Chairman's statement

Our strength lies in our ability to learn, adapt and respond to changing trading conditions.

As a Board, we are pleased with the performance of the Group in 2023. We improved across our major financial metrics. Our portfolio of brands, especially our Leading Brands, held their own to endure the COVID-19 pandemic and continue to grow and generate good cash flows. We remain a relatively capital light business with strong cash generation capabilities.

We recognise that our future growth will come mainly from this portfolio in South Africa as well as from focused expansion in selected other markets. A difficult operating environment means that we will continue to evaluate our Group portfolio of brands, including our Signature Brands portfolio. These are strong brands with inherent potential, but they operate in the Casual Dining Restaurant category, not yet fully recovered from the impact of the COVID-19 pandemic.

Santie Botha
Chairman

Key features of 2023

1. **Excellent performance from Leading Brands**
   Leading Brands continue to perform strongly.
2. **Supply Chain enhancements**
   Our Supply Chain is more focused, modernised and serves our franchise partners better.
3. **Transformation and sustainability achievements**
   Our transformation and sustainability performance are bearing fruit.
4. **Succession and Board renewal**
   We continue to strengthen our Board and have appointed a successor for our Group Financial Director.

Applied governance at Famous Brands

Strategic theme	Areas the Board focused on during the year
Consumer experience	– We reviewed the progress made against our consumer-facing technology strategy. – The Investment Committee approved further consumer-facing technology/digital investments.
Remuneration	– The Remuneration Committee reviewed our long-term incentive (LTI) scheme for executives and a revised long-term share incentive plan which was approved by shareholders will be utilised going forward. – We considered our shareholders' concerns regarding the Remuneration Policy and implementation and will continue to do so.
Succession	– The Board approved the appointment of a new non-executive director and a successor to our Group Financial Director. – The Nomination Committee considered succession plans at Board and executive management level, including the CEO.
Sustainability	– The Social and Ethics Committee reviewed progress against our sustainability strategy and targets as per the United Nations Sustainable Development Goals (SDGs).

At Famous Brands, we put our franchise partners and our business-to-business clients at the centre of the business.

Small businesses under pressure

South Africa's economic outlook remains lacklustre, with the biggest risk to small business owners being the acute and ongoing power shortage. Not only was this the worst year of load shedding in South African history, but it was the first year that most load shedding* was at Stage 4, not Stage 2 as before. Some franchise partners are also operating without regular access to water. In addition, rising interest rates and persistent inflation has meant a rise in the cost of living and increased pressure on consumer wallets.

Restaurants are highly exposed to load shedding. In these difficult economic conditions, the added support that our franchise partners access from Famous Brands makes a real difference to their bottom line. This is a very difficult market to be in as a standalone operator. In 2023, our support included assisting our franchise partners in renegotiating better rental terms with landlords, including better terms for pandemic-related arrear payments. For our Quick Service Restaurant brands, we enhanced our applications and online sites to drive higher volumes through our own delivery channel. We continue to see an opportunity in delivery and especially own delivery.

We acknowledge that pricing remains critical in the products we sell to our franchise partners and the menu prices to the end consumer. At Famous Brands, we consider our menu pricing carefully to strike a good balance between being competitive and maintaining a healthy level of franchisee profitability.

As load shedding persists into 2024 and with potentially difficult winter months ahead, we will continue to offer our South African franchise partners support to ease the burden of load shedding where and when needed. We believe this is essential to ensure the long-term sustainability of our Group.

Read more about how we manage the franchise partners' relationship on page 43.

Taking our Supply Chain to the next level

In the last year, we have made significant improvements to our Supply Chain. These enhancements have meant that our Supply Chain is more focused, modernised and serves our franchise partners better. In our Manufacturing arena, we are reaping the benefits of the 'Manufacturing Way' programme, which was first established in 2020. These improvements to processes and technology make us more resilient in the face of rising input costs. For example, machine-to-person interfaces across several of our plants allow for better tracking of production time, trends and challenges.

In our Logistics division, our medium-term plans are bearing fruit. In 2023, we relocated our KwaZulu-Natal Distribution Centre to a larger site better suited to our needs. In addition, we purchased our Midrand Campus, intending to redevelop the site to accommodate and expand our Johannesburg cold storage facilities.

* *Load shedding is a deliberate shutdown of all or portions of the electricity grid in South Africa. There are a total of eight load shedding stages. The higher the load shedding stage, the more frequent power outages. Stage 2 results in 12 hours of power outages in a four-day period while Stage 4 results in 24 hours of power outages in a four-day period.*

In time, we will realise greater efficiencies and cost savings from this investment.

In our Retail division, we continue to develop and refine our products. The Wimpy chips and hash browns range, launched in August 2022, has exceeded all expectations to take a category leadership position. The products are valuable brand extensions, and we have exciting plans to grow our geographic footprint and volumes.

Read more about our Supply Chain's performance in 2023 in our operational review on page 64.

Leading in transformation

We view transformation as a social, moral and strategic business imperative. We foster a more equal and inclusive society through the ongoing transformation of our business and initiatives that improve the lives of previously disadvantaged South Africans.

As we place high importance on the value of transformation, it was especially gratifying to receive Level 2 B-BBEE status when we were assessed in August 2022. This is a notable improvement from level 4 in 2022. This status means that we contribute to transforming South Africa and have positively impacted thousands of lives, including our employees, Black-owned suppliers and the beneficiaries of our socio-economic development programmes.

I thank our Group Transformation Manager and executive leadership team for diligently working towards this achievement for several years. I also thank the Social and Ethics Working Committee and the Board's Social and Ethics Committee for their guidance on transformation matters. The challenge going forward is maintaining this status, regardless of changes to B-BBEE legislation.

Read more in our transformation report on page 100.

Our sustainability journey

Sustainability is a business imperative for the food services industry. This includes where and how we source our products, the type of packaging we use, how we consider our consumers' health and how we support the circular economy through recycling. Since 2019, we have been on a journey to improve our sustainability performance, with steady yearly improvements. For example, implementing more environmentally friendly packaging across our brands, has reduced our annual plastic consumption by 108.9 tonnes.

