Leadership's reflections on 2022 and what is ahead

Chairman's statement

Santie Botha
Chairman

The year 2022 was another uncertain and volatile year. All our trading markets endured the dual pressures of continued COVID-19 restrictions and weak economic conditions. Famous Brands remained resilient thanks to our initial financial management measures in response to the pandemic. This prudent and conservative approach meant that our revenue numbers improved in response to the first signs of economic recovery.

Despite the challenging operating conditions, the Board was pleased to reinstate the dividend. The Group has produced resilient results and has a good outlook for future growth, allowing the Board to declare a dividend of 200 cents per share.

Supporting our franchise partners

Famous Brands began as a family business, and in many ways, we have retained the essence of comradery in the business. We continue to protect and nurture our franchise partners so that they can positively impact the communities that they serve.

Our key focus areas for 2022 were the full financial recovery of our business and to continue to shield our franchise partners from the ongoing impact of COVID-19.

The continued success of our franchise partners is integral to our sustainability. We strive to deliver the best possible service to franchise partners while offering high-quality products at value for money prices. Looking after franchise partners also requires constant menu innovation to provide meals that meet and exceed customer needs and expectations, including the desire to eat healthier. We will also continue to innovate with our digital offering.

Many of our franchise partners are still recovering from the worst impacts of COVID-19. While conditions have improved, trading activity is still below pre-pandemic levels. This is particularly pronounced in our Casual Dining Restaurants. The Board decided to continue to support franchise partners with reduced franchise fees, lower marketing fund contributions and deferred payment structures. This support was further extended to the SA franchise partners affected by the July 2021 civil unrest.

Strengthening our specialist skills

The Board has overseen the strengthening of the various brand teams with greater depth of focus and specialist skill over the year.

Famous Brands has further improved its risk management function over the past few years with a dedicated Group Risk Executive and continuous risk awareness and mitigation. As part of our financial statement audit, KPMG provided feedback on the control environment from an audit scope perspective.

Deon Fredericks, our new Group Financial Director, has established a specialist and disciplined finance function for the Group. Deon, a seasoned finance professional, has further encouraged greater collaboration between the Head Office Finance team and employees in the various operations. In addition, new automation and consolidation tools are in development for deployment across the business.

Building our teams through smart retention, development and attraction activities is a priority and is included in our strategy for the next three years.

Key features of 2022

First signs of economic recovery appear

Manufacturing, Logistics and Retail all reported improved results. While Quick Service Restaurant brands have fully recovered, Casual Dining Restaurant brands are still facing headwinds.

Board renewal

During the past year, two directors stepped down from the Board and we welcomed two new additions to the Board.

ESG awareness

We considered the growing importance of ESG to stakeholders, including funders, and approved targets for our selected United Nations' Sustainable Development Goals (SDGs).

Increased importance of ESG

ESG matters continued to receive Board attention during 2022. This included considering the impacts of climate change on our business and monitoring our greenhouse gas (GHG) emissions and other sustainability initiatives. We have an ongoing drive to introduce more sustainable packaging, reduce single-use plastic usage and minimise food wastage. While we have made good progress over the years, it will remain a focus area for the business going forward.

Notably, in 2022 the Board's Social and Ethics Committee approved the Group's targets related to our selected five SDGs. The next step will be to entrench these targets across the business and to roll out programmes to achieve them.

In the current global geopolitical situation, the most significant ESG issues remain rising food inflation and unstable food security. COVID-19 uncertainty, climate change and conflict are currently among the main drivers of global food insecurity. With rising fuel and fertiliser costs, this situation is not likely to improve in the short term.

Board composition

During 2022 we welcomed two new independent non-executive directors to the Board, Fagmeedah Petersen-Cook and Busisiwe Mathe.

Fagmeedah Petersen-Cook was appointed to the Board on 1 June 2021. Fagmeedah is a qualified actuary and experienced investment professional with extensive experience and expertise in executive roles in both the public and private sectors. She brings her strategic thinking and well-developed understanding of risk to our Board and to her role as Chairman of our Investment Committee.

Busisiwe Mathe was appointed to the Board on 20 October 2021. She is a Chartered Accountant and has held several leadership positions at PricewaterhouseCoopers, including Chairperson of its South African Governing Board. She also built and coordinated the firm's cyber security and data privacy business across Africa.

