famous | brands

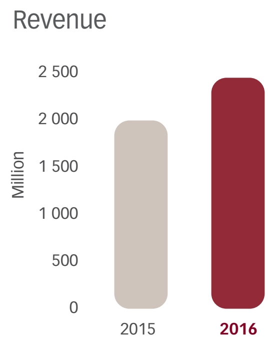
you're in good company

Unaudited condensed consolidated interim financial results for the six months ended 31 August 2016

Highlights

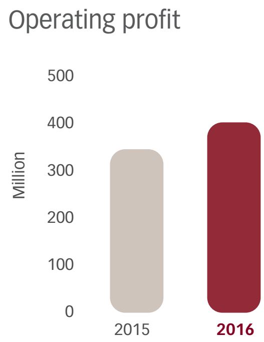
Revenue up to R2.45 billion

+23%



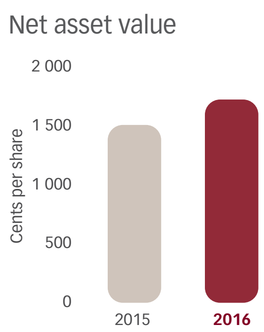
Operating profit before exceptional items up to R404 million

+17%



Net asset value up to 1 728 cents per share

+14%



Strategic acquisitions optimise business model

Successful integration of new businesses

GROUP PERFORMANCE OVERVIEW

In the context of challenging trading conditions experienced during the reporting period, the Group's unwavering focus on consistent improvement and investment in the business continued to deliver rewarding results. Management's strategic drive to build capability and capacity across its Brands, Logistics and Manufacturing operations continued apace, with the successful integration of recently acquired businesses and the acquisition of additional new businesses. Furthermore, per the schedule advised in December 2015, the transition in leadership from former Group Chief Executive, Kevin Hedderwick, to incumbent, Darren Hele, was concluded, while the strategic role of unlocking of the Group's growth ambitions continues to be fulfilled by Kevin. The Board is satisfied that the Group has in place an accomplished and experienced executive management team which is well positioned to execute the strategies required to achieve Famous Brands' robust future growth targets.

FINANCIAL RESULTS

The pleasing performance delivered for the review period is a reflection of both organic and acquisitive growth in the Brand portfolio as well as in the Supply Chain operations.

Group revenue increased 23% to R2.451 billion (2015: R1.998 billion), while operating profit, including exceptional items, rose 51% to R525 million. Exceptional items relate to a derivative gain of R141 million on the call option utilised to hedge the purchase price of the Gourmet Burger Kitchen (GBK) Restaurants Limited acquisition, and an impairment loss of R20 million recognised on the Group's investment in the UAC Restaurants (UACR) Limited business in 2013 in Nigeria. More detail regarding these items is discussed in the commentary under Subsequent Events and Rest of Africa in this announcement.

Operating profit before exceptional items rose 17% to R404 million (2015: R347 million).

The operating margin declined to 16.5% (2015: 17.4%) primarily as a function of investment in resources to enhance operational capabilities, a higher percentage of joint-venture entities in the system, and the incorporation of lower margin manufacturing business. With the integration of GBK's 80 company-owned restaurants over the forthcoming period, softer margins are anticipated.

Basic earnings per share (EPS) grew 62% to 391 cents per share (2015: 242 cents per share), while headline earnings per share (HEPS) increased 71% to 411 cents (2015: 241 cents). Basic EPS and HEPS, excluding exceptional items, improved 12% to 271 cents per share (2015: 242 cents) and 270 cents per share (2015: 241 cents) respectively.

Cash generated by operations before changes in working capital increased 19% to R457 million (2015: R385 million). Working capital increases totalled R34 million; while net cash inflow from operating activities rose to R82 million (2015: outflow of R55 million).

Net cash outflow from investing activities of R162 million (2015: R117 million) was incurred primarily on acquiring controlling stakes in Salsa Mexican Grill, Lupa Osteria and the outright purchase of Lamberts Bay Foods Limited. Included in this outflow is capital expenditure of R90 million (2015: R36 million) incurred on the acquisition of the Cape Concentrate tomato paste facility, investment in information technology systems, as well as further enhancing Supply Chain capabilities.

No borrowings were raised during the period.

OPERATIONAL REVIEWS

BRANDS

The Group's Brands division comprises three regions, namely: South Africa; Rest of Africa and the Middle East; and the United Kingdom (UK). As at 31 August 2016 the Group's global footprint comprised 2 626 restaurants. Notwithstanding the adverse trading environment, the Group opened 75 new stores across the brand portfolio, on par with the prior comparative period.