In 2020, we began contributing towards the United Nations SDGs and selected the five most relevant SDGs for our business. In 2022, management and the Social and Ethics Committee approved targets for each SDG.

This year, our teams worked hard to integrate these targets into our business practices and we are reporting our progress against our SDG targets for the first time. We have made satisfactory progress. For example, against SDG 12: Ensuring sustainable consumption and product patterns, a simple change, like removing single-use plastic wrapping on biscuits, can eliminate tonnes of potential plastic waste. There are several plastic reduction projects in the pipeline for 2024.

Read more about our sustainability journey on page 84.

Review of executive incentives

As part of its annual review of executive remuneration, the Remuneration Committee appointed an external consulting firm to conduct a detailed analysis of the LTI share scheme to determine whether it remains relevant, appropriate and in line with best practice. The committee concluded that full-value share-based plans, with the ability to vary performance conditions per award cycle, align better with leading market practice and King IV.

In April 2023, we issued a circular that detailed our proposed redesigned long-term share incentive plan. The share plan intends to attract, retain and reward key senior management employees by granting them shares in Famous Brands. The committee considered the balance between the implementation cost of the share plan and the dilution of current shareholders.

The share plan aligns senior management with the interests of our shareholders. The share plan was approved by shareholders at the general meeting held on 23 May 2023 and will replace the existing LTI. We believe that the share plan is easier to understand, is fit for purpose and supports the business objectives in its lifecycle.

Read more in our remuneration report on page 134.

Every business must work towards becoming energy independent.

Succession planning is a major priority for the Board both at executive and non-executive level.

In December 2022, we announced that Deon Fredericks, our Group Financial Director on a two-year fixed term, will retire on 31 July 2023. Deon will also be stepping down as a Board member, a position he has held since August 2018. He will be replaced by Nelisiwe Shiluvana, who assumed the role of Group Financial Director-designate on 1 January 2023.

Deon, who has had a distinguished corporate career, including Chief Financial Officer roles at Telkom and South African Airways has made an immense contribution to Famous Brands as a Board member and Group Financial Director. He brought maturity and experience to the finance division and reshaped the function to be more streamlined, focused and effective. We thank Deon for his time at Famous Brands and wish him the best for the future.

Deon was also tasked with finding a successor and we believe that Nelisiwe is an excellent choice. Nelisiwe, who joined the Group in October 2021, is a Chartered Accountant and has played a critical role in supporting Deon to strengthen the Group's financial skills and capabilities. She was a partner and director at EY for several years.

Changes to the Board

In February 2023, Thabo Mosololi joined the Board as an independent non-executive director and a member of the Audit and Risk Committee. Thabo is a Chartered Accountant who has held several leadership positions in various organisations, including Tsogo Sun and Sun International. In addition, he has held audit committee and board memberships at Edcon Holdings, Telkom and MC Mining Ltd. He is a non-executive director at Truworths Ltd and Pan African Resources Ltd, and managing director of Mala Mala Game Reserve.

Thabo is a well-rounded business leader with extensive hospitality experience, and we look forward to his contributions.

John Halamandres, a long-standing non-executive director, will retire from the Board after the Annual General Meeting on 20 July 2023. John was appointed to the Board in November 1994 and held the roles of Managing Director and CEO at Famous Brands. As a founding member of the Company, he has played an important role in the Group's success and continued evolution. We are thankful for his dedication to the Group over several decades and wish him well with his retirement.

Appreciation

I thank our franchise partners for their continued faith in our brands and business model. Many of our franchise partners have been with the Group for many years, and growing and developing our brands with them is a privilege.

I thank Darren Hele for his exceptional leadership and positive influence on the business. He is a hands-on leader who is both strategic and operationally very strong. He has been with Famous Brands for over 20 years and together with his experienced executive team have steered the Group with aplomb.

I thank my fellow Board members for their commitment, wisdom and insights throughout the past year. Also, thank you to all our employees, shareholders, suppliers and other stakeholders for contributing to our success in the past financial year.

Santie Botha
Chairman

21 June 2023

Thank you John Halamandres for your incredible dedication to our continued success. You have been an integral part of the Famous Brands family for several decades and your contributions will be missed.

Chief Executive Officer's report

We performed strongly against our strategy and continued to grow and develop our brands.

The year 2023 was a tale of two halves. A strong post-pandemic recovery characterised the first half as consumers embraced the pleasures of eating out, local travel and attending events. As the pandemic subsided, new variants were no longer greeted with the same level of anxiety. While e-commerce and online food ordering have grown, people still crave meaningful interpersonal connections. They want to celebrate occasions or simply meet up with friends and family.

In September 2022, as we marked our half-year, the incidence and frequency of load shedding intensified. The economic consequences of load shedding cannot be understated. It slows economic growth, diverts funds for growth and investment into operating costs and crushes business and consumer confidence. Few corporates, let alone small business owners, can thrive at level 6 load shedding. For a business, it takes the focus away from growth and opportunity to just keeping the lights on.

Surprisingly, the consumer has held up much better than expected. Despite everything, South Africa remains a resilient nation. For many, there is still room in the budget for the affordable luxury of a take away or meal out. The space is still highly contested, but we ensure our continued relevance by offering value, loyalty programmes, product innovation and marketing campaigns to reinforce key quality perceptions. We also have an experienced management team who has navigated a high inflation environment.

Darren Hele
Chief Executive Officer

Key features of 2023

1. **Solid operational and financial performance**
We continued our strong COVID-19 recovery across four divisions.

2. **Growing our brands**
We opened 152 new restaurants, bringing our total brand footprint to 2 887. We welcomed 105 new franchise partners to our franchise networks.

3. **Load shedding erodes profitability**
In South Africa, persistent electricity shortages and increased reliance on alternative power negatively affect our restaurants and Supply Chain.

While the world is moving towards a renewable energy future, we increasingly rely on fossil fuels.