Furthermore, Lebo Ntlha, Group Financial Director and non-executive director Emma Mashilwane stepped down from the Board during the year. I would like to thank both Lebo and Emma for their valuable contribution to the business over the past few years.

We welcomed Deon Fredericks, a highly experienced finance professional, into the role of Group Financial Director. Deon is well-acquainted with Famous Brands as he has been an independent non-executive director since 2018. He is already adding considerable value to his executive director role.

Our exciting digital future

Famous Brands currently has an all encompassing food services offering that offers value and brands that appeal to different customer types of taste profiles. Customers appreciate the value and quality that is synonymous with Famous Brands. In addition, the Group has been building its digital capabilities for several years. We are reaching a point where our value proposition in the digital space will meet and exceed customer expectations.

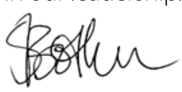
Read more about our investment in consumer-facing technology on page 85.

Appreciation

I would like to thank Darren Hele, our CEO, for his steadfast leadership in yet another turbulent year. Darren brings exceptional strategic and operational strengths to the business, a rare combination in today's business world. I would also like to thank our executive team for their commitment in delivering on our strategy and our Group's continued recovery.

A sincere vote of thanks also to thank the directors of Famous Brands for their dedication and commitment to the business during the past year. To all employees, shareholders, customers, suppliers and all other stakeholders, thank you for your interest and continued support of Famous Brands.

It was another tough year for the restaurant industry across all our markets. In KwaZulu-Natal and Gauteng, these difficult operating conditions were further compounded by the outbreak of civil unrest and looting in July 2021. Several of our franchise partners' restaurants were destroyed, and many others were damaged. While some restaurants are still struggling, others have recovered quickly. This is thanks to the support given by Famous Brands and franchise partners helping each other, demonstrating tremendous resilience and camaraderie. I thank our franchise partners for their endurance and trust in our leadership.



Santie Botha
Chairman

23 June 2022

Chief Executive Officer's report

Our recovery was quicker than expected against a backdrop of economic uncertainty. We have a proven business model and the specialist skills required to ensure our recovery.

Key features of 2022

The restaurant industry recovers

Less severe COVID-19 restrictions allowed restaurants to regain some ground. Our Supply Chain performance improved in response to this improved front-end activity.

Difficult operating conditions

Our agility enabled us to adapt to uncertainty and changing customer behaviour.

A growing footprint

We opened 118 new restaurants, bringing our total brand footprint to 2 824.

An evolution, not revolution

We launched our 2023 to 2025 strategic roadmap, demonstrating how our strategy is evolving to adapt to our changing operating environment.

COVID-19 has been a lesson in endurance. While our divisions recovered in 2022, we are still operating below pre-pandemic levels. With limited government support in South Africa, franchise partners have had to dig into their financial and mental reserves to survive.

Darren Hele
Chief Executive Officer

The impact of COVID-19's third wave on trading activity was severe. Then, just as we were emerging from a lockdown in July, many restaurants in KwaZulu-Natal and some in Gauteng were damaged in the riots. The Group's logistics facility in Westmead, KwaZulu-Natal, was damaged and closed for three weeks before it became fully operational again. Through the activation of our business continuity plan, we continued to deliver to restaurants in the affected areas.

In November, the announcement of the Omicron variant made a considerable dent in our traditional high tourism season. International travellers cancelled their trips to South Africa, while anxiety about the new variant reduced local travel.

Yet, despite the challenges, there were highlights. We grew our footprint by 118 new restaurants, with the biggest gainers being our Debonairs Pizza and Steers brands. The bulk of this growth was from South Africa. We revamped 149 restaurants, showing confidence in our brands and the future.

We grew our AME footprint, understanding that a one-size-fits-all approach does not work. In some countries, we are building scale through investing in Company-owned stores, while in others, we are pursuing the franchise or Master License model. We are building teams in-country to gain from the on-the-ground experience rather than managing operations from South Africa.

Our Manufacturing and Logistics divisions recovered, thanks to increased trading activities at the front-end. We continue to execute our strategy across the back-end. We closed the Gauteng Bakery, absorbing most employees into other operations. We relocated our Famous Brands Coffee Company to a new, more efficient site, resulting in an instant morale boost.

