Notes to the summarised consolidated financial statements

for the year ended 28 February 2023

Reporting entity

Famous Brands Limited (Famous Brands or the company) is a holding company domiciled in South Africa and is listed on the JSE Limited under the category Consumer Services: Travel and Leisure. Famous Brands is Africa's leading quick service and casual dining restaurant franchisor. The consolidated financial statements (financial statements) of Famous Brands comprise the company and its subsidiaries (together referred to as the Group) and the Group's investments in associates.

Famous Brands owns brands which are represented by restaurants locally and internationally. The business model mainly consists of business relationships between Famous Brands as the franchisor and various franchise partners whereby the franchise partners use the Famous Brands intellectual property and sell menu items to consumers. Famous Brands earns sales-based royalty income ("Franchise fee revenue"), based on a percentage of these restaurant turnovers.

Our brands are supported by a vertically integrated business, in our supply chain division which comprises our manufacturing, logistics, and retail operations. The primary function of our supply chain division is to sell ingredients and products to franchise partners. Franchise fee revenue and manufacturing and logistics revenue is earned from our franchise partners, who are Famous Brands' customers. Retail operations (part of supply chain) earns revenue from product sales to retailers.

The nature of goods and services is detailed in the Operating Segment and revenue streams as detailed in Note 7 *Revenue*. Information on the Group's structure and information on related parties is provided in relevant notes to the consolidated financial statements.

Statement of compliance

The summarised consolidated financial statements have been prepared in accordance with IFRS and its interpretations adopted by the IASB in issue and effective for the Group at 28 February 2023, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contains information required by IAS 34 *Interim financial reporting*, JSE Listings Requirements and the Companies Act of South Africa. The summarised consolidated financial statements were approved by the Board of Directors on 22 May 2023.

The summarised consolidated financial statements were prepared under the supervision of Mr Deon J. Fredericks (CA)SA.

Basis of preparation

The summarised consolidated financial statements do not include all the information required by IFRS for full financial statements and should be read in conjunction with the 28 February 2023 audited consolidated financial statements. The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those applied in the financial statements for the financial year ended 28 February 2022, except for the new standards that became effective for the Group's financial reporting beginning 1 March 2022 noted below.

The summarised consolidated financial statements are presented in South African Rand (Rand), which is the Group's presentation currency. All financial information presented in Rand has been rounded to the nearest thousand (R000) except when otherwise indicated.

The summarised consolidated financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value or at amortised costs.

The going concern basis has been used in preparing these summarised consolidated financial statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future, see note 18.

Changes in accounting policies

The Group adopted the following new, revised and amendments to standards applicable for the first time in the current financial year, which did not have a material impact on the financial statements:

IFRS 3 *Business Combinations* (Amendment) – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment) – The amendment specifies which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IAS 16 *Property, Plant and Equipment* (Amendment) – The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

IFRS 16 *Leases* Illustrative Example 13 (Amendment) – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

IFRS 9 *Financial Instruments* (Amendment) – This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 1 *First-time adoption of IFRS* (Amendment) – The amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16 (a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

New standards, amendments to standards and interpretations in issue not yet effective

The Group has chosen not to early adopt the following amendments and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2023 or later periods. Management is determining the impact of the standard on the financial statements however no significant impact is expected.

Standard	Effective date (for financial years beginning on or after)
IAS 1 *Presentation of Financial Statements and Practice Statements 2* (Amendments) Amendments intended to help preparers in deciding which accounting policies to disclose in their financial statements.	1 January 2023
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendments) These amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with new definition of accounting estimates.	1 January 2023
IAS 12 *Deferred tax related to assets and liabilities arising from a single transaction* (Amendment) The amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
IFRS 16 *Leases* Liability in a sale and lease back (Amendment) The amendment requires a seller-lessee to subsequently measure lease liabilities from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024
IAS 1 *Presentation of Financial Statements* Classification of liabilities as current or non-current (Amendments) Narrow scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	1 January 2024
IAS 1 *Presentation of Financial Statements* Non-current liabilities with covenants (Amendment) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024