Despite the economic challenges in South Africa and elsewhere, there is still room for growth in the branded food services sector. Our franchise partners tend to agree. In 2023, we expanded our footprint by 152 new restaurants. The biggest gainers were once again our Debonairs Pizza and Steers brands, and most of this growth was in South Africa. We also revamped or relocated 176 restaurants, demonstrating our franchise partners' commitment to reinvest in our brands.

We continued to grow our footprint in Rest of Africa and Middle East through a mix of partnerships, franchising and Company-owned stores. We are bolstering our on-the-ground presence in selected African markets and the Middle East. We opened the first Debonairs Pizza restaurants in Oman and the Kingdom of Saudi Arabia and introduced the Steers brand to the United Arab Emirates. Across several AME markets, Famous Brands and our franchise partners are investing in their own delivery channel. This includes our investments in ordering platforms and our franchise partners' investments in delivery hubs.

The impact of the local energy crisis

During load shedding at stage 6, some of our Manufacturing plants run more than 40 hours per week on diesel. Not only is this expensive, but it puts a tremendous strain on our generators. It increases the servicing intervals and the frequency of breakdowns and disruptions. We have invested in newer, more efficient generators and have accelerated our plans to install more solar plants.

Famous Brands buys significant volumes of local vegetable and animal products. Here, load shedding creates problems at every leg of the agricultural production chain, from crop irrigation to processing and storage. In addition, if not mitigated correctly, it can also affect food safety and increase food waste.

Our procurement team work hard to overcome these challenges by increasing our local and international supplier base. We have protected the cold chain and experienced no material increase in food waste.

Our franchise partners bear the greatest brunt of load shedding in increased operating costs, lost revenue and disruptions. They often cannot provide their consumers with the service they deserve. Restaurant owners deal with countless hidden irritations related to load shedding. We work with our franchise partners to mitigate the impacts of regular power interruptions. Here, our collective intelligence can make a difference in understanding and resolving the most common challenges experienced. At year-end, 81% of our Leading Brands network in South Africa had some access to alternative power.

Read more about how our restaurants mitigate the impact of load shedding in our operational review on page 64 .

Trade-offs in 2023

Accelerating our solar investments:
While investing in renewable energy was always on the cards, we decided to bring many of these projects forward. While these investments will impact our capital plans in the short to medium term, they will ensure greater resilience and energy independence.

Putting our dough mix plant on hold:
Famous Brands had planned to invest in a new dough mix plant to be commissioned in the 2024 financial year. This project was placed on hold as the weighted average cost of capital did not meet our requirements for the 2024 budget. The Manufacturing management team is working on alternative options to reduce the capital investment required.

Impairing goodwill from our investment in Venus Solutions Limited (Wimpy UK):
We took the decision to impair goodwill from our investment in Venus Solutions Limited due to continued poor economic conditions and constrained consumer spending in that market.

Impairing the loan advanced to UACR:
We partly impaired our loan in our associate in Nigeria due to a challenging economic environment.

Quick fact:

The Alexforbes chief economist, Isiah Mhlanga, estimates that stage 6 load shedding costs the country more than R4 billion per day. Dr Francois Stofberg, senior economist at the Efficient Group, estimates that the country's economy is between 8% and 10% smaller than it could have been without load shedding.

I joined the CEOs of some of South Africa's largest retailers and consumer goods companies in addressing a letter to President Ramaphosa outlining our concerns regarding the energy crisis and its crippling effect on businesses.

The open letter, issued on behalf of the Consumer Goods Council of South Africa members, noted the consumer goods industry's significant contribution to gross domestic product (GDP) and position as South Africa's largest employer. Instead of expanding and creating new employment, the industry spends billions on diesel. This financial burden is unsustainable and will result in higher pricing for consumers, who are already under severe financial strain. We need urgent and decisive action to solve the energy crisis.

As an industry, we advocated for suspending the fuel duty levy and road accident fund for the consumer goods industry for as long as load shedding occurs. We are a critical sector in providing stable food, medicines and other essential goods supplies. As a critical sector, we should qualify for fuel rebates similar to the mining, agriculture, fisheries and forestry sectors.

Thankfully, during the National Budget speech in February 2023, Finance Minister Enoch Godongwana announced a diesel fuel levy refund to food manufacturers for two years, effective 1 April 2023 to 31 March 2025. We have commenced the process to register the relevant plants on this scheme. Unfortunately, at the time of publishing this report we have not been able to successfully register for this scheme.

The Minister also announced a 125% tax deduction on the cost of renewable energy assets for businesses. The incentive, which will be available for two years, applies to assets brought into use for the first time from 1 March 2023 onwards and cover all project sizes. This decision is welcomed and certainly strengthens the investment case for renewable energy.

Responding to the KwaZulu-Natal floods

In April 2022, parts of KwaZulu-Natal were affected by devasting floods, impacting many lives and businesses. In total, 99 restaurants were closed due to damage or poor accessibility to the locations. The floods also affected our KwaZulu-Natal franchise partners as holidaymakers cancelled their Easter trips to the region.

Fortunately, our KwaZulu-Natal Distribution Centre did not suffer any direct damage, although employee attendance and damage to the road infrastructure did create some delivery delays. The Logistics team quickly rallied to ensure that all restaurants were serviced, and none were affected by dropped product deliveries. With the support of TruBev, we assisted our franchise partners with water deliveries of over 100 kilolitres to keep their businesses operational.

The Debonairs Pizza team and our franchise partners wasted no time supporting those in need. The brand donated seven tonnes of food to affected families through its long-standing Doughnation corporate social investment (CSI) initiative. I am impressed by the camaraderie and resilience of our KwaZulu-Natal franchise partners. They have faced several challenges in the past few years, including the civil unrest in July 2021, poor tourism seasons due to COVID-19 and, more recently, the beach closures due to sewerage spills in December 2022.

Read more about our CSI activities in 2023 on page 107.

Executing our Logistics strategy

The new KwaZulu-Natal Distribution Centre was commissioned in November 2022. The centre offers several advantages over the previous centre, it is larger and has a more efficient layout. In addition, it offers the opportunity to generate up to 334 kWp of our electricity needs from our rooftop solar installation.