Our employees had to make salary sacrifices once again during the hard lockdown in July. In this context, it was pleasing to receive positive feedback from employees. Voice your View is our annual employee survey that polls employees on various aspects, including communication, leadership, happiness and beliefs. In 2022, Famous Brands' overall engagement score for administration staff increased from 75% to 77%. We saw our happiness score increase from 69% in 2021 to 74% in 2022. This rating puts us in the top company category for the survey.

Read more about our performance across our trading markets in our operational review on page 90.

Enduring changes from COVID-19

COVID-19 has fundamentally changed our operating environment, and we need to operate differently. Growth in Sub-Saharan Africa has slowed, and while South Africa's economy has rebounded, it is still a smaller economy than before the pandemic. Both our system-wide sales[1] and margins remain under pressure.

In this environment, category leaders continue to demonstrate resilience at the expense of second-tier brands. While we are not seeing many new competitor brands emerge, existing competitors are well-entrenched, and competition is fierce. Owning our brands and intellectual property gives us greater flexibility than our global competitors, and we can move quickly. This is a significant competitive advantage in a crowded market.

Trade-offs in 2022

Supporting franchise partners: We decided to continue to support struggling franchise partners knowing that this would affect our profitability in the short to medium term.

Implementing salary sacrifices: In response to the South African alert level 4 lockdown in July 2021, we decided to implement salary cuts again. While this decision supported the sustainability of our business, we understood that salary cuts would have an impact on employee morale.

Limiting ESG progress: Our slowdown in capital expenditure due to an uncertain operating environment meant that progress on ESG projects has also been slow, at a time when we would have liked to accelerate this.

The customer has also changed post-COVID-19. Customers are looking for simplicity in their lives, and we need to respond with simple, good value offerings. At the same time, they want to try new things, which requires constant menu innovation.

Social media appears to be driving an increase in environmentally conscious and socially connected customers. These empowered customers are pushing brands to embrace their values. This creates reputational risk when our brand values do not align with our customer values. On the upside, this pushes us to drive our sustainability initiatives harder.

Staying true to our purpose

Our relationships with franchisees have strengthened through the trials and tribulations of the pandemic.

We never forget that our primary route-to-market is the franchise model and that our franchise partners drive our economic engine. Franchise partner profitability and sustainability are always a core focus, particularly given our exposure to large numbers of small franchisees whose loyalty is key to future growth through opening new restaurants.

In 2022, we continued to support our franchise partners through reduced franchise fees and marketing contributions. The adjustments we made in 2021 to simplify menus continue to assist franchisees by lowering their input costs. When required, we also assisted franchise partners in renegotiating better rental terms from landlords. In July 2021, Famous Brands stepped in to protect franchise partners affected by the unrest in the form of royalty relief, assistance with insurance claims and bridging finance to help them rebuild while waiting for insurance payouts.

We are experiencing a tightening of the local franchise market as new franchisees shop around for the best business opportunity. We always need to ensure that our value proposition is well-considered, with more appeal than our competitors.

[1] *System-wide sales refer to sales reported by all restaurants across the network, excluding restaurants opened or closed during the period.*

The rationale for the Lexi's acquisition

While historically plant-based food was regarded as a privileged way of life, in line with the global trend, there has been a marked expansion of the demographics of Lexi's customers.

In April 2022, post our year-end, Famous Brands acquired 51% of Lexi's Healthy Eatery, giving us exposure to the growing vegan and plant-based market. Lexi's, whose slogan is 'Eat more plants', offers a full-service, sit-down, plant-based, gluten-free and refined sugar-free breakfast, lunch and supper dining experience at its four restaurants in Rosebank, Modderfontein, Pretoria and Sea Point.

The deal includes a majority shareholding in Lexi's central kitchen operation, which develops and produces meals for the restaurants and retails a limited range of convenience frozen goods to a small number of supermarkets.

The acquisition is aligned with our three-year strategic roadmap, which includes acquiring brands with sound growth prospects and the potential to be category leaders. We believe that the entrepreneurial energy of Lexi's founders and our infrastructure, industry experience and working capital will be a formidable combination. We plan to grow the brand's footprint through a Quick Service Restaurant format while exploring opportunities to offer more plant-based options in our Retail range.