Combined revenue reported for the six months grew 19% to R383 million (2015: R321 million), while operating profit increased 14% to R205 million (2015: R181 million). System-wide sales across the total franchise network rose 14.2%, while like-on-like sales improved 9.6%.

The Group's brand portfolio is strategically designed to be aspirational, and offer value and convenience to a wide range of consumers across the income spectrum and across meal occasions. Both the mainstream and signature (emerging) brand divisions delivered a gratifying performance. Central to their growth was intensified focus on key standard operating disciplines and innovation implemented across the offering, including product, marketing and in-store interaction.

South Africa

System-wide sales for the period increased 13.8% while like-on-like sales improved 10.4%. During the six months under review, a total of 64 restaurants (2015: 64) were opened.

Several of the mainstream brands reported particularly notable performances:

- Debonairs Pizza entrenched its status as the market leader in a rapidly growing category, recording impressive like-on-like and system-wide sales. This growth was underpinned by menu innovation and an improved convenience offering illustrated by a substantial rise in omni-channel online sales.
- Having undergone an extensive corporate identity revamp, both Wimpy and Steers reported pleasing double-digit growth, reflecting customers' positive response to their contemporary new image. During the period Wimpy launched its flagship restaurant in the high profile Mall of Africa in Gauteng to popular acclaim.
- Fishaways recorded another strong set of results, and having firmly established itself as the premium offering in a cluttered category, retained and gained market share.
- In line with the strategy to expand its presence in the full-service casual dining category, the Group rounded off its signature brand portfolio during the period, concluding joint-venture partnerships with Lupa Osteria, Salsa Mexican Grill and Catch. All three of these brands were integrated seamlessly, gained good momentum and are well positioned for future growth.

Rest of Africa and the Middle East

The Group trades in 17 countries in these territories. This division reported a 17.4% increase in system-wide sales and contributed 9.7% (2015: 9.5%) of the total Brands portfolio's system-wide sales.

Rest of Africa

Restricted access to foreign exchange for prospective franchisees and financial institutions' tighter lending criteria hampered new restaurant growth and revamps in the region, but despite these constraints, 10 restaurants (2015: 11) were opened during the period.

Greater focus was paid to operating standards and locality marketing across the brand portfolio, with pleasing results. In line with prior years, Debonairs Pizza and Mugg & Bean continued to spearhead like-on-like and system-wide sales growth in the region.

Famous Brands' Botswana business, acquired in August 2015, was fully integrated into the Group's structures over the past year. In a subdued economic climate, this business continued to exceed management's expectations in terms of revenue growth.

The UACR business, trading as Mr Bigg's, remains in repair mode. In light of the prevailing difficult economic climate in Nigeria, and the introduction of a flexible exchange rate policy and subsequent devaluation of the Naira, the Group recognised a R20 million impairment on its investment in the UACR business. In addition, a number of underperforming Mr Bigg's restaurants were closed, while opportunities to open additional restaurants remain constrained in the current economy, further tempering management's outlook for this business in the short term.

During the review period, the Group exited its three restaurants in Tanzania and the Democratic Republic of Congo given those markets' lack of viability.

Middle East

Based on the success enjoyed by the tashas' restaurant in Dubai, the brand's footprint will be expanded in the forthcoming period.

Sourcing suitable franchisees and sites remains the primary challenge restraining growth of the Steers and Debonairs Pizza footprint in the region, however, management will continue to explore expansion opportunities.

United Kingdom (UK)

The Group's UK business experienced a tough summer trading period, with August in particular proving a testing month. Revenue in Sterling declined 2.6%, but grew 7.7% to R57.6 million in Rand terms (2015: R53.4 million) as a function of foreign exchange translation. Operating profit rose by 2.9% to R10.1 million (2015: R9.8 million) while the operating profit margin declined to 17.6% (2015: 18.4 %).

Management is satisfied that the business and the brand offering are structured to benefit from growth opportunities as they arise.

SUPPLY CHAIN

Famous Brands' integrated Supply Chain comprises its Logistics and Manufacturing businesses, which are managed and measured separately. During the six months under review, consolidated revenue grew by 19% to R1.88 billion (2015: R1.58 billion), while operating profit increased 49% to R215 million (2015: R144 million). The operating margin rose to 11.4% (2015: 9.1%). These improved results are primarily due to organic growth in the front-end of the business and integration of new business in the Supply Chain.