In October 2022, we announced our intentions to purchase the Midrand Campus head office. Our head office has been at 478 James Crescent, Halfway House in Midrand, since 1990. The purchase, finalised in February 2023, was for the acquisition of Steers Properties (Pty) Ltd and Halamandaris Props (Pty) Ltd. The properties will be redeveloped and expanded to better align with the Group's strategy for its Logistics division. This includes investing in new cold storage facilities to allow Famous Brands to relocate its Cold Storage Centre to Midrand from Crown Mines. This purchase is another step in better utilising our head office campus. In November 2021, the Group purchased the adjoining property at 39 Richards Drive.

Midrand is well-suited as the heart of our Gauteng Logistics operation. This transaction paves the way toward a better functioning, bigger, fit-for-purpose campus. It will allow us to consolidate Gauteng Logistics operations allowing for great efficiencies and, ultimately, cost savings. The project team is working towards a deadline of relocating our Gauteng cold storage facilities to Midrand by October 2024.

Warehousing technology has evolved considerably over the years. In 2023, we began to roll out a best-in-class warehouse management system across our distribution centres. We are experiencing the system's benefits through more business intelligence and better planning and scheduling capabilities. We plan to complete this roll-out across our distribution centres in 2024.

Cultivating the right culture

We are a high-performance team with a unique culture. Voice your View is the annual employee survey that provides feedback on our working environment. Employees provide scores on culture, leadership and communication. In 2022, our score of 77% remained unchanged and placed us in the top company category for the survey.

Based on the likelihood of employees recommending the Company as a place to work, our net promoter score improved from 19.6 to 21.4. The survey, which had an overall response rate of 92% (2022: 89%), indicates that we have created a culture that supports our strategy execution. Importantly, the survey also indicates the areas where we need to improve, and we have implemented plans to address these.

Read more in our human capital report on page 95.

Wage negotiations

We concluded our wage negotiations on 31 May 2023 agreeing to a two-year deal.

Looking to the future

We see opportunities for growth and improvement throughout our business. In our Brands division, we will continue to grow our footprint through franchising, licensing and Company-owned stores. We are working on exciting partnerships with retail groups and prominent loyalty programme providers.

In 2023, we opened three drive thru restaurants in South Africa and will focus on growing this format in 2024. The format meets consumers' growing requirements for convenience and security. In 2023, we trialled a new Steers Fried Chicken as a clip-on, standalone concept on an existing Steers outlet. The consumer reception has been positive, and if the pilot is successful, we will roll it out further.

We are investing in delivery technology to improve our last mile efficiency for own delivery. Partnerships with third-party platforms will remain critical. Here, menu engineering across third-party platforms and own delivery will be essential to deliver targeted gross profit margins. Investing in consumer-facing technology is important in ensuring our relevance and meeting consumer needs.

In our Manufacturing division, we continue to drive operational efficiencies, improve product quality and explore ways to reduce our environmental footprint.

Our Logistics strategy is progressing well with our plans to relocate our Gauteng cold storage facilities to Midrand. We are still investigating potential sites for a cross-docking facility near Mthatha in the Eastern Cape. Increasingly, our Logistics strategy is enabled by technology. Since 2016 , our franchise partners have used an online ordering platform. We have plans to grow our share of the overall basket through an upgraded and improved targeted online strategy.

The Retail division will focus on expanding its distribution footprint, growing volumes and launching new product lines and extensions.

Read more about our investments in consumer-facing technology on page 82.

Supporting our franchise partners

We never lose sight of the franchise model being our main channel for reaching consumers. The sustainability of our franchise partners is essential for the continued success of our Brands, Manufacturing and Logistics divisions. We always prioritise franchise partner sustainability.

There are many ways to drive innovation through trading formats, technology and product innovation.

We remain committed to ensuring a profitable and sustainable business model for our franchise partners.

In light of the further weakening of South Africa's economic prospects and persistent load shedding, we continue to monitor the health of our local franchise networks. In March 2023, we implemented franchise partner financial relief. These financial relief measures include a lower royalty and marketing fee percentage on sales generated during load shedding hours.

Read more about our strategy on page 57.

Appreciation

I thank our franchise partners for their tenacity while operating in an increasingly hostile environment for small business owners. Yet, despite these challenges, they continue to invest, employ staff and contribute to their communities. Our franchise partners in smaller towns have to contend with load shedding and service delivery failures by municipalities. We will keep working to ensure our franchise partners' continued success and sustainability.

I appreciate the commitment from my executive team, and it is an honour to collaborate with you. Thanks also to our Chairman, Santie Botha and our incredible Board members, who are a good mix of long-standing directors and newer faces. Thank you for testing our thinking and keeping us on our toes.

Our continued success is also attributed to our dedicated and talented employees. The past few years have been challenging for our Group, and I thank our employees for their continued faith in the Famous Brands journey. Despite the difficulties, we have made excellent progress in executing our strategy.

I also thank our communities, shareholders, suppliers and consumers for their unwavering support during another difficult year.

Darren Hele
Chief Executive Officer

21 June 2023

Ntombovuyo Xabadiya
Baker at Mugg & Bean Woodmead.
Master Baker competition winner (2019)

Group Financial Director's report

In 2023, the Group achieved its short-term objectives of sustaining our revenue recovery, further improving our positive cash generation from operations and managing our cost base.

The Group continued its post-pandemic financial recovery, evidenced by strong earnings, cash generation and a strong overall financial position. We experienced an immediate improvement in restaurant sales as all COVID-19 restrictions were removed in June 2022. This improvement in the front end of the business meant a strong revenue uptick for our Manufacturing and Logistics divisions.

As the year progressed, our recovery was weighed down by deteriorating local economic conditions, including weak growth and high inflation. An inflationary environment, driven by increased food and energy costs, meant South African consumers' disposal income came under pressure. In September 2022, the incidence and frequency of load shedding intensified, which added to the woes of both consumers and businesses.