Focussing on the next phase

Our focus in 2023 will be operational excellence, prioritising core long-term operations and improving investment returns for franchise partners.

We have moved from a survival phase to a recovery phase, with our eyes on the thrive phase. We expect to see a continued recovery in 2023 as the remaining COVID-19 restrictions fall away. Our short-term focus is to sustain our revenue while achieving positive cash generation, while our medium-term focus is to recover margin. We have reduced our interest-bearing debt in 2022, and plan to continue this trajectory in 2023.

For the next three years, our strategic focus is generating growth from our existing Leading Brands portfolio through innovation in channels and formats and footprint expansion.

An example of format innovation is the newly opened Mugg & Bean container in Woodmead.

While the COVID-19 impact on Signature Brands has been brutal, we see some improvement. As people begin to celebrate their special occasions again, we expect to see them return to these restaurants.

We will continue to invest in consumer-facing technology. Here, spending time to make the right technology choices is critical.

In our Manufacturing division, we are driving operational efficiencies through our 'manufacturing way' programme. This programme focusses on the principles of continuous improvement. This includes overhauling our asset care practices to ensure more reliability and uptime from our equipment. We are also working on managing and reducing our environmental footprint. We will invest further into our best-performing manufacturing facilities and divest from selected manufacturing assets if necessary.

Quick fact

As consumers become familiarised with plant-based products and initiatives, Bloomberg Intelligence foresees an evolution in consumer habits over the next decade. According to their research, the plant-based foods market could make up to 7.7% of the global protein market by 2030, with a value of over $162 billion, up from $29.4 billion in 2020[1].

[1] *https://www.bloomberg.com/company/press/plant-based-foods-market-to-hit-162-billion-in-next-decade-projects-bloomberg-intelligence/.*

In Logistics, our next steps are to relocate our KwaZulu-Natal Distribution Centre, move our Gauteng Cold Storage Centre and secure a cross-docking facility near Mthatha.

We aim to double our Retail business by growing our distribution footprint and expanding our product range. We have ambitious plans to launch a new product every month for the 2023 financial year.

The high inflation picture is certain to persist with high fuel and commodity prices. We have operated under periods of high inflation before, so we are accustomed to managing inflation. Trading in a high inflation environment has some potential upside for us.

Extending our condolences

The health and wellness of our people are always a priority. Sadly, this year we lost several franchise partners, many of whom have been with us for decades. Their loss has had an immeasurable impact on the Group and is also felt by their employees, business partners, families and communities.

We were also deeply saddened by the tragic passing of our colleague and friend Andre Piehl, who held several management and executive roles over almost 15 years. We also mourn the passing of colleagues Glen Dembo, Powlan Pillay, Jacomina Engelbrecht, Cecil Mbuthuma, Daniel Manulana and Ayanda Mabizela who are dearly missed at Famous Brands.

I also extend my condolences to our employees who have lost family and friends to COVID-19.

Our tributes to our departed franchise partners and colleagues can be found on page 186.

Acknowledging our stakeholders

Our resilience in the face of continued challenges is thanks to a significant effort from employees and franchise partners. To our employees, thank you for your dedication to delivering our strategy and willingness to adapt to a different operating environment.

I thank our franchise partners for their endurance, hard work and continued trust in our brands. Amid tough trading conditions, several franchise partners also withstood the violent and destructive July unrest. The rebuilding has not been easy, and at the time of writing this report, some stores are still not open.

In April 2022, our KwaZulu-Natal operations were again disrupted, this time by extensive flooding. Our thoughts go out to our franchise partners and employees affected by this catastrophic event. We closed several restaurants which are not able to immediately re-open.

I am grateful for the support of my executive team who are growing from strength to strength, our Chairman, Santie Botha and our Board. It is a privilege to work with you.

I also thank our customers, shareholders, suppliers and communities for their steadfast loyalty in another challenging year.

Darren Hele
Chief Executive Officer

23 June 2022

Group Financial Director's report

Famous Brands is beginning to see the benefits of a local economic recovery combined with a gradual reduction of COVID-19 restrictions. These results reveal a return to profitability, an improvement in cash generation and a strengthened balance sheet.

Deon Fredericks
Group Financial Director

Key features of 2022

Strong signs of recovery

We are seeing a recovery across our Brands and Supply Chain.

