brands						
Keg	**5**	–	–	–	–	**5**
Europa	**1**	–	–	–	–	**1**
Mr Bigg's	**72**	1	–	2	22	**51**
	78	1	–	2	22	**57**
AME total	**310**	13	1	7	57	**266**

Trading conditions

The Group trades in 17 countries in the AME region and although less stringent COVID-19 trading restrictions were imposed by AME countries, macro-economic trends were like those of SA. Consumers were impacted by the economic effects of COVID-19 and similar buying behaviours were noted as far as in-home dining vs delivery preferences were concerned. Consumers globally are more cautious of sit-down dining options.

Performance and focus areas

In the context of less stringent COVID-19 trading restrictions, the AME region delivered solid results. System-wide sales in this region declined by 22.9%.

13 new restaurants were opened in FY2021 and five stores were revamped. 57 stores closed during FY2021 for a several reasons, including operational, financial or revamp compliance failures, expiry of franchise agreements, COVID-19 financial stress and legal disputes.

QSR brands in Botswana, Ethiopia, Kenya, Nigeria and Sudan achieved a significant increase in home delivery channel sales, due to an agile response to consumer demand.

Operational efficiencies were achieved by leveraging strategic alliances, specifically petroleum partnerships, and by developing localised supply chains.

Several key developments in this region include:

- a flagship Debonairs Pizza launched in Botswana, incorporating an enhanced dine-in experience and children's play area;
- we entered Oman through the opening of a Steers drive-through;
- legal action to defend the Debonairs Pizza and Steers brands in Kenya was concluded with the closure of all Hoggers outlets;
- the first company-owned Debonairs Pizza and Steers combo store was opened in Kenya;
- a new format dark kitchen was opened for Debonairs Pizza in the UAE;
- the repurchase of the UAE Debonairs Pizza master licence was concluded; and
- a master licence agreement for Mugg & Bean On The Move was signed with Total Angola.

Future focus

We aim to continue leveraging strategic partnerships and geographic expansion in this region. Investments into company owned stores will still be considered, albeit at more prudent levels in order to preserve cash. We will continue to enhance online ordering, call centre and social media platform capabilities across key markets.

UK

Since GBK was placed under administration, the CDR brand **Wimpy** is our only brand operating in the UK. Comparative results should be viewed from this perspective.

Salient features – UK	Wimpy 2021	2020
Segment revenue (%)	**112.3**	122.1
Operating margin (%)	**12.8**	19.0
Total number of restaurants	**71**	67
New restaurants opened	**4**	2
Number of restaurants revamped and/or converted	**7**	0
Number of restaurants closed	**1**	2

Trading conditions

Overall, the impact of the COVID-19 pandemic has placed significant pressure on the hospitality industry in the UK, through one of the toughest economic years the UK has seen. Trading conditions remained tough throughout the year; however, with franchisees embracing take away services and delivery across several third-party platforms, Wimpy UK continued to trade throughout all lockdown periods.

We expect trade to increase from 12 April 2021 with the return of non-essential retail driving foot fall on the high street and then again on 17 May 2021 with the return of indoor hospitality enabling restaurants to re-open seating.

Performance and focus areas

Turnover was down by a total of 8%. Revenue in Rand terms declined to R112 million (2020: R122 million). Operating profit declined by 38% to R14 million (2020: R23 million). The operating margin for the year was 12.8% (2020: 19.0%).

The government-backed furlough scheme was implemented to contain employee costs. The Group supported franchise partners with discounts on key product lines to boost profitability and to mitigate against the high fees charged by third-party delivery platforms.

Future focus

The UK government has indicated that as from 21 June 2021, all legal limits on social contact will be removed (subject to review), which will stabilise revenue earning opportunities. Continuous focus on operational efficiencies and Wimpy revamps aims to embed the brand further in the region at profitable margins.

Vertical integration

The Group's supply chain comprises our Manufacturing and Logistics and Retail divisions, which are managed and measured independently. Most of our manufacturing plants are wholly owned, but we also operate certain JV partnerships. The Retail business sells condiments (sauces, dressings, spices), frozen meat products, coffee (ground and beans), frozen chips and other value-added products.

	Manufacturing		Logistics		Retail	
Salient features	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Segment revenue (R million)	**2 118**	2 771	**2 994**	4 095	**151**	124
Segment operating profit (R million)	**181**	419	**(13)**	60	**1**	(22)
Operating margin (%)	**8.6**	15.1	**(0.4)**	1.5	**0.5**	(18.1)
Capex (R million)	**20**	37	**4**	26	**–**	–

Trading conditions impacting the front and back end of the value chain

Trading conditions

Manufacturing was particularly hard hit by lockdown restrictions. Government restrictions on operating times and employee capacity forced management to adapt to new operational plans based on restricted capacity. As a result, a four-day work week was agreed with unions across all plants and certain manufacturing capacity was outsourced or suspended.

Extreme food safety precautions had to be taken, more so than under pre-pandemic times. Safety protocols would dictate an immediate plan shutdown in the event of COVID-19 safety breaches.

Food trends impact manufacturing directly notably food inflation and shortages. A national shortage of potatoes required 1 250 tons be imported at higher exchange rates.

The following factors are driving food price inflation:

- an increase in chicken and edible oil commodity prices. Local chicken suppliers have lifted their pricing to match imported prices as new import duties filtered into the imported prices;
- the shortage of oil seed in the Baltic area is affecting oil imports into SA for use in our products;
- the increase in the price of soya beans had an impact on feed prices for chicken, beef and pork;
- beef and pork trimmings prices have increased with 18.5% and 19% respectively. Pork ribs increased at a point by a staggering 57% before retreating;
- Stats SA estimated FY2021 food inflation for the period September 2020 to February 2021 at 6%. Key drivers for the increase were meat, wheat, fruit, milk, eggs and cheese; and
- the latter part of the year saw our own price basket increase in price. Beef (10%), pork (12%), ribs (40%), green coffee beans (7%), milk and whey powders (8%), oil (16%), flour (7%) and spices (5%).

While the Eastern Cape is still experiencing a drought, good summer rains have improved dam levels and support good agricultural production. Water scarcity and electricity availability requires operational focus to drive consumption efficiencies and contribute to cleaner operations.

COVID-19 continues to affect and disrupt global supply chains. This has led to increases in shipping costs, volatile commodity prices and extended lead times for shipping and clearing. Shortages of containers and reduced routes by cargo ships caused further delays.

Hygiene, health and safety standards and COVID-19 protocols were rolled out across all operations. We focus on a leader-led safety culture across the supply chain. Asset care practices apply across the value chain and ensures sufficient maintenance capex. The focus of asset care is on safety and environmental impact factors.

Manufacturing

Performance and focus areas

Manufacturing revenue declined by 24% and ultimately the operating margin by 6.5%. Across all our plants we sold 34% less units in FY2021 and produced 30% less volume. This was driven by lack of demand from the front end of the value chain and the exposure that each plant has to the different brands. Plants with higher QSR exposure performed better than plants with a high CDR exposure. Increased Retail sales due to higher in-home consumer demand assisted in softening the declined demand from stores.

Operational adjustments in capacity were made as follows to combat cost increases and/or per lockdown regulation:

- Famous Brands Bakery in Gauteng was closed for the months of April, May and June 2020, with volume outsourced. The plant only re-opened for production in July 2020;
- the KZN ice cream plant was only operational for the first three weeks of March 2020 and then permanently closed. This volume moved to our Gauteng ice cream plant;
- Famous Brands serviette plant was closed for three months, with volume outsourced;
- specialist maintenance skills were added to the engineering team;
- Four-star NOSA rating at Turn 'n Tender butchery for the first time; and
- all plants assessed by NOSA were found to be fully compliant with OHS legislation.

Year-on-year, the capital investment is up slightly to R37.5 million. Most capital expenditure plans were deferred for FY2021. Cash preservation measures required a prudent approach around maintenance and expansion capital.

Food safety risk was managed well, and no plant stoppages occurred during the year. 100% food safety accreditation at all manufacturing facilities was achieved with, only one lost-time injury compared to 16 in the prior year.

Alan, Paul and team, Debonairs Pizza, Botswana

Manufacturing plant statistics

Plant	Product	2021 Plant size (m^2)	2021 Revenue growth year-on-year (%)	2020 Plant size (m^2)	2020 Revenue growth year-on-year (%)
Famous Brands Bakery Gauteng	Burger Rolls	**1 065**	**(31.2)**	1 065	(4.1)
Famous Brands Coffee Company^	Espresso and filter coffee and powdered products	**1 850**	**(43.4)**	1 850	(7.7)
TruBev^	Juice and water	**1 650**	**(50.5)**	1 650	33.9
Famous Brands Meat Plant	Beef and chicken patties, boerewors, sausages and pizza toppings	**6 045**	**(21.4)**	6 045	6.2
Turn 'n Tender Central Kitchen^	Brand-specific, choice-cut meat products	**905**	**(43.2)**	905	0.2
Cater Chain^	Beef, lamb, mutton, chicken and pork	**8 950**	**(18.5)**	8 950	15.2
Famous Brands sauce and spice plant	Steers, Wimpy and Debonairs Pizza sauces, sugar and seasoning sachets	**2 970**	**(17.1)**	2 970	(2.4)
Famous Brands ice cream plant	Soft serve, hard ice cream and milkshake flavours	**980**	**(23.8)**	980	1.9
Famous Brands Fine Cheese Company^	Mozzarella, cheese slices, cheddar cheese and cheese spread	**5 200**	**(13.3)**	5 200	13.1
Famous Brands Great Bakery Company^	Specialised breads, baked and frozen products, pastries and confectionaries	**652**	**(28.4)**	652	(9.5)
Lamberts Bay Foods	French fries and other value-added potato products	**13 000**	**(23.4)**	13 000	(23.3)
Famous Brands serviette plant	Serviettes	**244**	**(36.9)**	244	9.8

^ *JV.*

Future focus areas

- Ongoing focus on enhancing efficiencies and reducing costs to improve sustainable profitability of the business and franchise partners;
- stringent working capital management measures;
- ongoing focus on maintaining and improving NOSA ratings;
- implementing a new bacon production system to manage pork costs; and
- the upgrade of the effluent plant at our Meat Plant.

Logistics

Salient features	2021	2020
Number of trucks	**109**	104
% of cases delivered by owner drivers	**42**	61
Energy consumption (diesel, petrol, other) (L)	**1 853 511**	2 733 400
CO_2 emissions	**5 414**	8 037
Number of owner drivers	**28**	37

Performance and focus areas

Logistics revenue decreased by 27%, mainly due to lower case volumes and this decrease filtered through to an operating margin of -0.4%. To maintain logistic efficiency, we focused on route planning optimisation. This initiative had to be balanced with restaurant delivery requirements where bursts in open economy during lockdown required inventory delivery on a somewhat irregular basis and cash flow pressures experienced were top of mind and whilst it would have been tempting to cut frequency of deliveries this would have been counterproductive in our support of franchise partners..

Distribution had to be adapted to the conditions in lockdown as follows:

- decommissioned the Longmeadow primary distribution centre to consolidate primary distribution volume into the Gauteng ambient distribution centre;
- relocated the Limpopo cross-dock to a new site to optimise routes and deliver full basket (ambient and frozen) in multi-temperature units;
- decommissioned the Mpumalanga distribution centre to open a new cross-dock facility to optimise the operations and routes;
- increased Gauteng ambient distribution centre capacity by 692 additional pallets storage by installing bridge bay racking and live racking; and
- increased the Eastern Cape distribution centre capacity by re-racking the facility and gained 20 additional pick faces and 160 pallet storage capacity.

Our capex of R4 million focused on driving efficiencies and increasing depot capacity.

Future focus areas

- Review current national fleet mix;
- roll-out of warehouse management systems across the KZN and Eastern Cape distribution centres;
- implementation of the AARTO management system. Review all policies and procedures to align with the new AARTO Act that is scheduled to go live 1 July 2021;
- ongoing benchmarking of logistics processes, costs and margins to market best practice to enhance efficiencies and reduce operating costs; and
- continued focus on management and reducing negative environmental impacts.

Retail

Performance and focus areas

The Retail business has operated for a full financial year as a stand-alone business unit. Sales reported for the period were R151 million (2020: R124 million). This business unit saw an increase in sales during the COVID-19 lockdown as consumer demand for at-home consumption increased. We launched several new product lines, including coffee, sauces and house brand products.

Future focus areas

- Launch a new range of dressings and sauces;
- Expand on the range of potato products offered to retail chains; and
- Introduce new coffee pack designs and size variations.

Group associates

Shareholding owned by the Group

49%

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

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

37%

Sauce assists the Group by providing enhanced marketing capabilities and leveraging marketing spend with the aim of improving the business's competence in the digital market.

Shareholding owned by the Group

49%

FoodConnect is a sales and distribution business in the food and beverage sector. It owns the rights to the Group's Baltimore ice cream brand and distributes and sells the product on to third parties, which affords the Company a strategic route-to-market. As a Level 2 BBBEE contributor, FoodConnect supports the Company's transformation agenda.

GOVERANCE AND REMUNERATION
OVERSIGHT SUMMARIES

Governance at a glance

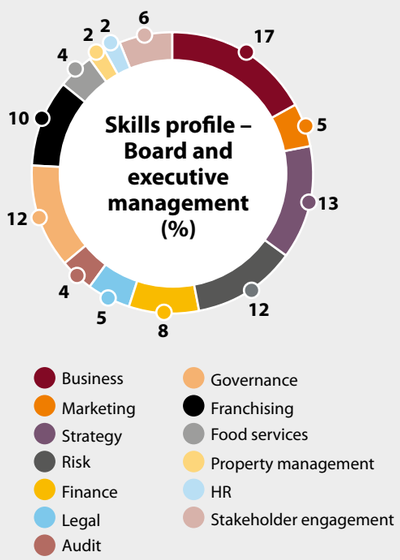
100%
Average Board and Committee meeting attendance

264 years
Board members' aggregate years of experience

60%
Board independence

30% female
Gender diversity

Good corporate governance leads to better results for companies, stakeholders and investors.