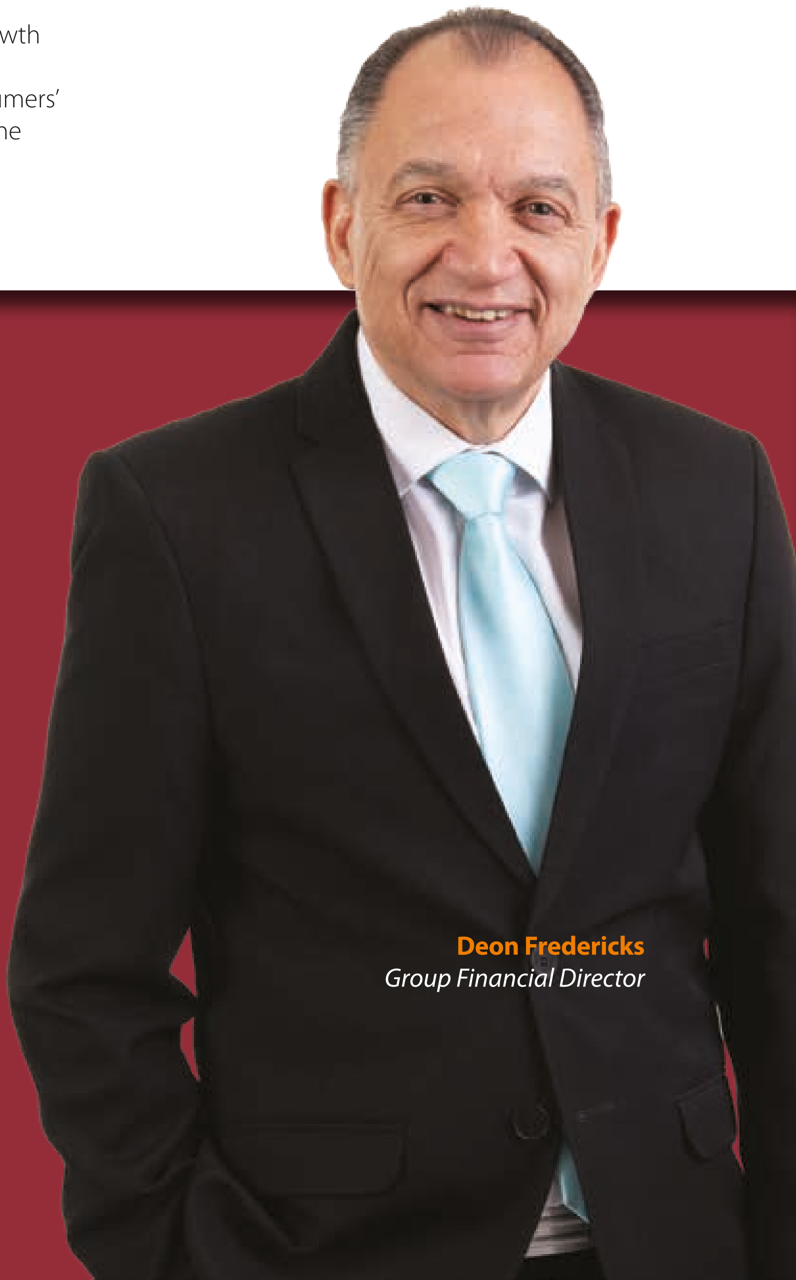
Key features of 2023

1. **Significant dividend growth**
As the group continues with its strong recovery, we were able to increase our dividend by 82%.

2. **Strong post-pandemic revenue recovery**
The restaurant industry enjoyed a post-COVID-19 bounce as consumers returned to restaurants, local travel and sporting events.

3. **Managing our cost base was a priority**
As our operating profit margins came under pressure, we sought to recover margins by enhancing our operational efficiencies.

4. **Funding our future growth**
We allocated resources to fulfilling our Logistics strategy, including purchasing our Midrand Campus and relocating our KwaZulu-Natal Distribution Centre.



Deon Fredericks
Group Financial Director

In December 2022, traditionally one of our best performing months, we experienced the worst load shedding ever for that specific month.

According to the South African Reserve Bank estimates, load shedding negatively impacted 2.1% of quarterly GDP in the third quarter of 2022. Combined with the impact of the breakdown in South Africa's transport infrastructure, load shedding undermined the country's ability to continue its recovery from the COVID-19 lockdowns. The devasting KwaZulu-Natal floods in April 2022 and the poor festive season due to beach closures in the same province, also negatively affected our financial performance.

While the global supply chain challenges experienced during the pandemic receded, the Russia/Ukraine war has resulted in new pressures, especially on the core products of vegetable oil, maize, wheat and hake. In addition, the conflict had knock-on impacts on agriculture with rising fuel and fertiliser costs. This, combined with load shedding, has meant all our suppliers have increased their costs. We bolstered our inventory holdings across several commodities to prevent a supply shortage and lock in better pricing.

We carefully considered our product price increases to our franchise partners while repricing our menus to protect our franchise partners' profitability.

In many cases, we absorbed some price increases in our Supply Chain to drive increased restaurant sales with competitive pricing. Wherever possible, we sought to claw back margin through operational efficiencies across our four divisions. We have successfully gained momentum through our Manufacturing and Logistics Way programmes.

In 2023, we successfully renegotiated our interest-bearing debt facilities to provide increased flexibility and improved profile and tenure. While reducing our debt remains a medium-term priority, the current economic conditions and requirement for additional working capital will slow this down.

This report should be read with the Summarised Consolidated Financial Statements on page 157 and the AFS available online at: https://famousbrands.co.za/investor-centre/financial-results/

Revenue

Revenue increased by 15% to R7.4 billion (2022: R6.5 billion). This improvement is attributable to improved trading conditions across most markets thanks to the lifting of all COVID-19 trading restrictions and improved trading conditions. Revenue was materially higher than pre-pandemic levels in 2020 at R6.5 billion.

Revenue from franchise fees increased 17% to R1.1 billion (2022: R918 million) as restaurant turnovers improved. Leading Brands contributed 95% or R1 billion (2022: R882 million), an improvement of 16% year on year. Thanks to the removal of COVID-19 restrictions, including seating and alcohol restrictions, Signature Brands' revenue increased 35% to R49 million (2022: R36 million).