Renegotiated debt facilities

In the 2021 financial year, we renegotiated our debt facilities to take cognisance of the difficult and challenging operating environment. We have observed the benefits of a more appropriate debt structure in the 2022 financial year.

Deleveraging the balance sheet

We have delivered on our commitment to significantly reduce debt by focussing on cash flow generation.

Strengthening internal controls

Risk, Internal Audit and Finance have collaborated to improve financial controls throughout the Group.

The Group's financial performance recovered in varying degrees across SA, AME and the UK.

This report should be read together with the Summarised Consolidated Financial Statements on page 152 and the AFS available online at: https://famousbrands.co.za/investor-centre/financial-results/

The operating environment has improved, however, the Group had to carefully navigate the impact of COVID-19, general countrywide civil disruptions, rising inflation and constrained consumer spending.

Within this context it was another difficult year, however, the Group delivered resilient financial results. We continued to deliver against our stated financial objectives of improving our financial performance and optimising our capital management. The key focus was to control our costs and reduce our interest-bearing debt to facilitate greater balance sheet flexibility.

COVID-19 continued to have a pronounced impact on restaurant operations with restrictions including reduced operating hours, alcohol sales and seating limits. Famous Brands supported franchisees through reduced royalties and marketing fund contributions.

Revenue: Continuing operations

Revenue improved by 38% to R6.5 billion (2021: R4.7 billion). This increase can be attributed to improved trading conditions across our markets due to less stringent COVID-19 restrictions. Revenue is currently in line with 2020 levels, although the mix is different.

Logistics experienced a strong rebound due to increased trading activity from the Brands division in SA. Logistics revenue increased by 35% to R4.1 billion from R3 billion in the prior year.

Franchise fees revenue increased 43% to R918 million from R644 million in the prior year, reflecting improved restaurant turnovers. Leading Brands contributed 96% or R882 million of this revenue, an improvement of 42% year on year. Signature Brands revenue was R36 million, an improvement of 66% year on year.

Company-owned stores revenue improved by 36% to R447 million compared with R328 million in the prior year, reflecting higher trading activity and improving restaurant turnovers. Leading Brands contributed 76% or R338 million of this revenue, an improvement of 23% year on year. Signature Brands revenue was R109 million, an improvement of 101% year on year.

Manufacturing revenue increased by 9% to R222 million compared to prior year of R204 million.

The Retail division, which supplies SA supermarkets with branded licensed products, continued to experience strong sales thanks to growing consumer demand, new products and expanding distribution. Retail revenue was R222 million, an improvement of 47% over prior year revenue of R151 million.

Revenue (R million)	2021	2022	2022 vs 2021 %
SA	4 256	**5 998**	41
UK	112	**133**	19
AME	316	**345**	9
Group	4 684	**6 476**	

Revenue

Group revenue (R million)	2021	2022	2022 vs 2021 %
Revenue at point in time			
Manufacturing revenue	204	**222**	9
Owned	141	**118**	(17)
Subsidiaries	63	**104**	67
Logistics revenue	2 994	**4 052**	35
Retail revenue	151	**222**	47
Company-owned stores	328	**447**	36
Leading Brands (SA and AME)	274	**338**	23
Signature Brands (SA)	54	**109**	101
Joining fees	6	**8**	36
Sales-based royalties			
Franchise fee revenue	644	**918**	43
Leading Brands	622	**882**	42
Signature Brands	22	**36**	66
Marketing fees revenue	325	**583**	80
Leading Brands	318	**518**	63
Signature Brands	7	**65**	875
Revenue over time			
Services revenue	32	**24**	(22)
Total revenue	4 684	**6 476**	38

Operating profit and margins

Due to a recovery in our business, the Group's operating profit improved 428% to R630 million (2021: R119 million). However, margins remain under pressure.

While our operating profit margins have improved across our trading markets, margins have not reached pre-COVID-19 levels. The Group's overall margin was 9.7% (2021: 2.5%). In SA, our margin improved to 10.1% (2021: 1.8%). The AME region recorded an improved margin of 9.9% (2021: 9.5%). The UK's operating profit and margin lifted slightly from 2021 however remains under pressure at (6.1%) after impairments.