Compliance Statement

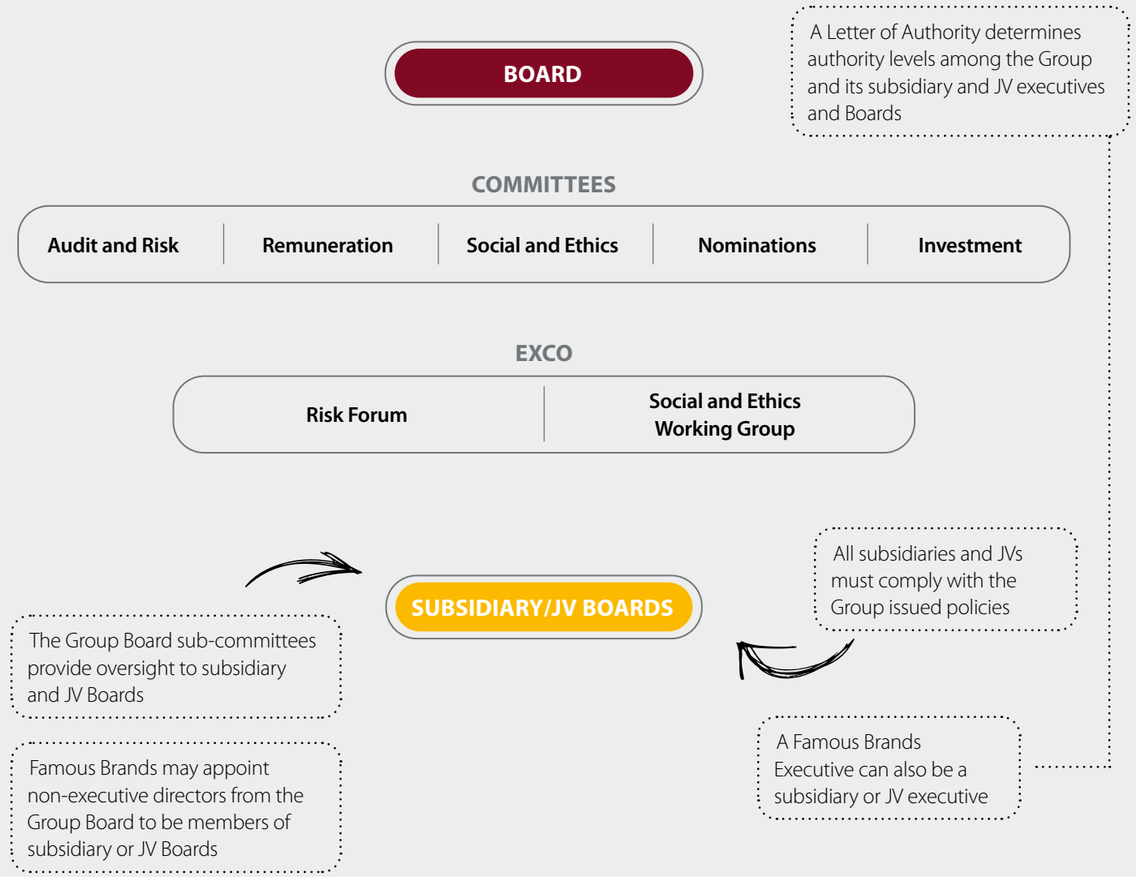
The Board confirms that for the year ended 28 February 2021, the Group is in compliance with the provisions of the Companies Act and is operating in conformity with its Memorandum of Incorporation. The Board further confirms the application of the King IV™ Code of Corporate Governance.

Further details of the Group's King IV application register may be found on its website at **https://famousbrands.co.za/investorrelations/**

Major Board decisions

- Approved adjusted annual business plan and adapted three year strategy roadmap in response to COVID-19 lockdown trading restrictions;
- Approved withholding of financial support for GBK;
- Approved the support to franchise partners through royalty and marketing fee reductions and deferrals;
- Approved the disposals of tashas and It's a Matter of Taste;
- Approved the cost reduction measures including placing the business into hibernation with subsequent operational and human resources consequences;
- Approved the Board fee decreases in line with management and staff salary reductions;
- Approved two refinance arrangements in one year; and
- Appointed new external auditors.

Governance structure and framework



Dotted lines represent Group governance framework arrangements
Solid lines represent Group governance structures at various level in the Group

OVERSIGHT SUMMARIES continued

Remuneration at a glance

COVID-19 IMPACT ON REMUNERATION

50%
cap on the bonus pool
for non-BU employees and the STI for executive management. CEO scorecard adjusted.

0%
annual increase
for non-BU employees and executive management.

Timing
of incentives deferred
except for BU employees.

93
retrenchments
between April and September

100%
13th cheques
for BU employees.

8%
BU wage increase

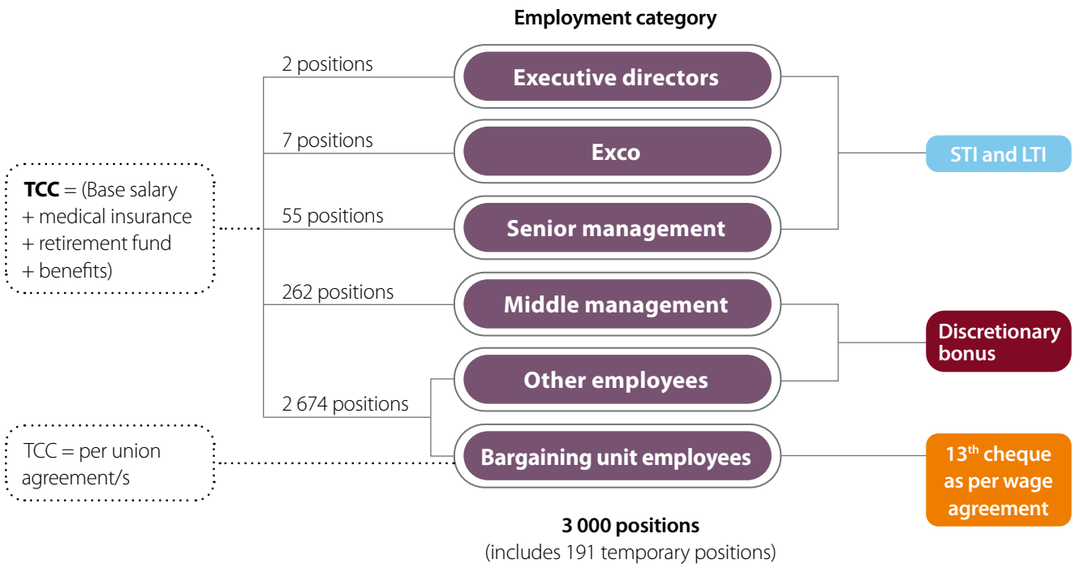
0%
NED fee increase
Reduction of fees for three quarters Board fees and no fees for COVID-19 ad hoc or special meetings.

STI

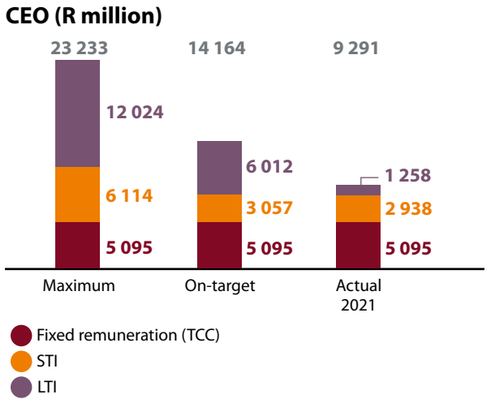
Profile of scorecard	2021 %
Personal weighting	30
Group and/or regional weighting	70
Financial and operational plan performance	60
Market-share performance and customer measures	20
People performance	10
Transformation and ESG	10
Total	**100**

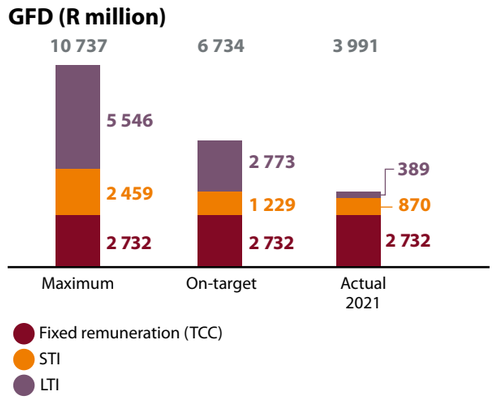
Percentage STI earned adjusted based on personal performance rating

Remuneration landscape and eligibility



Pay for performance: executive directors





Shareholder voting in favour of

76.20%
Remuneration Policy

86.96%
Implementation report

>96%
Non-executive directors' remuneration

100%
Remuneration Committee attendance

No malus or clawback
provisions triggered in FY2021

R23.1 million
STI total

127 345
number of LTI retention shares vested to 31 participants totalling R6 million

Abbreviations to know:

BU: Bargaining unit; **TCC**: Total cost to company = Basic salary + medical insurance + retirement fund + benefits; **STI**: Short-term incentive; **LTI**: Long-term incentive; **13th Cheque**: One month's TCC; **Executive directors** refers to the CEO and the Group FD, while the **Executive Committee** is referred to as Exco. **Executive management team** includes the executive directors and Exco

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Santie Botha (56)

Independent non-executive Chairman

BEcon (Hons)

The Chairman of the Board is independent.

Norman Joseph Adami (66)

Independent non-executive director

B Bus. Sci (Hons), MBA

Christopher Hardy Boulle (49)

Independent non-executive director

BCom, LLB, LLM

Nicolaos (Nik) Halamandaris (46)

Non-executive director

John Lee Halamandres (67)

Non-executive director

Kelebogile (Lebo) Ntlha (38)

Group Financial Director

CA(SA), MBA, PGDip Tax

Deon Jeftha Fredericks (60)

Independent non-executive director

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

Alexander (Alex) Komape Maditse (58)

Independent non-executive director

BProc, LLB, LLM, Dip Company Law

Thetele Emmarancia (Emma) Mashilwane (45)

Independent non-executive director

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

Darren Paul Hele (49)

Chief Executive Officer

BCom

Celeste Appollis (49)

Company Secretary and Head of Legal

BA LLB, H.Dip. (Company Law)

Non-executive directors ● Executive directors ● Exco

Non-executive directors ● Executive directors ● Exco

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT continued

Jabulani Mahange (60)

Group HR Executive

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

Andrew Mundell (52)

Group Executive – Business Development

BSc Agric (Hons), MBA (UCT)

Derrian Nadauld (47)

Chief Operating Officer – Leading Brands

NDip Catering Management, Certificate Marketing Management

Ntando Ndaba (35)

Group Risk Executive

BTech

Jean-Paul Renouprez (47)

Group Executive – Manufacturing and Logistics

MBA, BSc Engineering

Philip Smith (58)

Managing Director – AME

A Levels (UK)

Non-executive directors · Executive directors · Exco

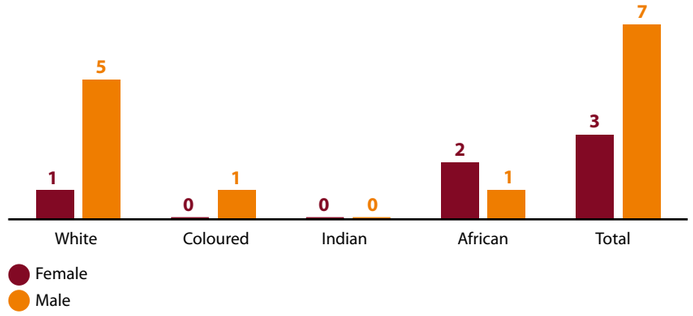
Statistics

Board age (%)

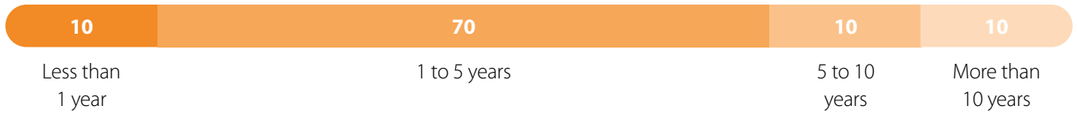
Board tenure (%)

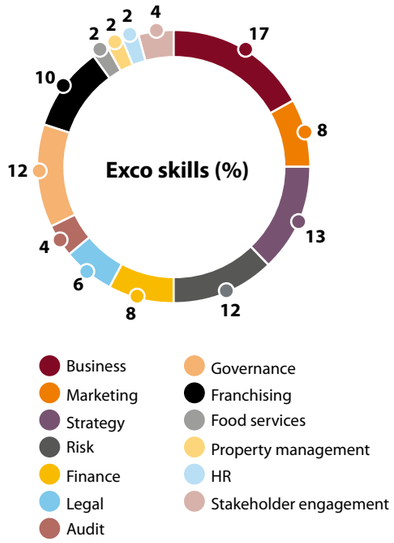
Board independence (%)

Board demographic and gender

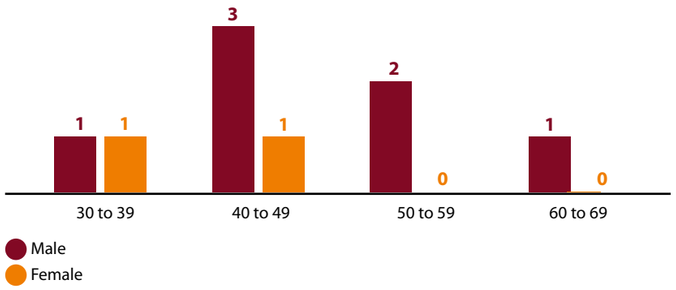


Exco tenure (%)

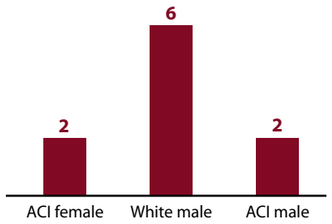




Exco age and gender



Exco demographics (%)



GOVERNANCE AT FAMOUS BRANDS

Good governance is at the heart of our business. Our governance practices help us achieve our objectives, drive improvement and maintain our ethical reputation in the eyes of shareholders, regulators and the wider community.

Our approach to governance

Famous Brands' governance philosophy is integral to its business approach and is based on our seven core values (refer to 5 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 is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities are disclosed.

Board composition

Refer to the detailed CVs on 169.

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 CEO and the Group FD.

Board diversity and balance of skills and experience

The Board values diversity of gender, race, age, culture and fields of expertise. In FY2020, the Board adopted a broad Diversity Policy as part of the Nominations Committee Charter. 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. No targets have been set for gender and race representation in the membership of the Board.

Rotation and changes to the Board

The following directors will retire by rotation and have made themselves available for re-election at the AGM:

- Santie Botha (Chairman); and
- Nik Halamandaris.

The Board supports their re-election. Although Santie Botha is completing her ninth year as an independent non-executive director, the Board is nevertheless satisfied of her independence in her role as an independent non-executive director and Chairman.

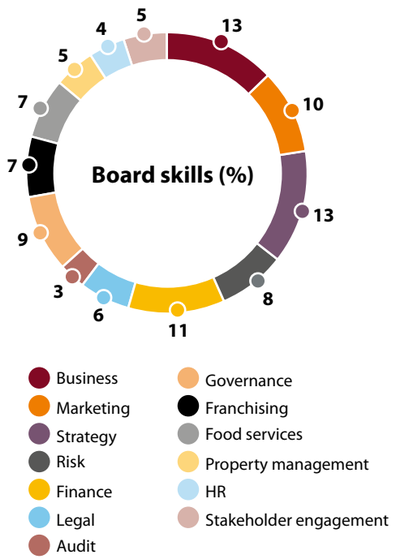
There were no changes to the composition of the Board in the review period. Succession planning is in place to replace the CEO and other key non-executive and executive positions.

Emma Mashilwane has given notice to the Board that she intends to retire at the upcoming AGM and will not be available for re-election as an independent non-executive director. She will further step down as a member of the Audit and Risk Committee and chairman of the Remuneration Committee.

The Board has approved the appointment of Fagmeedah Petersen-Cook to the Board with effect from 1 June 2021. Her appointment will be tabled to shareholders for approval on 23 July 2021 at the Annual General Meeting. Following the Annual General Meeting, the following changes will take effect:

- Chris Boulle will succeed Emma Mashilwane as Chair of the Remuneration Committee;
- Fagmeedah Petersen-Cook will succeed Chris Boulle as Chair of the Investment Committee; and
- John Halamandres will step down as full-time member of the Investment Committee but will remain an invitee.

Lebo Ntlha has resigned as Group Financial Director with effect from 30 November 2021. The Board has begun the process to select an appropriate successor.