We operate 88 Company-owned restaurants, this includes 18 in South Africa, 5 in Kenya, 28 in Nigeria and 37 in Botswana. Company-owned restaurant revenue increased 26% to R564 million (2022: R447 million). Leading Brands contributed 73% or R412 million (2022: R338 million) of this revenue, an improvement of 22% year on year. Signature Brands' revenue was R152 million (2022: R109 million).

Primarily due to closure of the Bakery in 2022, manufacturing revenue decreased 21% to R175 million (2022: R222 million). Logistics revenue rose 16% to R4.7 billion (2022: R4.1 billion).

The Retail division, which supplies South African supermarkets with branded licensed products, grew its sales due to increased consumer demand and an expanded retail footprint. Retail revenue increased 23% to R273 million (2022: R222 million).

Read more about the performance of our four divisions in our operational review on page 64.

Revenue (R million)	**2022**	**2023**	**2023 vs 2022 %**
SA	5 998	**6 874**	15
UK	133	**142**	7
AME	345	**428**	24
Group	6 476	**7 444**	15

Group revenue (R million)	**2022**	**2023**	**2023 vs 2022 %**
Revenue at a point in time			
Manufacturing revenue	222	**175**	(21)
Owned	118	**29**	(75)
Subsidiary	104	**146**	40
Logistics	4 052	**4 705**	16
Retail	222	**273**	23
Company-owned stores	447	**564**	26
Leading Brands (SA and AME)	338	**412**	22
Signature Brands	109	**152**	40
Joining fees	8	**13**	63
Sales-based royalties			
Franchise fee revenue	918	**1 074**	17
Leading Brands	882	**1 025**	16
Signature Brands	36	**49**	35
Marketing fees revenue	583	**612**	5
Leading Brands	518	**599**	16
Signature Brands	65	**13**	(79)
Revenue over time			
Services revenue	24	**29**	18
Total revenue	6 476	**7 444**	15

Operating profit and margins

The Group's operating profit improved by 37% to R861 million (2022: R630 million). This figure includes the Gourmet Burger Kitchen (GBK) liquidation dividend of R75 million (see Group transactions on the next page). Our operating profit was affected by bouts of prolonged load shedding, fuel price increases and higher raw material costs in Manufacturing, some of which we absorbed.

In 2023, we spent R14.8 million on diesel for non-fleet usage across our supply chain and admin divisions in South Africa, an increase of 221% on the prior year. According to the South African Petrol Association, the wholesale diesel price increased by 56% from R13.52 per litre in March 2022 to R21.03 in February 2023.

The Group's overall margin improved to 11.6% (2022: 9.7%), including the GBK liquidation dividend. With the exclusion of the GBK liquidation dividend, the Group's overall margin was 10.6%. Our operating profit margins continue to lag pre-pandemic levels due to increased input costs and under-pressure consumers who cannot absorb large price increases. In SA, our margin improved to 12.5% (2022: 10.1%). The AME region's margin decreased to 5.7% (2022: 9.9%) due to economic pressure. The UK's margin declined further to (11.4%), attributed to continued poor macro economic conditions, including high inflation and interest rates, soaring energy costs and struggling consumers.

In our Brands division, our Leading Brands' margin increased from 48.0% to 51.0% while Signature Brands' margin improved to 4.0%, coming off a low base. The Manufacturing margin decreased slightly to 10.0% due to higher raw ingredients pricing and production challenges, including product write-offs and supply shortages. The margin for our Logistics division improved to 2.4% due to good volumes growth.

In our Retail division, which operates in a competitive and highly price-sensitive space, our margin was flat year-on-year. The margin was impacted by the product write-offs in the first half of the year.

Operating profit margins (%)	2022	2023
SA	10.1	**12.5**
UK	(6.1)	**(11.4)**
AME	9.9	**5.7**
Group	9.7	**11.6**

Operating profit margins (%)	2022	2023
Leading Brands	48.0	**51.0**
Signature Brands	(5.3)	**4.0**
Manufacturing	10.8	**10.0**
Logistics	1.5	**2.4**
Retail	0.7	**0.1**
Group	9.7	**11.6**

Other income

Income from associates

Famous Brands holds equity shareholding in the following associates: Sauce Advertising (37%), UAC Restaurants in Nigeria (49%), FoodConnect (49%) and DHQ Interior Brand Architects (48.5%). Our profit from associates was R8.7 million (2022: R260 000).

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 decreased to R31 million (2022: R38 million).

Headline earnings per share and earnings per share

Headline earnings per share improved by 37% to 488 cents (2022: 356 cents), while basic earnings per share improved to 523 cents (2022: 317 cents).

Cash flows

Salient features		2022	2023
Cash generated by operations	R million	871	**961**
Net cash outflow utilised in investing activities	R million	(117)	**(355)**
Net cash outflow for financing activities	R million	(433)	**(78)**
Cash realisation rate*	%	102	**88**

* Cash generated by operations as a percentage of EBITDA.

Net cash inflow from operating activities

The Group remained highly cash-generative in 2023, with cash generated from operative activities of R961 million (2022: R871 million), and a cash realisation rate of 88% (2022: 102%). Net working capital increased by R145 million (2022: R10 million) due to increased input prices and higher inventory holdings to ensure stable supply and price certainty. This was necessary to manage several supply challenges related to global supply chain disruptions and load shedding. Strong working capital measures remain in place.

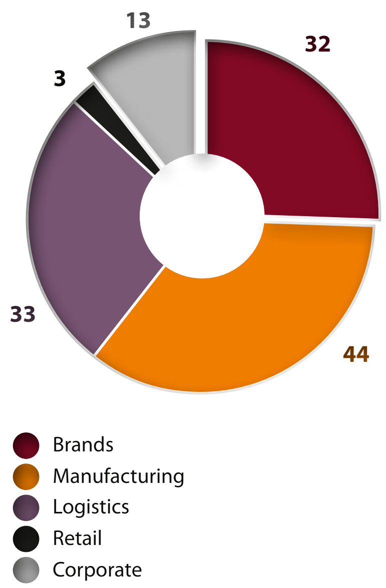
The Group's cash flow forecasts show that its overall liquidity is adequate to meet its working capital investment requirements and operational needs for the foreseeable future.

