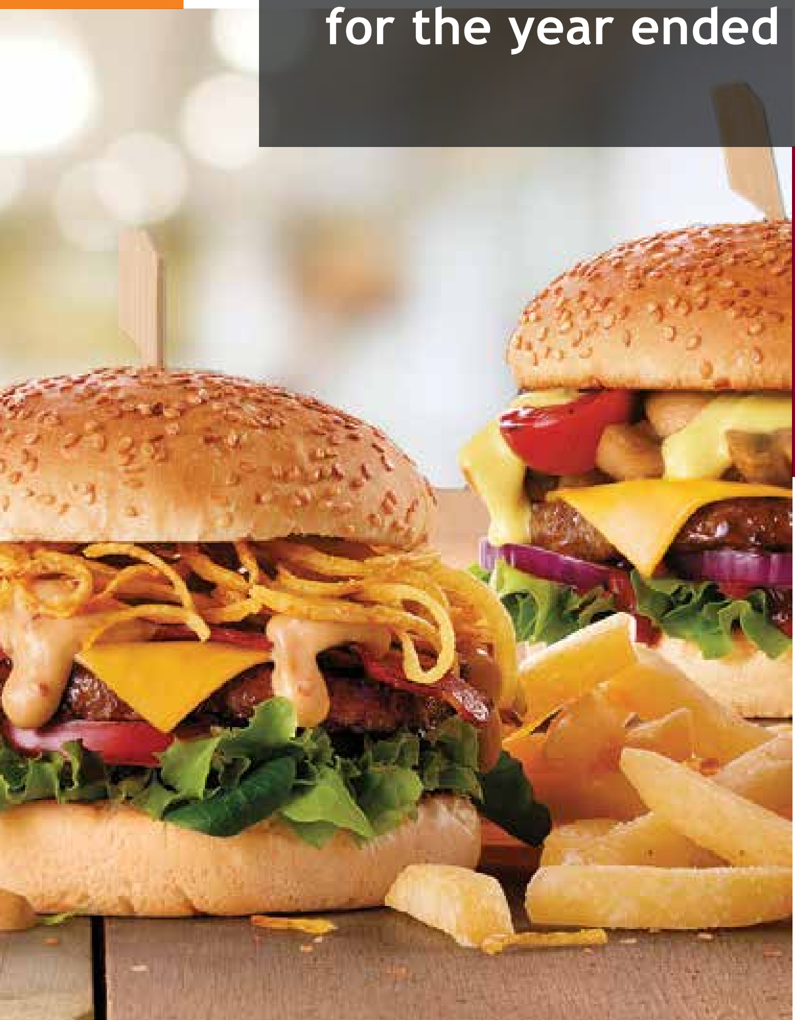
famous brands
you're in good company

Audited Annual Financial Statements

for the year ended 28 February

2019



Audited annual financial statements and other information

for the year ended 28 February 2019

The reports and statements set out below were prepared under the supervision of Lebo Ntlha CA(SA), Group Financial Director, and comprise the Group and Company audited annual financial statements presented to the shareholders.

Contents

LEVEL OF ASSURANCE

These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Directors' report

The directors have pleasure in submitting their report for the year ended 28 February 2019.

NATURE OF BUSINESS

Famous Brands Limited (Famous Brands) is a holding Company listed on the JSE Limited (JSE) under the category Consumer Services: Travel and Leisure. The Group is Africa's leading branded food services franchisor.

Famous Brands' vertically integrated business model comprises a portfolio of 25 brands represented by a franchise network of 2 871 restaurants across South Africa, the Rest of Africa, the United Kingdom, and the Middle East, underpinned by substantial Logistics and Manufacturing operations.

DIRECTORS' RESPONSIBILITIES

The responsibilities of the Company's directors are detailed on page 6 of this document.

FINANCIAL STATEMENTS AND RESULTS

The Group and Company's results and financial position are reflected in page 7 to page 95.

SIGNIFICANT EVENTS

Company Voluntary Arrangement (CVA) at GBK UK

On 11 December 2018 we notified shareholders that GBK UK had completed a CVA aimed at improving the financial viability of the business. Management is optimistic that remedial actions underway to ensure the long term sustainability of the business are gaining momentum, reflected by the stronger trading results reported for the second half of the year compared to the first half, and the positive like-for-like sales recorded in the period since year-end.

The costs incurred at GBK in relation to the CVA amounted to R17.2 million.

Debt restructure

The Group continues to comply with its financial covenants and comfortably meet its debt repayment obligations, in line with agreed financing commitments. In light of strong cash reserves, management proactively engaged with lenders to restructure the Group's debt finance and reduce gearing. Accordingly, the revised debt profile is more appropriate for the business and was achieved at lower interest rates.

Impairments

A decision has been taken by the Board of Directors of Famous Brands (the Board) to recognise the following amounts in relation to the Company's investment in GBK:

- an impairment of intangible assets at Group level of R573 million (2018: R304 million); and
- an impairment of property, plant and equipment at GBK entity level of R301 million (2018: R69 million).

CORPORATE GOVERNANCE

The Corporate Governance report is set out in the 2019 Integrated Annual Report (IAR).

Integrated Annual Report 2019

TANGIBLE AND INTANGIBLE ASSETS

Movements in the Group's tangible and intangible assets are set out in Note 1 *Property, plant and equipment* and Note 2 *Intangible assets*.

DIVIDENDS

The directors declared a final gross ordinary dividend number 44 of 100 cents per ordinary share, payable on 8 July 2019 to ordinary shareholders recorded in the books of the Company at the close of business on 5 July 2019.

SHARE CAPITAL

The authorised and issued share capital of the Company at 28 February 2019 is set out in Note 9 *Issued capital and share premium* of the consolidated financial statements.

Issued during the year:

The Company issued 88 784 (2018: 115 000) ordinary shares for a cash subscription of Rnil (2018: R14 million) to participants of the 2015 Share Scheme for the vesting of the retention shares.

SHAREHOLDER SPREAD AND MATERIAL SHAREHOLDERS

In terms of the JSE Listings Requirements paragraph 3.37 and 4.28(e), Famous Brands complies with the minimum shareholder spread requirements, with 75% (2018: 89%) of ordinary shares being held by the public at 28 February 2019. Details of the Company's shareholder spread and material shareholders are set on page 96.

STAFF SHARE INCENTIVE SCHEME

Details are reflected in Note 29 *Share-based payments* of the consolidated financial statements.

DIRECTORS AND COMPANY SECRETARY

The names of the directors and the Company Secretary at the date of this report are detailed on page 98 of this document.

CHANGES TO THE BOARD

The following changes took place during the period:

- With effect from 1 August 2018, Deon Fredericks was appointed as an independent non-executive director to the Board and a member of the Audit and Risk Committee. With effect from 1 March 2019 he was appointed as Chairman of the Audit and Risk Committee, a position he assumed from Chris Boulle who served as interim chairman from 2 October 2017. The Board would like to thank Chris for his support and wise counsel while performing his role.

Subsequent to 28 February 2019, the following Board changes occurred:

- effective 8 March 2019, Thembisa Skweyiya resigned as an independent non-executive director. The Board is appreciative of the contribution made by Thembisa during her tenure.
- Bheki Sibiya, a long-standing member of the Board advised that he would be retiring at the AGM on 26 July 2019. We would like to express our gratitude to Bheki for his significant contribution since his appointment to the Board in 2004.

SPECIAL RESOLUTIONS

The Special Resolutions passed by the Company at its Annual General Meeting held on 17 July 2018 are detailed on page 3 of the 2018 Notice of Annual General Meeting of Shareholders and Summarised Results.

At the next AGM to be held on 26 July 2019, shareholders will be requested to approve special resolutions detailed on pages 3 to 5 of the Notice of Annual General Meeting of Shareholders and Summarised Results.

Notice of the AGM

EVENTS AFTER THE REPORTING PERIOD

Coega Concentrate

In our interim results announcement, shareholders were advised that in anticipation of ongoing losses at the Coega Concentrate tomato paste plant, management had elected to cease operations at the facility with effect from 5 June 2018. Shareholders were further advised that a prospective buyer for the business had been identified and negotiations regarding the sale were in progress. It is pleasing to report that the sale of Coega Concentrate's entire business has been concluded, effective 1 June 2019, pending fulfilment of suspensive conditions.

Paul

In 2015, the Group became the SA licensed partner of global bakery-café brand, Paul, for a 10-year period. Pending the fulfilment of suspensive conditions, the Group will conclude a joint venture partnership effective 1 June 2019 with a local experienced restaurateur to manage and drive the profitability of the existing Paul restaurant and roll out the brand's footprint, as economic conditions improve. In terms of our Paul Master License agreement, we are contracted to open five restaurants over a five-year period. This new partnership will expedite the programme.

tashas

In April 2019, we established a new business entity to house all of the tashas business outside of South Africa and drive international growth in the Middle East as a priority. Founder of the brand, Natasha Sideris, will manage the entity and hold a 51% stake, while the Group will own the balance. Based on the brand's strong track record in the UAE, management is optimistic that tashas' existing footprint of six restaurants can be expanded in the region. The Group will continue to own 51% of the SA operation.

NET LIABILITY POSITION OF THE COMPANY

The directors note that the Company financial statements reflect liabilities that exceed assets by R762 million (2018: R359 million) in accordance with the measurement principles of IFRS. This has arisen as a result of a non-cash impairment of the investment in GBK UK of R713 million (2018: R454 million). The impairment does not impact the Company's ability to meet its future short-term obligations and it remains liquid. A dividend of R770 million has been declared by Famous Brands Management Company (Pty) Ltd as of 15 May 2019 that results in the Company being restored to solvency.

Audit and Risk Committee's report

In terms of section 94 of the Companies Act of South Africa, the report by the Audit and Risk Committee, (the Committee), which is chaired by Deon Fredericks, is presented below.

COMPOSITION OF THE COMMITTEE

- Chris Boulle (resigned 28 February 2019);
- Norman Adami;
- Emma Mashilwane;
- Thembisa Skweyiya (resigned 8 March 2019); and
- Deon Fredericks (appointed 1 August 2018 as a member and 1 March 2019 as Chairman).

RESPONSIBILITIES OF THE COMMITTEE

During the financial year ended 28 February 2019 the Committee met on three occasions. The attendance at the Committee's meetings is set out below:

Meeting attendance

Independent non-executive director	Meeting dates		
	21 and 22 May 2018	22 October 2018	25 February 2019
CH Boulle	✓	✓	✓
NJ Adami	✓	✓	✓
TE Mashilwane	✓	✓	✓
T Skweyiya	✓	✓	✓
DJ Fredericks (Chairman)*	✗	✓	✓

* *Was appointed as a Committee member on 1 August 2018 and as Chairman on 1 March 2019.*

In addition to the duties set out in the Committee's Charter the Committee carried out its functions, *inter alia*, as follows:

External audit

- Nominated the re-appointment of Deloitte & Touche as the registered independent auditor after satisfying itself through enquiry that Deloitte & Touche and Ms SJ Nelson are independent as defined in terms of the Companies Act of South Africa and the Independent Regulatory Board for Auditors (IRBA) in terms of the Auditing Profession Act;
- Determined the terms of engagement, reviewed the external audit plan and reviewed the fees to be paid to Deloitte & Touche;
- Ensured that the appointment of Deloitte & Touche complied with the legislation relating to the appointment of auditors;
- Considered the tenure of Deloitte & Touche and the engagement partner and deem it appropriate;
- Considered the quality control processes of the external auditor and specifically audit quality reviews conducted over the designated auditor, including those performed by the IRBA as part of its routine review process in terms of the Auditing Profession Act;
- Considered the appropriateness of the other auditors engaged to perform audits within the Group, being Rees Pollock Chartered Accountants in the UK and PKF Botswana and deem them appropriate;
- Understood and assessed the procedures performed by Deloitte & Touche to place reliance on the work performed by the other auditors; and
- Reviewed the external auditors' report on the consolidated and Company annual financial statements and the key audit matters.

Internal audit

- Reviewed the internal audit reports and processes;
- Reviewed and approved the internal audit business plan, budget and audit plan;
- Reviewed the IT governance;
- Performed the annual review and approval of the Internal Audit Charter; and
- The Committee is satisfied with the competence of the Head of internal audit.

Financial statements, accounting practices and other financial matters (including internal controls)

- Reviewed an assessment prepared by management of the going concern status of the Company and made recommendations to the Board. The Committee concurred that the adoption of the going concern premise in the preparation of the annual financial statements is appropriate;
- Reviewed the financial and general covenants applicable to the Group based on the current lending structure and the current capital structure, which was found to have been complied with and appropriate;
- Evaluated and reported to the Board on the effectiveness of risk management controls and governance processes;
- Reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the Group's and the Company's annual financial statements, internal financial controls and any related matters. The Committee can confirm that there were no concerns or complaints noted;
- Reviewed and recommended the short and long-form announcements to the Board for approval;
- Reviewed and recommended the interim and annual financial statements to the Board for approval;
- Considered the appropriateness of the accounting policies adopted and changes thereto;
- Considered accounting treatments, significant unusual transactions and key accounting judgements;
- Reviewed and recommended the Integrated Annual Report to the Board for approval;
- Considered the reports of the internal auditor and external auditor on the Group's systems of internal control including financial controls, business risk management and maintenance of an effective internal control system;

- Received assurance that proper and adequate accounting records were maintained and the systems safeguard the assets against unauthorised use or disposal thereof; and
- Annual review and approval of the Audit and Risk Committee Charter.

Based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial control, business risk management and the maintenance of effective material control systems.

Expertise and experience of Group Financial Director

The Committee is satisfied with the experience and expertise of the Group Financial Director, Lebo Ntlha.

Competence, qualifications and experience of Company Secretary

The Committee is satisfied with the competence, qualifications and experience of the Company Secretary, Ian Isdale.

KEY AUDIT MATTERS AND SIGNIFICANT AREAS OF JUDGEMENT

In considering key accounting judgement areas, the Committee considered the key audit matters as per below:

Impairment assessment of goodwill and indefinite life intangible assets associated with GBK

The Committee spent time understanding the significant estimates and judgements in the valuation model of the GBK cash-generating unit. The judgement areas include the discount rate, long term growth rate, like-for-like growth rates and the store roll out plan. The Committee is satisfied that the impairment recognised of R573 million (2018: R304 million) results in the goodwill and the indefinite life intangible asset being reflected at their expected recoverable amounts.

Impact of the CVA on GBK store level property, plant and equipment impairment and lease balances

The GBK business completed a CVA, which is a process of restructuring the business and obtaining rental relief in the short to medium term. The CVA has resulted in 24 stores being closed during the year in the UK and thus resulted in impairment of the respective property, plant and equipment. Management has applied judgement in assessing the recoverability of the assets relating to the closed stores and remaining stores. An impairment of R301 million (2018: R69 million) has been recognised. The Committee is satisfied with the impairment recognised, the impact of the CVA on the lease balances, and disclosure thereof.

Impairment of investment – GBK (Famous Brands Limited Company level)

The impairment of the investment at Famous Brands Limited Company has been assessed in line with the assumptions in the initial key audit matter. The Committee is satisfied with impairment to the value of R713 million (2018: R454 million) raised in the Company financial statements of Famous Brands Limited.

Other significant judgement areas

The Committee has further considered the remaining significant judgements and sources of estimation uncertainty per Accounting Policy Note 4 and is satisfied that appropriate judgement has been made and processes followed in concluding on the significant judgement areas.

Conclusion

Having considered all the material factors and key audit matters the Committee recommended the annual financial statements for the year ended 28 February 2019 for approval to the Board. The Board has approved the annual financial statements which will be open for discussion at the forthcoming Annual General Meeting of shareholders.

Deon Fredericks
Chairman
29 May 2019

Approval of the audited consolidated and company annual financial statements

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements present fairly the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 28 February 2019, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Council, the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

The external auditors are engaged to express an independent opinion on the annual financial statements. The financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The Audit and Risk Committee perform an oversight role in matters related to financial and internal controls.

The directors are of the opinion that based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's and Company cash flow forecast for the subsequent year and, in light of this review and the current financial position, they are satisfied that the Group and Company has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated and separate annual financial statements, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 May 2019 and are signed on its behalf by:

Santie Botha
Independent Chairman
29 May 2019

Darren Hele
Chief Executive Officer
29 May 2019

Company Secretary's certificate

In my capacity as the Company Secretary, I hereby certify that Famous Brands Limited has lodged with the Companies and Intellectual Property Commission for the financial year ended 28 February 2019, all such returns and notices as are required of a public company in terms of the Companies Act of South Africa and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Ian Isdale
Company Secretary
29 May 2019

Independent auditor's report

To the Shareholders of Famous Brands Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Famous Brands Limited (the Group) set out on pages 11 to 95, which comprise the statements of financial position as at 28 February 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
1. Impairment of GBK Restaurants Limited ("GBK") goodwill and indefinite life intangible assets (Consolidated financial statements)	
The Group recognises intangible assets of R1.06bn (2018: R1.78bn) relating to GBK. As a result of continued losses incurred by the business, an impairment of R573 million (2018: R304 million) was recognised against these assets. The remaining intangible assets represent 49% (2018: 56%) of the Group's total intangible assets and 21% (2018: 29%) of the Group's total assets. In order to determine the recoverable value and consequent level of impairment required against the assets, GBK's fair value less cost of disposal was determined using the expected future cash flows to be generated by the business, discounted at a risk adjusted weighted average cost of capital ("WACC"). This valuation is subjective in nature as it is dependent on the directors' best estimate of the business' future performance. The areas of the impairment assessment which are most likely to result in material misstatement to the impairment and remaining assets are the following: • Method for determining the recoverable amount; • WACC rate applied in discounting the expected future cash flows; • The like-for-like sales growth applied in determining the future cash flows; and • The expected number of stores to be opened in the future.	In evaluating the impairment of the GBK intangible assets, we focused our testing on the key assumptions made by the directors. Our procedures included: • Testing the design and implementation of relevant controls around the impairment assessment; • Critically evaluating whether use of the fair value less costs to sell valuation method is appropriate and complies with the requirements of IAS 36 *Impairment of Assets*. We used our IFRS accounting specialists to assist with this assessment; • Critically evaluating the mechanics and logic of the valuation model prepared. We engaged our corporate finance valuation experts to assist with this evaluation; • Assessing the appropriateness of the inputs, including specific risk adjustments, and methods used in determining the WACC rate applied to projected cash flows. We used our corporate finance valuation experts to assist with this assessment which was performed with reference to external data and our own expertise; • Evaluating the forecasts and approved budgets provided by the directors against observable data where available and current cash flows, including the cash flows achieved subsequent to the execution of the CVA; • Comparing the actual performance for the year against the budget and analysing the variances to determine the accuracy of the budgeting techniques;