Board and Committee performance

Key governance matters addressed during FY2021

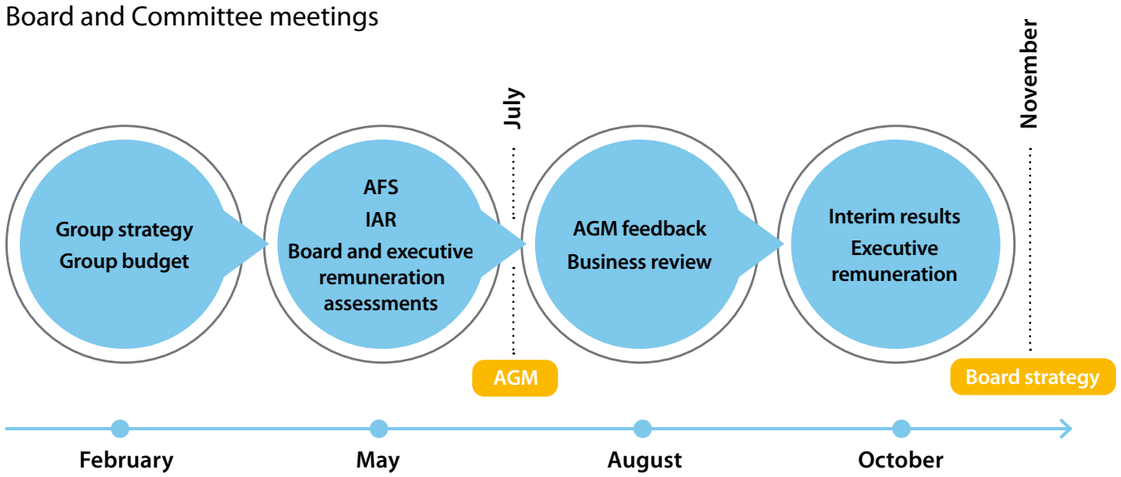
Operational	Strategy and financing	Risk management, internal control and compliance	Corporate and performance reporting	Corporate citizenship
• Approved measures to reduce costs (retrenchments, salary cuts, Board fee reductions) • Reviewed and noted the adjustments required in fleet and logistics capacity and planning in response to lockdown • COVID-19 protocols and measures were reviewed and monitored for effective implementation	• Review investment hurdle rates and investment choices adapted based on COVID-19 impacts • Reviewed adjusted business plan • Approved the disposal of non-core assets • Approved the minority buy-out of Salsa Mexican Grill • Approved the decision not to provide further funding to GBK • Approval of adapted three-year strategy roadmap to account for COVID-19 influenced adaptations • Monitoring working capital • Approval of management's negotiated Nedbank facility • Approval of various financial mechanisms to accommodate franchise partners in time of crisis	• Transition of new external audit firm • Reviewed compliance of AFS with JSE proactive monitoring recommendations • Reviewed Internal Financial Control's programme to support Group FD/ CEO attestation statement • Critical evaluation of effectiveness of health and safety protocols roll-out across the Group • Monitoring progress to ready the business for POPIA and AARTO regulation • Understanding the implications of enterprise resource planning legislation on logistics	• Reconsidered remuneration based on the impact of COVID-19 • Evaluated Board performance • Reviewed Board succession and composition in line with Diversity Policy • Ongoing training of Board members • Recommended the appointment of a new independent director with digital and IT skills	• Furthering SDG integration • Maintained Level 4 BBBEE status and assessed the implications of changing scorecards on current contributor level • Approval of food distribution donations and continued donations to beneficiaries as committed to before COVID-19

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.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter for the period under review.

Board and Committee meetings



Meeting attendance for the reporting period

	Board	Audit and Risk Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Investment Committee
Number of meetings	**13**	**3**	**3**	**3**	**3**	**–**
Board/Committee members	**10**	**3**	**4**	**3**	**3**	**–**
Meeting attendance						
NJ Adami	**12**	**3**	**–**	**3**	**–**	**–**
SL Botha	**13**	**3***	**–**	**3**	**3**	**–**
CH Boulle	**13**	**3***	**3**	**–**	**3**	**–**
DJ Fredericks	**12**	**3**	**–**	**–**	**–**	**–**
N Halamandaris	**13**	**3***	**3**	**–**	**–**	**–**
JL Halamandres	**11**	**1***	**–**	**–**	**–**	**–**
DP Hele	**13**	**3***	**3**	**3***	**3***	**–**
TE Mashilwane^	**13**	**3**	**–**	**–**	**3**	**–**
K Ntlha	**13**	**3***	**–**	**–**	**–**	**–**
A Maditse	**13**	**2**	**3**	**3**	**–**	**–**

* *By invitation.*
^ *Resigned 4 March 2021.*

Performance evaluations

Performance evaluations of Board members and the overall effectiveness of the Board were undertaken during the review period.

The Board undertook a performance self-evaluation in May 2020, reviewing its performance under the following categories:

- Board Composition
- Board Culture, Role and Responsibilities
- Board Committees
- Relationship between Board and Executive Management
- Board Meetings
- Evaluation and Fees
- Leadership
- Stakeholder engagement

The Board concluded that it was functioning well with open and thorough discussion of issues. The Board and management work well together and are addressing key concerns and matters. There has been improvement in terms of concise yet sufficiently detailed and informative packs. The tone set by Exco is highly rated especially with the introduction of a risk culture which has been embraced by Exco.

The Board further concluded that the key focus areas for 2021 include:

- Board composition in terms of age and gender split be improved on for succession purposes when considering new directors for appointment. Retail, digital and e-commerce skills should be considered;
- deep dives into strategy covering various topics should continue;
- feedback from stakeholder engagements should be more regularly communicated.

The Board agreed that the next evaluation should take place in October 2021 and that at this stage it was comfortable that the evaluation does not need to be externally facilitated.

The Board is satisfied with the performance and effectiveness of itself and its Committees.

Leading ethically and effectively

The Board

The Board is held accountable for ethical and effective leadership through a Code of Conduct and performance evaluations of the Board and its members. Declarations of Interests of all members are regularly reviewed and updated, and possible conflicts of interests are noted at every meeting. The Nomination and Governance Committee will consider any interests of board members that are of concern and the Chairman of the Board or Chairman of a relevant Committee will be mandated to discuss the matter with the member concerned.

The Company

The Company has a Code of Ethics that is reviewed on an annual basis. Compliance with the Code is a requirement of employment. To maintain ethical culture, we have the following :

- the Gift Policy;
- Ethics Management Programme;
- the Whistle-blowing Policy;
- the Anti-Occupational Fraud Policy; and
- trained 42 managers through The Ethics Institute (cumulative number of managers trained: 77).

Other standard Famous Brands e-learning modules offered to employees to establish ethical conduct, due care and compliance include, among others:

- Meeting Etiquette
- Dealing with Bullying
- Sexual Harassment
- Risk Management
- Labour Relations Act
- Basic Conditions of Employment Act
- Occupational Health and Safety
- Workplace Ethics
- Protection of Personal Information Act
- Public Finance Management Act
- Workplace Professionalism
- Treating Customers Fairly (TCF)
- FAIS Awareness
- FICA (AML and CTF)

We received 13 calls on the whistle blowing hotline of which six cases were investigated and the remainder of the calls were concept queries only. Of the six cases requiring investigation, five were resolved leaving one open case at year-end. The whistle blowing cases investigated related to theft of assets, unfair labour practice, inappropriate discounting, misappropriation of funds and unethical vendor practice.

Technology governance

To thrive in a digital world, it is essential for an organisation to establish a technology governance framework that embraces disruptive technologies and encourages innovation while ensuring risks are identified and managed.

At Famous Brands, we deploy technologies to assist with quality assurance and remove risk of human error from critical operational and financial data. This enables effective decision making and quality reporting. In the current year it was particularly important to deploy payment and ordering solutions to mitigate the sustainability risk of the organisation. Technology applications assist with capturing critical consumer information, such as location, safely and accurately. Secure payment platforms are critical to keep information safe and mitigate unlawful access. Technologies fundamentally assist in each of our strategic objectives.

GOVERNANCE AT FAMOUS BRANDS continued

Our focus this year was to oversee the implementation of critical technologies to assist in business sustainability.

- **Promoting online ordering** – We deployed e-gifting, kerbside collect and loyalty features in applications. Huawei app gallery additions for all applications;
- **ensuring a safe payment environment** – We implemented cloud-based POS functionality, introduced mobile POS devices and integrated ordering application with other technologies such as Mpesa and Zapper. We introduced self-service terminals and "order-and-pay-at-table"; and
- **health and safety monitoring** – Our comply system provides critical raw material data to ensure food safety. It monitors plant conditions and issues alerts in the case of health and safety risks.

Projects included:

- **Project Mercury** – reviewing the current e-commerce environment to ensure that Famous Brands is using best-in-class technology at the most cost efficient rates;
- **Project Switch** – creating a single payment switching environment to enhance current payment platforms, systems and rates available to franchisees;
- **CRM** – enabling the brand teams to run personalised consumer marketing campaigns using consumer data ingested via multiple sources. This data is then sorted, cleaned, modelled and segmented according to strategic and ad hoc requirements and enabled via a web portal with a simple user interface;
- **E-Vouchering** – enabling brands to remove plastic credit card-based gift cards with digital versions that are simple to purchase, simple to issue and applicable to all points of purchase in the Famous Brands ecosystem; and
- **Yext** – international online search and reputation management platform.

The Audit and Risk Committee will oversee critical technology deployment planned for FY2022 noting the ability of critical technologies to reduce risks related to cyber attacks, secure payment and financial sustainability. These technologies include:

- CRM system for personalised marketing communications;
- social commerce;
- chat commerce;
- payments platform for all brands, channels and franchisees;
- integration platform for all channels, service providers, systems and partners, with the aim of creating a Famous Brands platform that drives all the digital outputs required at restaurant and consumer level;
- artificial intelligence for consumer data in order to enhance personalisation and propensity marketing;
- enhanced recons and reporting for franchisees;
- cloud-based point-of-sale;
- Wi-Fi captive portal for brand consistency and consumer data capture; and
- in-venue beaconing.

Compliance

Several key regulatory and legislative developments occurred during FY2021. Attention was given to the progress of the business to ready itself for compliance in these areas. Key compliance areas include:

- POPIA: Tracking progress of readiness programme;
- AARTO: Understanding the business impact on our logistics fleet;
- JSE Listings Requirements: Oversight of the progress and findings related to the internal control environment enabling the required CEO and Group FD attestation statement in the AFS;
- NOSA gradings: Monitor progress to 100% NOSA compliance for all plants;
- fines and penalties review: We disclose that we received no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the Company or on members of the or on officers of the Company; and
- environmental compliance review: We were found to be compliant with environmental regulations and have no findings of non-compliance with environmental laws, nor criminal sanctions and prosecutions for such non-compliance.

Our planned future areas of focus are:

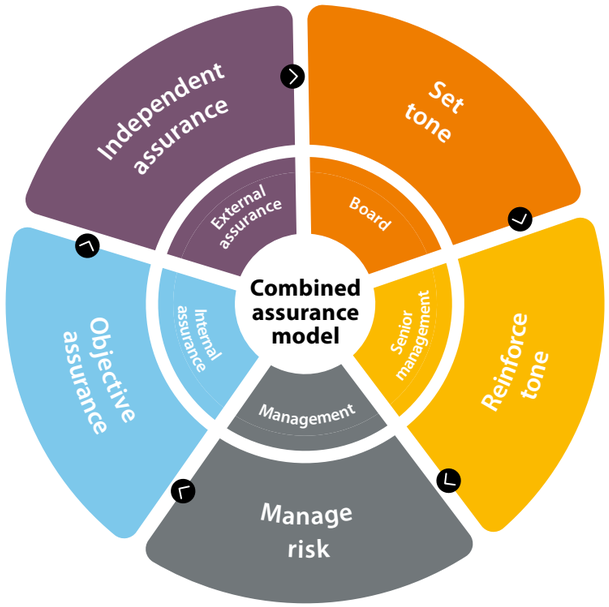
- Extended Producer Responsibility: Understanding the proposed law and providing feedback;
- Continued monitoring of system implementation and operational changes to comply with POPIA; and
- A formal legal and regulatory framework be developed and communicated.

Combined assurance

The Audit and Risk Committee supports the Board in entrenching combined assurance processes across the Group. The Committee is responsible for overseeing Famous Brands' system of internal control which is intended to evaluate, manage and provide reasonable assurance against material misstatement and loss. The Audit and Risk Committee, together with the Group Risk Executive, oversees that risk and opportunities are properly identified, assessed and quantified. The Board is further supported by divisional management through the Group Risk Forum. The Group's combined assurance model enhances the assurance obtained from management and internal and external assurance providers while developing a strong ethical environment and mechanisms to ensure compliance. The Internal Audit and Risk departments ensure adequate controls are in place. The external auditor, KPMG, covers key controls and accounting matters during its audit.

Internal audit

Famous Brands conducted 16 internal assurance audits across the business (2020: 17) of which 81% was executed by internal resources (2020: 59%). These audits included the Famous Brands Management Company, Famous Brands Cheese Company and Cater Chain. Our focus for 2021 was on Manufacturing, Logistics and Corporate. The scope of our work included inventory management, COVID-19 regulatory compliance, general financial controls and correct payroll administration (accuracy of salary payments, TERS payments, notice pay, and severance pay). Three plants and five Distribution centres were included in the inventory management audits. General financial control audits were performed at central Finance, Manufacturing and Logistics level and included controls over revenue, trade receivables, financial reporting and treasury.



Company Secretary

Celeste Appollis, the Company Secretary, 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. The Board has confidence in the arrangements in place for accessing professional governance services and that these arrangements are effective. As a Company Secretary, Celeste can reach out directly to the Chairman of the Board to raise issues of concern.

SOCIAL AND ETHICS COMMITTEE REPORT

Mandate

The purpose of the Social and Ethics Committee (Committee) is to assist the Board in discharging its oversight responsibilities regarding how the Company does business according to its values, ethical standards and social responsibility. The duties of the Committee as outlined in the Companies Act include oversight over social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment.

Attendance and composition

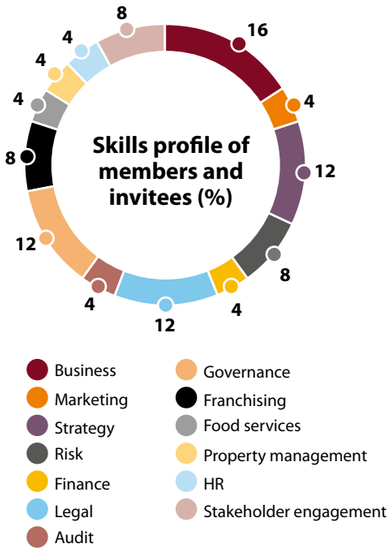
Composition and meeting attendance

Three meetings held in FY2021

Chairman
- CH Boulle (3/3)

Members
- DP Hele: CEO (3/3)
- N Halamandaris (3/3)
- A Maditse (3/3)

Invitees
- J Mahange: Group HR Executive
- AC Mundell: Group Executive: Business Development
- N Ndaba: Group Risk Executive
- R Jivan: Group Transformation Manager
- CD Appollis: Company Secretary



Oversight areas

The Committee, together with Social and Ethics Working Group (made up of the executives of the Group), have adopted best practice as recommended by the IoDSA, which encapsulates King IV, the Companies Act, the 10 Principles of the UN Global Compact and legislation related to the areas below:

Statutory and King IV social and ethics areas[1]

Economy	Workplace
• Economic development • **Fraud*** and corruption • BBBEE • **Responsible and transparent tax practices***	• Employment equity • Decent work • Employee safety and health • Employee relations • Education of employees • **Fair remuneration*** • **Organisational ethics***
Environment	**Society**
• Environmental impact • **Pollution*** • **Waste disposal*** • **Biodiversity***	• Community development • Donations and sponsorships • Public health and safety • Advertising • Consumer protection • Consumer relations • Human rights • **Stakeholder relations***

[1] *Adapted from the IoDSA Practice Note for Social and Ethics Committees published in November 2020.*
* *King IV additions to statutory mandate of Social and Ethics Committee.*

Governing and managing ethics

We have the following measures in place to ensure that we adequately govern and manage ethics within the Group:
- activities of the Committee and Social and Ethics Working Group reported to the Board;
- published policies related to ethics published on the Group intranet;
- Whistle Blowing Policy in place together with channels to report unethical activity;
- regular communication campaigns to employees on topics related to values and ethics; and
- training for managers and executives.