1. Capital expenditure and commitments

	2023 R000	2022 R000
Invested	**162 282**	139 677
Property, plant and equipment	**142 612**	122 902
Intangible assets	**19 670**	16 775
Authorised, not yet contracted	**405 055**	238 896
Property, plant and equipment*	**346 992**	198 344
Intangible assets	**58 063**	40 552

* *Includes capital expenditure planned for developments of 37 Richards Drive, Midrand.*

2. Property, plant and equipment

	2023 R000	2022 R000
Carrying amount at the beginning of the year	**640 442**	667 098
Additions	**272 336**	189 111
Owned	**142 612**	122 902
Right-of-use asset	**129 724**	66 209
Acquisition of subsidiaries*	**180 676**	–
Foreign currency translation	**4 124**	(4 543)
Disposals	**(17 222)**	(27 468)
Disposals of owned property, plant and equipment	**(6 111)**	(13 556)
Derecognition of right-of-use asset	**(11 111)**	(13 912)
Derecognition of related party lease**	**(25 620)**	–
Disposal of subsidiaries	**–**	(8 497)
Owned	**–**	(4 894)
Right-of-use asset	**–**	(3 603)
Depreciation	**(178 556)**	(175 011)
Transfers	**(398)**	–
Remeasurements of right-of-use assets	**27 570**	(248)
Carrying amount at the end of the year	**904 148**	640 442

* *Refer to note 11 for details relating to the acquisition of the subsidiaries.*
** *Derecognition of related party lease at group as the property is owner-occupied.*

The cost and net carrying amount of the land within land and buildings is R84 million (2022: R14 million).

3. *Intangible assets*

	2023 R000	2022 R000
Carrying amount at the beginning of the year	**871 631**	917 450
Additions	**19 670**	16 775
Foreign currency translation	**12 294**	(7 157)
Disposals	**(4 212)**	(5 423)
Disposal of subsidiaries	**–**	(3 845)
Acquisition of subsidiary	**6 418**	–
Transfers	**(398)**	–
Amortisation	**(14 302)**	(21 079)
Impairment	**(40 643)**	(25 090)
Carrying amount at the end of the year	**850 458**	871 631

The goodwill impairment loss of R35.3 million (2022: R25 million) recognised in the current financial year relates to Venus Solutions Ltd as a result of the changes in key assumptions and cash flows achieved compared to the forecast. The recoverable amount determined based on the value in use was R39.1 million.

The trademark and brand name impairment loss of R5.4 million (2022: Rnil) recognised in the current financial year relates to a brand in Signature Brands affected by the impact of slower recovery after Covid-19. The present value of the estimated future royalty cash flows determined was R8.5 million.

Intangible assets amortisation and impairments have been included in their respective line captions on the statement of profit or loss and other comprehensive income.

4. *Trade and other receivables*

	2023 R000	2022 R000
Net trade receivables	**442 550**	395 332
Trade receivables	**464 611**	418 209
Impairment allowance	**(22 061)**	(22 877)
Other receivables	**63 585**	27 267
Prepayments	**39 812**	14 140
VAT receivable	**4 676**	10 486
	550 623	447 225

The Group has a wide customer base and there is no significant concentration of credit risk. One debtor has a current balance in excess of 2% of the trade receivables balance amounting to R12.8 million (2022: R9 million).

The book value of trade and other receivables approximates the fair value due to the short-term nature of these receivables.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses based on the simplified approach.

5. *Trade and other payables*

	2023 R000	2022 R000
Trade payables and accruals	**568 975**	460 860
Trade payables	**377 968**	296 093
Accruals	**191 007**	164 767
Employee benefits	**95 711**	88 153
Deferred income	**9 843**	15 085
VAT payable	**22 736**	35 660
Put option written over the equity of non-controlling interest	**58 343**	75 478
	755 608	675 236

Deferred income relates to income received in advance for services to franchise partners such as project management for new build or restaurant revamp or call centre services or any ad hoc services from time to time. An amount of R15.1 million (2022: R12.6 million) included in deferred income from prior year has been recognised as revenue based on the Group satisfying the relevant performance obligations over time.