Key audit matter	How the matter was addressed in the audit
1. Impairment of GBK Restaurants Limited ("GBK") goodwill and indefinite life intangible assets (Consolidated financial statements) *continued*	
The directors have engaged valuation specialists to assist with the impairment assessment, specifically with the computation of the WACC rate and the calculation of the fair value based on the inputs provided. The current economic climate and the uncertainty surrounding the future economic conditions of the casual dining sector in the United Kingdom increases the complexity of forecasting. Scrutiny has therefore been placed on forecast assumptions and discount rates, with a greater focus on more recent trends, adjusted for the impacts of the Company Voluntary Arrangement ("CVA") discussed below. Due to the significance of the GBK assets and losses to the Group's overall results as well as the size of the impairment, the current uncertainty of the United Kingdom macro-economic environment and the level of estimation inherently required in determining future performance, this is considered a significant risk of material misstatement for audit purposes and a key audit matter. Refer to Accounting Policy Note 4 and Statement of Financial Position Note 2 of the consolidated financial statements for disclosure in this regard.	• Evaluating the forecast store roll-outs and the turnaround strategy of the business against industry research about the expected industry conditions and industry growth; • Evaluating the forecast like-for-like growth rates against industry research publications and management information; • Analysing the impact of different forecast assumptions and inputs on the valuation; • Subjecting key assumptions to sensitivity analysis to determine their impact on potential impairment; and • Considering the adequacy of the Group's disclosures on this matter. We found the key forecast assumptions used by the directors to be supportable. The WACC rate used is considered appropriate. The expected future outlook is based on current evidence available. We note that the GBK impairment charge recognised and the remaining value of the intangible assets is dependent on the achievement of the projected long-term future cash flows. There is limited headroom on the impairment assessment and incremental changes in key assumptions may result in additional impairments. We consider the disclosure of the impairment and remaining carrying value of these assets, included in Accounting Policy Note 4 and Statement of Financial Position Note 2 of the consolidated financial statements to be appropriate.
2. GBK store level property, plant and equipment impairment and impact of the CVA on lease balances (Consolidated financial statements)	
GBK's property, plant and equipment comprises a portfolio of company-owned stores representing 61% (2018: 67%) of the property, plant and equipment and 13% (2018: 16%) of the total assets of the Group. The store portfolio operates through leased premises. In order to implement a turnaround strategy for the business, the directors entered into a CVA with creditors. The CVA allowed GBK to exit some of its non-strategic loss making stores and to renegotiate some of its store rentals for a period of three years. These rentals will return to the higher of the market rent and the CVA rent at the end of the CVA period. The level of impairment to be processed against stores was significant and required judgement as did the impact of the CVA on the lease balances. As a result this was identified as a significant audit risk and Key Audit Matter. Total impairments at store level amounted to R301 million (2018: R69 million). The carrying amount of property, plant and equipment relating to closed stores was impaired in full. For the remaining company-owned stores, the director's determined the level of impairment based on the value in use of each store.	In evaluating the GBK store level property, plant and equipment impairment and the impact of the CVA on the lease balances, our procedures included the following: • Testing the design and implementation of relevant controls over the directors' processes followed in this regard; • Confirming that property, plant and equipment for all exited stores was impaired; • Assessing the financial performance of remaining individual stores compared to their asset base to identify indicators of impairment; • Critically evaluating whether the value in use models, including the period for which the forecasts were prepared, were prepared in terms of the requirements of IAS 36 *Impairment of Assets*; • For stores which displayed indicators of impairment, evaluating forecast operating cash flows, including the assumptions relating to the like-for-like growth, against recently achieved performance, current economic conditions relevant for the individual store as well as the revised terms of the rental agreements in line with the CVA; • Assessing the appropriateness of the discount rates applied to the forecast cash flows;

Key audit matter	How the matter was addressed in the audit
2. GBK store level property, plant and equipment impairment and impact of the CVA on lease balances (Consolidated financial statements) *continued*	
The areas of the impairment assessments and impacts of the CVA which are most likely to result in material misstatement are the following: • The completeness of stores within GBK which required impairment, taking into account the impact of the CVA; • The accuracy of the forecast cash flows for each store, including short term and long term growth rates and estimated rental for each store with an indicator of impairment; • The discount rates applied to the forecast cash flows; and • The impact the CVA rental modifications had on the previous lease incentives and onerous lease provisions accounted for and whether the CVA itself is a lease incentive as defined by IAS 17 *Leases*. Refer to Accounting Policy Note 4 and Statement of Financial Position Note 1 of the consolidated financial statements for disclosure in this regard.	• Subjecting key assumptions to sensitivity analysis; • Understanding the full impact of the CVA process through discussions with subject matter experts; • Assessing the impact of the rental adjustments and store closures, arising from the CVA process, on the onerous lease provision and other lease incentive balances; and • Considering the adequacy of the Group's disclosures on this matter. We found the key assumptions used by the directors to be supportable given currently available information. We note that the value of the store level property, plant and equipment impairment charge as well as the fair presentation of the lease balances are dependent on the achievement of the directors' projected future cash flows over the long term. This will require regular reassessment. We consider the disclosure of these matters included in Accounting Policy Note 4 and Statement of Financial Position Notes 1, 16 and 25 of the consolidated financial statements to be appropriate
3. Impairment of GBK investment (Company financial statements)	
The Company reflects an investment in GBK of R448 million (2018: R1.16 billion). The Company has recognised an impairment of R713 million (2018: R454 million) over this investment for the reasons, and on the same basis, as described in key audit matter 1. Refer to Accounting Policy Note 2 and Statement of Financial Position Note 1 of the separate financial statements for disclosure in this regard.	The procedures performed and conclusions reached in key audit matter 1 were also applicable to this key audit matter. We consider the disclosure of these matters included in Accounting Policy Note 2 and Statement of Financial Position Note 1 of the separate financial statements to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Famous Brands Limited for four years.

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per: Shelly Nelson
Partner
29 May 2019

Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton

Group accounting policies

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, fast casual and casual dining restaurant franchisor. The consolidated annual financial statements (financial statements) of Famous Brands, as at 28 February 2019 and for the year ended 28 February 2019, comprise the Company and its subsidiaries (together referred to as the Group) and the Group's investments in associates.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 28 February 2019, 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 the Companies Act of South Africa.

SIGNIFICANT ACCOUNTING POLICIES

These accounting policies are consistent with the previous period, except for the changes set out in accounting policy Note 23 *Adoption of new standards, amendments to standards and interpretations*.

1. BASIS OF PREPARATION

Functional and presentation currency

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

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

The going concern basis has been used in preparing the financial statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

2. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and all investees that are controlled by the Company. Control exists when the Company has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the Company's returns.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses incurred by subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interests.

Transactions that result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets acquired, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred. Costs incurred to issue debt are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration, are accounted for through profit or loss and not against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*, which are recognised at fair value less costs to sell; and deferred tax assets and liabilities, which are measured in accordance with IAS 12 *Income Taxes*.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at the acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes.

Non-controlling interests that arise from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in Note 23.4 *Acquisition of business operations*.

Where the Group writes a put option over the equity of a subsidiary, a gross obligation (put option financial liability) is recognised in the consolidated financial statements at an amount equal to the present value of the amount that could be expected to be paid to the counterparty. The corresponding debit is presented separately within equity as a deduction from other reserves attributable to the owners of the Company.

Subsequently, the put option financial liability is remeasured in line with IFRS 9 *Financial Instruments*, with changes in the measurement of the financial liability recognised in the profit or loss attributable to the owners of the Company.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss. Where the existing shareholding was classified as a financial instrument at fair value through other comprehensive income, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, the impairment loss is recognised in profit or loss and is not subsequently reversed. Goodwill is recognised on consolidation of foreign entities and is considered an asset of that foreign group. In such cases, the goodwill is translated to the functional currency of the Group at the end of each reporting period with the adjustment recognised in equity through other comprehensive income.

Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost, adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate less any impairment losses and dividends received. When the Group's share of losses exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The Group in applying the equity method uses the most recent available financial statements and management accounts of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, an excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss as part of the equity-account profit of the associate in the period in which the investment is acquired.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

3. TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing exchange rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements, are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at average exchange rates that approximate the foreign exchange rates prevailing at each of the transaction dates; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the average rate of the year or period

4. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

Long-term incentive (LTI) grants

Management uses the Black-Scholes-Merton and Binomial tree valuation models to determine the value of the LTI grants at issue date. Additional details regarding the estimates are included in Note 29 *Share-based payments*.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions will change, which may then impact our estimations and may require a material adjustment to the carrying value of intangible and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets with an indefinite useful life are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of fair value less costs to sell of intangible and tangible assets are inherently uncertain and could materially change over time.

The accuracy of the impairment models will only be proved by the future performance of the related businesses.

Tax

Due to the complexity of legislation and varying tax jurisdictions in which the Group operates, judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Put option liabilities

These liabilities arise when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the Group at an agreed price. The initial recognition of these amounts is debited directly to equity with subsequent remeasurements to the liability recognised in profit or loss. In arriving at the liability, future earnings are assessed and discounted back to calculate the present value. This is based on management's best estimate at initial recognition and each subsequent reporting period.

Provision for property-related expenses

In the prior year, provisions relating to onerous leases were processed. As a result of the CVA, loss making stores were exited and other stores' rentals were renegotiated. All of the onerous leases were either terminated or renegotiated. The provision raised at the end of FY2018 was therefore released. An assessment of all the remaining leases was performed to ensure no additional onerous lease provisions were required to be recognised. The judgement is based on management's outlook of the expected cash flows from the businesses to which the property rental contracts relate (refer Note 16 *Provisions*).

Management will continue to review the portfolio in the short and long term.

Operating lease commitments – future rental amounts

Following the completion of the CVA for GBK, rental payments across a number of stores have been reduced for a three year period from November 2018. At the end of the three year period, rental on these stores will revert to the higher of the CVA rental or the market rental. The Group has applied judgement to the level of rental it will revert to at the end of the three year period ending November 2021, and the number of stores that will be open, for the purposes of operating lease commitments. The Group engaged with third party experts in determining the estimated future rental amounts.

Impact of the CVA on lease incentives

The CVA and the change in the estimated future rental amounts has resulted in a modification to certain lease contracts at GBK. Judgement has been applied in determining whether the change in the rental amounts is a lease modification or a new contract in terms of IAS 17 *Leases*.

5. PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are initially measured at cost. Cost includes those costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, and is depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Land is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Useful life
Buildings	50 years
Leasehold improvements	Over expected remaining term of the lease
Plant and equipment	5 to 15 years
Furniture, fixtures and office equipment	4 to 10 years
Motor vehicles	5 to 8 years
Computer equipment	3 to 5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment, with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation commences once the asset is available for use.

The gain or loss arising from the derecognition on disposal, when no further economic benefits are expected from use or disposal of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

6. INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;

- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation charge, if any, for each period, is recognised in profit or loss.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for on these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed every year-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, franchise agreements, recipes, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Trademarks	Indefinite
Lease premiums, franchise incentives or similar	Agreement period
Computer software	3 to 5 years
Brand names	3 years to indefinite

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

7. FINANCIAL INSTRUMENTS

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Classification is based on the contractual cash flow characteristics and the entity's business model for managing financial instruments. Derivatives and financial assets designated as, "fair value through profit or loss" are not reclassified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition, or issue of the financial asset or liability. Transaction costs of financial instruments carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Financial assets at fair value through other comprehensive income are measured at fair value. Movements in the carrying amount of these assets are taken to other comprehensive income, except for impairment, interest income and foreign exchange gains or losses that are recognised in profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising on remeasurement of these assets are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset and the transfer qualifies for derecognition.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss except for equity investments, and the Group has made an election to present fair value gains or losses on equity investments in other comprehensive income. There is no subsequent reclassification on derecognition of the investment.

Any gain or loss on derecognition of financial assets at amortised cost is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. The same applies for unlisted securities. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option-pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

Impairment losses are recognised in profit or loss. Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against selling and administrative expenses.

Impairment of financial assets at Group level

The impairment allowance represents the Group's estimate of lifetime expected credit losses (ECL), which are the present value of the cash shortfalls over the expected life of the financial assets. The Group applies the Simplified Approach in determining credit losses for all trade and lease receivables. The Simplified Approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This takes into account past events, current conditions, reasonable and supportable forward-looking information that is available without undue cost or effort, probability weighted scenarios and impact of the time value of money.

Hedge accounting

The Group enters into forward exchange contracts, currency option contracts and interest rate swap contracts to hedge its exposure to foreign exchange and interest rate risk.

Changes in the fair value of derivative instruments that are not formally designated in a hedging relationship are recognised immediately in profit or loss.

For qualifying cash flow hedges, the fair value gain or loss on the hedging instrument associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income within hedge accounting reserve, and then recycled to profit or loss in the reporting periods when the hedged item affects profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

Loans to shareholders, directors, managers and employees

These financial assets are classified as financial assets at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for expected credit losses are recognised in profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Other payables are classified as financial liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at amortised cost.

Bank overdraft

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings. Bank overdrafts are viewed as part of cash and cash equivalents.

8. TAX

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax liabilities and assets

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or

- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches, associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting nor taxable profit or tax loss.

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches, associates and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and/or unutilised capital allowances and recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unutilised capital allowances can be recovered.

Deferred tax assets are reviewed at each reporting period and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

9. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

9.1 Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income from leases is included in operating profit.

9.2 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as a deferred lease asset or liability. This liability is not discounted. Any contingent rents are expensed in the period in which they are incurred.

9.3 Finance leases – lessee

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

10. INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Group.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

11. IMPAIRMENT OF ASSETS

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with indefinite useful lives or intangible assets not yet available for use for impairment annually by comparing their carrying amounts with their recoverable amounts. This impairment test is performed annually at the same time; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and then
- to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

12. SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group re-acquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), on those instruments is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

13. SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received, provided that the fair value can be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period). If the share-based payments vest immediately and are simultaneously exercised, the expense for services received is recognised in full.

14. SHAREHOLDERS FOR DIVIDENDS AND DIVIDENDS DECLARED

Dividends payable are recognised as a liability in the period in which they are declared.

15. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 24 *Contingent liabilities*.

16. NON-CURRENT ASSETS HELD FOR SALE

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non controlling interest in its former subsidiary after the sale.

Immediately prior to being classified as held for sale the carrying amounts of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

17. REVENUE

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

The Group currently has the following revenue streams:

Sale of goods:

- Supply chain revenue (includes Manufacturing and Logistics division revenue).

Services rendered, franchise and restaurant revenue:

- franchise revenue (including royalty breaks);
- franchise joining revenue (including change of hands);
- restaurant revenue; and
- design and project management revenue (relates to services rendered).

For supply chain revenue, the performance obligation is satisfied at a point in time upon the transfer of a products to the franchisee or customer.

For franchise revenue, the Group provides to the franchisee access to the intellectual property, business systems and trademark linked to the brand throughout the period of the franchise agreement. This is a performance obligation that is satisfied over a period of time. Consideration is in the form of a sales-based royalty. The Group recognises the revenue on the basis of a percentage of the franchisee's sales and this percentage is stipulated in the franchise agreement.

In an event where the Group grants the franchisee a royalty break, it accounts for the contract modification as if it were a part of the existing contract and is recognised as an adjustment to revenue (as a reduction of revenue).

Franchise joining revenue is recognised when the control of the store is transferred to the franchisee, this is when the performance obligation is satisfied.

Design and project management revenue is earned based on managing the franchisee's new build or restaurant revamp. The performance obligation is satisfied over a period of time and revenue is recognised over the period of the project.

The Group discloses restaurant revenue in the category services rendered, franchise and restaurant revenue; the performance obligation is satisfied at a point in time on transfer of products to the customer.

The Group does not expect to have any contracts where the period between transfer of the promised goods or services to the franchisee or customer and payment therefore exceed a year. Thus, no adjustment is made to transaction prices for a financing component.

18. ADVERTISING LEVIES

The Group receives advertising levies from franchisees that are utilised in the advertising and promotion of the Group's brands. Advertising costs incurred in excess of the levies received are carried on the statement of financial position within *trade and other receivables as 'Advertising levy deficit'* to be set off against future levies. Any advertising levies received that are not yet spent on advertising are carried on the statement of financial position within *trade and other payables as 'Advertising levy surplus'* and will be used against future advertising expenditure.

19. COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

20. EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit-share and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

21. FINANCE COSTS

Finance costs comprise interest payable on borrowings using the effective interest method. All other finance costs are expensed in the period in which they incurred.

22. EARNINGS BEFORE NON-OPERATIONAL ITEMS

Non-operational items are disclosed to provide an additional basis on which to measure the Group's performance. It represents the impact of certain non-operational and non-recurring income and expense items on the reported earnings of the Group.

23. ADOPTION OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The Group adopted the following amendments to standards applicable for the first time during the year under review, which did not have a material impact on the financial statements:

IFRS 9 *Financial Instruments* (effective date: 1 March 2018)

IFRS 9 replaces IAS 39 *Financial instruments: Recognition and measurement*. The standard, *inter alia*, introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. The standard further introduces a single impairment model being applied to all financial assets, except those measured at fair value through profit or loss, as well as an ECL model for the measurement of financial instruments. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Overall financial impact

The transition to IFRS 9 did not have a quantitative financial impact on the consolidated financial statements.

Overall effect on disclosures

The classification of *trade and other receivables, cash and cash equivalents* and *receivables from Group Companies* has changed from *loans and receivables to amortised cost*.

Overall effect on impairment of financial assets

The Group adopted the Simplified Approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade and lease receivables.

The adoption of the ECL impairment model did not have a material impact on the impairment allowances recognised in the consolidated financial statements.

Overall effect on hedge accounting

The Group has the option to continue to apply the hedge accounting requirements of IAS 39 until the current macro-hedging project is finalised, as all documentation is already in place. Accordingly, the Group has elected not to adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirement of IAS 39 on existing hedges.

IFRS 15 *Revenue from contracts from customers* (effective date: 1 March 2018)

IFRS 15 replaces IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard, *inter alia*, requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The Group has elected to not restate prior figures and adopt a cumulative effect method.

Overall financial impact

The transition to IFRS 15 did not have a quantitative financial impact on the consolidated financial statements.

Overall effect on disclosures

IFRS 15 requires the Group to disclose the disaggregated revenue by categories which depict the nature, amount, timing or uncertainty of revenue. The Group has considered how it discloses information to investors and how information is reviewed internally for evaluation of financial performance. Refer to Note 17 *Revenue* for the disaggregation.

IFRS 2 *Share-based Payment* (Amendment, effective date: 1 March 2018)

Amendment to clarify the treatment of cash-settled share based payment transactions, which include a performance condition, share based payment transactions, which include a net settlement feature and modification of a share based payment transaction from cash settled to equity settled.

This does not have a material impact on the financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective date: 1 March 2018)

A new interpretation has been issued in order to provide guidance on the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

This does not have a material impact on the financial statements.

24. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2019 or later periods:

IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019)

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 has one model for lessees, which will result in the majority of leases being included on the statement of financial position. No significant changes have been introduced for lessors relative to IAS 17.

The Group has assessed its significant lease agreements, particularly leases related to property rentals. These include Company-owned store leases, leases entered into to secure key sites for franchise outlets (i.e. headleases) and warehouses for our Logistics operations. The preliminary assessment indicates that material adjustments to non-current assets and non-current liabilities are to be expected as a result of the new standard. A neutral impact is expected at profit before tax level over time. The current estimates of the impact of adopting IFRS 16 at 1 March 2019 are:

- increase in the Right of Use assets of between R1.1 billion and R1.3 billion;
- increase in Lease liabilities of between R1.1 billion and R1.3 billion; and
- increase in Lease receivables of between R31 million and R39 million.

Management will be applying the Modified Retrospective Approach and will be making using of practical expedients available including the following:

- reassessment of definition of a contract;
- exemption of short term leases and low value assets;
- measurement of right of use assets based on lease liabilities recognised at transition;
- exclusion of initial direct costs; and
- expedients on onerous lease provisions.

IAS 12 *Income Taxes* (Amendment, effective for financial years beginning on or after 1 January 2019)

Certain amendments have been made to clarify to account for all income tax consequences of dividends (i.e. distribution of profits).

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

IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019)

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

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

25. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The Group has chosen not to early adopt any new standards.