Focus areas for the reporting period

During the review period, the Committee and/or the Social and Ethics Working Group worked on the following issues:

General

- Reviewed and approved the Committee Charter
- Reviewed and approved annual Committee workplan
- Reviewed and accepted management's feedback (based on relevant legislation and best practice) regarding the Group's activities relating to:
  - Social and economic development
  - Good corporate governance
  - ESG matters
  - Consumer relationships
  - Labour and employment
- Reviewed and recommended to the Board for approval the non-financial disclosures contained in the IAR
- Approved the Group's CSI Policy and provided the Board with updates on existing projects and progress achieved, as well as made recommendations regarding new proposed projects

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
- Reviewed and approved the approach regarding the employment of people with disabilities
- Noted the impact of COVID-19 on the BBBEE strategy

Ethical conduct

- Noted roll-out of the Group's Code of Ethics and policies regarding gifts, conflict of interest, fraud and whistle blowing
- Monitor the progress of ethics training across the Group
- Ensured management conducted an employee survey, the results of which will be assessed in FY2022
- Whistle blowing cases monitored and investigated
- Conflict of Interest Declaration Policy exercise
- Equal work for equal pay analysis completed in 2021
- Considered and debated the IODSA Practice Note on Group Governance

Environmental impact

Evaluated management plans and its progress. These projects related to:

- Measures to monitor and improve our water and electricity consumption
- Working towards the 2025 cage-free eggs commitment
- More environmentally friendly packaging options
- An initiative to reduce food waste

Health and safety

- Monitoring our health and safety procedures against globally accepted best practice
- Monitoring enhanced food safety measures across the business and the new implementation of the system rolled out for food safety effectiveness
- Monitored management's implementation of COVID-19 protocols across the operation and reports on COVID-19 statistics across the Group
- Monitoring management initiatives to address consumption of water and electricity in the Manufacturing businesses
- Reviewed safety reports related to injuries and fatalities and agree on extended management reports to include near miss incidents

Focus areas for FY2022

The key focus areas for the Committee for FY2022 are:

- wage negotiations with unions;
- improve POPIA awareness among employees;
- POPIA gap analysis and remedial actions;
- organising policy documents on the intranet to make them more accessible to employees;
- improving staff communications through digital tools;
- migrating training material online;
- maintaining Level 4 BBBEE status;
- improve the detail of transformation reporting;
- set targets against our selected UN SDGs;
- developing a Competition Law Compliance Policy;
- publishing and circulating our new CSI policy;
- recommending CSI projects for the coming year;
- investigate new ESD projects; and
- investigate extended Producer Responsibility (a newly gazetted requirement to ensure that producers are responsible for the product they produce throughout the sourcing, production and disposal process).

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. As chairman of this Committee, I will be present at the Group's AGM to answer any questions regarding the statutory obligations of the Committee.

Chris Boulle
Chairman: Social and Ethics Committee

22 June 2021

Tim, Mythos, Gauteng

REMUNERATION COMMITTEE REPORT

Mandate

The purpose of the Remuneration Committee (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 the STI and LTI schemes, implementation of all relevant employee compensation policies, ensuring alignment with market best practices and compliance with King IV.

Attendance and composition

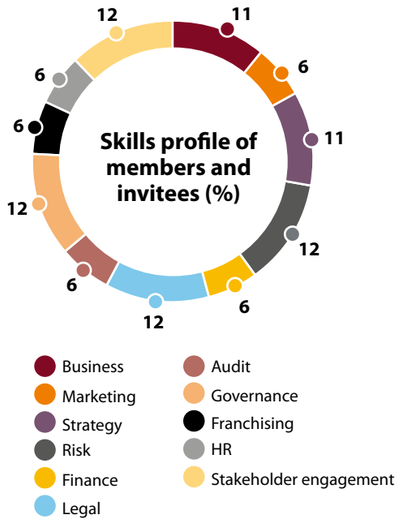
Composition and meeting attendance

Three meetings held in FY2021

Chairman
- TE Mashilwane (3/3)

Members
- SL Botha (3/3)
- CH Boulle (3/3)

Invitees
- DP Hele: CEO
- J Mahange: Group HR Executive
- CD Appollis: Company Secretary



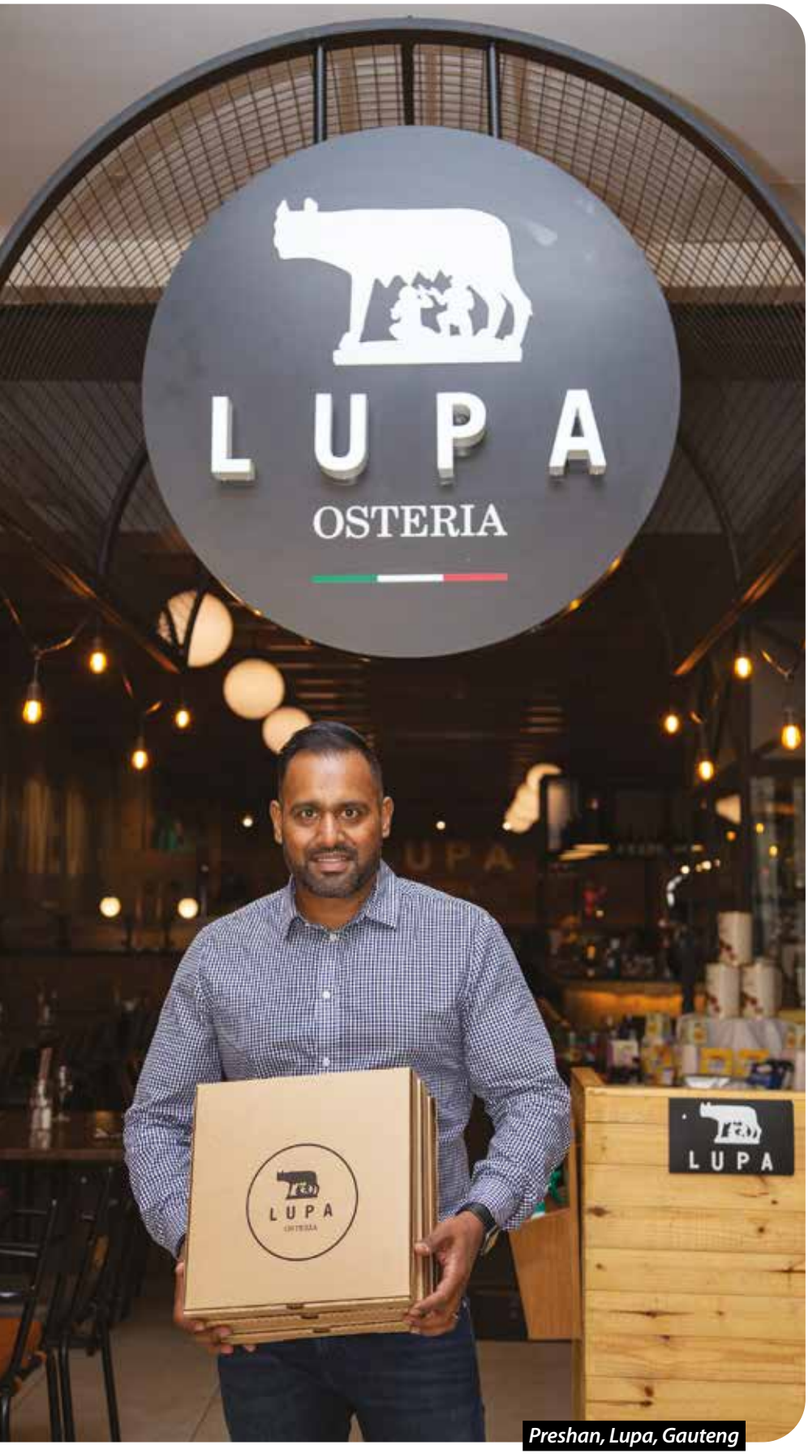
Focus areas for the reporting period

During FY2021 the Committee focused on the following:

- Reviewing and approving remuneration-related disclosures in the IAR and AFS;
- completing an annual review and update to our Charter and workplan;
- drafting the Remuneration report for presentation at the AGM for purposes of passing non-binding advisory votes on the Remuneration Policy and Implementation report;
- submitting a proposal on changes in STI and LTI metrics based on current market trends. The Committee considered the impact of the proposed metrics in relation to fair remuneration principles;
- evaluating the scope of the STI rules;
- considering an amended Executive Job Evaluation Report presented to the Committee. The appropriateness of the performance evaluation report and its alignment to remuneration principles were considered;
- considering the appropriateness of a 75%/25% split in performance and retention shares based on benchmarked LTI trends. **See the Remuneration Policy 136 for the outcome of this deliberation;**
- debating STI rules based on market benchmarking with the aim of alignment between roles, especially the CEO and Group FD roles, and setting appropriate targets. Target weighting across the various geographies were interrogated;
- reviewing weightings of key performance areas;
- re-evaluating Malus and Clawback Policy wording;
- approving amended naming conventions for executive roles:

Old	New
Chief Operating Officer – Enterprise Development	Group Executive – Business Development
Managing Executive AME	Managing Director – AME
Supply Chain Executive	Group Executive – Manufacturing and Logistics

- approving admin staff increases and considered bargaining council mandatory increases;
- the Committee noted the changes in BBBEE scorecard targets;
- monitoring the progress of Project Genesis and its impact on the Group's wage bill. Regretfully
  - » an estimated 90 non-bargaining unit employees were retrenched;
  - » an estimated 50 Company stores employees were retrenched;
  - » agreement was reached with our 3 representative unions, SCMAWU, FAWU and NUPSAW on the treatment of our unionised employees. 689 members were temporarily laid-off. We then agreed with the Unions to apply for the UIF TERS scheme on behalf of the impacted employees which they received. Ultimately the total number of BU employees that remained retrenched were less than 20;
  - » our group of 64 interns appointed in 2019, all had their contracts ended on the 13 May 2020 due to the pandemic;
  - » 59 contractors completed the People with Disabilities learnership programme on 31 May 2020. A new programme commenced in August 2020 with 70 learners registered.
  - » 130 YES learners and interns were all terminated on the 31st May 2020.
- noting management's proposed succession plan for executive and senior management roles;
- noting a report from remuneration consultants on the effects of COVID-19 on remuneration across industries. Based on deliberations the Committee approved adjustments to basic salaries and STIs;
- approving executive directors' STI allocation at target and increases on basic salary;
- approved LTI allocations to executives based on the 75%/25% split;
- evaluating and setting of fees for non-executive directors, noting no inflationary increases for FY2021;
- approving the vesting of LTI shares on 1 November 2020 and the purchase of shares by the Famous Brands Share Incentive Scheme to settle the number of shares due to participants;
- approving LTI vesting for GBK executives at point of commencement of the Administration process;
- monitoring progress on bargaining unit wage negotiations;
- obtaining feedback from shareholders on the Remuneration Policy and succession planning;
- approving salary increases and adjustments for executive directors, executives and senior management;
- evaluating and approving STI allocations for executive directors, executives and senior management in line with the STI rules;
- evaluating and approving the requisite vesting conditions in respect of the LTIP share allocations for FY2016 and FY2018; and
- approving the purchase of shares by the Famous Brands Share Incentive Scheme to settle the shares to the participants in accordance with the rules of the scheme, by way of an equity market book transaction.



Preshan, Lupa, Gauteng

Focus areas for FY2022

- Follow up on delayed UIF TERS payments;
- finalised wage agreement with BU employees;
- further work to be completed in terms of Group FD and Group HR Executive succession planning;
- continued Remuneration Report disclosure improvement;
- shareholder engagement on Remuneration Policy and Implementation Report;
- focus on fair and responsible remuneration, noting differentials based on gender and race, as well as remuneration at various levels in the organisation;
- improved governance structures to oversee the implementation of the Remuneration Policy;
- setting the correct baseline for measuring performance shares appropriately;
- improvement in market competitiveness and benchmarking with a measured approach to determining remuneration ensuring sustainability, transparency and fair and responsible remuneration; and
- more education for our employees around remuneration matters, the impact of inflation and other factors driving our key decisions whilst creating further transparency.

I confirm that the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. As Chairman of this Committee, I will be present at the Group AGM to answer any questions regarding the activities of the Committee.

Emma Mashilwane
Chairman: Remuneration Committee

22 June 2021

INVESTMENT COMMITTEE REPORT

Mandate

The purpose of the Investment Committee (Committee) is to assist the Board in discharging its oversight responsibilities regarding the Company's investment strategy and investment policy. The Committee assists the Board in considering investment opportunities, approving acquisitions, disposals and capex and reviewing the performance of previous investments.

Attendance and composition

Due to COVID-19 the number of Board meetings was ramped up significantly and it was appropriate that investment related decisions were elevated and addressed at Board level. Investment Committee meetings have resumed as normal in March 2021.

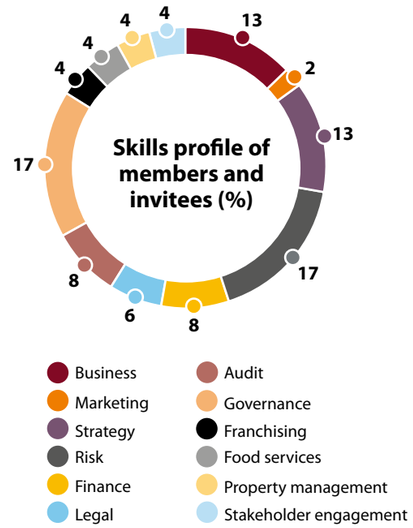
Composition and meeting attendance

No meetings held in FY2021

Chairman
- CH Boulle

Members
- NJ Adami
- SL Botha
- TE Mashilwane

Invitees
- DP Hele: CEO
- L Ntlha: Group FD
- N Halamandaris
- N Ntando: Group Risk Executive
- CD Appollis: Company Secretary



I confirm that the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. As chairman of this Committee, I will be present at the Group's AGM to answer any questions regarding the activities of the Committee.

Chris Boulle
Chairman: Investment Committee

22 June 2021

NOMINATION COMMITTEE REPORT

Mandate

The purpose of the Nomination Committee (Committee) is to ensure that the composition and structure of the Board and its Committees as well as the executive leadership team perform at its best in support of the business and stakeholders. The Committee is also responsible for evaluating the overall performance of the Board and individual Board members as well as selecting the best candidates for each seat on the Board.

Attendance and composition

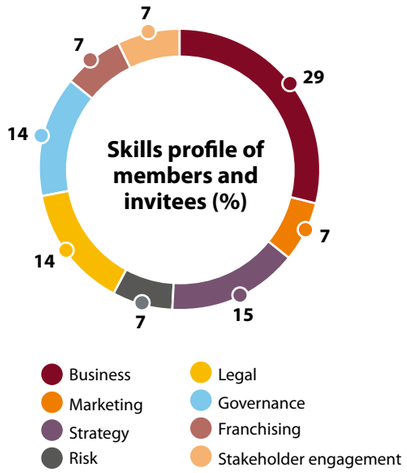
Composition and meeting attendance

Three meetings held in FY2021

Chairman
- SL Botha (3/3)

Members
- NJ Adami (3/3)
- A Maditse (3/3)

Invitees
- DP Hele: CEO
- CD Appollis: Company Secretary



Focus areas for the reporting period

Over and above the annual review, amendment and agreement of the Committee workplan and Charter, the Committee:

- Evaluated the Exco succession plan and related organogram for reasonableness;
- reviewed the Board composition and was comfortable with the balance between independent directors, non-independent directors and executive directors. The Committee Charter was however updated to include specific evaluation of the independence of directors reaching nine years tenure;
- considered the appropriate composition and rotation of members of various Board Committees;
- took into consideration the leadership structures by evaluating a schedule of JV and subsidiary directors;
- concluded after investigation that the Gender Diversity Policy should be amended to include broader diversity attributes as required by the JSE Listing Requirements amendments;
- supported the appointments of:
  - » Mr Jito Kayumba to the Board of Famous Brands Zambia as an independent director;
  - » Mr Jean-Paul Renouprez to the role of Group Executive: Manufacturing and Logistics at Famous Brands; and
- evaluated the Board's performance and effectiveness.