Operating profit margins (%)	2021	2022
SA	1.8	**10.1**
UK	(9.6)	**(6.1)**
AME	9.5	**9.9**
Group	2.5	**9.7**

Other income

Income from associates

The Group holds equity shareholding in the following associates: Sauce Advertising (37%), UAC Restaurants (Mr Bigg's) in Nigeria (49%), FoodConnect (49%) and DHQ (48.5%). Our profit from associates was R260 000 (2021: R4.8 million).

Profit attributable to non-controlling interests

Non-controlling interests are interests the founders of key businesses hold in our Manufacturing division and Signature Brands portfolio. The share of profit for non-controlling interests increased to R38 million (2021: R23 million). In 2022, we purchased the non-controlling shareholder interests from the founders of Turn 'n Tender and LUPA Osteria.

Headline earnings per share and earnings per share for continuing operations

Headline earnings per share improved by 568% or 356 cents (2021: 53 cents), while basic earnings per share improved to 317 cents (2021: (127) cents).

Cash flows

Salient features		2021	2022
Cash generated by operations	R million	521	**871**
Net cash outflow utilised in investing activities	R million	(57)	**(117)**
Net cash outflow for financing activities	R million	(322)	**(433)**
Cash realisation rate*	%	108	**102**

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

Net cash inflow from operating activities

The Group's cash generation capacity has recovered with cash generated from operations of R871 million (2021: R521 million), with a cash realisation rate of 102% (2021: 108%). Net working capital increased slightly by R10 million (2021: R9 million) due to investment in raw materials to support increased revenue. We continue to benefit from the stringent working capital management measures implemented due to COVID-19. The Group's net cash inflow from operating activities was R533 million (2021: R285 million).

Our cash flow forecasts show that the Group's overall liquidity has significantly improved and is adequate to meet our working capital investment requirements and operational needs for the foreseeable future.

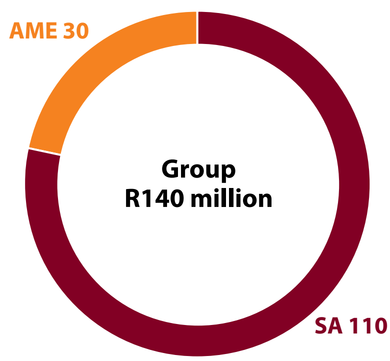
Net cash outflow from investing activities

In 2021, we froze all non-critical capital investments due to COVID-19. In 2022, we began to re-invest in our business, including non-critical maintenance and repairs in our Manufacturing and Logistics divisions. Capital expenditure (capex) increased to R140 million (2021: R84 million).

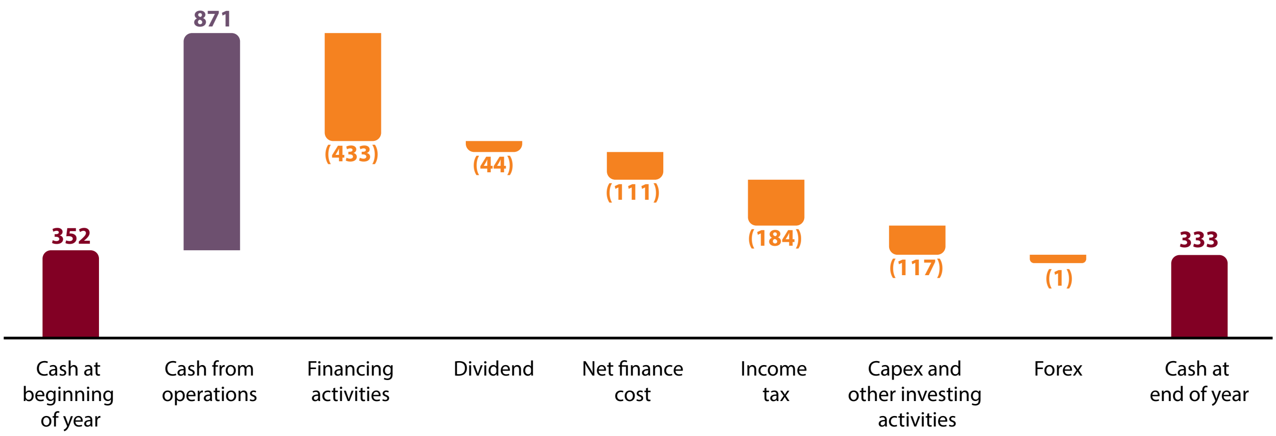
Net cash outflow from financing activities

The net cash outflow from financing activities was R433 million (2020: R322 million). The increase in outflow was primarily due to increased borrowings repayments in the year of R358 million. The Group's closing net cash position was R333 million (2021: R352 million). The definition for cash and cash equivalents has been revised to exclude restricted cash i.e. cash ring-fenced and used for marketing purposes.