LOGISTICS

This division reported a 24% increase in revenue to R1.66 billion (2015: R1.35 billion), while operating profit grew 14% to R49 million (2015: R43 million). The operating margin declined slightly to 2.9% (2015: 3.2%).

These solid results are a function of successfully stabilising and optimising the Crown Mine Distribution Centre operation which now manages the previously outsourced frozen and chilled product basket in Gauteng; the integration of new brand business into the distribution network; and a significant increase in fleet capacity to enhance efficiencies.

In September 2016, the Group commissioned its new Long Meadow (Gauteng) Primary Distribution Centre to warehouse dry goods. This facility is designed to improve efficiencies centrally and expand capacity of existing facilities to accommodate further growth.

During the period, capital expenditure of R10 million was incurred on facility and fleet upgrades.

MANUFACTURING

Revenue increased by 53% to R1.30 billion (2015: R848 million) for the period, while operating profit rose 64% to R166 million (2015: R101 million). This strong performance was driven by significant growth in the Fine Cheese Company, the Sauce and Spice plant and the Midrand Meat plant, which benefited from organic growth in the Brand and Retail divisions; the commissioning of the cream cheese production line; as well as take-on of a portion of the previously outsourced pork and Halaal product basket.

The operating margin improved to 12.8% (2015: 11.9%). Management's strategic focus in the forthcoming period will be to continue to rationalise and adjust the product mix to incorporate more licensed product business.

Capital expenditure of R80 million was incurred on plant upgrades, machinery and equipment.

Further to the Group's goal to build capability across its operations, two strategic manufacturing businesses were acquired in the period:

Lamberts Bay Foods Limited (LBF)

Effective 1 August 2016, the Group acquired this manufacturer of French fries and other value-added potato products to supply licensed product to the Group's franchise network and other retail clients. In its first month in the Group's stable, LBF delivered a satisfying operating profit. Integration of LBF's IT systems into the Group's platform is currently underway and proceeding smoothly. Management is optimistic that the business is well positioned to capitalise on the forthcoming peak trading season.

Coega Concentrate Tomato Paste Plant

Effective 24 June 2016, the Group acquired a state-of-the-art tomato paste manufacturing plant, formerly Cape Concentrate, situated in the Coega precinct in the Eastern Cape. The facility was bought out of liquidation at a significantly discounted purchase consideration. The plant will manufacture product for the Group's franchise network as well as third-party retail customers. It is anticipated that the operation will be partially commissioned by the end of February 2017. Development of the grower-supply network has commenced, but management expects the completion of the process to take some time.

INFORMATION TECHNOLOGY – BUSINESS SUSTAINABILITY

The Group is in the process of replacing its current financial management and reporting system with a robust, fit-for-purpose Enterprise Resource Planning system, designed to support future growth. The project commenced in March 2016 and is on schedule to conclude in July 2017. In line with budget, R10 million of the R36 million committed for fiscal 2017 has been incurred. The total project is budgeted at R50 million.

SUBSEQUENT EVENTS – ACQUISITIONS

Gourmet Burger Kitchen (GBK) Restaurants Limited

With effect from 7 October 2016 Famous Brands acquired the entire issued share capital of GBK, pioneer of the burger revolution in the UK. GBK comprises 80 company-owned restaurants across the UK and is widely renowned as the market leader in the premium burger category. The best-in-class business has a strong financial track record, secure pipeline of sites to support a bold restaurant expansion programme, and affords the Group the opportunity to earn hard currency outside of Africa. In terms of the contractual agreement, GBK's existing team will continue to manage the business.

Stakeholders were advised in the SENS announcement on 1 September 2016 that the transaction would be funded by way of cash accumulated from business operations as well as short-term bridging finance. Subsequently, a debt-financing syndication process was initiated and longer-term facilities of R2.4 billion and GBP30 million were raised for financing and expansion purposes.

By Word Of Mouth (Pty) Ltd

As announced on SENS on 3 October 2016, subject to Competition Commission approval, Famous Brands has acquired a 49.9% stake in the multi-awarded commercial catering company, By Word of Mouth (Pty) Ltd, advancing the Group's strategy to expand into the broader leisure and consumer product sector. The purchase consideration fell below the threshold of a categorised transaction in terms of the Listings Requirements of the JSE Limited.