After year-end, the Committee approved the appointment of Fagmeedah Petersen-Cook to the Board with effect from 1 June 2021. Her appointment will be tabled to shareholders for approval on 23 July 2021 at the Annual General Meeting.

Focus areas for FY2022

The key focus areas for the coming year are the appointment of a new independent director to the Board and the focus on succession planning within the IT and HR departments.

The Committee will also be responsible for the process of selecting an appropriate successor for the Group Financial Director.

I confirm that the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. As chairman of this Committee, I will be present at the Group's AGM to answer any questions regarding the activities of the Committee.

Santie Botha
Chairman

22 June 2021

George and team, Fishaways, Gauteng

REMUNERATION REPORT – BACKGROUND STATEMENT

It is the view of the Remuneration Committee (Committee) that the Remuneration Policy has achieved its stated objective of driving performance whilst ensuring retention.

Throughout this report, the term executive directors is used to refer to 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.

Factors influencing remuneration

External considerations

- Shareholder views and recommendations;
- economic trends;
- competitive pressure;
- the labour market, and the pay gap between executive management and other employees of the Company;
- requests from the BU representatives;
- market benchmarks for employees, premised on correct job grades, and choosing the appropriate benchmarks in the market with similar attributes including complexity, industry, size, and geographic spread;
- the potential maximum total remuneration that each executive could earn, benchmarked against the market at the 50th percentile; and
- reports on the effects of COVID-19 on remuneration across industries.

Internal considerations

- Consideration of the appropriateness of the performance evaluation report and its alignment to remuneration principles;
- cash flow management and cost leadership are integral parts of the business, with the hospitality industry being severely impacted during the COVID-19 imposed lockdown;
- launched Project Genesis, a programme designed to position the business to survive, reduce operating expenses and implement initiatives designed to save the Famous Brands jobs;
- alignment between roles, especially the CEO and Group FD roles;
- alignment between executive roles across SA, AME and the UK; and
- executive recruitment considerations.

Most recent remuneration voting results

At the FY2020 AGM the voting results in favour of remuneration related resolutions were:

- Remuneration Policy **76.20%;**
- Implementation report **86.96%;** and
- non-executive directors' remuneration **>96%.**

The Committee evaluated feedback from various shareholders regarding the root cause for dissenting votes. The main concerns received through written submissions to the Committee and the Committee responses are tabled on the next page.

Shareholder feedback	Committee response
LTIP – the retention share portion is not performance related. Shareholders indicate a preference to create a performance link	The Committee reviewed the retention share scheme both from an allocation split and a performance perspective. It is comfortable both with the 25% retention share allocation vs the 75% SARs allocation. Independent research by 21st Century indicated that the market tends towards a 50/50 split between RS and SARS, but the Committee remains comfortable with the higher portion of the LTIP being allocated to high risk performance linked awards. The vesting criteria of the RS require that vesting is linked directly to the average individual performance measures – individuals need to as a minimum, "meet expectations" as well as the employee being in employment at the time of vesting.
Disclosure of LTIP targets – there was insufficient disclosure of the performance hurdles for threshold, target and stretch	**Implementation report 145**
CEO's scorecard – this was found to be confusing and more detail on what is being measured is required	The Committee has reviewed the scorecard and changed it to provide greater clarity and detail, specifically around what is being measured and the outcomes against those measures. **Implementation report 145**
STI and LTI measurements, shareholders wanted HEPS growth to be measured against nominal GDP and more disclosure on the ROCE measurement	The Committee remains comfortable that HEPS be measured relative to CPI and not GDP. The Committee approved the LTI measures as HEPS, TSR and ROCE. **HEPS, TSR and ROCE disclosure and targets are set out in the Implementation report 145**
MSR – the shareholders recommend that a defined timeline be imposed on meeting the requirements and penalties be applied for failure to comply	MSR is a fairly new remuneration principle. Given the underperformance of the Famous Brands share price in pandemic conditions the Committee is comfortable that no timelines are imposed on Directors.
Above inflation increases and an over application of benchmarking	Historically the Admin / Group employees have received a CPI increase. Due to the COVID-19 impact the focus and strategy were around cutting costs and no annual increases were awarded. The Committee does however endeavour to ensure that they will note the comment for future practices.
Malus and clawback – disclosure of trigger events and policy application	**Remuneration at a glance 108**
Encouraged open disclosure on COVID-19 and the impact on Famous Brands	**Remuneration Committee report 126** **Key decisions and substantial changes to policy 136**

We believe that key decisions taken during FY2021 (see next page) will address the concerns of shareholders.

Key decisions and substantial changes to policy

Focus area	Consequent decision by the Committee	Remuneration Policy reference
Based on benchmarked LTI trends the Committee considered the appropriateness of a 75%/25% split in performance and retention shares	• Split will be 75%/25% • Vesting will be in line with Scheme Rules	LTI 140
Maximum STI targets for F-lower grade categories	• F-lower grade maximum is now 70% and target is 35%	STI 138
STI key performance	• Key performance areas are as follows: » Financial and operational performance 60% » Market share 20% » People 10% » ESG 10% • Financial and market share KPAs will be measured using HEPS and EBITDA	STI 138
LTI FY2022 KPIs	• HEPS, Absolute TSR and ROCE • Using a relative TSR results in undesirable consequences of comparing the Group to peer companies whose operations significantly differ from that of Famous Brands • The view is that a methodology aiming for share price growth that exceeds cost of equity is a sound approach. Cost of Equity is calculated using the Capital Asset Pricing Model. • The Group's FY22 absolute TSR target is minimum growth in share price of 15.3% relative to the 30-day VWAP share price at 28 February 2021 • Achieving ROCE growth equal, or greater than the WACC is required	LTI 140
Malus and Clawback Policy	Policy was reworded to better suit the business intent	Malus and Clawback 141
COVID-19 effects on remuneration	• 405 employees, due to the nature of their roles, went into an imposed hibernation (furloughed) and their salaries were reduced by 50% • All Executive and senior managers from Paterson D Upper to F band, took a 30% pay cut • 41 active employees on Paterson C to D3 bands received a 15% pay cut • 72 non-unionised, active roles on Paterson A and B bands received a 10% pay cut • 98 employees were placed on a three-day week and their salaries were reduced by 40% • Employees were allowed to take a Provident Fund contribution holiday to assist with managing their cash flow, this practice ended in February 2021 • No employee salary increases for FY2021, except for BU employees • Employee 13th cheque of 50% deferred from December 2020 to April 2021, subject to performance criteria being met • Business unit staff still qualify for December 2020 13th cheques with no performance criteria	TCC 137 STI 138
COVID-19 effects on remuneration (continued)	• FY2020 STI allocations are based on performance pre-COVID-19 and motivate executives even when the timing of payment was not ideal. To preserve cash, STI payments to executives were paid in four tranches as follows and they were subject to cash flow indicators and would have been forfeited if indicators were not met at each of the four check points: » 25% paid June 2020 » 25% paid August 2020 » 25% paid November 2020 » 25% paid February 2021 • FY2021 STI allocations capped at 50% of the respective cap	TCC 137 STI 138
Administration employee increases	• Approved at 4% effective March 2021	TCC 137
Executive salary increases	• No salary increases for FY2021, except for Group FD in order to align to 50th percentile • STI allocation of target: 55% (CEO) and 35% (Group FD) • Salary reductions from May to Nov 2020 from 30% to 15%	TCC 137 STI 138
Non-executive directors' fees	• No increases for FY2021 • 30% reduction in fees for the quarter ending May 2020 • 15% reduction for quarters ending August and November • No fees for special/ad hoc meetings relating to COVID-19	NED fees 147
2015, 2016 and 2017 LTI vesting	• Famous Brands Incentive Scheme to purchase shares to settle shares due to participants, this was a first time and was based on shareholder feedback as previously shares were issued • Total retention shares vesting: 127 345 (R6 million) • No value for share appreciation rights (SARs) as share price is <R100	Implementation report 145
LTI vesting for GBK executives	• Retention shares vested on 14 October 2020, the date GBK applied for administration • No value for SARs as share price was <R100 • Pro-rata shares were settled in cash: 29 773 shares, R640 899 value determined as at date of administration 14 October 2020	LTI 140

Remuneration consultants

Where appropriate, the Committee obtains advice from independent remuneration consultants. The consultants are employed directly by the Committee and the Committee engages directly with them to ensure independence.

The Committee engaged the services of 21st Century Remuneration Consultants. The consultants presented:

- a proposal on changes in STI and LTI metrics based on current market trends. The Committee considered the impacts of the proposed metrics in relation to fair remuneration principles. In relation to the STIs for the CEO and Group FD, the proposal contained proposed alignment in weightings of target remuneration;
- benchmarked LTI trends with regards to the appropriateness of the split in performance and retention shares; and
- a report on the impacts of COVID-19 on remuneration across industries.

The Committee also considered Marsden Advisory's independent report on an objective methodology in deriving target share price growth targets.

The Committee is satisfied with the independence and objectivity of 21st Century and Marsden Advisory, both reputable remuneration consulting companies.

REMUNERATION REPORT – POLICY

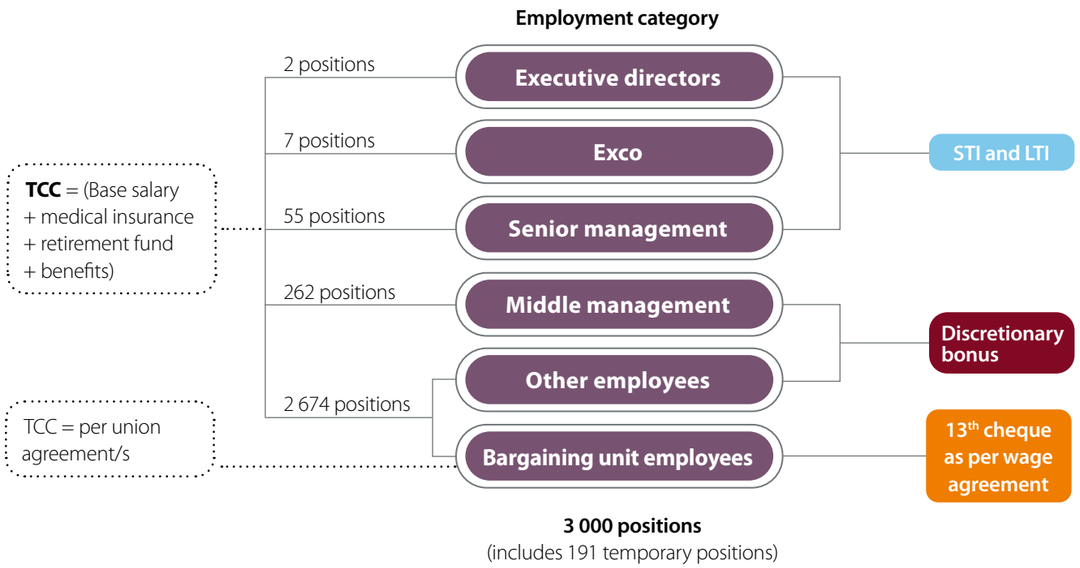
Key principles of the Remuneration Policy

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

- reward, retain and, where necessary, attract talent through fair, transparent and competitive remuneration;
- reward short-term and long-term performance by linking short-term incentives to operational, financial and other targets and long-term incentives to achievement of strategic objectives of the Company;
- key focus areas are reflected in the scorecard of executive management, and in the annual performance evaluations for employees. Scorecards reflect key performance areas and the associated KPIs;
- we reward for value created, contribution and performance to ensure alignment to shareholder interests;
- employee rewards are influenced by individual and Company performance and employees' contributions are recognised by way of a discretionary performance bonus; and
- BU employees are subject to the terms of wage agreements and are part of a "basic plus benefits" remuneration scheme.

Components of remuneration in FY2021

Remuneration landscape and eligibility



Our full Remuneration Policy is available at https://famousbrands.co.za/iar2021/governance/

TCC	Operation and objective	Maximum opportunity	Performance measures
Base salary			
Base salary is targeted at the 50th percentile of the market benchmark	• Reviewed annually in May after audited results • Increase backdated and effective 1 March of each year • 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	• Informed by CPI • Upward or downward adjustment to recognise individual performance • The overall increase pool being limited to a percentage agreed by the Committee • BU employee increases based on wage agreements	Individual performance is reviewed on a scale of 1 to 5. The 1 – 5 performance rating determines the percentage of the CPI increase pool which an executive will receive. Performance is measured against specific KPIs approved by the Committee.
Retirement fund			
Provides a retirement benefit	• The funds vary depending on jurisdiction and legislation (some countries have national insurance) • All Company-related funds are defined contribution funds • Any Company contribution is part of TCC	In line with country-specific legislation.	Not applicable.
Medical insurance			
Provides medical aid assistance	• The funds vary depending on jurisdiction and legislation (some countries have national insurance) • Any Company contribution towards a medical aid fund is part of TCC	All contributions to medical aid funds form part of the total guaranteed package, in line with Company policy.	Not applicable.
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.
Bonus			
Discretionary bonus	Bonus is provided based on individual performance subject to Company performance criteria	• Up to 120% of one month's TCC • Sliding scale adjustment to recognise individual performance	Individual performance is reviewed on a scale of 1 to 5. Performance <3 does not qualify.

STI

Individual STI earned = [Target STI Amount] X [% of target STI]

[Target STI Amount]

Target STI Amount = TCC X %

Target STI is merely a targeted amount applicable to a person's grade.
Actual STI earned depends on performance.

Paterson Grade	Target STI %
F Upper	60
F Lower – GFD	45
F Lower – Other	35
E	15

Capped at maximum %

Paterson Grade	Target STI %
F Upper	120
F Lower – GFD	90
F Lower – Other	70
E	30

Where is it measurable?

Position	Group	SA	AME	UK	Individual
CEO and GFD	70%				30%
Other Group Executives	30%				70%
AME Executive	10%		60%		30%
SA Executive		70%			30%
UK Executive	10%			60%	30%

Objective

STI promotes delivery of short to medium-term priorities. It rewards superior performance and attracts scarce talent.