The book value of trade payables and other payables approximates their fair values due to the short-term nature of the instruments.

Put option written over the equity of non-controlling interest is evergreen and remeasured on operating profit annually based on the investee's profit before interest and tax. Current year movement relates to remeasurement.

6. *Borrowings*

	2023 R000	2022 R000
Unsecured		
Long-term borrowings	**1 023 170**	881 670
Short-term borrowings	**116 693**	256 482
Short-term portion of borrowings	**115 126**	255 626
Non-controlling shareholder loans	**1 567**	856
	1 139 863	1 138 152

6. Borrowings *(continued)*

	Currency	Maturity	Nature	Interest rate Margin	Rate	2023 %	2022 %	2023 R000	2022 R000
Terms of repayment									
F2023									
Loan facility: Amortising loan	ZAR	Aug-27	variable	1.70	3-month JIBAR	**8.90**		**450 000**	
Loan facility: Revolving Credit Facility (RCF)	ZAR	Aug-25	variable	1.75	3-month JIBAR	**8.95**		**300 000**	
Loan facility: Revolving Credit Facility (RCF)	BWP	Apr-25	variable	0.40	Prime	**7.16**		**9 311**	
General Banking Facility (GBF)	ZAR	364 days	variable	1.80	Prime	**8.95**		**–**	
Loan facility: Amortising loan	ZAR	Aug-25	variable	1.70	3-month JIBAR	**8.90**		**150 000**	
Loan facility: Amortising loan	ZAR	Aug-26	variable	1.85	3-month JIBAR	**9.05**		**200 000**	
Loan facility: Term Loan	ZAR	Nov-26	fixed	1.50	Fixed	**12.25**		**5 768**	
Loan facility: Term Loan	GBP	Sep-25	fixed		Fixed	**2.00**		**8 651**	
Loan facility: Term Loan	ZAR	Aug-24	variable	1.75	Prime	**12.50**		**1 450**	
Loan facility: Term Loan	ZAR	Jan-32	variable		Prime	**10.75**		**13 116**	
Non-controlling shareholder loans*									
Dial and Dine (Pty)	ZAR							**199**	
Marathon Holdings (Pty) Ltd	ZAR							**1 368**	
F2022									
Loan facility: Amortising loan	ZAR	Aug-23	variable	2.30	3-month JIBAR		6.17		750 000
Loan Facility: Revolving Credit Facility (RCF)	ZAR	Feb-24	variable	2.50	3-month JIBAR		6.37		350 000
General Banking Facility (GBF)	ZAR	364 days	variable		Prime		7.50		–
Loan facility: Term Loan	ZAR	Aug-26	variable	0.10	Prime		7.60		4 612
Loan facility: Term Loan	GBP	Sep-25	fixed		Fixed		2.02		11 077
Loan facility: Term Loan	ZAR	Nov-26	variable	1.50	Prime		9.00		7 403
Loan facility: Term Loan	ZAR	Jan-32	variable		Prime		7.50		14 058
Non-controlling shareholder loans*									
Dial and Dine (Pty)	ZAR								606
Marathon Holdings (Pty) Ltd	ZAR								250
								1 139 863	1 138 006
Interest accrued								**–**	146
								1 139 863	1 138 152

* *Loans from non-controlling shareholders are unsecured, interest free and have no repayment terms.*

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R11 million (2022: R11 million).

Interest risk management

The Group utilises interest rate swap contracts to hedge its exposure to the variability of cash flows arising from unfavourable movements in interest rates.