DIRECTORATE

During the period and as announced on SENS, the Board of Directors was restructured as follows:

- With effect from 1 June 2016, Ms Thembisa Dingaan was appointed as an independent non-executive director;
- Effective 1 July 2016, Mr Norman Richards, formerly Group Financial Director was appointed Group Commercial Executive and Ms Kelebogile Ntlha, formerly Group Financial Executive and Company Secretary, was appointed Group Financial Director; and
- Mr Ian Isdale assumed the position of Company Secretary on a consultancy basis for six months with effect from 31 August 2016. A permanent appointment will be made at the end of this contract period.

PROSPECTS

The Group will continue to focus on building capacity and capability across its operations.

Strong emphasis will be placed on ensuring the business is positioned to benefit from the peak holiday trading season. The Group's brands are represented at all major consumer hubs across the country and therefore optimally situated to capitalise on discretionary spend during the holiday period.

Brands

- Expanding the restaurant footprint will continue in line with market demand, while the extensive revamp programme currently underway will gain momentum in the forthcoming months, designed to ensure the Group's brands remain contemporary, appealing and top of mind.
- Opportunities to leverage growth of the GBK business will be explored.
- The Group will open South Africa's first PAUL restaurant in late February 2017. The flagship store will be situated in the Melrose Arch Precinct in Gauteng and will encompass a bakery café take away offering with a full table service restaurant.

Logistics

This division's priority will be to entrench the Long Meadow Primary Distribution Centre and extract further gains from the Crown Mines facility, ensuring both operations contribute to substantially improved efficiencies in the integrated Supply Chain.

Manufacturing

A range of capacity building projects will be implemented by this division in the next six months, including the commissioning of Coega Concentrate Tomato Paste Plant and the sliced cheese operation in the Group's Fine Cheese Company. In line with the Competition Commission's phased timetable (a condition of the acquisition), a further 30% of the Cater Chain pork basket was integrated in October 2016, with the final 10% to be taken on in April 2017.

Leisure and Consumer

Subject to the acquisition becoming unconditional, By Word of Mouth will be integrated into the Group's structures, and opportunities to expand the business in the commercial catering and home meal replacement segments will be explored.

In conclusion, management is on track to execute its strategies, and optimistic that if the opportunities outlined herein are capitalised on, the business will deliver solid growth in the forthcoming period.

DIVIDEND

In order to achieve its robust growth targets, the Group recently has made a number of acquisitions, including its largest ever, the GBK transaction in the UK. In this regard, the Group's gearing is substantially higher than in prior years, and the Board has therefore resolved that no interim dividend will be declared for the review period. The Board will closely monitor the Group's operating requirements as well as future strategic acquisitions to determine future dividend payments. It is anticipated that, subject to future acquisitions, payment of dividends will resume in the 2018 financial year.

On behalf of the board

SL Botha
Independent Chairman

DP Hele
Chief Executive Officer

Midrand
24 October 2016

Condensed consolidated statement of financial position

at 31 August 2016

	Unaudited 31 August 2016 R000	Unaudited 31 August 2015 R000	Audited 29 February 2016 R000
ASSETS			
Non-current assets	**1 488 811**	1 340 727	1 436 377
Property, plant and equipment	**353 221**	251 816	286 448
Intangible assets	**1 101 312**	1 022 226	1 095 888
Investments in associates	**32 983**	58 106	52 746
Deferred tax	**1 295**	8 579	1 295
Current assets	**1 766 602**	754 204	971 906
Inventories	**367 740**	287 740	301 625
Current tax assets	**182 921**	55 635	60 786
Derivative financial instruments	**189 837**	–	100
Trade and other receivables	**573 911**	410 829	463 261
Cash and cash equivalents	**452 193**	–	146 134
Total assets	**3 255 413**	2 094 931	2 408 283
EQUITY AND LIABILITIES			
Equity attributable to owners of Famous Brands Limited	**1 633 293**	1 463 046	1 474 780
Non-controlling interests	**92 325**	46 024	75 819
Total equity	**1 725 618**	1 509 070	1 550 599
Non-current liabilities	**220 429**	69 312	214 690
Derivative financial instruments	**130 363**	–	124 821
Lease liabilities	**14 641**	7 703	10 858
Deferred tax	**75 425**	61 609	79 011
Current liabilities	**1 309 366**	516 549	642 994
Non-controlling shareholder loans	**21 198**	23 458	24 988
Lease liabilities	**–**	–	1 689
Trade and other payables	**629 221**	428 748	464 354
Current tax liabilities	**121 513**	19 643	11 713
Bank overdrafts	**537 434**	44 700	140 250
Total liabilities	**1 529 795**	585 861	857 684
Total equity and liabilities	**3 255 413**	2 094 931	2 408 283

Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 31 August 2016

	Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	% change	Audited year ended 29 February 2016 R000
Revenue	**2 451 327**	1 997 831	23	4 308 318
Cost of goods sold	**(1 373 418)**	(1 165 248)		(2 469 947)
Gross profit	**1 077 909**	832 583	30	1 838 371
Selling and administrative expenses	**(673 413)**	(485 872)	39	(1 046 263)
Operating profit before exceptional items	**404 496**	346 711	17	792 108
Impairment loss	**(20 000)**	–		(12 000)
Derivative gain	**140 602**	–		–
Operating profit after exceptional items	**525 098**	346 711	51	780 108
Finance costs	**(17 263)**	(7 185)		(27 375)
Finance income	**8 991**	8 270		20 466
Share of profit/(loss) of associates	**2 688**	1 938		(622)
Profit before tax	**519 514**	349 734	49	772 577
Tax	**(108 953)**	(96 625)	13	(221 011)
Profit after tax for the period	**410 561**	253 109	62	551 566
Exchange differences on translating foreign operations*	**(33 898)**	38 248		65 753
Total comprehensive income for the period	**376 663**	291 357		617 319
Profit after tax attributable to:				
Owners of Famous Brands Limited	**390 702**	241 291		527 699
Non-controlling interests	**19 859**	11 818		23 867
	410 561	253 109		551 566
Total comprehensive income attributable to:				
Owners of Famous Brands Limited	**356 804**	279 539		593 452
Non-controlling interests	**19 859**	11 818		23 867
	376 663	291 357		617 319
Earnings per share				
Basic earnings per share (cents)^	**391**	242	62	529
Diluted earnings per share (cents)^	**389**	240	62	528

** This item may be reclassified subsequently to profit or loss.*
^ The increase in basic earnings and diluted earnings per share before exceptional items is 12%.

Condensed consolidated statement of changes in equity

for the six months ended 31 August 2016

	Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	Audited year ended 29 February 2016 R000
Balance at the beginning of the period	**1 550 599**	1 417 154	1 417 154
Total comprehensive income for the period	**376 663**	291 357	617 319
Payment of dividends	**(218 429)**	(204 552)	(398 389)
Recognition of share-based payments	**13 371**	1 593	10 173
Issue of capital and share premium	**6 121**	23	217
Changes in ownership interests in subsidiaries	**(2 173)**	(8 452)	(3 906)
Additional non-controlling interests arising on business combination	**1 033**	11 947	24 889
Recognition of put opinions over non-controlling interests	**–**	–	(118 426)
Contingent consideration	**(1 568)**	–	1 568
Balance at the end of the period	**1 725 617**	1 509 070	1 550 599

Condensed consolidated statement of cash flows

for the six months ended 31 August 2016

	Note	**Unaudited six months ended 31 August 2016 R000**	Unaudited six months ended 31 August 2015 R000	Audited year ended 29 February 2016 R000
Cash generated before changes in working capital		**456 575**	384 814	874 733
Increase in inventories		**(27 767)**	(71 667)	(84 357)
Increase in receivables		**(74 783)**	(74 567)	(131 452)
Increase in payables		**68 960**	38 396	59 446
Cash generated from operations		**422 985**	276 976	718 370
Net interest (paid)/received		**(859)**	1 085	(205)
Tax paid		**(121 680)**	(128 569)	(243 993)
Cash available from operating activities		**300 446**	149 492	474 172
Dividends paid		**(218 078)**	(204 552)	(398 003)
Net cash inflow/(outflow) from operating activities		**82 368**	(55 060)	76 169
Cash utilised in investing activities				
Additions to property, plant and equipment		**(76 457)**	(34 789)	(82 199)
Intangible assets acquired		**(13 087)**	(1 477)	(42 749)
Proceeds from disposal of property, plant and equipment		**9 921**	2 033	2 527
Net cash outflow on acquisition of subsidiaries	7	**(82 474)**	(83 894)	(83 989)
Net cash outflow on change in ownership in investment in subsidiary		**(2 173)**	–	–
Dividends received from associate		**2 450**	1 400	4 200
Net cash outflow utilised in investing activities		**(161 820)**	(116 727)	(202 210)
Cash flow from financing activities				
Acquired from non-controlling interest in subsidiary		**(4 522)**	(9 612)	(18 084)
Proceeds from issue of equity instruments of Famous Brands Limited		**6 121**	23	217
Cash (repaid to)/contributed by non-controlling shareholders		**–**	(991)	539
Net cash inflow/outflow from financing activities		**1 599**	(10 580)	(17 328)
Net decrease in cash and cash equivalents		**(77 853)**	(182 367)	(143 369)
Foreign currency effect		**(13 272)**	11 439	23 025
Cash and cash equivalents at the beginning of the period		**5 884**	126 228	126 228
Cash and cash equivalents at the end of the period		**(85 241)**	(44 700)	5 884