Net cash outflow from investing activities

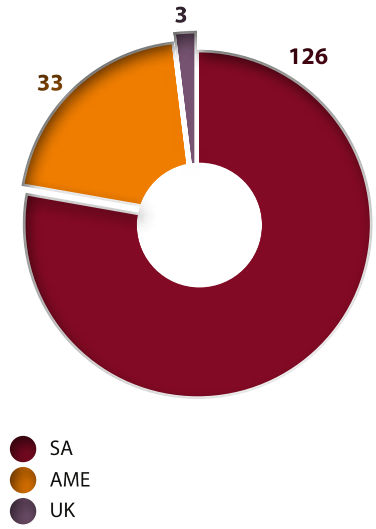
In 2022, we continued to re-invest in our business in line with our strategy. This included investing in Leading Brands, expanding our store base in Botswana and improving our Manufacturing and Logistics infrastructure. Major investments for 2023 relate to the relocation of our KwaZulu-Natal Distribution Centre and the purchase of our Midrand Campus for R181 million which we settled in cash. (see Group transactions below). In May 2023 we obtained a mortgage bond facility to the value of R300 million which will also be used to fund the development.

Where necessary, we invested in company stores, commercial and passenger vehicles, new generators and solar installations. Capital expenditure (capex) increased to R162 million (2022: R140 million).

Capex per SA division (R million)



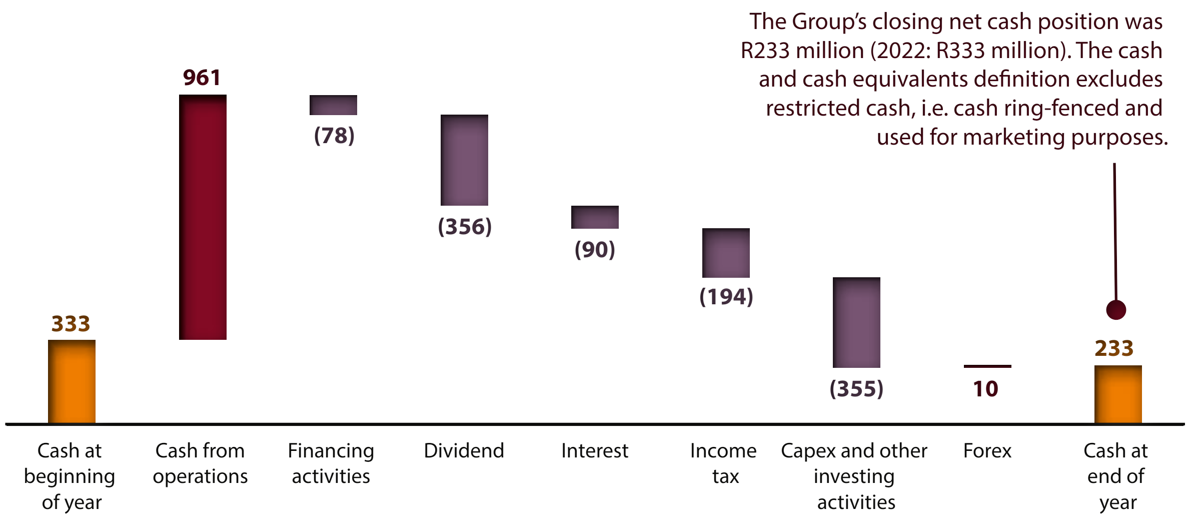
Capex per region (R million)



Net cash outflow from financing activities

The net cash outflow from financing activities was R78 million (2022: R433 million).

Cash flow movement for the year (R million)



Financial position

The Group's balance sheet is sound, with net assets of R976 million (2022: R721 million). This represents a net asset value per share of R9.81 (2022: R7.19). The Group's gearing was constant at 1.56 times. Its leverage improved by 0.18 from 1.32 times to 1.14 times. Our return on capital employed was 35% (2022: 29%).

Salient features		2022	2023
Cash and cash equivalents	R million	333	**233**
Net asset value per share	cents	719	**974**
Net debt*	R million	1 126	**1 246**
Net debt: equity (gearing)	times	1.56	**1.28**
Net debt to EBITDA (leverage)	times	1.32	**1.14**
Total equity	R million	721	**976**
Return on equity (ROE)**	%	64	**58**
Return on capital deployed (ROCE)***	%	29	**35**

* 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 several acquisitions, resulting in considerable long-term structured debt on the balance sheet. We have a programme in place to manage and reduce this debt burden. This includes:

- Adhering to stringent working capital management measures.
- Funding growth through internally generated cash flow.
- Focusing on capital investment in lower-risk core local opportunities with a strong outlook for long-term returns.

At year-end, the Group's total borrowings position was R1.1 billion (2022: R1.1 billion). In 2023, Famous Brands positioned itself to overcome the local and international supply challenges presented by the Russia/Ukraine war which has resulted in new supply chain pressures, especially on the core products. We bolstered our inventory holdings across several commodities to prevent a supply shortage and lock in better pricing. In addition, the acquisition of Steers Properties (Pty) Ltd and Halamandaris Props (Pty) Ltd for R181 million was settled with cash. Famous Brands renegotiated its borrowings with its primary lender to a more appropriate debt finance structure in line with our current requirements and strategy. This was successfully concluded in August 2022 and provides us with significantly more flexibility and an improved debt profile and tenure.

We comply with all our debt covenants and proactively monitor these continuously.

Impairments

The Famous Brands business model and continued success rely on our portfolio of strong brands, with a carrying value of R350 million as at 28 February 2023.

We once again reviewed our Wimpy UK operations in light of the difficult economic operating environment and impaired our goodwill in our investments in Venus Solutions Limited by R36 million due to the deterioration of the UK's economic conditions and consumer demand.

We also impaired a brand in Signature Brands with R5.4 million due to the negative impact of the current operating environment and slower recovery after COVID-19.

In addition, we partly impaired our loan in our associate in Nigeria by R18 million due to a challenging economic environment.