Operations

The STI is paid as a cash bonus (usually in June) after Company financial results have been externally audited. This year it was paid in four tranches. Background statement 132

[% of target STI]

Determined by performance

Which KPA?	Weighting
Financial performance and operational plan performance	60%
Market share performance and customer measures	20%
People measures	10%
Transformation, environment, social and governance	10%

Before the start of each half-year, the Board will approve this, including associated KPIs

FY2022 KPIs

- **HEPS (50%)**
- **EBITDA (50%)**

*Base: Growth in CPI +25% of CPI
*Stretch: Growth in CPI +50% of CPI

Threshold (95%), target (100%) and stretch (>110%)

* *Assumes non-pandemic conditions*

Rating	Score
3	100%
4	150%
5	200%
Straight-line scoring for points in between	

Rating < 3 = No STI

Capped

Weight the score	% of target STI
<100%	0%
>104%	125%
>108%	150%
>112%	175%
>116%	200%
>117%	200%

For example

Capped

REMUNERATION REPORT - POLICY continued

LTI

Initial vesting

33.33% – Year 3

33.33% – Year 4

33.33% – Year 5

Top-up vesting

No vesting period

Individual LTI earned = [TCC] X [Award multiple]

Therefore, top-ups are required to maintain TCC x multiple equation

Award value of *unvested* shares = [TCC] X [Award multiple]

LTI SPLIT:

SARs 75% | RSs 25%

Conditions:
- Company performance (KPAs per award letter)
- Share price must increase over vesting period
- Service condition

Condition:
- Service condition

SARs issued at 30-day VWAP price. RS are issued at a zero-strike price

	Target multiple to be held at a point in time		Annual Award of 0.33% of target	
	SARs	RSs	SARs	RSs
Chief Executive Officer	6.53	0.55	2.18	0.18
Group Financial Director	5.60	0.47	1.87	0.16
F – Lower Executives	4.67	0.40	1.56	0.13
E – Upper Executives	3.54	0.30	1.18	0.10
E – lower Executives	2.84	0.24	0.95	0.08
D – Upper Executives	2.13	0.18	0.71	0.06

The Company target multiple is lower than market medians

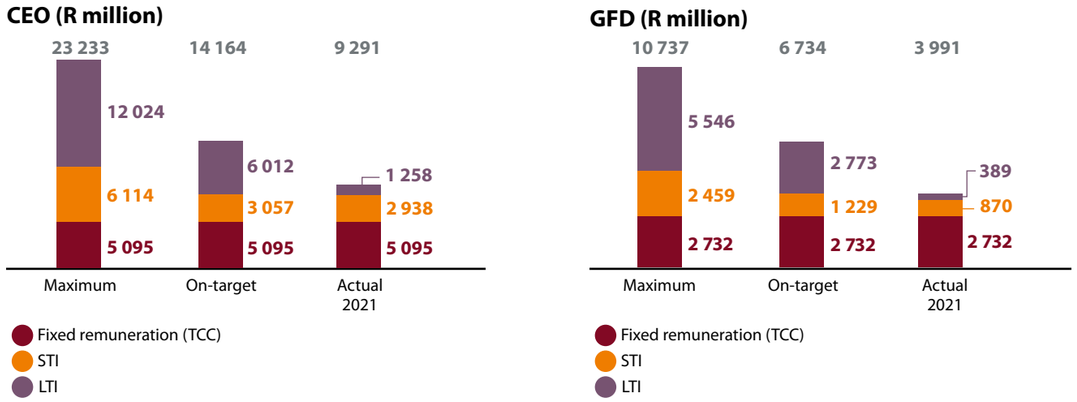
For future grants:

Company performance	Weighting %
HEPS, (defined as growth in HEPS vs CPI) **Targets CPI +25% and a stretch target of CPI +50%**	**50%**
ROCE (Audited at 28 February 2021. WACC determined at 28 February 2021)	**20%**
Absolute TSR **(FY22 target: 30-day VWAP share price + cost of equity. Determined on 28 February 2021)**	**30%**

Objective

Drives performance against medium to long-term Company objectives. Aligns with shareholder interests. Facilitates retention and succession. Considers peer benchmarking.

Illustrative example



Note: LTI on target is depicted as 50% of the maximum
Maximum and on target have no COVID-19 modification

Ancillary policies – Executive management

Minimum shareholding requirements

Executive directors shall build and maintain a minimum holding of Famous Brands shares:
- 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 minimum shareholding requirement.

Malus and Clawback

Famous Brands have implemented malus and clawback provisions that enable adjustments to variable pay.

In keeping with the emerging market practice in corporate governance, the Board may take action on recommendation of the Committee to reduce/cancel/adjust unvested variable remuneration (malus), or to recover (clawback) vested/paid variable remuneration where there is reasonable evidence that an Executive Director of Famous Brands materially contributed to, or was materially responsible for, but not limited to:
- Personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct;
- Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;
- Receiving an STI or LTI Award because of fraud, dishonesty or a breach of obligation committed by another person; and/or
- Receiving an STI or LTI award because of an intentional error in the calculation of a performance measure.

Service contracts

The executive management team's contracts include a three-month notice period.

Ancillary policies – Executive management

Recruitment policy

A comparative benchmarking exercise is done to determine the size, nature and complexity of the role and 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 it can be demonstrated through a fair-value valuation 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 open-ended (except where prescribed retirement ages apply), but they do have defined termination notice periods. 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 period 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 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 does not include provident fund contributions unless contractually agreed.	Contributions to provident fund will be paid until employment ceases.	Contributions to the provident fund will be paid until employment ceases.	Provident fund contributions for the notice period will be paid; the lump sum will exclude 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 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 when employment ceases.	Benefits will fall away when employment ceases.	Applicable benefits may continue to be provided during the notice period.

	Voluntary resignation	Dismissal/ termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
STI	No bonus.	No bonus.	No bonus, but Committee has discretion to award pro-rata STI.	No bonus, but Committee has discretion to provide pro-rata STI.
Sign-on or retention deferred bonuses	Lapse all deferred bonuses.	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. 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.			
LTI	Unvested shares will lapse in their entirety.	Lapse of all unexercised and unvested shares; 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.

Non-executive directors

The Company's non-executive directors are paid based on their role. 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 from 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
- 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% for the quarter ended 31 May 2020, 15% for the quarters ended August and November 2020;
- No Board fees were 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 applied to all ad hoc meetings relating to the COVID-19 global pandemic crisis

FY2022 proposed fee increases are to be approved by shareholders during the next AGM are:

- Chairperson of a Committee 4%
- Member of a Committee 4%
- Additional fee of R2 500 per hour for consulting services

Fair and responsible remuneration

The remuneration principles are underpinned by a fair and responsible remuneration approach where:

- Remuneration must be free from any form of discrimination;
- market benchmarking is applied to reference to the correct remuneration bands and levels with progression reflected for experience and accountability;
- remuneration design and application that drives internal and external parity;
- all the applied remuneration components are designed and implemented within the applicable tax and regulatory requirements;
- performance and value are defined and measured over the short, medium and long terms and protect our shareholders' interests; and
- an overarching drive for the correct moral and legally defensible remuneration practices.

Pay audits

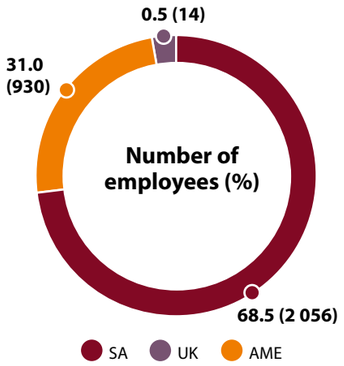
In SA, pay audits are conducted in terms of the Code of Good Practice on Equal Pay/Remuneration For Work of Equal Value (Code of Good Practice) under the Employment Equity Act, No 5 of 1998 (as amended) (Employment Equity Act). In the UK, gender pay audits are conducted under the terms of the Equality Act 2010.

Equal pay for equal work

The Group continues to focus on the development of an equitable workplace and is committed to equal pay/remuneration for equal value of work and gender equity in line with the JSE Listings Requirements, King IV guidelines and our diversity policy. Furthermore, the Company continues to develop the leadership succession pool and has implemented strategies to attract, motivate and retain a skilled workforce through fair, responsible, transparent and competitive remuneration.

Gender pay disclosures

UK legislation requires specific gender pay disclosures. After the placement of GBK under administration the total UK employees are less than the prescribed threshold for gender pay disclosures.



REMUNERATION REPORT – IMPLEMENTATION

The Remuneration Committee confirms compliance with the Remuneration Policy and confirms that there were no deviations from policy.

The implementation report provides a breakdown of both the executive director and non-executive director remuneration. The Committee assessed the prescribed officer definition in relation to definition of 'executive management' per King IV and has determined that of the Executive Committee, only Darren Hele, CEO and Lebo Ntlha, GFD meet the definition.

Directors' performance

CEO – Darren Hele

Darren Paul Hele (49)

Chief Executive Officer

BCom

Total reward

Awarded remuneration (R'000)	FY2021	FY2020
Salary	**4 371**	4 767
Medical aid	**205**	190
Retirement benefit	**419**	606
Other benefits	**100**	658
TCC (total fixed remuneration)	**5 095**	6 221
STI	**2 938***	1 306^
SARs	**0**	881
RSs	**1 258**	1 554
LTI	**1 258**	2 435
Total awarded remuneration	**9 291**	9 962

* *Relates to FY2020 performance.*
^ *Relates to FY2019 performance.*

Due to the COVID-19 pandemic it was necessary to create an interim scorecard for the CEO that outlined a framework to review performance. The scorecard was intended to be simple, fluid and agile to allow the business to respond to COVID-19.

REMUNERATION REPORT - IMPLEMENTATION continued

CEO Individual Scorecard

Performance commentary	Outcome
• Extricate the business from any cash burden from GBK. • Manage the business on a "direct cash flow" method until a revised FY21 action plan and budget are approved by the Board with only essential Opex and Capex approved. • Meet "going concern" criteria quarterly with a first review post FY20 year end and half year results. • Ensure balance sheet stability through one or all of the below: » Refinance current loan structure to suit the new environment » Equity raise • Cash preservation	✓
Revise the signed off 2021 Action Plan to reprioritise adjustment to the COVID-19 landscape yet retaining the wider goals laid out in the three-year plan	✓
Bring Project Genesis to a conclusion with a right sized organisation in place for a post COVID-19 trading environment	Partial conclusion
Keep the Board appraised whilst COVID-19 remains a disruption to normal business activities	✓
Adjust all JV, business unit and/or associate FY21 action plans to reprioritise adjusting to COVID-19 landscape, prepare revised budgets, and exit where appropriate	✓
Individual performance score	3.5

Group FD – Lebo Ntlha

Kelebogile (Lebo) Ntlha (38)

Group Financial Director

CA(SA), MBA, PGDip Tax

Total reward

Awarded remuneration (R'000)	FY2021	FY2020
Salary	**2 601**	2 574
Medical aid	**55**	52
Retirement benefit	**76**	327
Other benefits	**0**	370
TCC (total fixed remuneration)	**2 732**	3 271
STI	**870***	638^
SARs	**0**	310
RSs	**389**	522
LTI	**389**	832
Total awarded remuneration	**3 991**	4 741

* *Relates to FY2020 performance.*
^ *Relates to FY2019 performance.*

Total shareholding and value of shares held by CEO and GFD is set out in detail in our Group Annual Financial Statements. Refer to note 29.

Non-executive directors' remuneration

	FY2021 R'000	FY2020 R'000
NJ Adami	**567**	419
CH Boulle	**585**	708
SL Botha	**911**	1 252
DJ Fredericks	**445**	506
AK Maditse	**507**	328
N Halamandaris	**502**	550
JL Halamandres	**238**	334
TE Mashilwane	**576**	699
Total	**4 331**	4 796

** Approved the Board fee decreases in line with management and staff salary reductions.*

Karen, NetCafé, Gauteng

AUDIT AND RISK COMMITTEE REPORT

Mandate

The purpose of the Audit and Risk Committee (Committee) is to assist the Board in discharging its oversight responsibilities which includes the safeguarding of the Company's assets, ensure adequate risk management and control processes and in the preparation of financial statements in compliance with all applicable legislation and regulations.

Attendance and composition

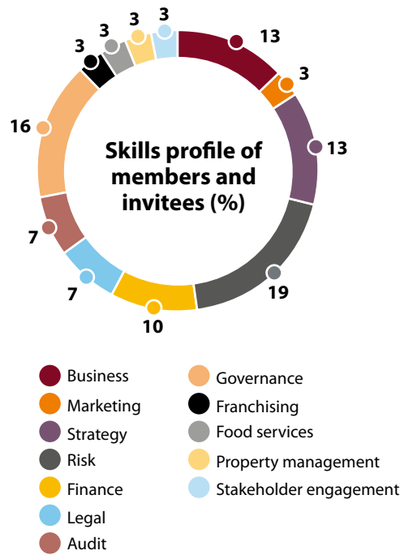
Composition and meeting attendance

Three meetings held in FY2021

Chairman
- DJ Fredericks (3/3)

Members
- NJ Adami (3/3)
- TE Mashilwane (3/3)

Invitees
- DP Hele: Group CEO (3/3)
- K Ntlha: Group FD (3/3)
- SL Botha (3/3)
- AK Maditse (2/3)
- N Halamandaris (3/3)
- CH Boulle (3/3)
- Mr JL Halamandres (1/3)
- N Ndaba: Group Risk Executive (3/3)
- N Mabidi: Group Financial Executive (2/2)
- CD Appollis: Group Company Secretary (3/3)



Annual assessments

In a closed session with the auditors, the Committee reviewed and considered the following assessments:
- the Group Finance Director;
- the finance structure; and
- the Head of Internal Audit.

Overall, the Committee reflected that it was satisfied with the expertise and competency of the Group FD and the finance function and identified areas for improvement. The Committee found that the Head of Internal Audit was knowledgeable and provided strong leadership to the department. The chairman of the Committee provided feedback directly to the parties concerned.

External audit

- Appointed KPMG as the registered independent auditor for the financial year ended 28 February 2021, after satisfying itself through enquiry, that KPMG and Nick Southon are independent as defined in terms of the Companies Act and the Independent Regulatory Board for Auditors in terms of the Auditing Profession Act, no 26 of 2005 (Auditing Profession Act);
- ensured that the appointment of KPMG complied with the legislation relating to the appointment of auditors;
- determined the terms of engagement, reviewed the *external audit plan and reviewed the remuneration of the auditors;
- considered the quality controls processes of the external auditor and specifically audit quality reviews conducted over the designated auditor, including those performed by the Independent Regulatory Board for Auditors (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 deemed them appropriate;
- understood and assessed the procedures performed by KPMG to place reliance on the work performed by other auditors; and
- reviewed the external auditors' report on the consolidated and Company financial statements and the key audit matter.

Internal Audit

- reviewed and approved the Internal Audit business plan, budget and audit plan;
- performed the annual review and approval of the Internal Audit Charter; and
- reviewed the Internal Audit reports and processes.

Risk management

- reviewed and approved the risk management business plan and budget;
- performed the annual review and approval of the Risk management Charter;
- reviewed the Group risk register; and
- reviewed the IT governance.

Financial statements, accounting practices and other financial matters

- Reviewed assessment prepared by management of the going concern status of the Group and company and made recommendations to the Board. The Committee concurred that the adoption of the going concern is appropriate for the preparation of the AFS;
- reviewed the financial and general covenants applicable to the Group based on the current lending and capital structure, which was found to have been appropriate and complied with;
- considered matters raised 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 matters 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 matters of concern noted;
- reviewed and recommended the short and long-form announcements to the Board for approval;
- reviewed and recommended the interim results and AFS to the Board for approval and 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 AFS to the Board for approval;
- considered the reports of the internal 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;

* *The Committee reviewed and applied the JSE's requirement for the CEO and GFD's responsibility statement.*

- received assurance from management that proper and adequate accounting records were maintained and the systems safeguard the assets against unauthorised use or disposal thereof;
- annual review and approval of the Committee Charter; and
- considered and noted the following reports published by the JSE and ensured that appropriate actions were taken to apply the recommendations made:
  - » the activities of the Financial Reporting Investigation Panel in 2019 (published 22 October 2019); and
  - » combined findings of the JSE's proactive monitoring of financial statements report-backs done from 2011 to 2019 (published 18 February 2020).

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.

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, as well as access to financial resources. 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 financial statements.

Impairment of Gourmet Burger Kitchen (GBK) and subsequent disposal

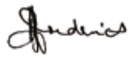
GBK was placed under administration on 14 October 2020 in accordance with insolvency legislation in the UK. The Group's investment in GBK has been impaired in full, and GBK subsequently disposed of. The Group awaits the finalisation of the administration process being managed by the Administrator. There are no further operating losses impacting the Group's results from the date on which GBK entered administration. The financial results of GBK have been disclosed as a discontinued operation as a result of the disposal.