Consolidated statement of financial position

at 28 February 2019

	Notes	2019 R000	2018 R000
ASSETS			
Non-current assets		**3 297 136**	3 983 129
Property, plant and equipment	1	**1 048 537**	1 339 789
Intangible assets	2	**2 179 770**	2 547 845
Investments in associates	3	**57 199**	80 926
Deferred tax	4	**11 630**	14 569
Current assets		**1 636 714**	1 922 662
Inventories	5	**455 817**	436 102
Current tax assets		**59 060**	99 132
Trade and other receivables	6	**668 072**	670 440
Cash and cash equivalents	7	**453 765**	716 988
Assets held for sale	8	**35 350**	–
Total assets		**4 969 200**	5 905 791
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital and share premium	9	**154 344**	145 110
Other reserves	10	**243 867**	(164 056)
Retained earnings		**1 023 383**	1 524 544
Equity attributable to owners of Famous Brands Limited		**1 421 594**	1 505 598
Non-controlling interests		**115 202**	126 429
Total equity		**1 536 796**	1 632 027
Non-current liabilities		**2 467 885**	3 014 460
Borrowings	11	**2 088 098**	2 513 489
Derivative financial instruments	12	**21 133**	32 370
Lease liabilities	13	**54 952**	86 355
Deferred tax	4	**303 702**	382 246
Current liabilities		**962 814**	1 259 304
Non-controlling shareholder loans	14	**2 500**	7 500
Derivative financial instruments	12	**97 060**	159 555
Lease liabilities	13	**14 025**	11 125
Trade and other payables	15	**803 176**	770 720
Provisions	16	**–**	32 851
Shareholders for dividends		**2 195**	2 221
Current tax liabilities		**18 254**	8 068
Borrowings	11	**25 604**	267 071
Bank overdrafts	7	**–**	193
Liabilities held for sale	8	**1 705**	–
Total liabilities		**3 432 404**	4 273 764
Total equity and liabilities		**4 969 200**	5 905 791

Consolidated statement of profit or loss and other comprehensive income

for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Revenue	17	**7 179 536**	7 023 095
Cost of sales		**(3 592 399)**	(3 254 591)
Gross profit		**3 587 137**	3 768 504
Selling and administrative expenses		**(2 737 463)**	(2 878 246)
Operating profit before non-operational items		**849 674**	890 258
Non-operational items	18	**(916 648)**	(372 592)
Operating (loss)/profit including non-operational items		**(66 974)**	517 666
Net finance costs		**(225 634)**	(251 345)
Finance costs		**(285 008)**	(304 687)
Finance income		**59 374**	53 342
Share of profit of associates		**4 479**	3 906
(Loss)/profit before tax	18	**(288 129)**	270 227
Tax	19	**(134 414)**	(206 876)
(Loss)/profit for the year		**(422 543)**	63 351
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations*		**281 672**	21 440
Pre-tax exchange differences on translating foreign operations		**324 178**	22 754
Tax effect on exchange differences on translating foreign operations		**(42 506)**	(1 314)
Movement in hedge accounting reserve*		**155**	(3 920)
Net change in fair value of cash flow hedges		**215**	(5 445)
Tax on movement in hedge accounting reserve		**(60)**	1 525
Total comprehensive (loss)/income for the year		**(140 716)**	80 871

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

	Notes	2019 R000	2018 R000
(Loss)/profit for the year attributable to:			
Owners of Famous Brands Limited		**(480 400)**	21 618
Non-controlling interests		**57 857**	41 733
		(422 543)	63 351
Total comprehensive (loss)/income attributable to:			
Owners of Famous Brands Limited		**(198 573)**	39 138
Non-controlling interests		**57 857**	41 733
		(140 716)	80 871
Basic (loss)/earnings per share (cents)			
Basic	20	**(480)**	22
Diluted	20	**(479)**	22

Consolidated statement of changes in equity

for the year ended 28 February 2019

	Attributable to owners of Famous Brands Limited							
	Share capital R000	Share premium R000	Non-distri-butable reserves R000	Foreign currency translation reserve R000	Retained earnings R000	Total R000	Non-con-trolling interests R000	Total equity R000
GROUP								
Balance at 1 March 2017	999	130 476	(132 606)	(118 286)	1 502 926	1 383 509	101 805	1 485 314
Issue of capital and share premium	1	13 634	–	–	–	13 635	–	13 635
Equity settled share-based payment schemes	–	–	26 600	–	–	26 600	–	26 600
Put options over non-controlling interests*	–	–	42 716	–	–	42 716	–	42 716
Total comprehensive income for the year	–	–	(3 920)	21 440	21 618	39 138	41 733	80 871
Payment of dividends	–	–	–	–	–	–	(17 182)	(17 182)
Change in ownership interests in subsidiaries	–	–	–	–	–	–	73	73
Balance at 28 February 2018	1 000	144 110	(67 210)	(96 846)	1 524 544	1 505 598	126 429	1 632 027
Issue of capital and share premium	**1**	**9 233**	**(9 234)**	**–**	**–**	**–**	**–**	**–**
Equity settled share-based payment schemes	**–**	**–**	**38 591**	**–**	**–**	**38 591**	**–**	**38 591**
Put options over non-controlling interests**	**–**	**–**	**94 939**	**–**	**(20 761)**	**74 178**	**2 796**	**76 974**
Total comprehensive loss for the year	**–**	**–**	**155**	**281 672**	**(480 400)**	**(198 573)**	**57 857**	**(140 716)**
Payment of dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(73 367)**	**(73 367)**
Change in ownership interests in subsidiaries	**–**	**–**	**1 800**	**–**	**–**	**1 800**	**1 487**	**3 287**
Balance at 28 February 2019	**1 001**	**153 343**	**59 041**	**184 826**	**1 023 383**	**1 421 594**	**115 202**	**1 536 796**

* *Related to put options forfeited in FY2018.*

** *Exercise and expiry of put options in FY2019.*

Consolidated statement of cash flows

for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Cash generated from operations	23.1	**1 033 584**	1 122 920
Net finance costs paid		**(195 857)**	(207 440)
Income taxes paid	23.2	**(197 209)**	(274 386)
Net cash inflow from operating activities		**640 518**	641 094
Dividends paid to owners of Famous Brands Limited	23.3	**(26)**	–
Dividends paid to non-controlling interests	23.3	**(73 367)**	(17 182)
Net cash inflow from operating activities		**567 125**	623 912
Cash generated from investing activities			
Additions to property, plant and equipment		**(119 046)**	(192 588)
Intangible assets acquired		**(18 144)**	(38 531)
Proceeds from disposal of property, plant and equipment and intangible assets		**43 663**	29 171
Net cash outflow on acquisition of subsidiary	23.4	**–**	(2 589)
Dividends received from associates		**4 340**	3 149
Net cash outflow from investing activities		**(89 187)**	(201 388)
Cash flow from financing activities			
Borrowings raised	23.5	**2 187 000**	–
Borrowings repaid	23.5	**(2 919 759)**	(106 667)
Cash paid on settlement of non-controlling shareholder loans	23.5	**(5 000)**	(14 630)
Proceeds from issue of equity instruments of Famous Brands Limited		**–**	13 635
Settlement of put option over non-controlling interest in subsidiary		**(23 374)**	–
Proceeds from disposal of non-controlling interest in subsidiary		**4 559**	–
Structuring fees paid on debt raised		**(3 630)**	–
Net cash outflow from financing activities		**(760 204)**	(107 662)
Net (decrease)/increase in cash and cash equivalents		**(282 266)**	314 862
Foreign currency effect		**20 195**	(3 261)
Cash and cash equivalents at the beginning of the year		**716 795**	405 194
Cash and cash equivalents at the end of the year*		**454 724**	716 795

* *Comprises cash and cash equivalents of R454 million (2018: R717 million) and bank overdrafts of Rnil (2018: R193 000). R1 million (2018: Rnil) is included in assets held for sale, refer to Note 8.*

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

for the year ended 28 February 2019

	Notes	2019 R000	2019 %	2018 R000	2018 %
Revenue					
Brands		**894 700**	**12**	851 021	12
Leading brands		**748 889**	**10**	722 172	10
Signature brands		**145 811**	**2**	128 849	2
Supply Chain		**4 446 514**	**62**	4 327 642	62
Manufacturing		**2 911 916**	**41**	2 850 530	41
Logistics		**3 942 223**	**55**	3 779 812	54
Eliminations		**(2 407 625)**	**(34)**	(2 302 700)	(33)
Corporate		**24 305**	**–**	10 878	–
South Africa (SA)		**5 365 519**	**74**	5 189 541	74
United Kingdom (UK)		**1 544 229**	**22**	1 580 947	22
Gourmet Burger Kitchen (GBK)		**1 431 723**	**20**	1 476 544	21
Wimpy		**112 506**	**2**	104 403	1
Rest of Africa and Middle East (AME)		**269 788**	**4**	252 607	4
Total		**7 179 536**	**100**	7 023 095	100
Operating profit before non-operational items					
Brands		**475 924**	**56**	431 170	48
Leading brands		**457 237**	**54**	411 737	46
Signature brands		**18 687**	**2**	19 433	2
Supply Chain		**513 341**	**60**	509 114	57
Manufacturing		**429 250**	**51**	405 171	46
Logistics		**84 091**	**10**	103 943	12
Corporate		**(96 769)**	**(11)**	(49 873)	(6)
Share-based payment charge		**(39 770)**	**(5)**	(26 600)	(3)
Foreign exchange movement		**7 086**	**1**	(3 470)	–
Consolidation entries*		**(16 382)**	**(2)**	(12 160)	(1)
Corporate administration costs**^		**(47 703)**	**(6)**	(7 643)	–
SA		**892 496**	**105**	890 411	100
UK		**(64 390)**	**(8)**	(44 671)	(5)
GBK		**(82 102)**	**(10)**	(59 977)	(7)
Wimpy		**17 712**	**2**	15 306	2
AME***		**21 568**	**3**	44 518	5
Total		**849 674**	**100**	890 258	100
UK		**(318 016)**		(68 592)	
Impairment	18	**(300 793)**		(68 592)	
Once-off CVA-related costs****	18	**(17 223)**		–	
Corporate		**(954 201)**		(758 315)	
Impairment	18	**(598 632)**		(304 000)	
Net finance costs		**(225 634)**		(251 345)	
Share of profit of associates		**4 479**		3 906	
Tax		**(134 414)**		(206 876)	
(Loss)/profit for the year		**(422 543)**		63 351	

* *Consolidation entries relate to depreciation and amortisation at Group level.*

** *Corporate administration costs include internal audit, Board fees, corporate finance, CEO, other head office administrative costs not relevant to operations and operating profit from Design HQ.*

*** *Includes put option remeasurement of R27 million. The prior year remeasurement, included in Corporate administration costs, was a credit of R30 million.*

**** *CVA costs relate to the once-off costs incurred as part of the Company Voluntary Arrangement process undertaken in the UK for GBK.*

^ *The prior Corporate administration costs have not been allocated on the same basis as current year. Had the allocation been done on a similar basis, the Corporate administrations costs for FY2018 would have been R42 million.*

The table below sets out the performance of the UK business in GBP and ZAR respectively.

UK business segment results (Wimpy and GBK)	2019 £000	2019 R000	2018 £000	2018 R000
Revenue	**86 678**	**1 544 229**	92 064	1 580 947
Operating loss	**(3 614)**	**(64 390)**	(2 689)	(44 671)
Operating loss margin*	**(4.2)**	**(4.2)**	(2.9)	(2.8)

* *Difference in margin percentage in FY2018 is due to translation of property-related expenses at transaction date versus average rate.*

Notes to the consolidated annual financial statements

for the year ended 28 February 2019

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R000	Leasehold improvements R000	Plant and equipment R000	Motor vehicles R000	Computer equipment R000	Furniture, fittings and office equipment R000	Total R000
Carrying amount at 1 March 2017	46 365	746 101	394 157	68 963	24 109	117 906	1 397 601
Cost	49 574	1 156 784	723 268	130 335	91 643	211 934	2 363 538
Accumulated depreciation	(3 209)	(410 683)	(329 111)	(61 372)	(67 534)	(94 028)	(965 937)
Additions	91	92 419	39 356	15 804	12 179	32 739	192 588
Foreign currency translation	456	18 267	760	1 240	34	345	21 102
Disposals	(1 737)	(4 250)	(5 277)	(1 957)	(4 165)	(4 110)	(21 496)
Transfers	(6 033)	6 033	–	–	–	–	–
Depreciation	(2 035)	(116 161)	(41 312)	(12 540)	(8 070)	(1 296)	(181 414)
Impairment	–	(1 546)	(61 306)	–	–	(5 740)	(68 592)
Carrying amount at 28 February 2018	37 107	740 863	326 378	71 510	24 087	139 844	1 339 789
Cost	42 833	1 217 438	712 595	134 169	104 543	244 226	2 455 804
Accumulated depreciation	(5 726)	(475 029)	(324 911)	(62 659)	(80 456)	(98 642)	(1 047 423)
Accumulated impairment	–	(1 546)	(61 306)	–	–	(5 740)	(68 592)
Additions	**124**	**40 784**	**38 094**	**20 122**	**11 862**	**8 060**	**119 046**
Foreign currency translation	**142**	**112 327**	**1 358**	**(271)**	**2 737**	**11 168**	**127 461**
Disposals	**(50)**	**(25 528)**	**(6 355)**	**(4 131)**	**(542)**	**(222)**	**(36 828)**
Transfers	**(4 287)**	**19 809**	**4 287**	**(1 210)**	**7 701**	**685**	**26 985**
Transfer to held for sale	**–**	**(73)**	**(31 044)**	**–**	**(35)**	**–**	**(31 152)**
Depreciation	**(2 234)**	**(66 626)**	**(75 260)**	**(15 108)**	**(14 117)**	**(22 626)**	**(195 971)**
Impairment	**–**	**(242 777)**	**(18 437)**	**–**	**(2 029)**	**(37 550)**	**(300 793)**
Carrying amount at 28 February 2019	**30 802**	**578 779**	**239 021**	**70 912**	**29 664**	**99 359**	**1 048 537**
Cost	**38 694**	**1 240 109**	**681 882**	**141 212**	**126 190**	**234 321**	**2 462 408**
Accumulated depreciation	**(7 892)**	**(416 785)**	**(354 321)**	**(70 300)**	**(94 497)**	**(90 849)**	**(1 034 644)**
Accumulated impairment	**–**	**(244 545)**	**(88 540)**	**–**	**(2 029)**	**(44 113)**	**(379 227)**

The cost and net carrying amount of the land within land and buildings is R12 million (2018: R12 million).

Encumbrance

R6 million (2018: R7 million) of the Group's property, plant and equipment is encumbered under finance leases per Note 13.

Impairment

An impairment of R301 million (2018: R69 million) was recognised during the year under review at GBK restaurant level (refer Directors' report – "*Impairments*" on page 2).

To determine the impairment to be processed, the affected property, plant and equipment was valued using value-in-use calculations performed at a site level. The recoverable amount for sites where impairment indicators were identified was determined on the basis of value-in-use, which amounted to R32 million (2018: R18 million). The key assumptions used in calculating the recoverable amount include the discount rate and the long-term growth rate. The long-term growth rate is 3% (2018: 2.2%), but some sites with leases expiring in less than 10 years have varied growth rate assumptions which range between 3% and 15% (2018: 3% and 6%). The discount rate used in measuring value-in-use was 5% per annum (2018: 5%). The impairment is mainly as a result of store closures resulting from the CVA at GBK.

Sensitivity analysis

An increase/(decrease) of 1% in the discount rate would result in a increase/(decrease) in the impairment charge of R3 million/(R3 million). An increase/(decrease) in the long term growth rate of 1% in the forecast profits will result in a decrease/(increase) in the impairment charge of R7 million/(R7 million).

2. INTANGIBLE ASSETS

	Trademarks and Brand names R000	Goodwill R000	Franchise incentives, lease premiums and similar R000	Computer software R000	Total R000
Carrying amount at 1 March 2017	1 810 729	877 312	94 263	36 451	2 818 755
Cost	1 810 729	889 312	125 657	62 654	2 888 352
Accumulated amortisation	–	–	(31 394)	(26 203)	(57 597)
Accumulated impairment	–	(12 000)	–	–	(12 000)
Additions	–	–	15 887	22 644	38 531
Foreign currency translation	7 634	15 646	(1 360)	–	21 920
Disposals	–	–	(2 826)	(3 137)	(5 963)
Amortisation	–	–	(13 542)	(7 856)	(21 398)
Impairment	–	(304 000)	–	–	(304 000)
Carrying amount at 28 February 2018	1 818 363	588 958	92 422	48 102	2 547 845
Cost	1 818 363	904 958	137 156	86 081	2 946 558
Accumulated amortisation	–	–	(44 734)	(37 979)	(82 713)
Accumulated impairment	–	(316 000)	–	–	(316 000)
Additions	**–**	**–**	**6 028**	**12 116**	**18 144**
Foreign currency translation	**222 209**	**24 043**	**1 254**	**–**	**247 506**
Disposals	**–**	**–**	**(4 165)**	**(2 867)**	**(7 032)**
Transfers	**–**	**–**	**(19 809)**	**(7 176)**	**(26 985)**
Amortisation	**–**	**–**	**(15 758)**	**(10 818)**	**(26 576)**
Impairment	**(526 132)**	**(47 000)**	**–**	**–**	**(573 132)**
Carrying amount at 28 February 2019	**1 514 440**	**566 001**	**59 972**	**39 357**	**2 179 770**
Cost	**2 040 572**	**929 001**	**116 080**	**88 441**	**3 174 094**
Accumulated amortisation	**–**	**–**	**(56 108)**	**(49 084)**	**(105 192)**
Accumulated impairment	**(526 132)**	**(363 000)**	**–**	**–**	**(889 132)**

Notes to the consolidated annual financial statements continued

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2. INTANGIBLE ASSETS CONTINUED

Encumbrance

None of the Group's Intangible assets are encumbered.

Trademarks and brand names

The Group's Trademarks and Brand names that have been assessed as indefinite life intangible assets are disclosed below. In arriving at the conclusion that a brand has an indefinite life, management considers that the Group is a brands business and expects to acquire, hold and support brands for an indefinite period. The Group supports its brands through spending on consumer marketing and through significant investment in promotional support.

Indefinite life trademarks are assessed as such, as management believes there is no foreseeable limit over which the Group will continue to generate revenues from their continued use. Supporting this assumption is the fact that the brands held are established, well known, and can reasonably be expected to generate revenues beyond the Group's strategic planning horizon. In addition, the Group can continue to renew legal rights attached to such trademarks, without significant costs, and intends to do so beyond the foreseeable future.

Franchise incentives, lease premiums and similar

Franchise incentives and similar represent financial assistance given to franchisees in respect of fit-out costs and also includes licenses held but not owned. Together with lease premiums, these are initially measured at cost and amortised over the period of the franchise agreements.

Computer software

Computer software relates to mainly acquired computer software licences and systems.

Impairment reviews of goodwill and indefinite life intangible assets

For the purposes of impairment testing, goodwill is allocated to the smallest cash-generating unit. Significant goodwill and indefinite life intangible asset carrying amounts and the cash-generating units to which they relate are detailed below.