Facilities

– Total ZAR overdraft facility in place: R100 million (2022: R200 million). Unutilised portion at year-end: R22 million (2022: R200 million).
– The Group has a 3-year revolving loan facilities of R428 million (2022: R350 million). Unutilised portion is R118 million (2022: R750 million) at year end.
– The Group has 5 to10-year amortising loans of R479 million (2022: R787 million), which is fully utilised.
– The Group has a 4.5-year amortising loan of R200 million (2022: Rnil). Unutilised portion is R200 million (2022: Rnil).
– The Group has a 3-year and a 4-year term bullet payment loans of R150 million (2022: Rnil) and R200 million (2022: Rnil) respectively, which are fully utilised.

6. Borrowings *(continued)*

Guarantees

Famous Brands Limited, Famous Brands Management Company (Pty) Ltd, Lamberts Bay Foods (Pty) Ltd and FB Signature Brands (Pty) Ltd are joint guarantors in terms of the loan agreement:

- Punctual performance by the Group of amounts due in the agreement;
- Immediate payment of amounts due which the Group has not paid; and
- To indemnify the lender against any cost, loss or liability it incurs as a result of the Group not paying amounts that are due.

7. Revenue

	2023 R000	2022 R000
Sales-based royalties		
Franchise fees revenue	**1 073 675**	918 225
Leading brands	**1 024 623**	881 774
Signature brands	**49 052**	36 451
Marketing fees revenue*	**612 166**	583 277
Leading brands	**598 700**	518 020
Signature brands	**13 466**	65 257
Revenue at point of sale		
Manufacturing revenue	**174 402**	221 876
Owned	**29 119**	117 938
Subsidiary	**145 283**	103 938
Logistics revenue	**4 705 017**	4 051 537
Retail revenue	**273 140**	222 123
Company-owned stores revenue	**563 369**	446 947
Leading brands (SA and AME)	**411 506**	338 147
Signature brands (SA)	**151 863**	108 800
Joining fees	**13 163**	7 723
Revenue over time		
Service revenue	**28 992**	24 646
	7 443 924	6 476 354

* *Marketing fees revenue relate to funds contributed by franchise partners for the various brands across the Group and are administered in line with the Consumer Protection Act ("CPA").*

Additional analysis of revenue is provided in the primary (business units) and secondary (geographical) segment report based on the information reviewed by the CODM.

8. Profit before tax

	Notes	2023 R000	2022 R000
Profit before tax is arrived at after taking into account, among other items, those detailed below:			
Depreciation of property, plant and equipment	2	**178 556**	175 011
Amortisation of intangible assets	3	**14 302**	21 079
Impairment of trade and other receivables		**2 977**	10 317
Directors' remuneration		**23 281**	17 470
Executive directors		**18 677**	11 914
Non-executive directors		**4 604**	5 556
Auditors' remuneration		**10 890**	11 371
Facilities and property expenses		**219 233**	195 170
Employee expenses		**995 219**	851 417
Share-based payments – equity-settled		**42 634**	41 098
Foreign exchange differences		**734**	(23)
Net finance costs	9	**81 920**	107 501
Finance costs		**122 498**	124 836
Finance income		**(40 578)**	(17 335)
Remeasurement of non-controlling interest put option		**(17 135)**	(10 031)
Other income		**(126 386)**	(20 147)
(Profit)/loss on disposal of property, plant, equipment		**(1 739)**	3 371
Profit on disposal of right-of-use assets		**(192)**	(258)
Profit on derecognition of related party lease*		**(4 041)**	–
Loss on disposal of intangible assets		**–**	2 036
Loss on sale of businesses		**–**	1 771
Sundry income**		**(116 766)**	(21 724)
Other		**(3 648)**	(5 343)
Impairment of intangible assets	3	**40 643**	25 090
Impairment – Trademarks		**5 366**	–
Impairment – Goodwill		**35 277**	25 090
Share of profit of associates		**(8 685)**	(260)
Impairment of loan/investment in associate		**18 454**	8 262

* *Profit on derecognition of related party lease is net of the smoothing asset of R3.9 million.*

** *Sundry income includes the GBK liquidation dividends of GBP 3.8 million (R74.7 million), and R14.4 million proceeds from an insurance claim for business interruptions experienced during the July 2021 civil unrest.*