Focus areas for the review period

- Transitioning to a new external auditor;
- approving the Internal Audit plan and budget;
- approving the Internal Audit business plan and Charter for FY2021
- approving the Risk business plan and Charter for FY2021;
- reviewing and approving the Audit and Risk Committee Charter;
- reviewing and approving the Audit and Risk Committee's annual work plan;
- reviewing and approving the Interims and FY2021 AFS;
- tabling the Risk report;
- tabling a report on the Group's tax matters;
- tabling an accounting paper on the disclosures to be included in the summarised AFS; and
- approving the King IV application register.

Conclusion

Having considered all the material factors and key audit matter, the Committee recommended the financial statements for the year ended 28 February 2021 for approval to the Board. The Board has approved the AFS which will be open for discussion at the forthcoming AGM of shareholders. As Chairman of this Committee, I will be available at the Group's AGM to answer any questions regarding the activities of the Committee.



DJ Fredericks
Chairman

31 May 2021

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Summarised consolidated statement of financial position

at 28 February 2021

	Notes	2021 R000	2020 R000
ASSETS			
Non-current assets		**1 695 450**	4 640 963
Property, plant and equipment	7	**667 098**	2 226 797
Intangible assets	8	**917 450**	2 274 895
Investments in associates		**21 714**	62 299
Other receivables		**29 122**	55 357
Deferred tax		**60 066**	21 615
Current assets		**1 297 723**	1 532 208
Inventories		**354 243**	426 690
Current tax assets		**5 470**	14 891
Derivative financial instruments		**8 011**	1 783
Trade and other receivables		**485 642**	602 587
Cash and cash equivalents		**444 357**	486 257
Total assets		**2 993 173**	6 173 171
EQUITY AND LIABILITIES			
Equity attributable to owners of Famous Brands Limited		**269 506**	1 680 132
Non-controlling interests		**121 258**	120 260
Total equity		**390 764**	1 800 392
Non-current liabilities		**1 805 314**	3 237 510
Borrowings	19	**1 462 600**	1 655 630
Lease liabilities		**256 934**	1 263 821
Deferred tax		**85 780**	318 059
Current liabilities		**797 095**	1 135 269
Non-controlling shareholder loans		**1 692**	601
Derivative financial instruments		**2 363**	126 035
Lease liabilities		**88 142**	119 419
Trade and other payables		**673 768**	851 372
Shareholders for dividends		**2 418**	2 423
Current tax liabilities		**22 300**	13 612
Borrowings	19	**6 412**	21 807
Total liabilities		**2 602 409**	4 372 779
Total equity and liabilities		**2 993 173**	6 173 171

Summarised consolidated statement of profit or loss and other comprehensive income

for the year ended 28 February 2021

	Notes	2021 R000	2020 Restated* R000
Continuing operations			
Revenue	10	**4 683 828**	6 495 275
Cost of sales		**(2 677 794)**	(3 407 582)
Gross profit		**2 006 034**	3 087 693
Selling and administrative expenses		**(1 711 315)**	(2 175 644)
Operating profit before non-operational items		**294 719**	912 049
Non-operational items^		**(193 485)**	–
Operating profit including non-operational items		**101 234**	912 049
Net finance costs		**(175 667)**	(164 287)
Finance costs	13.1	**(192 269)**	(211 180)
Finance income	13.1	**16 602**	46 893
Share of profit of associates		**4 862**	5 228
(Loss)/Profit before tax		**(69 571)**	752 990
Tax		**(35 303)**	(220 240)
(Loss)/Profit from continuing operations		**(104 874)**	532 750
Loss from discontinued operation, net of tax	16	**(1 111 440)**	(105 933)
Total (Loss)/profit for the year		**(1 216 314)**	426 817
(Loss)/profit for the year attributable to:			
Owners of Famous Brands Limited		**(1 239 079)**	362 264
Non-controlling interests		**22 765**	64 553
		(1 216 314)	426 817
(Loss)/profit for the year		**(1 216 314)**	426 817
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations**		**102 956**	79 683
Pre-tax foreign exchange differences on translating foreign operations		**142 728**	95 396
Tax effect on exchange differences on translating foreign operations		**(39 772)**	(15 713)
Other comprehensive income arising from discontinued operation		**(299 664)**	–
Pre-tax foreign exchange differences on translating discontinued foreign operation		**(367 549)**	–
Tax impact on foreign exchange differences on translating discontinued foreign operation		**67 885**	–
Movement in hedge accounting reserve**		**18 364**	(5 857)
Pre-tax change in fair value of cash flow hedges		**25 505**	(8 134)
Tax on movement in hedge accounting reserve		**(7 141)**	2 277
Total comprehensive (loss)/income for the year		**(1 394 658)**	500 643

	Notes	2021 R000	2020 Restated* R000
Total comprehensive (loss)/income attributable to:			
Owners of Famous Brands Limited		**(1 417 423)**	436 090
Non-controlling interests		**22 765**	64 553
		(1 394 658)	500 643
Basic (loss)/earnings per share (cents) including discontinued operation			
Basic	17	**(1 237)**	362
Diluted	17	**(1 234)**	361
Basic (loss)/earnings per share (cents) from continuing operations			
Basic	17	**(127)**	468
Diluted	17	**(127)**	467

* *Comparatives have been restated to provide a split between continuing and discontinued operation.*

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

^ *Relates to impairments.*

Summarised consolidated statement of changes in equity

for the year ended 28 February 2021

	2021 R000	2020 R000
Balance at the beginning of the year	**1 800 392**	1 527 529
Issue of capital and share premium	**601**	9 498
Equity settled share-based payment scheme	**34 449**	14 047
Put-options over non-controlling interests	**(31 729)**	9 173
Total comprehensive (loss)/income for the year	**(1 394 658)**	500 643
Payment of dividends	**(15 307)**	(249 392)
Non-controlling interest arising	**–**	1 960
Change in ownership interests in subsidiaries	**–**	(16 050)
Other reserve	**(2 984)**	2 984
Balance at the end of the year	**390 764**	1 800 392

Summarised consolidated statement of cash flows

for the year ended 28 February 2021

	2021 R000	2020 R000
Cash generated from operations	**573 845**	1 340 390
Net finance costs paid	**(161 394)**	(215 895)
Finance income received	**13 242**	46 892
Finance costs paid	**(174 636)**	(262 787)
Income tax paid	**(69 540)**	(183 392)
Net cash inflow from operating activities before dividends paid	**342 911**	941 103
Dividends paid to owners of Famous Brands Limited	**(5)**	(190 070)
Dividends paid to non-controlling interests	**(5 507)**	(59 094)
Net cash inflow from operating activities	**337 399**	691 939
Cash generated from investing activities		
Additions to property, plant and equipment	**(72 580)**	(151 804)
Intangible assets acquired	**(11 357)**	(21 524)
Proceeds from disposal of property, plant and equipment	**15 188**	24 678
Proceeds from disposal of intangible assets	**50**	–
Additional investment in associate	**(1 724)**	(3 159)
Net cash inflow on disposal of subsidiary	**43 890**	31 699
Net cash outflow on disposal of subsidiary	**(63 732)**	–
Net cash inflow on disposal of associate	**15 000**	–
Dividends received from associates	**4 048**	4 146
Net cash outflow from investing activities	**(71 217)**	(115 964)
Cash flow from financing activities		
Net borrowings repaid	**(188 303)**	(430 000)
Borrowings raised	**3 228 867**	–
Borrowings repaid	**(3 417 170)**	(430 000)
Settlement of interest rate swap	**(40 383)**	–
Non-controlling shareholder loans received/(repaid)	**1 091**	(1 899)
Principal repayments of lease obligations	**(73 490)**	(123 444)
Settlement of put option over non-controlling interest in subsidiary	**(14 828)**	–
Other receivables (head-leases)	**14 356**	–
Proceeds from disposal of non-controlling interest in subsidiary	**–**	1 450
Share-based payment grant settlements	**(6 541)**	–
Net cash outflow from financing activities	**(308 098)**	(553 893)
Net (decrease)/increase in cash and cash equivalents	**(41 916)**	22 082
Foreign currency effect	**16**	9 451
Cash and cash equivalents at the beginning of the year	**486 257**	454 724
Cash and cash equivalents at the end of the year*	**444 357**	486 257

* *Comprises cash and cash equivalents of R444 million (2020: R486 million), of which R92 million (2020: R40 million) is restricted cash related to marketing funds.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2021

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

1 Statement of compliance

These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 28 February 2021, 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 of South Africa.

2 Basis of preparation

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

The Group's audited financial statements and the summarised consolidated financial statements as at and for the year ended 28 February 2021 were prepared on the going-concern basis. The accounting policies applied in the presentation of the summarised consolidated financial statements are consistent with those applied for the year ended 28 February 2021, except for new standards that became effective for the Group's financial period beginning 1 March 2020.

The summarised consolidated financial statements were prepared on the historical cost basis, under the supervision of Kelebogile (Lebo) Ntlha, Group Financial Director.

3 Going concern

The going concern assumption is evaluated based on information available up to the date on which the Annual Financial Statements (AFS) are approved for issuance by the Board. While there is widespread uncertainty regarding the extent of the impact of COVID-19 on the economies of the geographies in which the Group operates, key 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;
- the Group's debt service and covenants requirements;
- the Group's working capital requirements and access to short-term funding; and
- the Group's unutilised facilities.

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 2020, including:

- IFRS 3 Business Combinations (Amendment).
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment); and
- IFRS 7 Financial Instruments Disclosure and IFRS 9 Financial Instruments (Amendment).

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

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 2022)

The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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

IFRS 7 Financial Instruments Disclosure, IFRS 9 Financial Instruments and IFRS 16 Leases (Amendment, effective for financial years beginning on or after 1 January 2021)

The amendments to the standards amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.

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

IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2023)

Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Management is determining the impact of the standard on the financial statements. No significant impact is expected.

IAS 16 Property, plant, and equipment (effective for financial years beginning on or after 1 January 2022)

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial years beginning on or after 1 January 2022)

The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

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

6 Capital expenditure and commitments

	2021 R000	2020 R000
Invested	**83 937**	173 328
Property, plant and equipment	**72 580**	151 804
Intangible assets	**11 357**	21 524
Authorised, not yet contracted	**167 599**	235 388
Property, plant and equipment	**130 147**	202 372
Intangible assets	**37 452**	33 016

7 Property, plant and equipment

	2021 R000	2020 R000
Opening balance	**2 226 797**	1 048 537
Additions due to application of IFRS 16	**91 874**	1 302 230
Additions	**72 580**	151 804
Foreign currency translation	**163 313**	108 182
Disposals (continuing operations)	**(25 875)**	(24 751)
Disposals (discontinued operation)	**(1 298 684)**	–
Depreciation	**(275 983)**	(306 252)
Impairment	**(286 924)**	(52 953)
Closing balance	**667 098**	2 226 797

Impairment

An impairment of Rnil (2020: R53 million) was recognised during the year under review at GBK restaurant level. All remaining GBK assets were derecognised post the business being placed under administration in accordance with the Insolvency legislation in the UK, and GBK subsequently disposed of.

8 Intangible assets

	2021 R000	2020 R000
Opening balance	**2 274 895**	2 179 770
Additions	**11 357**	21 524
Foreign currency translation	**62 105**	100 106
Disposals (continuing operations)	**(14 070)**	(2 864)
Amortisation	**(22 847)**	(23 641)
Impairments (continuing operations)	**(175 485)**	–
Impairments (discontinued operation)	**(1 218 505)**	–
Closing balance	**917 450**	2 274 895

All remaining GBK assets were derecognised post the business being placed under administration in accordance with the Insolvency legislation in the UK, and GBK subsequently disposed of.

9 Related party transactions

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

10 Revenue

	2021 R000	2020 Restated* R000
Continuing operations		
Sale of goods	**3 349 104**	4 478 560
Services rendered, franchise and restaurant revenue	**1 009 721**	1 433 882
Marketing funds**	**325 003**	582 833
	4 683 828	6 495 275

** Comparatives have been restated to provide a split between continuing and discontinued operation.*

*** 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"). 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 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	2021 R000	2020 R000
FINANCIAL ASSETS			
Measured at amortised cost:			
Trade and other receivables		**492 392**	610 374
Cash and cash equivalents		**444 357**	486 257
Fair value through profit or loss:			
Derivative financial instruments		**8 011**	1 783
		944 760	1 098 414
FINANCIAL LIABILITIES			
Measured at amortised cost:			
Trade and other payables		**469 586**	684 181
Shareholders for dividends		**2 418**	2 423
Lease liabilities		**345 076**	1 383 240
Non-controlling shareholder loans		**1 692**	601
Borrowings		**1 469 012**	1 677 437
Fair value through profit or loss:			
Derivative financial instruments (put options over non-controlling interests)	3	**–**	104 295
Derivative financial instruments (foreign exchange contracts)	2	**2 363**	120
Fair value through other comprehensive income:			
Derivative financial instruments (interest-rate swaps)	2	**–**	21 260
		2 290 147	3 873 557

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

11 Financial instruments (continued)

Movements in level 3 financial instruments carried at fair value

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

	2021 R000	2020 R000
Put options over non-controlling interests:		
Carrying value at beginning of the year	**104 295**	105 783
Unwinding of discount	**–**	8 232
Derecognition through equity	**–**	(9 173)
Reclassified to trade and other payables	**(85 510)**	–
Settlement of put option	**(14 828)**	–
Remeasurement	**(3 957)**	(547)
Carrying value at end of the year	**–**	104 295

12 UK Business Segmental Results

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

		2021	2020
Revenue	GBP000	**21 119**	75 524
Operating (loss)/profit	GBP000	**(4 098)**	1 284
Operating (loss)/profit margin	%	**(19.4)**	1.7
Revenue	R000	**449 991**	1 407 170
Operating (loss)/profit	R000	**(87 308)**	23 543
Operating (loss)/profit margin	%	**(19.4)**	1.7

13 Net finance (costs)/income

	2021 R000	2020 R000
Continuing operations		
13.1 Finance costs		
Interest on borrowings	**(160 523)**	(169 457)
Interest on put-option liabilities	**–**	(8 232)
Interest on lease liabilities	**(31 491)**	(22 714)
Other finance costs	**(255)**	(10 777)
	(192 269)	(211 180)
13.2 Finance income		
Interest from lease receivables	**3 360**	6 064
Interest from bank deposits	**13 097**	33 800
Other finance income	**145**	7 029
	16 602	46 893
Net finance costs	**(175 667)**	(164 287)

14 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 19) 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 19 *Borrowings*) are subject to the following financial covenants. The covenants are limited to the SA business.

Dates	Leverage ratio	Interest cover ratio	Liquidity
Feb-21	**Not required^^**	**Not required^^**	**R250 m^**
Aug-21	**3.75x**	**2.75x**	**R250 m**
Feb-22	**3.25x**	**3.00x**	**R250 m**
Aug-22	**2.60x**	**3.00x**	**R250 m**
Feb-23	**2.50x**	**3.00x**	**R250 m**
Aug-23	**2.50x**	**3.00x**	**R250 m**
Feb-24	**2.50x**	**3.00x**	**R250 m**

^ *The liquidity covenant test for the year ended 28 February 2021 has been satisfied.*

^^ *As agreed with the Group's primary lender, these financial covenants were not required to be measured for the period under review.*

Gearing

The Group's gearing ratio is set out below:

	2021 R000	2020 R000
Borrowings	**1 469 012**	1 677 437
Lease liabilities	**345 076**	1 383 240
Cash and cash equivalents	**(444 357)**	(486 257)
Net debt	**1 369 731**	2 574 420
Equity	**390 764**	1 800 392
Gearing ratio*	**351%**	143%

* *Calculated as Net debt divided by Equity.*

15 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.