	2019 R000	2018 R000
Trademarks and brand names		
Domestic^		
Wimpy, Debonairs Pizza, Fishaways, Milky Lane, Steers, tashas, Vovo Telo, KEG, Mugg & Bean, Europa, Fego Caffé, Bread Basket, Mythos, Wakaberry, Cater Chain, Catch, TruFruit and Lamberts Bay Foods.	**365 621**	365 561
International^^		
Wimpy UK and GBK	**1 148 819**	1 452 802
	1 514 440	1 818 363
Goodwill		
Domestic^		
Wimpy, Debonairs Pizza, Fishaways, Steers, O'Hagan's, Famous Brands Coffee Company, Turn 'n Tender, Wakaberry, Cater Chain, Retail Group Botswana, Lupa Osteria and Salsa Mexican Grill.	**449 569**	446 554
International^^		
Wimpy UK and GBK	**116 432**	142 404
	566 001	588 958

^ *Allocated to Brands and Supply Chain revenue stream.*

^^ *Allocated to Famous Brands UK revenue stream.*

Domestic-based intangibles

The recoverable amounts of trademarks, brand names and goodwill have been determined on the basis of value-in-use calculations. Value in-use calculations use cash flow projections based on 2020 financial year budgets, approved by management, extrapolated by a combination of volume growth rates and long-term growth rates of between 6% and 10% for five years. These five-year cumulative cash flows are discounted using a pre-tax weighted average cost of capital range between 10% and 13% (2018: between 10% and 13%). There was no impairment recognised during the year under review (2018: nil). A reasonable change in assumption would not result in an impairment.

UK-based intangibles

Wimpy UK

The recoverable amounts of trademarks, brand names and goodwill and other intangibles have been determined on the basis of value-in-use calculations. Value-in-use calculations use cash flow projections based on 2020 financial year budgets, approved by management, extrapolated over the following four years with an annuity calculation thereafter to represent a terminal value at an average growth rate of 3% (2018: 3%). The five-year cumulative cash flow was discounted using a pre-tax weighted average cost of capital of 10.6% (2018: 11.9%). There was no impairment recognised during the year under review (2018: nil). Key assumptions used in value-in-use calculations include budgeted franchising revenue streams. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate. Based on the above assumptions, management's calculations of recoverable amounts were greater than the carrying amounts.

GBK

The GBK business, acquired in FY2017, was assessed as a cash-generating unit. The goodwill and brand value which arose on the acquisition of the business was allocated to this cash-generating unit's carrying amount for the purpose of the impairment assessment.

The recoverable amount of the cash-generating unit was determined on the basis of fair value less cost to sell, which amounted to R1.4 billion (2018: R1.9 billion). The fair value used in determining the recoverable amount of the cash-generating unit is based on a income approach valuation method including a present value discounting technique using Level 3 inputs.

Key assumptions used in the valuation includes the probability that the cash-generating unit will achieve the set long-term profit forecasts which includes like-for-like growth rates, the discount rate applied in arriving at the fair value and the store roll out plan. The assumed profitability was based on anticipated performances but adjusted for expected growth and the impact of reduced rentals from the CVA.

Like-for-like for growth rates have been based on current and expected economic conditions. The discount rate is determined based on current market rates and observable inputs, adjusted for risk associated with the business.

The future profits were forecast over a period of 10 years applying a like-for-like sales growth rate of between 1% and 3% (2018: between 0% and 3%) over the 10 year period. A long-term growth rate of 2% (2018: 2.2%) was set for the years subsequent to the forecast. A discount rate of 10.1% (2018: 8.0%) was applied.

An impairment of R573 million (2018: R304 million) was recognised during the financial year as a result of the continued poor GBK performance and subdued market in the UK. R47 million (2018: R304 million) relates to goodwill and R526 million (2018: Rnil) relates to the brand.

Sensitivity analysis on fair value less costs to sell

- An increase/(decrease) of 1% in the discount rate will result in a decrease/(increase) in the recoverable amount of R340 million/(R258 million).
- An increase/(decrease) in the like-for-like growth of 1% in the forecast sales will result in a increase/(decrease) in the recoverable amount of R481 million/(R484 million).
- An increase/(decrease) of one store per year in the roll-out plan results in an increase/(decrease) in the recoverable amount of R124 million/(R121 million).

Changes in key assumptions, as well as the actual cash flows achieved compared to those forecast can result in further impairments in the GBK business. The model is reliant on a certain level of economic recovery post-Brexit and the achievement of the turnaround over the long-term.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

3. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Year end	Effective date of acquisition	2019 Carrying amount R000	2019 Interest held by Famous Brands Group %	2018 Carrying amount R000	2018 Interest held by Famous Brands Group %
UAC Restaurants Ltd	Quick service restaurants	Nigeria	31 December	1 October 2013	**30 059**	**49**	28 026	49
Sauce Advertising (Pty) Ltd	Advertising	South Africa	28 February	1 March 2013	**2 644**	**35**	2 301	35
It's a Matter of Taste (Pty) Ltd	Commercial catering	South Africa	28 February	1 December 2016	**24 230**	**49.9**	50 599	49.9
FoodConnect (Pty) Ltd	Distribution	South Africa	28 February	1 June 2018	**266**	**49**	–	–
					57 199		80 926	

The above associates are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents the associates' financial statements prepared in accordance with IFRS.

UAC Restaurants Ltd (UACR)

UACR is a subsidiary of UAC of Nigeria plc, a leading diversified conglomerate with operations in foods, paints, logistics and real estate, listed on the Nigerian stock exchange.

The latest available IFRS-compliant financial statements of UACR were at 31 December 2018 (stated in Nigerian Naira (N)). The financial year-end date of UACR was 31 December 2018. This was the reporting date established when that company was incorporated, and has been aligned with the tax year in Nigeria. For the purposes of applying the equity method of accounting, the financial statements of UACR for the year ended 31 December 2018 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 28 February 2019.

	2018 31 December N000	2017 31 December N000
Current assets	645 470	481 242
Non-current assets	358 211	422 817
Current liabilities	(600 107)	(479 107)
Non-current liabilities	(10 875)	(17 223)
Net assets of the associate	392 699	407 729
Revenue	1 277 917	1 242 562
Profit before taxation	59 236	51 102
Profit/(loss) for the year	28 978	(6 589)
Other comprehensive income for the year	–	–
Total comprehensive income/(loss) for the year	**28 978**	**(6 589)**

	2019 February R000	2018 February R000
Reconciliation of the carrying amount of the interest in UACR		
Balance at the beginning of the year	**28 026**	30 193
The Group's share of profit from continuing operations	**399**	746
Exchange difference on translation of foreign operations	**1 634**	(2 913)
Carrying amount of the Group's interest in UACR	**30 059**	28 026

It's a Matter of Taste (Pty) Ltd

It's a Matter of Taste (Pty) Ltd (trading as By Word of Mouth) is a multi-awarded commercial catering company, acquired by the Group effective 1 December 2016. Its summarised financial information is set out below:

	2019 February R000	2018 February R000
Current assets	**11 458**	8 785
Non-current assets	**16 437**	11 334
Current liabilities	**(18 798)**	(12 682)
Non-current liabilities	**(5 743)**	(3 407)
Net assets of the associate	**3 354**	4 030
Revenue	**93 135**	83 147
Loss from continuing operations	**(1 741)**	(1 054)
Loss for the year	**(1 741)**	(1 054)
Other comprehensive loss	**–**	–
Total comprehensive loss	**(1 741)**	(1 054)
Reconciliation of the carrying amount of the interest in By Word of Mouth		
Balance at the beginning of the year	**50 599**	51 195
The Group's share of loss from continuing operations	**(869)**	(596)
Impairment	**(25 500)**	–
Carrying amount of the Group's interest in By Word of Mouth	**24 230**	50 599

An impairment of R25.5 million has been recognised against the investment in By Word of Mouth due to losses incurred in the business. The recoverable amount of R24 million was determined based on the fair value less costs to sell approach using the income approach method including a present value discounting technique using IFRS 13 *Fair Value Measurement* Level 3 inputs.

Key assumptions used in the valuation includes the projected forecasts and the discount rate. A discount rate of 15.9% was applied.

Sensitivity analysis on fair value less costs to sell

An increase/(decrease) of 1% in the discount rate will result in a decrease/(increase) in the recoverable amount of R3 million (R4 million).

Aggregate information of associates that are not individually material:		
The Group's share of profit from continuing operations	**4 949**	3 756
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**4 949**	3 756
Aggregate carrying amount	**2 910**	2 301

Notes to the consolidated annual financial statements continued

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4. DEFERRED TAX

	2019 R000	2018 R000
Balance at the beginning of the year (net)	**367 677**	373 971
Foreign currency effect	**(8 338)**	(6 886)
Movement through profit and loss	**(109 833)**	803
Current year temporary differences	**(109 833)**	(16 895)
Prior year over provision	**–**	17 698
Movement through other comprehensive income		
Current year temporary differences	**42 566**	(211)
Balance at the end of the year (net)	**292 072**	367 677
Analysis		
Excess capital allowances over depreciation and amortisation	**324 337**	405 938
Property, plant and equipment	**54 615**	60 719
Intangible assets	**269 722**	345 219
Effect of tax losses	**(13 651)**	(13 546)
Prepayments	**8 958**	11 158
Provisions	**(15 247)**	(14 319)
Other temporary differences	**(12 325)**	(21 554)
	292 072	367 677
The balance comprises		
Aggregate of deferred tax assets	**(11 630)**	(14 569)
Aggregate of deferred tax liabilities	**303 702**	382 246
	292 072	367 677

Tax losses of R27 million (2018: Rnil) have not been recognised. These mainly relate to the GBK restaurant business. The directors are confident that the Company will achieve future profitability however the timing of such profits is uncertain thus the directors have not recognised a deferred tax asset.

5. INVENTORIES

	2019 R000	2018 R000
Raw materials	**74 094**	89 307
Finished goods	**354 637**	340 057
Stock in transit	**13 350**	5 545
Consumables	**13 736**	1 193
	455 817	436 102

Write-downs of inventories to their net realisable value and obsolete inventory provisions, mainly relating to finished goods, amounted to R2.7 million (2018: R0.2 million), and have reduced gross inventories to the carrying amounts above. There are no inventories pledged as security for liabilities.

The cost of inventory expensed was R3.6 billion (2018: R3.3 billion).

6. TRADE AND OTHER RECEIVABLES

	2019 R000	2018 R000
Financial instruments	**631 726**	568 514
Trade receivables	**548 781**	513 377
Loss allowance	**(12 131)**	(15 895)
Net trade receivables	**536 650**	497 482
Advertising levy deficit	**12 152**	7 251
Other receivables	**82 924**	63 781
Non-financial instruments	**36 346**	101 926
Prepayments	**33 702**	90 470
VAT receivable	**2 644**	11 456
	668 072	670 440

Credit quality of trade and other receivables

The Group has a wide customer base and there is no significant concentration of credit risk. No credit rating has been obtained from banks. One debtor has a current balance in excess of 5% of the trade receivables balance amounting to R47 million (2018: R36 million).

It is the policy of the Group to allow seven to 90-day payment terms.

The table below illustrates the trade receivables ageing analysis:

	2019 R000	2018 R000
Performing	**515 903**	499 068
Overdue	**32 878**	14 309
	548 781	513 377

Fair value of trade and other receivables

There is no material difference between the fair value of trade and other receivables and their book value due to the short-term nature of these items.

The Group always measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision calculation by reference to past default experience of the debtors category, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The valuation techniques previously adopted did focus on the future expected recoverability of the debtors. There has been no change in the estimation techniques or significant assumptions made during the current reporting period and accordingly no changes in the prior period expected credit losses. Refer to Note 33.2 *Impairment of financial assets* for detail on the impact of adopting IFRS 9. The directors are comfortable with the adequacy of the provisions, despite the increase in the overdue trade receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Trade receivables that have been written off remain subject to enforcement activities.

Notes to the consolidated annual financial statements continued

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6. TRADE AND OTHER RECEIVABLES CONTINUED

The following table details the risk profile of trade receivables based on the Group's provision calculation.

	2019 R000	2018 R000
Trade and other receivables impaired		
Trade and other receivables that were impaired and provided for were as follows:		
Performing	**202**	264
Overdue	**11 929**	15 631
	12 131	15 895
The following table details the risk profile of trade receivables based on the Group's provision calculation.		
Reconciliation of trade and other receivables loss allowance		
Balance at the beginning of the year	**15 895**	24 796
Amounts raised during the year	**5 442**	5 483
Amounts written off as uncollectible	**(9 206)**	(14 384)
Balance at the end of the year	**12 131**	15 895

The maximum exposure to credit risk at the reporting date is the carrying amount of trade and other receivables above.

The Group does not hold any collateral as security.

7. CASH AND CASH EQUIVALENTS

	2019 R000	2018 R000
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position items:		
Cash and cash equivalents	**453 765**	716 988
Bank overdrafts	**–**	(193)
Cash on hand and bank balances	**453 765**	716 795

As described in the accounting policies, certain bank overdrafts payable on demand fluctuate from being positive to overdrawn and are considered an integral part of the Group's cash management for cash flow statement purposes.

There is no material difference between the fair value and the book value of cash and cash equivalents.

8. ASSETS AND LIABILITIES HELD FOR SALE

	2019 R000	2018 R000
Property, plant and equipment	**31 152**	–
Trade and other receivables	**3 239**	–
Cash and cash equivalents	**959**	–
Assets held for sale	**35 350**	–
Lease liabilities	**(1 014)**	–
Trade and other payables	**(691)**	–
Liabilities held for sale	**(1 705)**	–

The assets and liabilities held for sale relate to the Coega Concentrate Tomato Paste Plant. Operating losses have been incurred in the financial year related to the plant, and in anticipation of further losses the operations at the plant were ceased on 5 June 2018. No gain or loss has been recognised in reclassifying the assets and liabilities to held for sale.

The sale of Coega Concentrate has been concluded effective 1 June 2019, pending fulfilment of suspensive conditions.

9. ISSUED CAPITAL AND SHARE PREMIUM

	2019 R000	2018 R000
Share capital	**1 001**	1 000
Share premium	**153 343**	144 110
	154 344	145 110
Share capital		
Authorised		
200 000 000 (2018: 200 000 000) ordinary par value shares of 1 cent each	**2 000**	2 000
Issued		
Total shares in issue 100 066 219 (2018: 99 977 435) ordinary par value shares of 1 cent each	**1 001**	1 000
Unissued		
99 933 781 (2018: 100 022 565) ordinary par value shares of 1 cent each	**999**	1 000
Share premium		
Balance at the beginning of the year	**144 110**	130 476
Premium on shares issued	**9 233**	13 634
Balance at the end of the year	**153 343**	144 110

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10. OTHER RESERVES

	2019 R000	2018 R000
Foreign currency translation reserve	**184 827**	(96 846)
Share-based payments	**131 148**	101 791
Change in ownership	**(11 634)**	(13 434)
Put options equity reserve	**(54 004)**	(148 943)
Cash flow hedge reserve	**(6 470)**	(6 624)
	243 867	(164 056)

11. BORROWINGS

	Currency	Maturity Date	Interest rate: Nature	Interest rate: Margin %	Interest rate: Rate	2019 %	2018 %	2019 R000	2018 R000
Unsecured									
Long-term borrowings								**2 088 098**	2 513 489
Short-term portion of borrowings								**25 604**	267 071
								2 113 702	2 780 560

Interest is paid quarterly in arrears.
The Company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Terms of repayment

	Currency	Maturity Date	Nature	Margin %	Rate	2019 %	2018 %	2019 R000	2018 R000
FY2018 facilities									
Syndicated facility: 3-year bullet	ZAR	Sep-19	variable	2.35	3-month JIBAR		7.16		720 000
Syndicated facility: 4-year bullet	ZAR	Sep-20	variable	2.55	3-month JIBAR		7.16		720 000
Syndicated facility: 5-year amortising	ZAR	Sep-21	variable	2.45	3-month JIBAR		7.16		853 333
FY2019 facilities									
Loan facility: 3-year bullet	ZAR	Dec-21	variable	1.60	3-month JIBAR	**7.15**		**600 000**	
Loan facility: 4-year bullet	ZAR	Dec-22	variable	1.70	3-month JIBAR	**7.15**		**850 000**	
Loan facility: 5-year revolving facility	ZAR	Dec-23	variable	1.70	3-month JIBAR	**7.15**		**637 169**	
								2 087 169	2 293 333
Syndicated facility: revolving credit	GBP	11-Oct-19	variable	2.15	3-month LIBOR		0.52		422 799
Syndicated facility: revolving credit	GBP	11-Oct-19	variable	2.15	1-month LIBOR		0.49		65 046
Transaction costs								**(3 398)**	(37 727)
Interest accrued								**29 931**	37 109
								2 113 702	2 780 560

Maturity analysis

	2019 R000	2018 R000
Payable within 1 year	**25 604**	267 071
Payable between 2 and 5 years	**2 088 098**	2 513 489
	2 113 702	2 780 560

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by R21 million (2018: R28 million).

Interest risk management

The Group utilises interest rate swap contracts to hedge its exposure to the variability of cash flows arising from unfavourable movements in interest rates. Refer Note 32 *Risk management* and Note 12 *Derivative financial instruments* for further details.

Facilities

- Total ZAR overdraft facility in place: R380 million (2018: R80 million). Unutilised portion at year-end: R380 million (2018: R77 million).
- The Group has a 5-year revolving loan facility of R970 million (2018: Rnil). Unutilised portion is R333 million (2018: Rnil) at year end.
- Total GBP borrowings facility in place: £nil (2018: £30 million).

Refinancing

In December 2018 the Group refinanced the existing funding structure to align with the funding requirements of the business and to manage liquidity risk.

Guarantees

Famous Brands Limited, Famous Brands Management Company (Pty) Ltd, Mugg and Bean Franchising (Pty) Ltd, Lamberts Bay Foods Limited and Famous Brands Logistics Company (Pty) Ltd have guaranteed in terms of the loan agreement:

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

Transaction costs

- The unamortised portion of underwriting and participation fees related to the syndicated facilities in the prior year was derecognised within finance costs on refinancing of the borrowings.
- The unamortised portion of transaction costs related to the loan facility amount to R3 million (2018: R38 million) as at 28 February 2019.

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12. DERIVATIVE FINANCIAL INSTRUMENTS

	Note	2019 R000	2018 R000
Put options written over the equity of non-controlling interests		**(105 783)**	(176 186)
Foreign exchange contract liabilities		**(613)**	(1 028)
Interest-rate swap liabilities	12.1	**(11 797)**	(14 711)
Balance at the end of the year (net)		**(118 193)**	(191 925)
Maturity analysis			
Current liabilities		**(97 060)**	(159 555)
Non-current liabilities		**(21 133)**	(32 370)
Balance at the end of the year (net)		**(118 193)**	(191 925)

Refer to Note 32 Risk management for further details.

12.1 Interest-rate swap liabilities

The Group has entered into interest rate swap contracts that entitle it to pay fixed interest rates on notional principal amounts relating to interest-bearing borrowings raised at floating interest rates (refer Note 11 *Borrowings*). Derivatives are only used for economic hedging purposes and not as speculative investments. The hedging objective is to achieve cash flow certainty regarding interest payments. In order to mitigate against the risk of not benefiting from potential decreases in interest rates, the Group's policy is to hedge between 40% and 60% of the underlying interest bearing debt, with the aim of matching the critical terms of the hedging instrument to that of the underlying debt.

The Group assesses prospective hedge effectiveness by ensuring the critical terms (including interest reset dates and term of the loan facility) are perfectly matched, thus the hedge is expected to be highly effective. The Group assesses the hedge effectiveness by comparing the changes in fair value of hypothetical derivatives reflecting the terms of the interest bearing borrowings' movement in interest with the changes in fair value of the interest swaps. The Group uses the hypothetical derivative method to determine the change in fair value of the hedged item on a cumulative basis.

The Group determines the hedge ratio by comparing the notional amount of the derivative with the notional principal debt of the interest bearing borrowings. If the loan granted has an amortising principal the Group enters into interest rate swaps with an equivalent amortising notional amount.