9. Net finance costs

	2023 R000	2022 R000
Finance costs		
Interest on borrowings	**(89 162)**	(95 488)
Interest on lease liabilities	**(29 277)**	(28 313)
Ineffective portion of cash flow hedge	**139**	(53)
Other finance costs	**(4 198)**	(982)
	(122 498)	(124 836)
Finance income		
Interest from lease receivables	**1 246**	2 350
Interest from bank deposits	**27 132**	14 984
Other finance income	**–**	1
Interest rate swap termination	**12 200**	–
	40 578	17 335
Net finance costs	**(81 920)**	(107 501)

10. *Basic and headline earnings per share*

	2023 Cents per share	2022 Cents per share
Attributable to owners of Famous Brands Limited		
Basic earnings per share	**523**	317
Headline earnings per share	**488**	356
Diluted earnings per share	**523**	317
Diluted headline earnings per share	**488**	356

	2023 Number of shares	2022 Number of shares
Reconciliation of weighted average number of shares to diluted weighted average number of shares		
Weighted average number of shares in issue	**100 202 284**	100 202 284
Possible issue of ordinary shares in the future relating to the share incentive scheme	**36 454**	125 885
Diluted weighted average number of shares in issue	**100 238 738**	100 328 169

	2023 R000	2022 R000
Basic and headline earnings		
Basic earnings	**524 109**	317 657
Adjusted for:	**(35 338)**	39 016
(Profit)/loss on disposal of property, plant and equipment	**(1 739)**	3 371
Tax on profit/(loss) on disposal of property, plant and equipment	**493**	(944)
Loss on disposal of intangible assets	**–**	2 036
Tax on loss on disposal of intangible assets	**–**	(570)
Loss on sale of businesses	**–**	1 771
GBK liquidation dividends	**(74 735)**	–
Impairment of intangible assets	**40 643**	33 352
Headline earnings	**488 771**	356 673

11. Business disposals and changes in ownership interest

	2023 R000	2022 R000
2023		
Summary of cash flows on acquisitions, disposals and changes in ownership interests		
Cash inflow on disposal of interests in subsidiaries		
Famous Brands Great Bakery (Pty) Ltd	**–**	1 283
Cash inflow on disposal of subsidiaries	**–**	1 283
Cash outflow on disposal of interests in subsidiaries		
DHQ Interior Brand Architects (Pty) Ltd (previously Famous Brands Design Studio (Pty) Ltd)	**–**	(1 266)
Cash outflow on disposal of subsidiaries	**–**	(1 266)
Cash outflow on acquisition of interests in subsidiaries		
BC Hospitality (Pty) Ltd	**–**	(7 918)
Pink Potato (Pty) Ltd	**–**	(10 662)
Five Star Performance (Pty) Ltd	**(3 315)**	–
Steers Properties (Pty) Ltd	**(166 000)**	–
Halamandaris Props (Pty) Ltd	**(15 000)**	–
Cash outflow on acquisition of subsidiaries	**(184 315)**	(18 580)
Steers Properties (Pty) Ltd		
Effective 22 February 2023, the Group acquired shares and claims in Steers Properties (Pty) Ltd, for R166 million.		
Property, plant and equipment	**164 516**	–
Other receivables	**3 842**	–
Current tax liability	**(2 358)**	–
Net assets acquired	**166 000**	–
Cash outflow on acquisition of subsidiary	**(166 000)**	–
Halamandaris Props (Pty) Ltd		
Effective 22 February 2023, the Group acquired shares and claims in Halamandaris Props (Pty) Ltd, for R15 million.		
Property, plant and equipment	**15 000**	–
Net assets acquired	**15 000**	–
Cash outflow on acquisition of subsidiary	**(15 000)**	–
Five Star Performance (Pty) Ltd		
Effective 1 April 2022, the Group acquired a 51% interest in Five Star Performance (Pty) Ltd (operations of Lexi`s Healthy Eatery franchising), for R3.3 million.		
Motor vehicles	**83**	–
Intangible assets	**6 418**	–
Non-controlling interest	**(3 186)**	–
Net assets acquired	**3 315**	–
Cash outflow on acquisition of subsidiary	**(3 315)**	–
Lexi`s Healthy Eatery (Pty) Ltd		
Effective 1 December 2022, the Group acquired a 51% interest in Lexi`s Healthy Eatery (Pty) Ltd, for R1.		
Property, plant and equipment	**1 078**	–
Inventory	**86**	–
Borrowings	**(1 649)**	–
Trade and other receivables	**277**	–
Trade and other payables	**(2 255)**	–
Current tax liability	**(237)**	–
Non-controlling interest	**1 324**	–
Net assets acquired	**(1 376)**	–
Cash outflow on acquisition of subsidiary	**–**	–