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

for the six months ended 31 August 2016

	Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	% change	Audited year ended 29 February 2016 R000
Revenue				
Franchising and Development	**382 572**	321 374	19	681 364
Supply Chain	**1 882 629**	1 581 594	19	3 363 929
Manufacturing	**1 299 052**	848 102	53	1 799 958
Logistics	**1 664 820**	1 346 252	24	2 911 061
Eliminations	**(1 081 243)**	(612 760)	76	(1 347 090)
Corporate	**1 401**	1 287		2 562
South Africa	**2 266 602**	1 904 255	19	4 047 855
International	**184 725**	93 576	97	260 463
UK	**57 560**	53 457	8	115 696
Rest of Africa	**127 165**	40 119	217	144 767
Total	**2 451 327**	1 997 831	23	4 308 318
Operating profit before exceptional items				
Franchising and Development	**205 204**	180 697	14	389 282
Supply Chain	**214 738**	143 908	49	347 653
Manufacturing	**165 903**	101 046	64	247 455
Logistics	**48 835**	42 862	14	100 198
Corporate	**(48 587)**	(389)		(11 239)
South Africa	**371 355**	324 216	15	725 696
International	**33 141**	22 495	47	66 412
UK	**10 117**	9 830	3	32 640
Rest of Africa	**23 024**	12 665	82	33 772
Total operating profit before exceptional items	**404 496**	346 711	17	792 108
Franchising and Development				
Impairment loss	**(20 000)**	–		(12 000)
Corporate				
Derivative gain	**140 602**	–		–
Net finance costs	**(8 272)**	1 085		(6 909)
Share of profit/(loss) of associates	**2 688**	1 938		(622)
Tax	**(108 953)**	(96 625)		(221 011)
Profit for the period	**410 561**	253 109	62	551 566

Statistics and ratios

for the six months ended 31 August 2016

	Unaudited six months ended 31 August 2016	Unaudited six months ended 31 August 2015	% change	Audited year ended 29 February 2016
Earnings per share (cents)				
Basic earnings per share	**391**	242	62	529
Basic earnings before exceptional items*	**271**	242	12	529
Diluted earnings per share	**389**	240	62	528
Headline earnings per share	**411**	241	71	541
Headline earnings before exceptional items*	**270**	241	12	541
Diluted headline earnings per share	**408**	240	70	540
Dividends per share (cents)				405
Interim	**–**	190		190
Final	**–**	–		215
Ordinary shares (000)				
In issue	**99 862**	99 812		99 812
Weighted average	**99 821**	99 809		99 810
Diluted weighted average	**100 455**	100 464		99 892
Operating profit margin (%)	**16.5**	17.4		18.4
Net debt/equity (%)	**4.9**	3.0		(0.4)
Net asset value per share (cents)	**1 728**	1 512		1 554
Dividend cover on headline earnings (times)		1.3		1.3

** Exceptional items being: an impairment loss of R20 million recognised on the Group's investment made in UAC Restaurants Limited business in 2013 in Nigeria, and a R141 million derivative gain on the call option utilised to hedge the purchase price of Gourmet Burger Kitchen (GBK) Restaurants Limited acquisition.*

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016

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

1. Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and 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 at a minimum 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 accounting policies applied in the presentation of the condensed consolidated interim financial statements are consistent with those applied for the year ended 29 February 2016, except for the new standards that became effective for the Group's financial period beginning 1 March 2016, refer to note 3.

The condensed consolidated interim financial statements were prepared on the historical cost basis, under the supervision of Kelebogile Ntlha, Group Financial Director.

3. Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 March 2016.

- IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates*;
- IAS 1 *Presentation of Financial Statements*; and
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*.

The adoption of the new standards and amendments to standards listed above did not have a significant impact on the Group's condensed consolidated interim financial statements.

		Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	Audited year ended 29 February 2016 R000
4.	**Earnings per share**			
4.1	**Reconciliation between earnings and diluted earnings**			
	Profit attributable to equity holders of Famous Brands Limited	**390 702**	241 291	527 699
	Diluted earnings	**390 702**	241 291	527 699
	Earnings per share (cents)			
	Basic	**391**	242	529
	Diluted	**389**	240	528
4.2	**Reconciliation between headline earnings and diluted headline earnings**			
	Profit attributable to equity holders of Famous Brands Limited	**390 702**	241 291	527 699
	After taxation profit on disposal of property, plant and equipment	**(732)**	(464)	(88)
	Impairment loss	**20 000**	–	12 000
	Headline earnings	**409 970**	240 827	539 611
	Diluted headline earnings	**409 970**	240 827	539 611
	Headline earnings per share (cents)			
	Basic	**411**	241	541
	Diluted	**408**	240	540

Notes to the condensed consolidated interim financial statements continued

for the six months ended 31 August 2016

5. Financial instruments

Accounting classifications and fair values

The table below sets out the 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.

	Unaudited six months ended 31 August 2016 Carrying amount R000	**Unaudited six months ended 31 August 2016 Fair value R000**	Unaudited six months ended 31 August 2015 Carrying amount R000	Unaudited six months ended 31 August 2015 Fair value R000	Audited year ended 29 February 2016 Carrying amount R000	Audited year ended 29 February 2016 Fair value R000
Financial assets						
Loans and receivables						
Trade and other receivables	**573 911**	**573 911**	402 403	402 403	444 069	444 069
Cash and cash equivalents	**452 193**	**452 193**	–	–	146 134	146 134
Fair value through profit or loss						
Derivative financial instruments	**189 837**	**189 837**	–	–	100	100
	1 215 941	**1 215 941**	402 403	402 403	590 303	590 303
Financial liabilities						
Measured at amortised cost						
Trade and other payables	**626 997**	**626 997**	420 969	420 969	367 494	367 494
Bank overdrafts	**537 434**	**537 434**	44 700	44 700	140 250	140 250
Non-controlling shareholder loan	**21 198**	**21 198**	23 458	23 458	24 988	24 988
Shareholders for dividends	**2 224**	**2 224**	–	–	1 873	1 873
Lease liabilities	**14 641**	**14 641**	–	–	12 547	12 547
Fair value through profit or loss						
Derivative financial instruments	**130 363**	**130 363**	–	–	124 821	124 821
	1 332 857	**1 332 857**	489 127	489 127	671 973	671 973

Level 3 sensitivity information

The fair values of the level 3 financial liabilities as disclosed in the table above were determined by applying an income approach valuation method including a present value discount technique. The fair value measurement includes inputs that are not observable in the market. Key assumptions used in the valuation of these instruments include the probability of achieving set profit targets and the discount rates. An increase/(decrease) of 1% in the discount rate would result in decrease/(increase) of R5 million (31 August 2015: Rnil) and (29 February 2016: R5 million)

Movements in level 3 financial instruments at fair value

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

Put options over non-controlling interests						
Carrying value at beginning of the period	**124 821**	**124 821**	–	–	–	–
Initial recognition in equity for new acquisitions	**–**	**–**	–	–	118 426	118 426
Unwinding of discount	**5 542**	**5 542**	–	–	6 395	6 395
	130 363	**130 363**	–	–	124 821	124 821

		Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	Audited year ended 29 February 2016 R000
6.	**Related-party transactions**			
	The Group entered into various sale and purchase transactions with related parties, in the ordinary course of business, on an arm's length basis. The nature of related-party transactions is consistent with those reported previously.			
7.	**Business combinations**			
	Summary of cash outflow on acquisition of subsidiaries during the six months ended 31 August 2016			
	Lupa Osteria	**3 958**		
	Salsa Mexican Grill	**4 985**		
	Lamberts Bay Foods	**73 531**		
	Total cash outflow on acquisition of subsidiaries	**82 474**		
	Effective 1 May 2016, a 51% share was acquired in **Lupa Osteria**, for a consideration of R4 million. R3.9 million was allocated to goodwill because of the anticipated scale and merger benefits related to franchising a manufacturing and logistics capability.			
	Fair value of assets and liabilities acquired			
	Property, plant and equipment	**866**		
	Trade and other receivables	**16**		
	Cash and cash equivalents	**42**		
	Trade and other payables	**(793)**		
	Current tax liabilities	**(5)**		
	Net assets acquired	**126**		
	Non-controlling interests measured at their share of the fair value of net assets	**(62)**		
	Amount capitalised	**64**		
	Goodwill	**3 936**		
	Purchase price	**4 000**		
	Cash and cash equivalents	**(42)**		
	Cash outflow from acquisition	**3 958**		
	Effective 1 June 2016, a 51% share was acquired in **Salsa Mexican Grill**, for a consideration of R6.2 million. R5.2 million was allocated to goodwill because of the anticipated scale and merger benefits related to franchising a manufacturing and logistics capability.			
	Fair value of assets and liabilities acquired			
	Property, plant and equipment	**2 566**		
	Inventories	**137**		
	Trade and other receivables	**34**		
	Cash and cash equivalents	**1 197**		
	Trade and other payables	**(1 220)**		
	Non-controlling shareholder loans	**(732)**		
	Net assets acquired	**1 982**		
	Non-controlling interests measured at their share of the fair value of net assets	**(971)**		
	Amount capitalised	**1 011**		
	Goodwill	**5 171**		
	Purchase price	**6 182**		
	Cash and cash equivalents	**(1 197)**		
	Cash outflow from acquisition	**4 985**		
	Effective 1 August 2016, a 100% share was acquired in **Lamberts Bay Foods**, for a consideration of R70 million. R31.9 million was allocated to goodwill because of the anticipated scale and merger benefits related to manufacturing capability.			
	Fair value of assets and liabilities acquired			
	Property, plant and equipment	**11 584**		
	Inventories	**38 361**		
	Trade and other receivables	**36 880**		

Notes to the condensed consolidated interim financial statements continued

for the six months ended 31 August 2016

		Unaudited six months ended 31 August 2016 R000	Unaudited six months ended 31 August 2015 R000	Audited year ended 29 February 2016 R000
7.	**Business combinations (continued)**			
	Current tax assets	**1 314**		
	Deferred tax	**(1 411)**		
	Trade and other payables	**(45 059)**		
	Bank overdraft	**(3 531)**		
	Net assets acquired	**38 138**		
	Non-controlling interests measured at their share of the fair value of net assets	**–**		
	Amount capitalised	**38 138**		
	Goodwill	**31 862**		
	Purchase price	**70 000**		
	Bank overdraft	**3 531**		
	Cash outflow from acquisition	**73 531**		

The accounting of the business combinations has been prepared on a provisional basis.

8. Subsequent events

Gourmet Burger Kitchen (GBK) Restaurants Limited

With effect from 7 October 2016 Famous Brands acquired the entire issued share capital of GBK, pioneer of the burger revolution in the UK. GBK comprises 80 company-owned restaurants across the UK and is widely renowned as the market leader in the premium burger category. The best-in-class business has a strong financial track record, secure pipeline of sites to support a bold restaurant expansion programme, and affords the Group the opportunity to earn hard currency outside of Africa. In terms of the contractual agreement, GBK's existing team will continue to manage the business.

Stakeholders were advised in the SENS announcement on 1 September 2016 that the transaction would be funded by way of cash accumulated from business operations as well as short-term bridging finance. Subsequently, a debt-financing syndication process was initiated and longer-term facilities of R2.4 billion and GBP30 million were raised for financing and expansion purposes.

By Word Of Mouth (Pty) Ltd

As announced on SENS on 3 October 2016, subject to Competition Commission approval, Famous Brands has acquired a 49.9% stake in the multi-awarded commercial catering company, By Word of Mouth (Pty) Ltd, advancing the Group's strategy to expand into the broader leisure and consumer product sector. The purchase consideration fell below the threshold of a categorised transaction in terms of the Listings Requirements of the JSE Limited.

Due to the timing of these acquisitions, the initial accounting of the business combinations is incomplete and therefore the disclosure of the acquisition date fair values and the related impact cannot be made at this time.

Directors and administration

Famous Brands Limited
Incorporated in the Republic of South Africa
Registration number: 1969/004875/06
JSE share code: FBR
ISIN: ZAE000053328

Directors
NJ Adami, SL Botha (Independent Chairman), CH Boulle, P Halamandaris, P Halamandaris (Jnr), T Halamandaris, JL Halamandres, RM Kgosana, DP Hele (Chief Executive Officer)*, K Ntlha (Group Financial Director)*, BL Sibiya and T Dingaan
**Executive*

Company Secretary
IWM Isdale, 24 October 2016

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Sponsor
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Auditors
Deloitte & Touche

Bankers
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Bidvest Bank Limited
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
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