The Group has identified the following possible sources of ineffectiveness in its cash flow hedge relationships:

- The use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- Difference in tenor of hedged items and hedging instruments;
- Use of different discounting curves for hedged items and hedging instruments, because for interest rate swaps the discounting curve used depends on collateralisation and the type of collateral used;
- Difference in timing of settlement of the hedging instrument and hedged item; and
- Designation of off-market hedging instruments.

The table below sets out the details of the interest rate swap contracts including the notional amounts, fair values and base variables:

		2019		2018	
	Maturity date	**Notional amount R000**	**Fixed interest rate %**	Notional amount R000	Fixed interest rate %
Syndicated loans (swap from variable to fixed)					
Syndicated facility: 3-year bullet	Sep-19			288 000	7.70
Syndicated facility: 4-year bullet	Sep-20			288 000	7.83
Syndicated facility: 5-year amortising, repayable biannually	Sep-21			341 333	7.78
Loan facility: 3-year bullet	Dec-21	**240 000**	**7.67**		
Loan facility: 4-year bullet	Dec-22	**340 000**	**7.82**		

The table below sets out the details of the fair value, fair value changes for determining hedge ineffectiveness and the line impacted in the statement of financial position:

	2019 R000
Fair value changes in determining hedge ineffectiveness (include in finance costs)	**(342)**
Derivative financial instruments (interest rate swaps)	**(11 797)**

12.2 Changes in the cash flow hedge reserves

When accounting for cash flow hedges, the designated effective portions of a hedging relationship are recognised in other comprehensive income. Any changes in excess of the fair value of the designated component are recognised as ineffectiveness through profit or loss.

The table below shows a reconciliation of the reserve:

	2019 R000
Carrying value at beginning of the year	**6 624**
Derecognition of interest swaps to profit or loss (included in finance costs)	**(6 624)**
Recognition of interest swaps in other comprehensive income	**9 377**
Reclassification from other comprehensive income to profit or loss (included in finance costs)	**(342)**
Deferred tax	**(2 565)**
Carrying value at end of the year	**6 470**

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13. LEASE LIABILITIES

	2019 R000	2018 R000
Operating leases smoothing liability	**63 192**	90 034
Finance lease payables	**5 785**	7 446
Balance at the end of the year	**68 977**	97 480
Maturity analysis		
Current liabilities	**14 025**	11 125
Non-current liabilities	**54 952**	86 355
	68 977	97 480
13.1 Operating lease smoothing liability		
Balance at the beginning of the year	**90 034**	80 380
Movement during the year	**(26 842)**	9 654
Balance at the end of the year	**63 192**	90 034
Maturity analysis		
Current liabilities	**12 155**	8 851
Non-current liabilities	**51 037**	81 183
	63 192	90 034
13.2 Finance lease payables		
Balance at the beginning of the year	**7 446**	6 290
Movement during the year	**(1 661)**	1 156
Balance at the end of the year	**5 785**	7 446
Maturity analysis		
Current liabilities	**1 870**	2 274
Non-current liabilities	**3 915**	5 172
	5 785	7 446

The finance lease payables are secured by property, plant and equipment with a net book value of R6 million (2018: R7 million).

Details of the lease rentals and commitments are disclosed in Note 25.

14. NON-CONTROLLING SHAREHOLDER LOANS

	2019 R000	2018 R000
Unsecured:		
Amounts due to non-controlling shareholders of:		
Cater Chain Food Services (Pty) Ltd	**2 500**	7 500
	2 500	7 500

The loan has no fixed terms of repayment and is interest free. The book value of the loan approximates its fair value.

15. TRADE AND OTHER PAYABLES

	2019 R000	2018 R000
Financial instruments	**649 220**	599 941
Trade payables	**378 216**	391 265
Accruals	**266 078**	204 590
Advertising levy surplus	**4 926**	4 086
Non-financial instruments	**153 956**	170 779
Employee benefits	**93 811**	100 210
Deferred income	**8 265**	11 436
VAT payable	**51 880**	59 133
	803 176	770 720

Accruals and deferred income represent miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year-end and income received during the year, for which the Group had not supplied the goods or services at the end of the year.

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

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16. PROVISIONS

	2019 R000	2018 R000
Balance at the beginning of the year	**32 851**	–
Amounts raised during the year	**–**	32 851
Foreign currency translation	**3 140**	–
Amounts utilised and reversed	**(35 991)**	–
Balance at the end of the year	**–**	32 851

The provisions related to property related expenses at GBK restaurant level. A lease is onerous where the unavoidable costs of fulfilment exceed the economic benefits expected to be received. Provision was made for the lower of the costs of closure or the cost of continued operation which amounted to Rnil (2018: R33 million). The provision was based on the expected time until the lease could be assigned and the discount to standing rent which would have had to be paid in order to attract an assignee.

In the current year the provision has been reversed as the stores, which the provision related to, were closed as part of the CVA for GBK.

No other onerous leases were identified to be provided for.

17. REVENUE

	2019 R000	2018 R000
Sale of goods*	**4 446 514**	4 327 642
Services rendered, franchise and restaurant revenue*	**2 733 022**	2 695 453
	7 179 536	7 023 095

* *2018 disclosure has been restated to reflect Brands, International and Corporate in services rendered, franchise and restaurant revenue. The sale of goods relates to the Supply Chain segment. This is to align with IFRS 15 requirements. Further analysis of revenue is provided in the primary (business units) and secondary (geographical) segment report based on the information reviewed by the chief operating decision maker.*

18. (LOSS)/PROFIT BEFORE TAX

	Notes	2019 R000	2018 R000
(Loss)/profit before tax is arrived at after taking into account, among other items, those detailed below:			
Depreciation of property, plant and equipment		**195 971**	181 414
Amortisation of intangible assets		**26 576**	21 398
Employee costs		**1 374 229**	1 318 928
Directors' remuneration	28	**14 852**	13 960
Executive directors		**10 241**	9 800
Non-executive directors		**4 611**	4 160
Auditors' remuneration		**9 769**	6 430
Audit fee		**8 809**	6 280
Fees for other services		**960**	150
Foreign exchange (profit)/loss		**(9 525)**	3 203
Net operating lease charges		**419 324**	260 995
Operating lease charges on immovable property		**432 483**	261 696
Operating lease charges recovered from sub-lessees		**(26 684)**	(14 169)
Operating lease charges on movable property		**13 525**	13 468
Loss/(profit) on disposal of property, plant, equipment and intangible assets		**198**	(1 711)
Share-based payments – equity-settled		**39 770**	26 600
Non-operational items*		**916 648**	372 592
Impairments		**899 425**	372 592
Once-off CVA-related costs		**17 223**	–

* *Represents non-operational items that are not expected to recur in future.*

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19. TAX

	2019 R000	2018 R000
Normal tax		
Current tax	**244 247**	206 073
Current year	**252 434**	211 133
Prior year over provision	**(8 187)**	(5 060)
Deferred tax	**(109 833)**	803
Current temporary differences	**(109 833)**	(16 895)
Prior year underprovision	**–**	17 698
	134 414	206 876

Reconciliation of rate of tax	**%**	%
South African normal rate of tax	**28.0**	28.0
Reduction in rate for year, due to:		
Share of profits of associates	**0.4**	(0.4)
Prior year over provision: current tax	**2.8**	(1.9)
Tax losses utilised	**3.1**	–
Non-taxable income	**4.8**	(1.1)
Increase in rate for year, due to:		
Disallowable expenditure*	**(59.6)**	41.8
Prior year under provision: current tax	**–**	6.5
Tax losses not recognised	**(6.6)**	0.6
Foreign tax differential	**(19.6)**	3.0
Effective rate of tax	**(46.7)**	76.5

* *Mainly attributable to impairments in 2018 and 2019.*

20. (LOSS)/EARNINGS AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per ordinary share is based on a loss of R480 million (2018: profit of R22 million) and a weighted average number of shares in issue of 99 999 631 (2018: 99 872 018).

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per ordinary share is based on diluted loss of R480 million (2018: profit R22 million) and a weighted average number of shares in issue of 100 230 390 (2018: 100 231 341), after taking into account the effect of the possible issue of 230 759 (2018: 359 323) ordinary shares in the future relating to the Share Incentive Scheme.

	2019			2018		
	Gross R000	**Tax R000**	**Net R000**	Gross R000	Tax R000	Net R000
Reconciliation between basic and diluted basic (loss)/earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(480 400)**	**–**	**(480 400)**	21 618	–	21 618
Basic and diluted basic (loss)/earnings	**(480 400)**	**–**	**(480 400)**	21 618	–	21 618
Basic (loss)/earnings per share (cents)						
Basic			**(480)**			22
Diluted			**(479)**			22

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

21. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

Basic headline earnings

The calculation of headline earnings per ordinary share is based on headline earnings of R319 million (2018: R393 million) and a weighted average number of shares in issue of 99 999 631 (2018: 99 872 018).

Diluted headline earnings

The calculation of diluted headline earnings per ordinary share is based on diluted headline earnings of R319 million (2018: R393 million) and a weighted average number of shares in issue of 100 230 390 (2018: 100 231 341), after taking into account the effect of the possible issue of 230 759 (2018: 359 323) ordinary shares in the future relating to the Share Incentive Scheme.

	2019			2018		
	Gross R000	**Tax R000**	**Net R000**	Gross R000	Tax R000	Net R000
Reconciliation between earnings, headline earnings and diluted headline earnings						
(Loss)/profit attributable to owners of Famous Brands Limited	**(480 400)**	**–**	**(480 400)**	21 618	–	21 618
Adjustment for:	**899 623**	**(100 020)**	**799 603**	370 881	479	371 360
Loss/(profit) on disposal of property, plant and equipment	**198**	**(55)**	**143**	(1 711)	479	(1 232)
Impairments	**899 425**	**(99 965)**	**799 460**	372 592	–	372 592
Headline earnings	**419 223**	**(100 020)**	**319 203**	392 499	479	392 978
Headline earnings per share (cents)						
Basic			**319**			393
Diluted			**318**			392

22. DIVIDENDS

Final dividend number 44 of 100 cents per ordinary share (2018: nil) has been declared, payable on 8 July 2019 to ordinary shareholders recorded in the books of the Company at the close of business on 5 July 2019.

23. CASH FLOW INFORMATION

	2019 R000	2018 R000
23.1 Reconciliation of (loss)/profit before tax to cash generated by operations		
(Loss)/profit before tax	**(288 129)**	270 227
Adjustments for:		
Depreciation of property, plant and equipment	**195 971**	181 414
Amortisation of intangible assets	**26 576**	21 398
Impairment	**899 425**	372 592
Movement in lease liabilities	**(32 925)**	9 670
Net finance costs	**225 634**	251 345
Loss/(profit) on disposal of property, plant, equipment and intangible assets	**198**	(1 711)
Share of profits from associates	**(4 479)**	(3 906)
Share-based payments reserve	**39 770**	26 600
(Reversal)/raising of provision for property expenses	**(35 991)**	32 851
Other non-cash items*	**29 832**	(25 359)
Cash generated before changes in working capital	**1 055 882**	1 135 121
Working capital changes	**(22 298)**	(12 201)
(Increase)/decrease in inventories	**(18 352)**	18 768
Decrease/(increase) in receivables	**11 651**	(12 730)
Decrease in payables	**(15 597)**	(18 239)
Cash generated from operations	**1 033 584**	1 122 920

* *Mainly relates to remeasurement of put options and foreign exchange movements.*

	2019 R000	2018 R000
23.2 Reconciliation of tax paid during the year		
Amounts receivable at the beginning of the year	**91 064**	28 065
Amounts charged to profit or loss	**(244 247)**	(206 876)
Adjustment for deferred tax	**–**	803
Foreign currency effect	**(3 220)**	(5 314)
Amounts receivable at the end of the year	**(40 806)**	(91 064)
Tax paid	**(197 209)**	(274 386)
23.3 Reconciliation of dividends paid during the year		
Amounts owing at the beginning of the year	**(2 221)**	(2 221)
Amounts charged to retained earnings	**(73 367)**	(17 182)
Amounts owing at the end of the year	**2 195**	2 221
Dividends paid	**(73 393)**	(17 182)

Notes to the consolidated annual financial statements continued

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23. CASH FLOW INFORMATION CONTINUED

	2019 R000	2018 R000
23.4 Acquisition of business operations		
Summary of cash outflow on acquisition of subsidiaries		
Chilango (Pty) Ltd	–	2 589
Total cash outflow on acquisition of subsidiaries	–	2 589
23.5 Liabilities from financing activities reconciliation		
Borrowings		
Carrying value at beginning of the year	2 780 560	2 855 597
Borrowings raised	2 187 000	–
Borrowings repaid	(2 919 759)	(106 667)
Foreign exchange adjustments	38 750	2 292
Other changes*	27 151	29 338
Carrying value at end of the year	2 113 702	2 780 560

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

	2019 R000	2018 R000
Non-controlling shareholder loans		
Carrying value at beginning of the year	7 500	22 130
Repaid	(5 000)	(14 630)
Carrying value at end of the year	2 500	7 500

24. CONTINGENT LIABILITIES

24.1 Refer to Note 11 for other guarantees and facilities in the Group.

24.2 The Company and its South African subsidiaries have issued an unlimited suretyship in favour of First Rand Bank Limited to secure the banking facilities entered into by certain subsidiary companies.

24.3 Guarantees issued by banks in favour of trade creditors totalled R9 million (2018: R7 million).

24.4 The Group's borrowings are unsecured, no pledges have been issued.

25. COMMITMENTS

	2019 R000	2018 R000
25.1 Operating leases		
The Group has commitments arising from property leases for its own business operations and leases entered into to secure key sites for franchised outlets. With regard to leases entered into to secure key sites, it is the Group's policy to enter into sub-lease agreements with the franchisees on the same terms and conditions as those in the main lease.		
Lease rentals for South African operations are negotiated on an average term of six years and escalated at an average rate of 8% p.a. No contingent rent is payable.		
Lease rentals for UK operations are negotiated on an average term of 20 years, with upward only rent reviews scheduled, on average, every five years based on market conditions existing at the time of the review. In addition to the base rent, a number of lease agreements have additional rent based upon turnover achieved in any set period, over an agreed threshold for that period. No other contingent rent is payable.		
In circumstances where the amounts recoverable are lower than the amounts payable, the Group immediately recognises provisions for onerous contracts.		
Certain operating commitments relating to computer equipment exist.		
The net future minimum rentals due under operating leases are as follows:		
Gross amounts due	**1 689 685**	2 588 846
Amounts recoverable from sub-lessees*	**(119 360)**	(112 292)
	1 570 325	2 476 554
The gross future minimum rentals due are repayable as follows:		
Payable within the next 12 months	**215 548**	269 225
Payable within two to five years	**556 022**	797 179
Thereafter	**918 115**	1 522 442
	1 689 685	2 588 846

* *On the same terms and conditions as the gross amount due.*

Refer to the Accounting Policy Note 4 on the judgement applied in quantification of lease commitments.

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25. COMMITMENTS CONTINUED

	2019 R000	2018 R000
25.2 Finance leases		
The amounts set out below relate to forklifts and motor vehicles that have been accounted for in line with the requirements of IFRIC 4 *Determining whether an arrangement contains a lease*		
The gross future minimum rentals due are repayable as follows:		
Payable within the next 12 months	**2 066**	2 561
Payable within two to five years	**4 341**	6 009
	6 407	8 570
Less future finance charges	**(622)**	(1 124)
Present value of minimum lease payments	**5 785**	7 446
Payable within the next 12 months	**1 870**	2 274
Payable within two to five years	**3 915**	5 172
	5 785	7 446
25.3 Capital expenditure		
Approved by the directors but not contracted for.	**184 796**	205 648
This capital expenditure relates to additions and improvements to production facilities, motor vehicles, franchise incentives, computer equipment and furniture and fittings.		
It is anticipated that this expenditure will be financed by existing borrowing facilities and internally generated funds.		

26. RETIREMENT BENEFIT PLANS

Employees within the Group are members of 10 (2018: nine) provident funds and one pension fund (2018: nil). Seven funds are administered by Liberty Life, one fund by Borwa Financial Services and two by Sanlam. Each fund provides benefits on a defined contribution basis. The funds are subject to the Pension Funds Act of 1956, as amended. All employees of the Group are eligible to be members of the funds. As at 28 February 2019, the membership of the funds was 2 212 (2018: 1 999) employees. The Group's contribution to the provident funds for the year was R51 million (2018: R47 million). The market value of the investments of the various funds as at 28 February 2019 was R248 million (2018: R221 million).

27. DIRECTORS' INTEREST IN SHARES

	2019			2018		
	Beneficial direct interest 000	**Beneficial indirect interest 000**	**Total 000**	Beneficial direct interest 000	Beneficial indirect interest 000	Total 000
Executive						
DP Hele	**75**	**–**	**75**	70	–	70
K Ntlha	**2**	**–**	**2**	–	–	–
Non-executive						
N Halamandaris	**616**	**6 829**	**7 445**	646	7 350	7 996
JL Halamandres	**2 501**	**1**	**2 502**	2 842	–	2 842
	3 194	**6 830**	**10 024**	3 558	7 350	10 908

No director has any non-beneficial interest in the ordinary shares of the Company.

The Company has not been advised of any changes in the above interests of the directors during the period up to the date of this report.

28. DIRECTORS' REMUNERATION

	For services as directors R000	Remune-ration R000	Bonuses R000	Provident fund contri-butions R000	Other benefits and payments R000	Total R000
28 February 2019						
Executive	**–**	**6 225**	**1 913**	**793**	**1 310**	**10 241**
DP Hele	**–**	**4 180**	**1 418**	**517**	**1 021**	**7 136**
K Ntlha	**–**	**2 045**	**495**	**276**	**289**	**3 105**
Non-executive	**4 611**	**–**	**–**	**–**	**–**	**4 611**
NJ Adami	**360**	**–**	**–**	**–**	**–**	**360**
CH Boulle	**556**	**–**	**–**	**–**	**–**	**556**
SL Botha	**1 082**	**–**	**–**	**–**	**–**	**1 082**
DJ Fredericks (appointed 1 August 2018)	**195**	**–**	**–**	**–**	**–**	**195**
N Halamandaris	**399**	**–**	**–**	**–**	**–**	**399**
JL Halamandres	**399**	**–**	**–**	**–**	**–**	**399**
TE Mashilwane	**509**	**–**	**–**	**–**	**–**	**509**
BL Sibiya	**454**	**–**	**–**	**–**	**–**	**454**
T Skweyiya (resigned 8 March 2019)	**657**	**–**	**–**	**–**	**–**	**657**
	4 611	**6 225**	**1 913**	**793**	**1 310**	**14 852**
Less: Paid by subsidiaries	**–**	**(6 225)**	**(1 913)**	**(793)**	**(1 310)**	**(10 241)**
	4 611	**–**	**–**	**–**	**–**	**4 611**

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28. DIRECTORS' REMUNERATION CONTINUED

	For services as directors R000	Remune-ration R000	Bonuses R000	Provident fund contri-butions R000	Other benefits and payments R000	Total R000
28 February 2018						
Executive	–	6 018	3 100	478	204	9 800
DP Hele	–	4 077	2 500	263	160	7 000
K Ntlha	–	1 941	600	215	44	2 800
Non-executive	4 160	–	–	–	–	4 160
NJ Adami	439	–	–	–	–	439
CH Boulle	630	–	–	–	–	630
SL Botha	751	–	–	–	–	751
P Halamandaris (retired 6 November 2017)	77	–	–	–	–	77
P Halamandaris (Jnr) (retired 6 November 2017)	186	–	–	–	–	186
T Halamandaris (retired 6 November 2017)	77	–	–	–	–	77
N Halamandaris (appointed 6 November 2017)	100	–	–	–	–	100
JL Halamandres	330	–	–	–	–	330
KA Hedderwick (retired 16 January 2018)	241	–	–	–	–	241
RM Kgosana (resigned 29 September 2018)	322	–	–	–	–	322
TE Mashilwane (appointed 6 November 2017)	97	–	–	–	–	97
BL Sibiya	433	–	–	–	–	433
T Skweyiya (appointed 1 June 2016)	477	–	–	–	–	477
	4 160	6 018	3 100	478	204	13 960
Less: Paid by subsidiaries	–	(6 018)	(3 100)	(478)	(204)	(9 800)
	4 160	–	–	–	–	4 160

Directors' remuneration is only reflected from the date upon which an appointment commences and up to the date of resignation. Performance bonuses reflect the amounts accrued in respect of the year to which the performance relates.