11. *Business disposals and changes in ownership interest* (continued)

	2023 R000	2022 R000
2022		
DHQ Interior Architects (Pty) Ltd (previously Famous Brands Design Studio (Pty) Ltd)		
Effective 1 March 2021, the Group partly disposed of its interest in DHQ Interior Brands Architects (Pty) Ltd, resulting in a change from subsidiary to an associate, for a consideration of Rnil.		
Property, plant and equipment	–	1 883
Trade and other receivables	–	3 599
Amount payable to Group company	–	(2 484)
Cash and cash equivalents	–	1 266
Deferred tax	–	(16)
Lease liability	–	(1 487)
Trade and other payables	–	(363)
Current tax asset	–	43
Net assets disposed	–	2 441
Consideration		
Cash and cash equivalents	–	(1 266)
Cash outflow on disposal of subsidiary	–	(1 266)
Famous Brands Great Bakery (Pty) Ltd		
Effective 1 May 2021, the Group disposed of its interest in Famous Brands Great Bakery (Pty) Ltd, for a consideration of R3.6 million.		
Property, plant and equipment	–	6 614
Intangible assets	–	3 845
Trade and other receivables	–	1 040
Inventory	–	503
Cash and cash equivalents	–	2 287
Deferred tax	–	(174)
Amount payable to Group company	–	(1 165)
Lease liability	–	(2 190)
Trade and other payables	–	(403)
Net assets disposed	–	10 357
Consideration	–	3 570
Cash and cash equivalents	–	(2 287)
Cash inflow on disposal of subsidiary	–	1 283
BC Hospitality (Pty) Ltd		
Effective 1 May 2021, the Group acquired additional interest in BC Hospitality (Pty) Ltd, for a consideration of R7.9 million.		
Initial interest acquired	–	51%
Additional interest acquired	–	49%
	–	100%
Non-controlling interest acquired	–	(1 568)
Changes in ownership	–	(6 350)
Cash outflow on acquisition of subsidiary	–	(7 918)
Pink Potato (Pty) Ltd		
Effective 1 July 2021, the Group acquired additional interest in Pink Potato (Pty) Ltd, for a consideration of R10.7 million.		
Initial interest acquired	–	78%
Additional interest acquired	–	22%
	–	100%
Non-controlling interest acquired	–	(4 420)
Changes in ownership	–	(6 242)
Cash outflow on acquisition of subsidiary	–	(10 662)

11. Business disposals and changes in ownership interest *(continued)*

	2023 R000	2022 R000
Liabilities from financing activities reconciliation		
Borrowings		
Balance at beginning of the year	**1 137 296**	1 469 012
Borrowings raised	**1 276 563**	24 883
Borrowings repaid	**(1 274 294)**	(357 561)
Other changes*	**(1 269)**	962
Balance at end of the year	**1 138 296**	1 137 296
Non-controlling shareholder loans		
Carrying value at beginning of the year	**856**	1 692
Loan received/(repaid)	**711**	(836)
Carrying value at end of the year	**1 567**	856

* *Other changes include movement in non-cash movements and interest payments included in finance costs.*

12. Related party transactions

The Group entered into various sales and purchase transactions with related parties, in the ordinary course of business on an arm's length basis. The nature of related party transactions is consistent with those reported previously.

13. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of financial assets and liabilities carrying amounts as well as a comparison to their fair values. The different fair value levels are described below:

Level 1: Quoted prices (adjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	2023 Carrying amount R000	2022 Carrying amount R000
Financial assets		
Measured at amortised cost:		
Trade and other receivables	**506 135**	422 599
Lease receivables	**9 162**	22 106
Restricted cash	**134 577**	122 793
Cash and cash equivalents	**310 934**	333 435
	960 808	900 933
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	**627 319**	536 338
Shareholders for dividends	**2 802**	2 418
Lease liabilities	**338 937**	321 335
Borrowings	**1 139 863**	1 138 152
Bank overdraft	**78 197**	–
	2 187 118	1 998 243

The carrying amounts of current financial assets and current financial liabilities classified at amortised cost are considered to approximate the fair values.

13. *Financial instruments* *(continued)*

Accounting classifications and fair values *(continued)*

	Level	2023 Carrying amount R000	2022 Carrying amount R000
Derivative financial instruments			
Assets			
Fair value through profit or loss			
Foreign exchange contracts	2	**253**	–
Fair value through other comprehensive income			
Interest-rate swaps	2	**3 717**	9 563
		3 970	9 563
Liabilities			
Fair value through profit or loss			
Foreign exchange contracts	2	**–**	476
		–	476
Financial instruments at fair value through profit or loss			
Assets			
Fair value through profit or loss			
Investment in preference shares	3	**3 490**	–
		3 490	–

14. *Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain, over time, an optimal structure to reduce the cost of capital.

The capital structure of the Group consist of cash and cash equivalents, borrowings, leases and equity as disclosed in the statement of financial position.

Financial covenants

The Group's borrowings (refer Note 6 *Borrowings*) are subject to financial covenants. Management regularly monitors and reviews compliance of these ratios in line with the funding agreement. These financial covenants are based on the contractual terms of each facility. The covenants are limited to the SA business.

Dates	Leverage ratio	Interest cover ratio
Feb-22	**2.50x***	**3.00x***
Aug-22	**2.50x***	**3.00x***
Feb-23	**2.25x***	**3.00x***
Aug-23	**2.25x**	**3.00x**
Feb-24	**2.25x**	**3.00x**
Aug-24	**2.25x**	**3.00x**
Feb-25	**2.25x**	**3.00x**

* *All covenant ratios were satisfied for the past three years, except where not required to measure as per the Group's primary lender.*

14. *Capital management* *(continued)*

Net debt to Total equity (Gearing ratio)	2023 R000	2022 R000
Borrowings	**1 139 863**	1 138 152
Lease liabilities	**338 937**	321 335
Cash and cash equivalents	**(310 934)**	(333 435)
Bank overdraft	**78 197**	–
Net debt	**1 246 063**	1 126 052
Equity	**975 784**	720 545
Net debt to Total equity	**1.28**	1.56
Net debt to EBITDA (Leverage ratio)		
Net debt	**1 246 063**	1 126 052
EBITDA	**1 094 435**	850 739
Net debt to EBITDA ratio	**1.14**	1.32
Net asset value per share		
Total equity	**975 784**	720 545
Issued shares	**100 202 284**	100 202 284
Net asset value per share (cents)	**974**	719

15. *Reclassifications within the financial statements*

As part of the Group's continued assessment of its financial statement presentation, we have updated certain of our disclosures to enhance our presentation of financial statements. The accounting policies have been updated to reflect the changes, where necessary and management is of the view that these changes will provide better disclosures.