Quick fact:

Every year at annual and interim results, we review each brand's value to ensure that our brands are reflected at the right value.

This review considers past performance and prospects with input from the Finance department, Audit Committee and our auditors.

Group transactions

Lexi's Healthy Eatery

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

Gourmet Burger Kitchen

In May 2022, Famous Brands was notified that GBK's liquidators would be paying an interim distribution to the creditors of GBK Restaurants Limited. The Group's claim against GBK for dividend purposes was GBP55.2 million. In August 2022, Famous Brands received a liquidation dividend of R75 million.

Midrand Campus

In February 2023, Famous Brands purchased the entire share capital and claims of Steers Properties (Pty) Ltd and Halamandaris Props (Pty) Ltd and paid R181 million to the sellers. Through this transaction, Famous Brands now owns the head office in Midrand.

The transaction was considered a small, related party transaction in terms of the JSE Listings Requirements, as the shareholders of the property sellers are Famous Brands shareholders. Steers Property (Pty) Ltd was partly owned by John Halamandres, a non-executive director of Famous Brands. Halamandaris Props (Pty) Ltd was owned by Panagiotis Halamandaris, Periklis Halamandaris and Theofanis Halamandaris, who are associates of Nicolaos Halamandaris, also a non-executive director of Famous Brands.

The transaction was subject to certain conditions, including approvals from relevant regulatory authorities, including the Competition Commission and the JSE.

Civil insurance claim

In 2022, the Group submitted a business interruption insurance claim for R17 million. This initial claim was rejected. In April 2022, Famous Brand submitted a revised claim for R14.4 million, which the insurer approved. The claim payout was received in May 2022.

Going concern

A range of scenarios was evaluated when considering the appropriateness of adopting the going concern basis in preparing the IAR and AFS. We considered our South African operations against a backdrop of economic stagnation, persistent load shedding and constrained consumer spending.

As at 28 February 2023, the consolidated balance sheet showed a net asset position of R976 million (2022: R721 million), while the Group's liquidity remains adequate. Our current undrawn debt facilities are approximately R340 million.

We are of the opinion that the Group is a going concern with sufficient financial resources to continue our operations for the foreseeable future.

Dividends

In August 2022, the Board declared an interim dividend of 130 cents per share (2022: 0 cents). The dividend was paid out of profits for a total amount of R130 million.

After considering the Group's performance in 2023 and outlook for 2024, the Board declared a final dividend of 233 cents per share. This dividend is being paid out of profits for the year ended 28 February 2023, to the total amount of R233 million, bringing total dividends to 363 cents for the year.

A forward looking perspective

Famous Brands will continue to drive organic growth while optimising the business for efficiencies and cash savings. Our financial and investment decisions in 2024 will support our strategic objectives, which include growing our Leading Brands in South Africa and selected AME markets and enhancing our Manufacturing and Logistics capacity.

Our medium-term focus is on divesting from non-core assets, potentially reviewing our investments in Signature Brands. In our decision making, we also consider our debt profile and the need to provide attractive shareholder returns.

Famous Brands is known for our stable cash flows, largely due to our long-standing franchise partners. More than 66.3% of our franchise partners have been with the Group for over five years, and several franchise partners are steadily building up successful multi-franchise businesses across more than one brand. Optimising investment returns and ensuring profitability for our franchise partners is a priority.

We remain concerned about South Africa's weak economic prospects for 2024, which will strain consumers and the small business sector. We will implement financial support relief for our franchise partners in South Africa (see the CEO's letter on page 19).

We are confident that our diverse menu options, strong brands and resilient franchise partners will allow us to expand despite the economic headwinds.

Appreciation and welcome

I acknowledge the exceptional effort made by the Famous Brands' team this year which was necessary due to the difficult operating environment caused by various factors that muted the business growth. The hard work and support of the Exco, finance colleagues, the various management Committees and the broader Famous Brands' community made for a very successful year. I also wish to thank the Board and its Committees for their oversight role and for their guidance on the Group's financial affairs. I appreciate our loyal shareholders' ongoing trust that was placed in us and the valuable discussions with management. I thank our primary lenders for their commitment to building a strong and mutually beneficial relationship.

I served on the Board of Famous Brands since August 2018. In June 2021 the Board approached me to step in as Group Financial Director with effect from 1 August 2021, on a two-year contract. I considered it a privilege at the time when the Group was experiencing challenging times and to make a difference given my experience in the financial field. In re-shaping the finance functions, I believe that I brought stability into, and was able to strengthen, the Group's finance capabilities.

Each company has its unique culture and way of doing business and Famous Brands was no different. Although I was on the Board, this was a new challenge for me. I did not know what to expect or the challenges that I would face.

I found a warm and friendly environment that made me feel like I was part of a family from the first day. This is a good reflection on Famous Brands which originated in a family setting. The friendly, family-oriented environment, echoes through the offices and into the boardrooms and I was well received by Exco, by my new finance team and by the business in general.

In this environment, I was able to assimilate the business quickly and easily and it enabled me to introduce new and alternative accounting strategies, systems and processes. There were some challenges that we had to overcome, but that was par for the course and I was able to draw on my experience whenever these challenges arose.

I will miss being part of this family-oriented business. However the time has come for me to enjoy my retirement and spend more time with my family. It has been an amazing journey and I thank the Board for entrusting me with this role, and for giving me the opportunity to be part of this growing business. I wish you continued success and prosperity going forward.

I would like to welcome Nelisiwe Shiluvana, who will assume the role of Group Financial Director on 1 August 2023. She is a great asset to the team with her broad-based finance experience, starting with her reporting and operating functions in the telecoms industry to her consulting experience as a partner at EY. She has a depth of knowledge and experience in finance and will continue the journey of re-shaping the Group finance function so that it becomes more streamlined, focused and resilient. She has been a critical part of the team that has re-shaped finance, especially the reporting side, in the last 18 months.

I believe that Neli is an excellent choice and the right candidate to take over the reins from me. I wish Neli the very best with this new venture.

Deon Fredericks
Group Financial Director

21 June 2023