The following amounts, which have not been included in the Remuneration on page 54, were recognised in line with IFRS 2 *Share-based payments*:

	Share Appreciation Rights R000	Retention Shares R000	Share Options R000	Total R000
28 February 2019				
DP Hele	**1 496**	**1 993**	**–**	**3 489**
K Ntlha	**566**	**672**	**–**	**1 238**
	2 062	**2 665**	**–**	**4 727**
28 February 2018				
DP Hele	1 532	2 020	288	3 840
K Ntlha	566	684	–	1 250
	2 098	2 704	288	5 090

29. SHARE-BASED PAYMENTS

Famous Brands operates the Famous Brands Share Incentive Scheme, which comprises the following equity-settled share based payments arrangements:

(a) Share Options (refer 29.1);

(b) Share Appreciation Rights (SARs) (refer 29.2); and

(c) Retention Shares (RSs) (refer 29.3).

The Share Incentive Scheme enables directors, executive management and specified directors of subsidiaries to benefit from the Famous Brands share price performance. The Group's remuneration philosophy is contained in the Integrated Annual Report which is available on the Company's website at www.famousbrands.co.za.

29.1 Share Options

This Scheme confers the right to participants to acquire ordinary shares at the value of the Famous Brands share at the date that the option is granted. On acceptance of the option, the participant has the right to exercise the option at any time, after vesting, during the option life, in as many tranches as the participant may elect. To receive shares, participants must be either employed by or retirees of the Company when the rights to the shares vest. The directors of the Company may amend the vesting period of the options by board resolution.

The Scheme has a single type of vesting category which comprises a three-year vesting period and seven-year expiry period subsequent to grant date.

A reconciliation of the movement of all share options is detailed below:

	Option exercise price range (Rand)		Number of shares	
	2019	2018	**2019**	2018
Opening balance	**101.2**	43.40 – 101.2	**395 000**	**510 000**
Granted	**–**	–	**–**	–
Forfeited	**–**	–	**–**	**–**
Allotted and issued	**101.2**	43.4 – 101.2	**–**	**(115 000)**
Options granted, shares not issued up to the end of the period	**101.2**	**101.2**	**395 000**	**395 000**

The weighted average share price at the date of exercise was R119.

The last options were granted in November 2014.

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29. SHARE-BASED PAYMENTS CONTINUED

The following options have been granted and accepted, but delivery of shares will only take place in the future.

Number of ordinary shares	Grant date	Option fair value at grant date (Rand)	Option exercise price (Rand)	Financial year in which options vested
395 000*	**November 2014**	**16.21**	**101.20**	**February 2018**

* *Vested, but not yet exercised.*

An analysis of share options granted to executive directors is detailed below:

	Option vesting date	Subscription price Rand	Outstanding as at 1 March 2018	Granted during the period	Exercised during the period	Outstanding as at 28 February 2019
Executive director						
DP Hele	**November 2017**	**101.20**	**80 000**	**–**	**–**	**80 000**
Options granted, shares not issued up to the end of the period			**80 000**	**–**	**–**	**80 000**

The share options granted have been valued, at grant date, using the Black-Scholes-Merton model which takes account of the vesting period (European style option). Expected volatility of the share price was determined by giving consideration to the historical volatility of the Famous Brands share price.

29.2 Share Appreciation Rights (SARs)

The SARs represent the right participants have to be paid the difference between the share price on grant date and the share price on the date on which the SARs vest. The Company has the option to settle in equity or cash. The SARs vest in three equal tranches, with the first tranche vesting at the end of the third year.

A reconciliation of the movement of all SARs granted is detailed below.

	Number of SARs 2019	2018
Opening balance	**1 489 614**	1 395 792
Granted	**405 714**	188 688
Management	**405 714**	115 422
Executive directors	**–**	73 266
Forfeited	**(64 470)**	(94 866)
SARs outstanding at the end of the year	**1 830 858**	1 489 614

The number of SARs outstanding as at 28 February 2019 are as set out below:

Grant date	Financial year of vesting	Fair value at grant date (Rand)	Opening balance	Granted	Forfeited	Settled	Closing balance
November 2015			**1 020 129**	**–**	**(30 693)**	**–**	**989 436**
Tranche 1	**February 2019**	**32.75**	**340 043**	**–**	**(10 231)**	**–**	**329 812**
Tranche 2	**February 2020**	**37.65**	**340 043**	**–**	**(10 231)**	**–**	**329 812**
Tranche 3	**February 2021**	**41.61**	**340 043**	**–**	**(10 231)**	**–**	**329 812**
June 2016			**298 488**	**–**	**(5 364)**	**–**	**293 124**
Tranche 1	**February 2019 – 2020**	**31.67^**	**113 422**	**–**	**(1 788)**	**–**	**111 634**
Tranche 2	**February 2020 – 2021**	**36.41^**	**113 422**	**–**	**(1 788)**	**–**	**111 634**
Tranche 3	**February 2021 – 2022**	**42.12^**	**71 644**	**–**	**(1 788)**	**–**	**69 856**
June 2017			**170 997**	**–**	**(12 915)**	**–**	**158 082**
Tranche 1	**February 2020 – 2021**	**24.54^**	**154 175**	**–**	**(4 305)**	**–**	**149 870**
Tranche 2	**February 2021 – 2022**	**31.01^**	**8 411**	**–**	**(4 305)**	**–**	**4 106**
Tranche 3	**February 2022 – 2023**	**36.58^**	**8 411**	**–**	**(4 305)**	**–**	**4 106**
June 2018			**–**	**405 714**	**(15 498)**	**–**	**390 216**
Tranche 1	**February 2021 – 2022**	**84.58^**	**–**	**278 222**	**(5 166)**	**–**	**273 056**
Tranche 2	**February 2022 – 2023**	**87.27^**	**–**	**63 746**	**(5 166)**	**–**	**58 580**
Tranche 3	**February 2023 – 2024**	**89.74^**	**–**	**63 746**	**(5 166)**	**–**	**58 580**
Number of SARs			**1 489 614**	**405 714**	**(64 470)**	**–**	**1 830 858**

^ *Average fair value for new grants and top-up grants.*

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29. SHARE-BASED PAYMENTS CONTINUED

29.2 Share Appreciation Rights (SARs) continued

The number of SARs outstanding as at 28 February 2018 are as set out below:

	Financial year of vesting	Fair value at grant date (Rand)	Opening balance	Granted	Forfeited	Settled	Closing balance
November 2015			1 074 492	–	(54 363)	–	1 020 129
Tranche 1	February 2019	32.75	358 164	–	(18 121)	–	340 043
Tranche 2	February 2020	37.65	358 164	–	(18 121)	–	340 043
Tranche 3	February 2021	41.61	358 164	–	(18 121)	–	340 043
June 2016			321 300	–	(22 812)	–	298 488
Tranche 1	February 2019 – 2020	31.67^	121 026	–	(7 604)	–	113 422
Tranche 2	February 2020 – 2021	36.41^	121 026	–	(7 604)	–	113 422
Tranche 3	February 2021 – 2022	42.12^	79 248	–	(7 604)	–	71 644
June 2017			–	188 688	(17 691)	–	170 997
Tranche 1	February 2020 – 2021	24.54^	–	162 368	(8 193)	–	154 175
Tranche 2	February 2021 – 2022	31.01^	–	13 160	(4 749)	–	8 411
Tranche 3	February 2022 – 2023	36.58^	–	13 160	(4 749)	–	8 411
Number of SARs			1 395 792	188 688	(94 866)	–	1 489 614

^ *Average fair value for new grants and top-up grants.*

Details of the SARs granted to executive directors are as set out below:

	Grant date	Grant price (Rand)	Outstanding at the beginning of the year	Granted	Settled	Outstanding at the end of the year
28 February 2019						
Executive director						
DP Hele*			**90 582**	–	–	**90 582**
Tranche 1	**November 2015**	**32.75**	**30 194**	–	–	**30 194**
Tranche 2	**November 2015**	**37.65**	**30 194**	–	–	**30 194**
Tranche 3	**November 2015**	**41.61**	**30 194**	–	–	**30 194**
			11 571	–	–	**11 571**
Tranche 1	**June 2016**	**30.27**	**3 857**	–	–	**3 857**
Tranche 2	**June 2016**	**35.26**	**3 857**	–	–	**3 857**
Tranche 3	**June 2016**	**41.09**	**3 857**	–	–	**3 857**
			51 552	–	–	**51 552**
Tranche 1	**June 2017**	**17.53**	**17 184**	–	–	**17 184**
Tranche 2	**June 2017**	**25.09**	**17 184**	–	–	**17 184**
Tranche 3	**June 2017**	**31.54**	**17 184**	–	–	**17 184**
K Ntlha*			**25 743**	–	–	**25 743**
Tranche 1	**November 2015**	**32.75**	**8 581**	–	–	**8 581**
Tranche 2	**November 2015**	**37.65**	**8 581**	–	–	**8 581**
Tranche 3	**November 2015**	**41.61**	**8 581**	–	–	**8 581**
			8 022	–	–	**8 022**
Tranche 1	**June 2016**	**30.27**	**2 674**	–	–	**2 674**
Tranche 2	**June 2016**	**35.26**	**2 674**	–	–	**2 674**
Tranche 3	**June 2016**	**41.09**	**2 674**	–	–	**2 674**
			21 714	–	–	**21 714**
Tranche 1	**June 2017**	**17.53**	**7 238**	–	–	**7 238**
Tranche 2	**June 2017**	**25.09**	**7 238**	–	–	**7 238**
Tranche 3	**June 2017**	**31.54**	**7 238**	–	–	**7 238**
			209 184	–	–	**209 184**

* *Executive directors were not granted SARs for FY2019 (June 2018).*

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29. SHARE-BASED PAYMENTS CONTINUED

29.2 Share Appreciation Rights (SARs) continued

Details of the SARs granted to executive directors are as set out below:

	Grant date	Grant price (Rand)	Outstanding at the beginning of the year	Granted	Settled	Outstanding at the end of the year
28 February 2018						
Executive director						
DP Hele			90 582	–	–	90 582
Tranche 1	November 2015	32.75	30 194	–	–	30 194
Tranche 2	November 2015	37.65	30 194	–	–	30 194
Tranche 3	November 2015	41.61	30 194	–	–	30 194
			11 571	–	–	11 571
Tranche 1	June 2016	30.27	3 857	–	–	3 857
Tranche 2	June 2016	35.26	3 857	–	–	3 857
Tranche 3	June 2016	41.09	3 857	–	–	3 857
			–	51 552	–	51 552
Tranche 1	June 2017	17.53	–	17 184	–	17 184
Tranche 2	June 2017	25.09	–	17 184	–	17 184
Tranche 3	June 2017	31.54	–	17 184	–	17 184
K Ntlha			25 743	–	–	25 743
Tranche 1	November 2015	32.75	8 581	–	–	8 581
Tranche 2	November 2015	37.65	8 581	–	–	8 581
Tranche 3	November 2015	41.61	8 581	–	–	8 581
			8 022	–	–	8 022
Tranche 1	June 2016	30.27	2 674	–	–	2 674
Tranche 2	June 2016	35.26	2 674	–	–	2 674
Tranche 3	June 2016	41.09	2 674	–	–	2 674
			–	21 714	–	21 714
Tranche 1	June 2017	17.53	–	7 238	–	7 238
Tranche 2	June 2017	25.09	–	7 238	–	7 238
Tranche 3	June 2017	31.54	–	7 238	–	7 238
			135 918	73 266	–	209 184

The SARs granted have historically been valued, at grant date, using the Black-Scholes model which takes account of the vesting period (European style option). Expected volatility of the share price was determined by giving consideration to the historical volatility of the Famous Brands share price.

The SARs granted in the current year have been valued, at grant date, using the Binomial Option Valuation model which takes account of the vesting period (American style option) and 10 year exercise period. Expected volatility of the share price was determined by giving consideration to the historical volatility of the Famous Brands share price.

Details of the weighted average fair value of the SARs granted during the year and the related assumptions utilised are as set out below:

	2019	2018
Number of SARs granted	**405 714**	188 688
The principal inputs are as follows:		
Range of the weighted average fair value at grant date for the respective tranches (Rand)	**81.76 – 92.08**	17.53 – 41.26
Weighted average grant price (Rand)	**106.81**	138.1
Closing share price at grant date (Rand)	**115.00**	133.0
Expected life (years)	**10**	4
Expected volatility (%)	**27.9**	24.4
Range of the risk-free interest rates utilised for the respective tranches (%)	**9.46**	7.36 – 7.51
Average expected dividend yield (%)	**–**	1.61

Modification of SARs

On 22 October 2018, the Group's Remuneration Committee approved the extension of the exercise period for the employee SARs granted in November 2015 from 1 November 2018 to 1 November 2020 for Tranche 1 SARs (329 812 share options) and from 1 November 2019 to 1 November 2020 for Tranche 2 SARs (329 812 share options). The incremental fair value of R6.4 million will be recognised as an expense over the period from the modification date to the end of the vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the Binomial Option Valuation model and principles as described above, with the following model inputs:

	2019
Number of SARs modified	**659 624**
The principal inputs are as follows:	
Range of the weighted average fair value at grant date for the respective tranches (Rand)	**10.09**
Weighted average grant price (Rand)	**116.23**
Closing share price at modification date (Rand)	**98.50**
Expected life (years)	**2**
Expected volatility (%)	**26.2**
Range of the risk-free interest rates utilised for the respective tranches (%)	**7.70**
Average expected dividend yield (%)	**–**

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29. SHARE-BASED PAYMENTS CONTINUED

29.3 Retention Shares (RSs)

RSs represent the right participants have to be paid the value of the Company's 30 day Volume Weighted Average Price immediately preceding the vesting date. The Company has the option to settle in equity or cash. The RSs vest in three equal tranches, with the first tranche vesting at the end of the third year.

A reconciliation of the movement of all RSs granted is detailed below:

	Number of RSs	
	2019	2018
Opening balance	**414 705**	369 072
Granted	**134 269**	72 909
Management	**134 269**	49 998
Executive directors	**–**	22 911
Forfeited	**(16 824)**	(27 276)
Settled*	**(83 126)**	–
RSs outstanding at the end of the year	**449 024**	414 705

* *The share price on vesting date was R104.55.*

Details of the RSs allocated as at 28 February 2019 are as set out below:

Grant date	Financial year of vesting	Fair value at grant date (Rand)	Outstanding at the beginning of the year	Granted	Forfeited	Settled	Outstanding at the end of the year
November 2015			**256 110**	**–**	**(6 732)**	**(83 126)**	**166 252**
Tranche 1	**February 2019**	**122.14**	**85 370**	**–**	**(2 244)**	**(83 126)**	**–**
Tranche 2	**February 2020**	**119.11**	**85 370**	**–**	**(2 244)**	**–**	**83 126**
Tranche 3	**February 2021**	**116.15**	**85 370**	**–**	**(2 244)**	**–**	**83 126**
June 2016			**91 851**	**–**	**(1 788)**	**–**	**90 063**
Tranche 1	**February 2019 – 2020**	**116.71^**	**35 204**	**–**	**(596)**	**–**	**34 608**
Tranche 2	**February 2020 – 2021**	**113.55^**	**35 204**	**–**	**(596)**	**–**	**34 608**
Tranche 3	**February 2021 – 2022**	**110.48^**	**21 443**	**–**	**(596)**	**–**	**20 847**
June 2017			**66 744**	**–**	**(3 876)**	**–**	**62 868**
Tranche 1	**February 2020 – 2021**	**127.97^**	**61 938**	**–**	**(1 292)**	**–**	**60 646**
Tranche 2	**February 2021 – 2022**	**125.93^**	**2 403**	**–**	**(1 292)**	**–**	**1 111**
Tranche 3	**February 2022 – 2023**	**119.24^**	**2 403**	**–**	**(1 292)**	**–**	**1 111**
June 2018			**–**	**134 269**	**(4 428)**	**–**	**129 841**
Tranche 1	**February 2021 – 2022**	**115.00^**	**–**	**86 902**	**(1 476)**	**–**	**85 426**
Tranche 2	**February 2022 – 2023**	**115.00^**	**–**	**23 684**	**(1 476)**	**–**	**22 208**
Tranche 3	**February 2023 – 2024**	**115.00^**	**–**	**23 683**	**(1 476)**	**–**	**22 207**
Number of RSs			**414 705**	**134 269**	**(16 824)**	**(83 126)**	**449 024**

^ *Average fair value for new grants and top-up grants.*

Notes to the consolidated annual financial statements continued

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29. SHARE-BASED PAYMENTS CONTINUED

29.3 Retention Shares (RSs) continued

Details of the RSs allocated as at 28 February 2018 are as set out below:

Grant date	Financial year of vesting	Fair value at grant date (Rand)	Outstanding at the beginning of the year	Granted	Forfeited	Settled	Outstanding at the end of the year
November 2015			273 105	–	(16 995)	–	256 110
Tranche 1	February 2019	122.14	91 035	–	(5 665)	–	85 370
Tranche 2	February 2020	119.11	91 035	–	(5 665)	–	85 370
Tranche 3	February 2021	116.15	91 035	–	(5 665)	–	85 370
June 2016			95 967	–	(4 116)	–	91 851
Tranche 1	February 2019 – 2020	116.71^	36 576	–	(1 372)	–	35 204
Tranche 2	February 2020 – 2021	113.55^	36 576	–	(1 372)	–	35 204
Tranche 3	February 2021 – 2022	110.48^	22 815	–	(1 372)	–	21 443
June 2017			–	72 909	(6 165)	–	66 744
Tranche 1	February 2020 – 2021	127.97^	–	65 389	(3 451)	–	61 938
Tranche 2	February 2021 – 2022	125.93^	–	3 760	(1 357)	–	2 403
Tranche 3	February 2022 – 2023	119.24^	–	3 760	(1 357)	–	2 403
Number of RSs			369 072	72 909	(27 276)	–	414 705

^ *Average fair value for new grants and top-up grants.*

Details of the RSs granted to executive directors are as set out below:

	Grant date	Grant price (Rand)	Outstanding at the beginning of the year	Granted	Settled	Outstanding at the end of the year
28 February 2019						
Executive director						
DP Hele*			**26 421**	–	**(8 807)**	**17 614**
Tranche 1	**November 2015**	**122.14**	**8 807**	–	**(8 807)**	–
Tranche 2	**November 2015**	**119.11**	**8 807**	–	–	**8 807**
Tranche 3	**November 2015**	**116.15**	**8 807**	–	–	**8 807**
			3 549	–	–	**3 549**
Tranche 1	**June 2016**	**117.64**	**1 183**	–	–	**1 183**
Tranche 2	**June 2016**	**114.46**	**1 183**	–	–	**1 183**
Tranche 3	**June 2016**	**111.36**	**1 183**	–	–	**1 183**
			17 754	–	–	**17 754**
Tranche 1	**June 2017**	**130.03**	**5 918**	–	–	**5 918**
Tranche 2	**June 2017**	**127.95**	**5 918**	–	–	**5 918**
Tranche 3	**June 2017**	**125.92**	**5 918**	–	–	**5 918**
K Ntlha*			**8 580**	–	**(2 860)**	**5 720**
Tranche 1	**November 2015**	**122.14**	**2 860**	–	**(2 860)**	–
Tranche 2	**November 2015**	**119.11**	**2 860**	–	–	**2 860**
Tranche 3	**November 2015**	**116.15**	**2 860**	–	–	**2 860**
			2 673	–	–	**2 673**
Tranche 1	**June 2016**	**117.64**	**891**	–	–	**891**
Tranche 2	**June 2016**	**114.46**	**891**	–	–	**891**
Tranche 3	**June 2016**	**111.36**	**891**	–	–	**891**
			5 157	–	–	**5 157**
Tranche 1	**June 2017**	**130.03**	**1 719**	–	–	**1 719**
Tranche 2	**June 2017**	**127.95**	**1 719**	–	–	**1 719**
Tranche 3	**June 2017**	**125.92**	**1 719**	–	–	**1 719**
Number of RSs			**64 134**	–	**(11 667)**	**52 467**

* *Executive directors were not granted RSs for FY2019 (June 2018).*

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29. SHARE-BASED PAYMENTS CONTINUED

29.3 Retention Shares (RSs) continued

	Grant date	Grant price (Rand)	Outstanding at the beginning of the year	Granted	Settled	Outstanding at the end of the year
28 February 2018						
Executive director						
DP Hele			26 421	–	–	26 421
Tranche 1	November 2015	122.14	8 807	–	–	8 807
Tranche 2	November 2015	119.11	8 807	–	–	8 807
Tranche 3	November 2015	116.15	8 807	–	–	8 807
			3 549	–	–	3 549
Tranche 1	June 2016	117.64	1 183	–	–	1 183
Tranche 2	June 2016	114.46	1 183	–	–	1 183
Tranche 3	June 2016	111.36	1 183	–	–	1 183
			–	17 754	–	17 754
Tranche 1	June 2017	130.03	–	5 918	–	5 918
Tranche 2	June 2017	127.95	–	5 918	–	5 918
Tranche 3	June 2017	125.92	–	5 918	–	5 918
K Ntlha			8 580	–	–	8 580
Tranche 1	November 2015	122.14	2 860	–	–	2 860
Tranche 2	November 2015	119.11	2 860	–	–	2 860
Tranche 3	November 2015	116.15	2 860	–	–	2 860
			2 673	–	–	2 673
Tranche 1	June 2016	117.64	891	–	–	891
Tranche 2	June 2016	114.46	891	–	–	891
Tranche 3	June 2016	111.36	891	–	–	891
			–	5 157	–	5 157
Tranche 1	June 2017	130.03	–	1 719	–	1 719
Tranche 2	June 2017	127.95	–	1 719	–	1 719
Tranche 3	June 2017	125.92	–	1 719	–	1 719
Number of RSs			41 223	22 911	–	64 134

The RSs granted have been valued, at grant date, using the Black-Scholes-Merton model which takes account of the vesting period (European style option). Expected volatility of the share price was determined by giving consideration to the historical volatility of the Famous Brands share price.

Details of the weighted average fair value of the RSs granted during the year and the related assumptions utilised are as set out below:

	2019	2018
Number of RSs granted	**134 269**	72 909
The principal inputs are as follows:		
Range of the weighted average fair value at grant date for the respective tranches (Rand)	**115.00**	112.57 – 130.03
Weighted average grant price (Rand)	**–**	–
Closing share price at grant date (Rand)	**115.00**	133.00
Expected life (years)	**5**	4
Expected volatility (%)	**25.54**	24.40
Range of the risk-free interest rates utilised for the respective tranches (%)	**7.92**	7.36 – 7.51
Average expected dividend yield (%)	**–**	1.61

30. RELATED PARTY TRANSACTIONS

The Group, in the ordinary course of business, entered into various transactions with related parties.

30.1 Franchise agreements

A non-executive director of Famous Brands Limited has interests in one (2018: one) franchised outlet. Franchise fees and product sales have been charged under terms and conditions no more favourable than those entered into with third parties.

30.2 Lease agreements

The Group has entered into a lease agreement with an entity which one of the non-executive director's serves as a director. The transactions were concluded at market-related rates prevailing at the time of entering into the transactions.

30.3 Supply agreements

The Group has entered into a supply agreement with an entity which one of the non-executive director's serves as a director. All products purchased were concluded at market-related prices.

30.4 Advertising fees

Advertising fees have been paid to an associate. The transactions were conducted at market-related fees prevailing at the time of entering into the transactions.

The aggregate of the above transactions is as follows:

	2019 R000	2018 R000
Sale of product and franchise fee revenue	**932**	22 214
Lease payments	**22 010**	20 258
Purchase of product	**28 473**	37 579
Professional fees paid	**–**	180
Advertising fees paid to associate	**99 435**	83 037
Loans receivable from related parties*	**2 235**	2 905
Trade payables to related parties	**5 896**	6 710
Trade receivables from related parties	**75**	72

* *The loans have no fixed repayment period and are interest free.*

30.5 Commitments to related parties

The aggregate future commitments to related parties are as follows:	**11 428**	33 438
Payable within the next twelve month	**11 428**	22 010
Payable within two to five years	**–**	11 428

30.6 Remuneration

Directors' remuneration

The remuneration for directors of the holding company paid during the year by subsidiaries within the Group has been disclosed in Note 28 *Directors remuneration*. Executive directors are defined as key management.

Employees' remuneration

The remuneration to all employees amounted to:	**1 374 229**	1 318 928

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31. SCHEDULE OF INVESTMENTS IN SUBSIDIARIES

	Share capital	Interest		Cost of investment in shares		Amounts owing by/(to) subsidiaries		Profit/(loss)	
	2019 R	**2019 %**	2018 %	**2019 R000**	2018 R000	**2019 R000**	Restated* 2018 R000	**2019 R000**	2018 R000
31.1 Direct									
Debonairs Pizza (Pty) Ltd[3]	**100**	**100**	100	**110**	110	**–**	–	**1 614**	1 344
Famous Brands Management Company (Pty) Ltd[1]	**100**	**100**	100	**153 949**	114 178	**(1 712 320)**	(2 058 451)	**404 507**	349 227
Fishaways (Pty) Ltd[3]	**2 000**	**100**	100	**2 269**	2 269	**–**	–	**138**	185
Gourmet Burger Kitchen (GBK) Limited**[2]	**75 118 580**	**100**	100	**448 045**	1 161 045	**127 823**	202 090	**(315 610)**	(141 044)
Mugg & Bean Franchising (Pty) Ltd[3]	**101**	**100**	100	**100 000**	100 000	**–**	–	**(363)**	580
Pleasure Foods (Pty) Ltd[4]	**800**	**100**	100	**–**	–	**–**	–	**–**	(18)
Pleasure Foods Intellectual Property Company (Pty) Ltd[3]	**800**	**100**	100	**107 499**	107 499	**–**	–	**2 581**	1 666
Pleasure Foods Property Holdings 1 (Pty) Ltd[1]	**100**	**100**	100	**–**	–	**–**	–	**3**	20
Steers (Pty) Ltd[3]	**200**	**100**	100	**6 243**	6 243	**24**	24	**1 229**	1 195
The Famous Brands Share Incentive Trust[1]	**–**	**100**	100	**–**	–	**6 118**	6 118	**–**	–
31.2 Indirect									
4 E Holdings (Pty) Ltd[3]	**120**	**100**	100	**–**	–	**–**	–	**–**	(36)
BC Hospitality (Lupa Osteria)[1]	**100**	**51**	51	**–**	–	**–**	–	**2 274**	856
Cater Chain Foodservices (Pty) Ltd[1]	**100**	**75**	75	**–**	–	**–**	–	**25 624**	25 333
City Deep Cold Storage (Pty) Ltd[1]	**100**	**75**	75	**–**	–	**–**	–	**3 174**	2 062
Famous Brands Cheese Company (Pty) Ltd[1]	**100**	**51**	51	**–**	–	**–**	–	**68 891**	49 607
Famous Brands Design Studio (Pty) Ltd[1]	**182 768**	**60**	60	**–**	–	**–**	–	**1 959**	883
Famous Brands Lilongwe[1]	**100**	**100**	100	**–**	–		–	**871**	175
Famous Brands Logistics Company (Pty) Ltd[4]	**100**	**100**	100	**–**	–	**–**	–	**–**	–
Coega concentrate (Pty) Ltd[1]	**82 571 602**	**100**	100	**–**	–	**–**	–	**(28 319)**	(14 075)
Coolsite Trading (Pty) Ltd[4]	**4 744 541**	**70**	100	**–**	–	**–**	–	**247**	–
Chilango (Pty) Ltd[1]	**1 025 462**	**51**	51	**–**	–	**–**	–	**3 365**	2 781
Creative Coffee Franchise Systems (Pty) Ltd[1]	**100**	**100**	100	**–**	–	**–**	–	**5 007**	5 192
Falcon Fury Trading (Pty) Ltd[1]	**100**	**100**	–	**–**	–	**–**	–	**134**	–
Famous Brands Coffee Company (Pty) Ltd[1]	**100**	**62**	62	**–**	–	**–**	–	**32 849**	18 910
Famous Brands Great Bakery (Pty) Ltd[1]	**100**	**51**	51	**–**	–	**–**	–	**1 391**	4 764
Gorilla Holdings Limited[2]	**–**	**–**	–	**–**	–	**–**	–	**2 236**	2 969
Hawk Like Trade and Invest (Pty) Ltd[1]	**32 000 000**	**100**	51	**–**	–	**–**	–	**4 126**	3 967
Lamberts Bay Foods Ltd[1]	**52 700**	**100**	100	**–**	–	**–**	–	**7 961**	10 874
Lunar Thought Trading (Pty) Ltd[4]	**100**	**100**	–	**–**	–	**–**	–	**(390)**	–
Marble Olympia Trading (Pty) Ltd[4]	**100**	**100**	–	**–**	–	**–**	–	**–**	–
Marathon Holdings (Pty) Ltd[1]	**32 595 715**	**100**	100	**–**	–	**–**	–	**(5 138)**	(3 635)
Mountain Rush Trading 4 (Pty) Ltd[1]	**100**	**51**	51	**–**	–	**–**	–	**12 507**	8 394
Opal Octopus (Pty) Ltd[1]	**100**	**100**	100	**–**	–	**–**	–	**(0)**	–
Pink Potato Trading 103 (Pty) Ltd[1]	**100**	**51**	51	**–**	–	**–**	–	**7 623**	7 124
Quickstep Investment 10 (Pty) Ltd[4]	**1 000**	**100**	100	**–**	–	**–**	–	**–**	–
Retail Group Botswana[1]	**122**	**51**	51	**–**	–	**–**	–	**17 335**	12 904
Sapphire Stag Trade and Invest (Pty) Ltd[1]	**100**	**100**	–	**–**	–	**–**	–	**68**	–
Souldance Holdings 11 (Pty) Ltd[1]	**100**	**100**	100	**–**	–	**–**	–	**47**	(42)
Steers Holdings (Jersey) Ltd[2]	**19**	**100**	100	**–**	–	**–**	–	**2 036**	(246)
Vovo Telo Bakery and Café (Pty) Ltd[1]	**1 000**	**100**	100	**–**	–	**–**	–	**1 227**	1 538
Venus Solutions Ltd[2]	**42 613 784**	**100**	100	**–**	–	**–**	–	**15 762**	16 002
Wakaberry Holdings (Pty) Ltd[1]	**1 000**	**100**	100	**–**	–	**–**	–	**(19)**	72
Wimpy Marketing Fund (Pty) Ltd[1]	**2**	**100**	100	**–**	–	**–**	–	**–**	(25)
				818 115	1 491 344	**(1 578 355)**	(1 850 219)	**276 947**	369 503
Total amounts owing by subsidiaries						**133 965**	208 232		
Total amounts owing to subsidiaries						**(1 712 320)**	(2 058 451)		
Total profits								**626 786**	528 624
Total losses								**(349 839)**	(159 121)

Main business

[1] *Franchisor, product manufacture, distribution, management and/or administration.*
[2] *Offshore holding company.*
[3] *Trademark owner.*
[4] *Dormant.*

* *Refer to Note 18 of the notes to the Company annual financial statements for the restatement.*

** *The total undiscounted intercompany loans granted to GBK Restaurants are as follows:*

- *£8.3 million (2018: £1.2 million) repayable within 2 to 5 years with interest charged at 3 month LIBOR plus 215 basis points;*
- *£3.4 million (2018: £3.4 million) repayable within 12 months with interest charged at 3 month LIBOR plus 215 basis points;*
- *£30.1 million (2018: £nil) interest free and repayable in 2049 (30 years); and*
- *£13.7 million (2018: £13.7 million) interest free and repayable in 2046 (30 years) {Note: This facility was assumed as part of the acquisition in October 2016}.*

All the above subsidiaries are incorporated in South Africa, except for Famous Brands UK Limited, GBK Limited and Venus Solutions Limited (incorporated in the United Kingdom), Steers Holdings (Jersey) Limited (incorporated in Jersey), Retail Group Botswana (incorporated in Botswana), Famous Brands Lilongwe (incorporated in Malawi) and Gorilla Holdings Limited (incorporated in Mauritius).

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

31. SCHEDULE OF INVESTMENTS IN SUBSIDIARIES CONTINUED

31.3 Investment in subsidiaries with material non-controlling interests

Famous Brands Coffee Company (Pty) Ltd

Famous Brands Limited has an indirect interest of 62% in Famous Brands Coffee Company (Pty) Ltd, a Company involved in the production of coffee. The information below summarises the financial position and performance of the subsidiary:

	2019 R000	2018 R000
Current assets	**57 845**	45 917
Non-current assets	**10 949**	10 997
Current liabilities	**(12 188)**	(4 737)
Net assets of the subsidiary	**56 606**	52 177
Revenue	**149 556**	148 085
Profit before tax	**45 639**	28 984
Profit for the year	**32 849**	18 910
Total comprehensive income for the year	**32 849**	18 910

Famous Brands Cheese Company (Pty) Ltd

Famous Brands Limited has an indirect interest of 51% in Famous Brands Cheese Company (Pty) Ltd, a Company involved in the production of cheese. The information below summarises the financial position and performance of the subsidiary:

	2019 R000	2018 R000
Current assets	**67 319**	71 272
Non-current assets	**81 890**	93 129
Current liabilities	**(41 464)**	(34 707)
Non-current liabilities	**(9 028)**	(14 868)
Net assets of the subsidiary	**98 717**	114 826
Revenue	**524 062**	500 210
Profit before tax	**95 681**	69 139
Profit for the year	**68 891**	49 607
Total comprehensive income for the year	**68 891**	49 607

Cater Chain Food Services (Pty) Ltd

Famous Brands Limited has an indirect interest of 75% in Cater Chain Food Services (Pty) Ltd, a Company involved in general meat trading. The information below summarises the financial position and performance of the subsidiary:

	2019 R000	2018 R000
Current assets	**86 853**	69 288
Non-current assets	**24 452**	27 563
Current liabilities	**(37 494)**	(48 663)
Non-current liabilities	**(3 955)**	(3 955)
Net assets of the subsidiary	**69 856**	44 233
Revenue	**370 777**	400 751
Profit before tax	**35 589**	36 765
Profit for the year	**25 624**	25 333
Total comprehensive income for the year	**25 624**	25 333

32. RISK MANAGEMENT

The Board of Directors has approved strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short-term and long-term objectives and actions to be taken in order to manage the financial risks that the Group faces.

The major guidelines of this policy are the following:

- minimise interest rate, currency and market risk for all transactions;
- all financial risk management activities are carried out and monitored at a central level; and
- all financial risk management activities are carried out on a prudent and consistent basis.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

Accounting classifications and fair values

The table below sets out the Group and Company classification of each class of financial assets and liabilities, as well as a comparison to their fair values. The different fair value levels are described overleaf:

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.

For level 2 financial instruments, the fair value of all external over-the-counter derivatives is calculated based on the discount rate adjustment technique. The discount rate used is derived from observable rates of return for comparable assets or liabilities traded in the market. The credit risk of the external counterparty is incorporated into the calculation of fair values of financial assets and own credit risk is incorporated in the measurement of financial liabilities. The change in fair value is therefore impacted by the move of the interest rate curves, by the volatility of the applied credit spreads, and by any changes to the credit profile of the involved parties.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

32. RISK MANAGEMENT CONTINUED

	Level	2019 Carrying amount R000	2018 Carrying amount R000
Financial assets			
Measured at amortised cost:			
Trade and other receivables		**631 726**	568 514
Cash and cash equivalents		**453 765**	716 988
		1 085 491	1 285 502
Financial liabilities			
Measured at amortised cost:			
Trade and other payables		**649 220**	599 941
Shareholders for dividends		**2 195**	2 221
Lease liabilities		**5 785**	7 446
Non-controlling shareholder loans		**2 500**	7 500
Borrowings		**2 113 702**	2 780 560
Bank overdrafts		**–**	193
Fair value through profit or loss (mandatory):			
Derivative financial instruments (put options over non-controlling interests)	3	**105 783**	176 186
Derivative financial instruments (foreign exchange contracts)	2	**613**	1 028
Fair value through other comprehensive income:			
Derivative financial instruments	2	**11 797**	14 711
		2 891 595	3 589 786

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

Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R106 million (2018: R176 million) were determined by applying an income approach valuation method including a present value discount technique. The fair value measurement includes inputs that are not observable in the market. Key assumptions used in the valuation of these instruments include the probability of achieving set profit targets and the interest rates. An increase/(decrease) of 1% in the interest rate would result in a decrease/(increase) of R4 million (2018: R3 million). An increase/(decrease) of 10% in the profit forecasts would result in an increase/(decrease) of R10 million (2018: R17 million).

	2019 Carrying amount R000	2018 Carrying amount R000
Movements in level 3 financial instruments carried at fair value		
The following tables illustrates the movements during the year of level 3 financial instruments carried at fair value:		
Put options over non-controlling interests:		
Carrying value at beginning of the year	**176 186**	211 239
Unwinding of discount	**6 230**	13 481
Derecognition through equity	**(89 168)**	(42 716)
Settlement of put option	**(23 374)**	–
Re-measurements	**35 909**	(5 818)
Carrying value at end of the year	**105 783**	176 186

32.1 Liquidity risk

The Group manages liquidity risk on the basis of expected maturity dates, through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, adequate borrowing facilities are secured and utilisation monitored. The borrowings are subject to financial covenants per Note 32.5 *Capital management* and any non-compliance with financial covenants could trigger early settlement of the facilities.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	2019			2018		
	Less than 1 year R000	**1 – 5 years R000**	**Total R000**	Less than 1 year R000	1 – 5 years R000	Total R000
Group						
Borrowings	**215 694**	**2 608 570**	**2 824 264**	420 846	2 822 092	3 242 938
Trade and other payables	**649 220**	**–**	**649 220**	599 941	–	599 941
Non-controlling shareholder loans	**2 500**	**–**	**2 500**	7 500	–	7 500
Shareholders for dividends	**2 195**	**–**	**2 195**	2 221	–	2 221
Lease liabilities	**2 066**	**4 341**	**6 407**	2 561	6 009	8 570
Derivative financial instruments (put options over non-controlling interests)	**94 027**	**11 756**	**105 783**	158 528	21 215	179 743
Derivative financial instruments (foreign exchange contracts)	**613**	**–**	**613**	1 028	–	1 028
Derivative financial instruments (interest rate swaps)	**2 420**	**9 377**	**11 797**	–	14 711	14 711
Bank overdrafts	**–**	**–**	**–**	193	–	193
	968 735	**2 634 044**	**3 602 779**	1 192 818	2 864 027	4 056 845

The carrying amount of the financial liabilities approximates the fair value at the reporting date.