Capex per region (Rm)



Cash flow movement for the year (R million)



Financial position

The Group's balance sheet is sound with net assets of R721 million (2021: R391 million). This represents a net asset value per share of R7.19 (2021: R3.90). The Group's gearing improved to 1.56 times (2021: 3.75 times) and our leverage to 1.32 times (2021: 3.04 times) mainly due to the return to profitability. Our return on capital employed was 29% (2021: 5%).

Salient features		2021	**2022**
Cash and cash equivalents	R million	352	**333**
Net asset value per share	cents	390	**719**
Net debt*	R million	1 464	**1 126**
Net debt to equity (gearing)	times	3.75	**1.56**
Net debt to EBITDA (leverage)	times	3.04	**1.32**
Total equity	R million	391	**721**
Return on equity (ROE)**	%	5	**64**
Return on capital deployed (ROCE)***	%	5	**29**

* *Total interest-bearing borrowings (including lease liabilities) less cash and cash equivalents.*
** *Headline earnings as a percentage of average shareholders' interest.*
*** *Operating profit divided by the average capital employed (which is calculated as the sum of total equity and interest-bearing debt and lease liabilities).*

Gearing and debt structure

In 2016, the Group made a series of acquisitions, resulting in considerable long-term structured debt on the balance sheet. The Group has a robust programme in place to:

- Reduce gearing and leverage levels through stringent working capital management.
- Fund growth through internally generated cash flow.
- Concentrate capital investment on lower-risk core local opportunities with a strong outlook for long-term sustainable returns.

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.

We proactively track the Group's debt covenants on an ongoing basis and have complied with all our debt covenants.

Civil unrest in South Africa

From 9 to 18 July 2021, KwaZulu-Natal and parts of Gauteng experienced civil unrest, resulting in several Famous Brands and franchise partners properties suffering varying degrees of damage. In total, 99 restaurants were damaged and non-operational. Of these, 85 restaurants had re-opened by the end of this financial year. Our distribution centre in Westmead was damaged and closed for three weeks.

Our R16.4 million claim for material damage loss was successful. The material damage loss was recognised in the results of the current financial year.

Group transactions

Famous Brands completed four transactions in 2022.

In March 2021, Famous Brands Design Studio (Pty) Ltd, a non-core operation, trading as DHQ transitioned to an associate company. Famous Brands now holds 49% (formerly 60%) after the creation of the DHQ employees' share trust. Famous Brands donated the shares to the trust.

In May 2021, Famous Brands acquired the non-controlling shareholders' interest from two subsidiaries namely, LUPA Osteria and Turn 'n Tender founders, respectively. Famous Brands now owns 100% of both brands. This change in ownership structure allowed the Signature Brands team to consolidate the management structure into an efficient services hub to support each portfolio category, providing dedicated procurement, finance, menu development, information technology and franchise services.

In May 2021, Famous Brands sold its 51% shareholding in the Famous Brands Great Bakery Company (Pty) Ltd, trading as Bread Basket, to the business's long-standing partners and founders. This transaction aligns with Famous Brands' plans to divest from non-core operations.

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

Post-balance sheet events

Lexi's

In April 2022, Famous Brands acquired 51% shareholding of Lexi's Healthy Eatery for R3.3 million. The acquisition pertains to the franchise and central kitchen operations of the business.

GBK

On 6 May 2022, the Group received notification from the liquidators of GBK indicating an intention to make an interim distribution to creditors of GBK Restaurants Limited with agreed claims. The actual amount of the distribution is not yet certain but in their notice the liquidators estimated the interim dividend to be 5 Pence in the Pound to creditors with agreed claims. The Group's claim against GBK for dividend purposes amounts to GBP55.2 million. The liquidator indicated that the interim dividend will be declared within two months of the last date of approving – 6 August 2022.