	As previously stated 2022 R000	Reclass R000	Notes	As currently 2022 R000
Statement of profit or loss and other comprehensive income				
Selling and administrative expenses	(2 267 278)	2 267 278	(a)	–
Administration expenses		(169 374)	(a)	(169 374)
Marketing expenses		(583 266)	(a)	(583 266)
Operations expenses		(1 514 638)	(a)	(1 514 638)

(a) With the exception of cost of sales, expenses included "Operating profit before impairment of intangible assets" were previously disclosed under "Selling and administrative expenses". To enhance compliance with IAS 1 *Presentation of Financial Statements*, we have, based on materiality of similar items, disaggregated our disclosure of expenses in line with the business operations.

16. *Other events*

On 22 February 2023, the Group purchased Steers Properties Proprietary Limited ("Steers Properties") entire share capital ("Steers Shares") and claims ("Steers Claims") and Halamandaris Props Proprietary Limited ("Halamandaris Property") entire share capital ("Halamandaris Props Shares") and claims ("Halamandaris Props Claims") (Steers Properties and Halamandaris Property being collectively the "Acquired Companies") from Messrs Panagiotis Halamandaris, Periklis Halamandaris, Theofanis Halamandaris and John Lee Halamandres (the "Transaction").

The purchase price paid by the Group for the Steers Shares and Claims, Halamandaris Props Shares and Claims was an amount of R181 million (the "Purchase Price") which was apportioned as follows:

1. A purchase price of R166 million in relation to the Steers Shares and Claims.
2. A purchase price of R15 million in relation to the Halamandaris Props Shares and Claims.

The beneficial owners of the acquired companies are shareholders in Famous Brands Limited.

The only assets of Steers Properties and Halamandaris Property are properties situated at 478 James Crescent, Midrand and 37 Richards Drive, Midrand, respectively and shareholder loans primarily. Management determined that substantially all the fair value of assets acquired is concentrated in the properties within these entities. For consolidation, the purchase was recognised as an acquisition of asset rather than business combination, as defined in IFRS 3 *Business Combinations*.

17. *Subsequent events*

Mortgage bond

On 15 May 2023, Steers Properties (Pty) Ltd, serving as the mortgagor, lodged a mortgage bond to the value of R300 million for registration with the Deeds Office. The bond will be registered over Portion 561 of Farm Waterval 5 and Erf 664 in Halfway House Extension 57 Township.

Dividend

The Board has declared a final dividend of 233 cents per ordinary share based on the Group's good results and future prospects. The dividend is being paid out of profits for the year ended 28 February 2023 in the amount of R233 million.

Change in board of directors

Mr John Halamandres will be retiring from the Board at the next AGM. Ms Nelisiwe Shiluvana has been appointed as Group Financial Director effective 1 August 2023 and Mr Deon Fredericks will retire as Group Financial Director on 31 July 2023.

18. *Going concern*

The board has undertaken a rigorous assessment of whether the group is a going concern in the light of current economic conditions across its operating geographies taking into consideration available information about economic uncertainties and market volatility. The projections for the Group have been prepared covering its future anticipated performance and available capital and liquidity for a period of 12 months from the date of approval of these consolidated financial statements including performing sensitivity analyses. The assumptions modelled are based on the continued estimated impact of the current difficult operating environment impacted by load shedding, higher energy, and interest cost.

Trading has improved materially, and we are optimistic that revenues will recover further in an operating environment without Covid-19. We have observed improved consumer confidence and spending. For the group we are forecasting a further recovery in our revenue, profit and cash flow, however still under pressure due to the slow economy growth.

Our mitigation actions resulted in an improvement in our results for 2023 financial year, including renegotiation of its borrowings with our primary lender to a more appropriate debt finance structure in line with the company's current requirements and strategy. This provides the company with significantly more flexibility with a structured repayment plan with no more than R200 million in any year and a much better debt profile.

At 28 February 2023 the Group had access to unutilised facilities of R340 million (refer note 6). Our forecasts and projections, taking into account market volatility, show that the Group will be profitable and cash generative in the year ahead. The Board has reviewed the Group's projections and sensitivity analysis which shows that the Group has sufficient capital, liquidity and positive future performance outlook to continue to meet its obligations and consequently, it is appropriate to prepare the consolidated financial statements on a going concern basis for the foreseeable future.