Refer to Note 19 for other guarantees and facilities in the Group.

16 Discontinued operation

Famous Brands Limited acquired GBK in October 2016. GBK was placed under administration on the 14th October 2020 in accordance with the insolvency legislation in the UK. The financial results have been disclosed as a discontinued operation as a result of the disposal.

	2021 R000	2020 R000
Revenue	**337 669**	1 285 040
Cost of sales	**(65 281)**	(264 448)
Gross profit	**272 388**	1 020 592
Selling and administrative expenses^	**(374 088)**	(1 020 207)
Operating (loss)/profit before non-operational items	**(101 700)**	385
Non-operational items^^	**(1 121 698)**	(52 953)
Operating loss including non-operational items	**(1 223 398)**	(52 568)
Net finance costs	**(38 320)**	(54 395)
Loss before tax	**(1 261 718)**	(106 963)
Tax	**150 278**	1 030
Loss from discontinued operation	**(1 111 440)**	(105 933)
^ *Selling and administrative expenses include:*		
Depreciation of property, plant and equipment	**112 217**	161 810
Amortisation of intangible assets	**187**	331
Audit fee	**1 534**	1 260
^^Non-operational items	**(1 121 698)**	(52 953)
Impairment	**(1 489 247)**	(52 953)
Realised foreign exchange on disposal	**367 549**	–
Loss for the year	**(1 111 440)**	(105 933)
Other comprehensive income, net of tax:		
Exchange differences on translating foreign operation	**88 078**	61 661
Pre-tax foreign exchange differences on translating foreign operation	**127 850**	90 385
Tax effect on exchange differences on translating foreign operation	**(39 772)**	(28 724)
Post-tax foreign exchange differences on discontinued operation	**(299 664)**	–
Pre-tax foreign exchange differences on discontinued foreign operation	**(367 549)**	–
Tax impact on foreign exchange differences on discontinued foreign operation	**67 885**	–
Total comprehensive loss for the year	**(1 323 026)**	(44 272)
Net cash inflow generated from operating activities	**17 329**	63 012
Net cash outflow from investing activities	**(63 732)**	(35 404)
Net cash outflow from financing activities	**–**	(69 825)
Net decrease in cash and cash equivalents	**(46 403)**	(42 217)
Basic loss per share (cents) from discontinued operation		
Basic	**(1 110)**	(106)
Diluted	**(1 107)**	(106)

17 (Loss)/earnings and diluted (loss)/earnings per share ("EPS")

EPS – including discontinued operation	2021 Gross R000	2021 Tax R000	2021 Net R000	2020 Gross R000	2020 Tax R000	2020 Net R000
Total						
Reconciliation between basic and diluted basic (loss)/earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(1 239 079)**	**–**	**(1 239 079)**	362 264	–	362 264
Basic and diluted basic (loss)/earnings	**(1 239 079)**	**–**	**(1 239 079)**	362 264	–	362 264
Basic (loss)/earnings per share (cents)						
Basic			**(1 237)**			362
Diluted			**(1 234)**			361

EPS – continuing operations	2021 Gross R000	2021 Tax R000	2021 Net R000	2020 Gross R000	2020 Tax R000	2020 Net R000
Reconciliation between basic and diluted basic (loss)/earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(127 639)**	**–**	**(127 639)**	468 197	–	468 197
Basic and diluted basic (loss)/earnings	**(127 639)**	**–**	**(127 639)**	468 197	–	468 197
Basic (loss)/earnings per share (cents)						
Basic			**(127)**			468
Diluted			**(127)**			467

18 Headline (loss)/earnings and diluted headline (loss)/earnings per share

HEPS – including discontinued operation	2021 Gross R000	2021 Tax R000	2021 Net R000	2020 Gross R000	2020 Tax R000	2020 Net R000
Total						
Reconciliation between (loss)/earnings, headline (loss)/earnings and diluted headline (loss)/earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(1 239 079)**	**–**	**(1 239 079)**	362 264	–	362 264
Adjustment for:	**1 303 602**	**(151 158)**	**1 152 444**	55 890	(822)	55 068
Loss on disposal of property, plant and equipment	**3 144**	**(880)**	**2 264**	2 937	(822)	2 115
Loss on disposal of intangible assets	**12 950**	**–**	**12 950**	–	–	–
Profit on sale of business	**(27 675)**	**–**	**(27 675)**	–	–	–
Realised foreign exchange on disposal of discontinued operation	**(367 549)**	**67 885**	**(299 664)**	–	–	–
Impairments	**1 682 732**	**(218 163)**	**1 464 569**	52 953	–	52 953
Headline (loss)/earnings	**64 523**	**(151 158)**	**(86 635)**	418 154	(822)	417 332
Headline (loss)/earnings per share (cents)						
Basic			**(86)**			417
Diluted			**(86)**			416

HEPS – continuing operations	2021 Gross R000	2021 Tax R000	2021 Net R000	2020 Gross R000	2020 Tax R000	2020 Net R000
Reconciliation between (loss)/earnings, headline earnings and diluted headline earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(127 639)**	**–**	**(127 639)**	468 197	–	468 197
Adjustment for:	**181 904**	**(880)**	**181 024**	2 937	(822)	2 115
Loss on disposal of property, plant and equipment	**3 144**	**(880)**	**2 264**	2 937	(822)	2 115
Loss on disposal of intangible assets	**12 950**	**–**	**12 950**	–	–	–
Profit on disposal of business	**(27 675)**	**–**	**(27 675)**	–	–	–
Impairments	**193 485**	**–**	**193 485**	–	–	–
Headline earnings	**54 265**	**(880)**	**53 385**	471 134	(822)	470 312
Headline earnings per share (cents)						
Basic			**53**			470
Diluted			**53**			469

19 Borrowings

	Currency	Maturity date	Nature	Interest rate Margin %	Interest rate Rate	2021 %	2020 %	2021 R000	2020 R000
Unsecured									
Long-term borrowings								**1 462 600**	1 655 630
Short-term portion of borrowings								**6 412**	21 807
								1 469 012	1 677 437

Interest is paid quarterly in arrears.

The company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Terms of repayment

	Currency	Maturity date	Nature	Margin %	Rate	2021 %	2020 %	2021 R000	2020 R000
FY2020									
Loan facility: 3-year bullet	ZAR	Dec-21	Variable	1.60	3-month JIBAR		6.80		600 000
Loan facility: 4-year bullet	ZAR	Dec-22	variable	1.70	3-month JIBAR		6.80		850 000
Loan facility: 5-year revolving facility	ZAR	Dec-23	variable	1.70	3-month JIBAR		6.80		207 169
FY2021									
Loan facility: Amortising loan	ZAR	Aug-23	variable	2.95	3-month JIBAR	**6.44**		**750 000**	
Loan Facility: Revolving Credit Facility (RCF)	ZAR	Feb-24	variable	3.20	3-month JIBAR	**6.69**		**700 000**	
General Banking Facility (GBF)	ZAR	364 days	variable	N/A	Prime	**7.00**		**–**	
Loan Facility: Term Loan	ZAR	Jun-21	variable	0.10	Prime	**7.10**		**6 266**	
Loan Facility: Term Loan	GBP	Sep-25	fixed	N/A	Fixed	**2.02**		**12 600**	
								1 468 866	1 657 169
Transaction costs								**–**	(2 468)
Interest accrued								**146**	22 736
								1 469 012	1 677 437

Maturity analysis

	2021 R000	2020 R000
Payable within 1 year	**6 412**	21 807
Payable between 2 and 5 years	**1 462 600**	1 655 630
	1 469 012	1 677 437

19 Borrowings (continued)

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R15 million (2020: R17 million).

Interest risk management

The Group utilises interest rate swap contracts to hedge its exposure to the variability of cash flows arising from unfavourable movements in interest rates. Refer Note 32 *Risk management* of the financial statements and Note 11 *Derivative financial instruments* for further details.

Facilities

- Total ZAR overdraft facility in place: R200 million (2020: Rnil). Unutilised portion at year-end: R200 million (2020: Rnil).
- The Group has a 5-year revolving loan facility of R1 100 million (2020: R970 million). Unutilised portion is R400 million (2020: R763 million) at year end.

Guarantees

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

- Punctual performance by the Group of amounts due in the agreement.
- Immediate payment of amounts due which the Group has not paid.
- 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 nil (2020: R2 million) as at 28 February 2021.

20 Post-balance sheet events

Famous Brands Design Studio (Pty) Ltd trading as DHQ has from March 2021 transitioned to an associate company. Famous Brands now holds 49% – formerly 60% – after the creation of the DHQ employees share trust. Famous Brands Management company (Pty) ltd donated the shares to the trust.

Famous Brands Great Bakery Company (Pty) Ltd trading as Bread Basket was 51% owned by Famous Brands and this majority stake was sold on 1 May 2021 to our long standing partner and family founders of the business.

Lupa Osteria was 51% owned by Famous Brands. On 1 May 2021 Famous Brands acquired the 49% non-controlling interest from the founders of Lupa Osteria , Guy Cluver and Chris Black.

None of the above transactions were categorised transactions in terms of the Listings Requirements of the JSE.

SHAREHOLDER SPREAD

	2021				2020			
	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	**5 913**	**93.74**	**3 951 395**	**3.94**	4 432	92.43	3 940 583	3.93
10 001 – 50 000	**204**	**3.23**	**4 693 826**	**4.68**	211	4.40	4 727 046	4.72
50 001 – 100 000	**64**	**1.01**	**4 514 898**	**4.51**	38	0.79	2 507 149	2.50
100 001 – 1 000 000	**101**	**1.60**	**29 762 444**	**29.70**	96	2.00	34 841 052	34.78
Over 1 000 000	**26**	**0.42**	**57 279 721**	**57.17**	18	0.38	54 170 228	54.07
Total	**6 308**	**100.00**	**100 202 284**	**100.00**	4 795	100.00	100 186 058	100.00
Distribution of shareholders								
Individuals	**5 462**	**86.59**	**17 434 306**	**17.40**	3 944	82.25	20 979 114	20.94
Insurance companies	**7**	**0.11**	**2 133 812**	**2.13**	9	0.19	1 181 098	1.18
Investment trusts	**240**	**3.80**	**7 651 578**	**7.64**	274	5.71	7 644 852	7.63
Other companies and corporate bodies	**599**	**9.50**	**72 982 588**	**72.83**	568	11.85	70 380 994	70.25
Total	**6 308**	**100.00**	**100 202 284**	**100.00**	4 795	100.00	100 186 058	100.00
Shareholder type								
Non-public shareholders	**26**	**0.41**	**22 343 809**	**22.30**	23	0.48	23 645 580	23.60
Directors and associates (Direct)	**17**	**0.27**	**12 351 246**	**12.33**	9	0.19	13 758 117	13.73
Directors and associates (Indirect)	**9**	**0.14**	**9 992 563**	**9.97**	14	0.29	9 887 463	9.87
Public shareholders	**6 282**	**99.59**	**77 858 475**	**77.70**	4 772	99.52	76 540 478	76.40
Total	**6 308**	**100.00**	**100 202 284**	**100.00**	4 795	100.00	100 186 058	100.00
Fund managers greater than 5% of the issued shares								
Coronation Fund Managers			**28 556 235**	**28.50**			26 117 658	26.07
Public Investment Corporation			**7 856 095**	**7.84**			9 312 345	9.30
BMO LGM Investments Management Group			**–**	**–**			8 021 206	8.01
Visio Capital Management			**7 025 964**	**7.01**			–	–
Total			**43 438 294**	**43.35**			43 451 209	43.38
Direct and indirect beneficial shareholders greater than 5% of the issued shares (excluding directors)								
Coronation Fund Managers			**16 188 808**	**16.16**			14 341 846	14.32
Government Employees Pension Fund			**8 784 294**	**8.77**			10 818 519	10.80
BMO LGM Investments Management Group			**–**	**–**			8 021 206	8.01
Halamandaris Theofanis Mr			**4 677 598**	**4.67**			7 017 598	7.00
Panis Trust			**6 828 955**	**6.82**			6 828 955	6.82
Total			**36 479 655**	**36.42**			47 028 124	46.95
Total number of shareholdings	**6 308**				4 795			
Total number of shares in issue			**100 202 284**				100 186 058	

SUPPLEMENTARY INFORMATION

Shareholders' diary

Financial year end	28 February 2021
AGM	23 July 2021
Reports	
Announcement of annual financial results for the year ended 28 February 2021	31 May 2021
Publication of the IAR for the year ended 28 February 2021	22 June 2021
Announcement of interim results for the half-year ended 31 August 2021	26 October 2021

Administration

Famous Brands Limited

Incorporated in the Republic of South Africa
Registration number: 1969/004875/06
JSE and A2X 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*

Group 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

KPMG
Registration number: 1999/012876/07
85 Empire Rd, Parktown, Johannesburg, 2193

Directors' CVs

Norman Joseph Adami (66)

Independent non-executive director

B Bus, Sci (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 listed 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 (56)

Independent non-executive Chairman

BEcon (Hons)

The Chairman of the Board is independent.

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; and
- Capitec Bank Holdings – Independent Chairman.

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, general management, operations, marketing, strategy, remuneration, consumer insight and stakeholder relationships

SUPPLEMENTARY INFORMATION continued

Christopher Hardy Boulle (49)

Independent non-executive director

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 two decades.

Areas of expertise

Law, governance, strategy, risk and corporate finance

Deon Jeftha Fredericks (60)

Independent non-executive director

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

Role at Famous Brands

- Chairman of the Audit and Risk Committee

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

Areas of expertise

General management, risk and finance

Nicolaos (Nik) Halamandaris (46)

Non-executive director

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 (58)

Independent non-executive director

BProc, LLB, LLM, Dip Company Law

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 (45)

Independent non-executive director

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

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 (until February 2021), member of the Investment and Social, Ethics & Transformation Committees;
- Capitec Bank Holdings Limited and Capitec Bank Limited – Board member and Member of the Audit Committee.

Emma is a seasoned chartered accountant with extensive experience in Internal Audit, Risk Management, Corporate Governance and External Audit. She is the co-founder and CEO of MASA Risk Advisory Services and MASA Chartered Accountants Incorporated. Emma was a finalist in the Standard Bank Top Women 2020, Women in Finance category as well as 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

SUPPLEMENTARY INFORMATION continued

Kelebogile (Lebo) Ntlha (38)

Group Financial Director

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 (67)

Non-executive director

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 (49)

Chief Executive Officer

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 buy-out 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

Glossary

ACI	African, coloured and Indian per the Employment Equity Act definition
AGM	Annual General Meeting
AME	Africa, Middle East and Europe
BBBEE	Broad-based black economic empowerment
BU	Bargaining unit
Capex	Capital expenditure
CDR	Casual Dining restaurant
CSI	Corporate social investment
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
Exco	Executive Committee
FD	Financial Director
FSSC	Food Safety System Certification
FY	Financial year
GBK	Gourmet Burger Kitchen Restaurants
HR	Human Resources
HEPS	Headline earnings per share
IT	Information technology
JV	Joint venture
KPI	Key performance indicator
LPG	Liquefied petroleum gas
LTI	Long-term incentive
MSR	Minimum shareholding requirements
NOSA	National Occupational Safety Association of SA
OTM	On The Move (Mugg & Bean format)
QSR	Quick Service restaurant
ROCE	Return on capital employed
ROI	Return on investment
SMME	Small, medium and micro-enterprises
STI	Short-term incentive
TSR	Total shareholder return
UN SDG	United Nations Sustainable Development Goal
WACC	Weighted average cost of capital

GREYMATTERFINCH # 15215

famous | brands

+27 11 315 3000

investorrelations@famousbrands.co.za
companysecretary@famousbrands.co.za

478 James Crescent, Halfway House, South Africa, 1685