Civil unrest

During the financial year, the Group submitted a Business Interruption (BI) insurance claim for R17 million. The initial claim was rejected by the loss adjuster on the basis that loss events included in the claim were not aligned with the insurance policy interpretation.

On 29 March 2022, the Group received confirmation from the loss adjuster that the revised claim was covered subject to the insurance policy interpretation. On 14 April 2022 an updated BI insurance claim for R14.4 million was submitted and the Group received an acknowledgement of liability from the insurer on 10 May 2022 and payment was received on 26 May 2022.

Dividend

The Board has declared a dividend of 200 cents per share. The Group has produced significantly improved results which enabled the Board to consider paying a dividend. The Board considered the Group's current performance and future prospects. The dividend is being paid out of profits for the year ended 28 February 2022 in the amount of R200 million.

Looking forward

We will continue to focus on achieving organic growth, seeking opportunities for efficiencies and cost savings and further optimise our working capital management. Achieving the appropriate debt profile is critical and management is working towards that.

Furthermore, we will continue to selectively reduce debt to create the required headroom to operate efficiently for sustained future growth, including acquisitions. Optimising investment returns for our franchise partners is always a priority.

Our financial and investment decisions in the coming year will be based on the following strategic imperatives:

- Growing our Leading Brands in South Africa and AME.
- Intensifying investment in high return assets.
- Considering attractive and appropriate acquisitions.
- Developing and expanding our Retail division.
- Divesting from non-core assets.
- Expanding our Logistics capacity.

We expect our revenue to recover further as COVID-19 restrictions fall away and the economic recovery continues. We have concerns regarding the weak South African economy, combined with rising inflation and fuel prices, which will continue to weaken consumer spending. In South Africa, our economic recovery will be further impacted by the KwaZulu-Natal floods. The war in the Ukraine continues to impact the pricing of key commodities, including wheat and cooking oil.

Going concern

As part of the consideration of the appropriateness of adopting the going concern basis in preparing the annual report and financial statements, a range of scenarios have been considered. The assumptions modelled are based on the continued estimated potential impact of COVID-19 restrictions and regulations.

Trading is likely to improve in the 2023 financial year and may be impacted by a possibility of more waves that could lead to stringent COVID-19 restrictions again. The scenarios include an assumption that current levels of trading will remain in place until February 2023, considering the rate of vaccination. Also taken into account has been the current challenging operating environment.

Revitalising the Finance function

In my first few months as the incoming Group Financial Director, I have focussed on getting finance and the business 'back to basics'. This has meant closer coordination and collaboration between head office team members and those based at the operational level. This includes ensuring that we focus on the right priorities to enable the business to intensify their efforts in the market. This will be a journey.

I have introduced measures to enable team members to embrace change and cope with a complex ever changing operating and regulatory environment. We are implementing a consolidation tool to make year-end reporting, management accounting and projections easier. Automating certain financial functions is critical as a lack of automation creates risks and complexity. Our goal is to have one ecosystem where reports and financial records are easily accessed from all the different divisions and subsidiaries.

We are also refining and mapping out our critical controls, taking into account the changing environment, and ensuring that our risk control metrics are appropriate.

Management has implemented the following actions of managing the business:

- Managing our relationship with our primary lender.
- Temporary relaxation of contractual arrangements with franchise partners.
- Management of financial resources with focus on capital expenditure programmes and cost to eliminate any potential short term financial pressures.

We have continued to monitor and implement additional health and safety measures in each of our manufacturing and distribution facilities to reduce the risk of a major supply disruption. As at 28 February 2022, the consolidated balance sheet reflects a net asset position of R721 million and the liquidity of the Group remains strong. Our current undrawn facilities are approximately R950 million. Based on all of the considerations the Group is considered a going concern with more than adequate financial resources to continue in operation for the foreseeable future.

Appreciation

I thank the Board for the trust they have placed in me with this critical role.

I have enjoyed my first few months in my new role at Famous Brands and have gained new insights into the business, which is fast moving and very hands on. It allowed me to get a different perspective moving from a non-executive to an executive role. I thank my Exco and finance colleagues for their continued diligence and support and the various management Committees. My thanks is also extended to the Board and its Committees for their continued oversight and support of the Group's financial affairs. I thank our loyal shareholders and lenders for their trust in the business and their ongoing dialogue with management.

Deon Fredericks
Group Financial Director

23 June 2022