At present, the Group expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects operating and financing activities to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Refer to Note 11 *Borrowings* for the facilities. The Group expects to meet its obligations from operating cash flows.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

32. RISK MANAGEMENT CONTINUED

32.2 Interest rate risk

The Group's exposure to interest rate risk mainly concerns financial liabilities and interest-bearing liabilities (refer Note 11 *Borrowings*).

The following table analyses the breakdown of liabilities by type of interest rate.

	Note	**2019 R000**	2018 R000
Variable rate instruments			
Derivative financial instruments			
Put options written over the equity of non-controlling interests	12	**105 783**	176 186
Interest-rate swap liabilities	12	**11 797**	14 711
Borrowings	11	**2 113 702**	2 780 560
Bank overdraft		**–**	193
Fixed rate instruments			
Lease liabilities	13	**5 785**	7 446
Interest free			
Non-controlling shareholder loans	14	**2 500**	7 500
		2 239 567	2 986 596

Sensitivity analysis

A hypothetical increase/(decrease) in interest rates by 100 basis points, with all other variables remaining constant, would decrease/(increase) profit after tax by R16 million (2018: R31 million).

The analysis has been performed for variable interest rate financial liabilities. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of the changing of their cash flows and net expenses.

The Group's operating income and operating cash flows are substantially independent of changes in market interest rates.

32.3 Foreign currency risk

Since the Group operates internationally, it is exposed to foreign currency risk in its normal industrial and commercial businesses. On occasion, the Group hedges transactional foreign exchange exposures.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Financial assets and financial liabilities are analysed by currency as follows:

	2019				2018			
	GB Pound CU000*	**US Dollar CU000***	**Zambian Kwacha CU000***	**Botswana Pula CU000***	GB Pound CU000*	US Dollar CU000*	Zambian Kwacha CU000*	Botswana Pula CU000*
Financial assets								
Trade and other receivables	**4 320**	**–**	**2 785**	**3 534**	4 172	–	4 329	3 601
Cash and cash equivalents	**8 834**	**1 116**	**25 009**	**19 765**	7 625	1 118	13 768	17 169
Financial liabilities								
Borrowings	**–**	**–**	**–**	**(744)**	(30 000)	–	–	–
Trade and other payables	**(13 249)**	**–**	**(2 768)**	**(13 609)**	(16 345)	–	(1 930)	(12 970)
	(95)	**1 116**	**25 026**	**8 946**	(34 548)	1 118	16 167	7 800
Exchange rates used for conversion of foreign amounts to the South African Rand were (R):	**18.59**	**13.99**	**1.16**	**1.30**	16.26	11.75	1.20	1.21
Sensitivity analysis At 28 February, if the Rand had weakened/strengthened by 10% against any currency above, with all other variables held constant, total comprehensive income for the year would have decreased/increased as follows (R000):	**(176)**	**1 562**	**2 902**	**1 166**	(56 180)	1 314	1 939	947

* *Currency unit thousands.*

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

32. RISK MANAGEMENT CONTINUED

32.4 Credit risk

Credit risk is managed on a Group-wide basis. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty to R47 million.

Group

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the board. Sales to retail customers are settled in cash or using major credit cards, mitigating credit risk. Refer to Note 6 *Trade and other receivables* for details on the quality and provision for impairment of trade receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group calculates expected losses based on consideration of customer-specific factors and actual credit loss experienced over the past four years. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

To measure the expected credit losses, trade receivables have been grouped based on the date of initial recognition (days past due).

A default on a financial asset is:

- when a franchise has closed and there is an amount outstanding in the trade receivables related to the franchise;
- when a customer fails to make contractual payments within the agreed terms; or
- when a franchisee is bankrupt or under liquidation.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, debtors experiencing significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation and a failure to make contractual payments for a period of greater than 90 days past due.

Trade receivables of R9 million written off during the period are still subject to enforcement activity.

The Group's financial assets are based on a lifetime expected loss approach.

32.5 Capital management

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

The capital structure of the Group consists of cash and cash equivalents (Note 7), borrowings (Note 11) and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements.

Financial covenants

The Group's borrowings (refer Note 11 *Borrowings*) are subject to the following financial covenants, which the Group is in compliance with. The covenants pertain to the entire Group for 2018, and are limited to the SA business for 2019.

	2019	2018
Debt to EBITDA*	**<2.50**	<3.00
Interest cover	**>3.00**	>3.25
Free cash flow to debt service**	**N/a**	>1.20

* *Debt for 2019 is net debt in comparison to gross debt for 2018.*

** *The new funding structure does not include free cash flow to debt service ratio as a financial covenant.*

Gearing

The Group's gearing ratio is set out below:

	2019 R000	2018 R000
Borrowings	**2 113 702**	2 780 560
Bank overdrafts	**–**	193
Cash and cash equivalents***	**(454 724)**	(716 988)
Net debt	**1 658 978**	2 063 765
Equity	**1 536 796**	1 632 027
Gearing ratio****	**108%**	126%

*** *Cash and cash equivalents includes R1 million (2018: Rnil) in assets held for sale, refer to Note 8.*

**** *Calculated as net debt divided by equity.*

Notes to the consolidated annual financial statements continued

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33. CHANGES IN ACCOUNTING POLICY

33.1 IFRS 9 Classification and measurement

On the date of initial application, 1 March 2018, the financial instruments of the group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original R000	New R000	Difference
Financial assets					
Trade and other receivables	Loans and receivables	Measured at amortised cost	568 514	568 514	–
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	716 988	716 988	–
Financial liabilities					
Trade and other payables	Measured at amortised cost	Measured at amortised cost	599 941	599 941	–
Shareholders for dividends	Measured at amortised cost	Measured at amortised cost	2 221	2 221	–
Lease liabilities	Measured at amortised cost	Measured at amortised cost	7 446	7 446	–
Non-controlling shareholder loans	Measured at amortised cost	Measured at amortised cost	7 500	7 500	–
Borrowings	Measured at amortised cost	Measured at amortised cost	2 780 560	2 780 560	–
Bank overdrafts	Measured at amortised cost	Measured at amortised cost	193	193	–
Derivative financial instruments (put options over non-controlling interests)	FVTPL	FVTPL (Mandatory)	176 186	176 186	–
Derivative financial instruments (foreign exchange contracts)	FVTPL	FVTPL (Mandatory)	1 028	1 028	–
Derivative financial instruments (interest-rate swaps)	FVOCI	FVOCI	14 711	14 711	–

The financial assets have been reclassified from loans and receivables to amortised cost, however the measurement principles are still the same as they are measured at amortised cost using the effective interest method. The Group's business model is to hold these for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest of the principal amount.

33.2 Impairment of financial assets

Impairment allowance

	2019 R000
Amount calculated under IAS 39	**15 895**
Opening loss allowance as at 1 March 2019 – under IFRS 9	**15 895**
Change due to application of IFRS 9	**–**

The Group has two types of financial assets that are subject to the expected credit loss model, being trade and other receivables and cash and cash equivalents.

No impairment loss is raised on the cash and cash equivalents as balances are held with reputable financial institutions. On transition, the new expected credit loss impairment model on financial assets measured at amortised cost did not result in a materially different amount to that under IAS 39 and therefore no transition amount was recognised.

33.3 Hedge accounting

The Group has the option to continue to apply the hedge accounting requirements of IAS 39 until the current macro-hedging project is finalised, as all documentation is already in place. Accordingly, the Group has elected not to adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirement of IAS 39 on existing hedges.

33.4 IFRS 15 Revenue from contracts with customers

The transition to IFRS 15 did not have a quantitative financial impact on the consolidated financial statements. The disclosure has been enhanced in Note 17 *Revenue* to align with IFRS 15 requirements.

34. SUBSEQUENT EVENTS

Coega Concentrate

In our interim results announcement, shareholders were advised that in anticipation of ongoing losses at the Coega Concentrate tomato paste plant, management had elected to cease operations at the facility with effect from 5 June 2018. Shareholders were further advised that a prospective buyer for the business had been identified and negotiations regarding the sale were in progress. It is pleasing to report that the sale of Coega Concentrate's entire business has been concluded, effective 1 June 2019, pending fulfilment of suspensive conditions.

Paul

In 2015, the Group became the SA licensed partner of global bakery-café brand, Paul, for a 10-year period. Pending the fulfilment of suspensive conditions, the Group will conclude a joint venture partnership effective 1 June 2019 with a local experienced restaurateur to manage and drive the profitability of the existing Paul restaurant and roll out the brand's footprint, as economic conditions improve. In terms of our Paul Master License agreement, we are contracted to open five restaurants over a five-year period. This new partnership will expedite the programme.

tashas

In April 2019, a new business entity was established to house all of the tashas business outside of South Africa and drive international growth in the Middle East as a priority. Founder of the brand, Natasha Sideris, will manage the entity and hold a 51% stake, while the Group will own the balance. Based on the brand's strong track record in the UAE, management is optimistic that tashas' existing footprint of six restaurants can be expanded in the region. The Group will continue to own 51% of the SA operation.

Company accounting policies

STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Company at 28 February 2019, 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 the Companies Act of South Africa.

The accounting policies of the Company are the same as the Group, where applicable. The policies detailed below are specifically applicable to the Company.

1. BASIS OF PREPARATION

Functional and presentation currency

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

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

The going concern basis has been used in preparing the financial statements as the directors have a reasonable expectation that the Company will continue as a going concern for the foreseeable future.

2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

Loan discount

In certain instances, loans with subsidiary companies are interest free and for a period longer than 12 months thus deemed to be non-current. The present value of these loans is calculated based on the expected repayment period while the discount rate is based on an estimated arms-length borrowings rate.

Determination of the expected repayment period and arms-length borrowings rate requires judgement in certain instances.

Impairment of subsidiaries

The impairment of investments in subsidiaries has been determined using the methods and assumptions disclosed in Group accounting policy Note 4 and Note 2 of the consolidated financial statements adjusted for financing obligations.

The level of impairment to be processed against the GBK investment is subject to judgement as the fair value thereof is dependent on the achievement of estimated forecast future cash flows.

3. INVESTMENT IN SUBSIDIARIES

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

4. FINANCIAL INSTRUMENTS

Receivables from/payables to Group Companies

These include amounts receivable from and payable to subsidiaries and associates and are recognised initially at fair value. Amounts receivable from Group Companies are classified as financial assets at amortised cost. Amounts payable to Group Companies are classified as financial liabilities measured at amortised costs.

5. REVENUE

Dividends are recognised in profit and loss, when the Company's right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

6. ADOPTION OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

IFRS 9 *Financial Instruments* (effective date: 1 March 2018)

Overall effect on impairment of financial assets

The Company has adopted a three-stage model (general approach) to calculate the expected losses on receivables from Group Companies.

The adoption of the ECL impairment model did not have a material impact on the impairment allowances recognised in the Company financial statements.

Company statement of financial position

at 28 February 2019

	Notes	2019 R000	Restated* 2018 R000
ASSETS			
Non-current assets		**945 938**	1 693 434
Investments in subsidiaries	1	**818 115**	1 491 344
Receivables from Group Companies	1	**127 823**	202 090
Current assets		**7 782**	9 473
Receivables from Group Companies	1	**6 142**	6 142
Current tax assets		**953**	845
Trade and other receivables	2	**449**	2 131
Cash and cash equivalents	3	**238**	355
Total assets		**953 720**	1 702 907
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital and share premium	4	**155 714**	146 480
Other reserves	5	**143 102**	112 566
Accumulated losses		**(1 060 458)**	(618 105)
Total equity		**(761 642)**	(359 059)
Current liabilities		**1 715 362**	2 061 966
Payables to Group Companies	1	**1 712 320**	2 058 451
Trade and other payables	6	**847**	1 294
Shareholders for dividends		**2 195**	2 221
Total liabilities		**1 715 362**	2 061 966
Total equity and liabilities		**953 720**	1 702 907

* *Refer to Note 18 for the restatement.*

Company statement of profit or loss and other comprehensive income

for the year ended 28 February 2019

	Notes	2019 R000	Restated* 2018 R000
Revenue	8	**350 000**	–
Selling and administrative expenses		**20 429**	15 331
Operating profit before non-operational items		**370 429**	15 331
Non-operational items	9	**(713 000)**	(454 000)
Operating loss including non-operational items		**(342 571)**	(438 669)
Net finance costs		**(99 890)**	(20 412)
Finance costs		**(99 900)**	(20 499)
Finance income		**10**	87
Loss before tax	9	**(442 461)**	(459 081)
Tax	10	**108**	–
Loss for the year		**(442 353)**	(459 081)
Total comprehensive loss for the year		**(442 353)**	(459 081)

* *Refer to Note 18 for the restatement.*

Company statement of changes in equity

for the year ended 28 February 2019

	Share capital R000	Share premium R000	Non-distri-butable reserves R000	Accumulated losses R000	Total equity R000
COMPANY					
Balance at 1 March 2017	999	131 846	85 966	(159 024)	59 787
Issue of capital and share premium	1	13 634	–	–	13 635
Equity settled share-based payment schemes	–	–	26 600	–	26 600
Total comprehensive loss for the year – restated*	–	–	–	(459 081)	(459 081)
– Total comprehensive income previously reported	–	–	–	(438 583)	(438 583)
– Correction of prior year error	–	–	–	(20 498)	(20 498)
Restated balance at 28 February 2018	1 000	145 480	112 566	(618 105)	(359 059)
Issue of capital and share premium	**1**	**9 233**	**(9 234)**	**–**	**–**
Equity settled share-based payment schemes	**–**	**–**	**39 770**	**–**	**39 770**
Total comprehensive loss for the year	**–**	**–**	**–**	**(442 353)**	**(442 353)**
Balance at 28 February 2019	**1 001**	**154 713**	**143 102**	**(1 060 458)**	**(761 642)**

* *Refer to Note 18 for the restatement.*

Company statement of cash flows

for the year ended 28 February 2019

	Notes	**2019 R000**	2018 R000
Cash utilised in operations	12.1	**(3 970)**	(3 187)
Finance income received		**10**	86
Income taxes paid	12.2	**–**	(115)
Net cash outflow from operating activities		**(3 960)**	(3 216)
Dividends paid to owners of Famous Brands Limited	12.3	**(26)**	–
Net cash outflow from operating activities		**(3 986)**	(3 216)
Cash flow from financing activities			
Proceeds from issue of equity instruments of Famous Brands Limited		**–**	13 635
Increase/(decrease) in net payables to Group Companies		**3 869**	(10 972)
Net cash inflow from financing activities		**3 869**	2 663
Net decrease in cash and cash equivalents		**(117)**	(553)
Cash and cash equivalents at the beginning of the year		**355**	908
Cash and cash equivalents at the end of the year	3	**238**	355

Notes to the company annual financial statements

for the year ended 28 February 2019

1. INVESTMENTS IN SUBSIDIARIES

	2019 R000	Restated** 2018 R000
Unlisted shares at cost less amounts written off	**818 115**	1 491 344
Net amount owing to subsidiaries	**(1 578 355)**	(1 850 219)
Non-current receivables from Group Companies*	**127 823**	202 090
Current receivables from Group Companies*	**6 142**	6 142
Payables to Group Companies*	**(1 712 320)**	(2 058 451)
	(760 240)	(358 875)

* *The amounts owing from/(to) Group Companies are interest-free and have no fixed terms of repayment with the exception of the loan to GBK Restaurants. They are disclosed as current on the statement of financial position as required by IFRS. However, repayment is not expected in the foreseeable future. Therefore, the Company's ability to settle its short-term obligations is not a concern.*

** *Refer to Note 18 for the restatement.*

A schedule of subsidiaries of the Company is set out in Note 31 of the consolidated financial statements.

Receivable from Group Companies – GBK Restaurants

The loan to GBK Restaurants of £13.7 million has been discounted for a 30 year period at 3-month LIBOR plus 2.15%. The repayment was initially set at five years in FY2018. This has been reassessed to 30 years during the review period as part of the Group's net investment in the business. Repayment is expected in 2046, and this will be reassessed annually in line with the performance at GBK.

Impairment of investment in subsidiaries

The impairment of investment in subsidiaries has been determined using the same methods and assumptions as the GBK CGU disclosed in Note 2 of the consolidated financial statements adjusted for financing obligations. Refer to Note 9 of the Company financial statements for the amount impaired.

2. TRADE AND OTHER RECEIVABLES

	2019 R000	2018 R000
Financial instruments	**67**	1 904
Other receivables	**67**	1 904
Non-financial instruments	**382**	227
VAT receivable	**382**	227
	449	2 131

The directors have considered impairment of other receivables and resolved that no provision is required.

Fair value of trade and other receivables

There is no material difference between the fair value of trade and other receivables and their book value due to the short-term nature of these items.

The maximum exposure to credit risk at the reporting date is the fair value of trade and other receivables above.

The Company does not hold any collateral as security.

Notes to the company annual financial statements continued

for the year ended 28 February 2019

3. CASH AND CASH EQUIVALENTS

	2019 R000	2018 R000
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position items:		
Cash and cash equivalents	**238**	355
Cash on hand and bank balances	**238**	355

There is no material difference between the fair value and the book value of cash and cash equivalents.

Refer to Note 24 of the consolidated financial statements for disclosure on contingent liabilities.

4. ISSUED CAPITAL AND SHARE PREMIUM

	2019 R000	2018 R000
Share capital	**1 001**	1 000
Share premium	**154 713**	145 480
	155 714	146 480
Share capital		
Authorised		
200 000 000 (2018: 200 000 000) ordinary par value shares of 1 cent each	**2 000**	2 000
Issued		
Total shares in issue 100 066 219 (2018: 99 977 435) ordinary par value shares of 1 cent each	**1 001**	1 000
Unissued		
99 933 781 (2018: 100 022 565) ordinary par value shares of 1 cent each	**999**	999
Share premium		
Balance at the beginning of the year	**145 480**	131 846
Premium on shares issued	**9 233**	13 634
Balance at the end of the year	**154 713**	145 480

5. OTHER RESERVES

	2019 R000	2018 R000
Share-based payments	**143 102**	112 566
	143 102	112 566

6. TRADE AND OTHER PAYABLES

	2019 R000	2018 R000
Financial instruments	**847**	1 294
Trade payables	**515**	–
Accruals	**332**	1 294
	847	1 294

Accruals represent miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year-end, for which the Company had not supplied the goods or services at the end of the year.

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

7. DEFERRED TAX

	2019 R000	2018 R000
Balance at the beginning of the year	**–**	–
Balance at the end of the year	**–**	–
Analysis		
Effect of tax losses	**8 946**	–
Other temporary differences	**(8 946)**	–
	–	–

A tax loss at the affected rate of R3 million (2018: Rnil) has not been recognised. A deferred tax asset on the assessed loss has been recognised to the extent of available taxable temporary differences.

8. REVENUE

	2019 R000	2018 R000
Dividends received from subsidiaries	**350 000**	–
	350 000	–

Notes to the company annual financial statements continued

for the year ended 28 February 2019

9. LOSS BEFORE TAX

	2019 R000	Restated** 2018 R000
Loss before tax is arrived at after taking into account, among other items, those detailed below:		
Directors' remuneration (Refer to Note 28 of the consolidated financial statements)	**4 611**	4 160
Non-executive directors	**4 611**	4 160
Executive directors	**10 241**	9 800
Less: Amounts paid by subsidiaries	**(10 241)**	(9 800)
Auditors' remuneration	**34**	30
Audit fee	**34**	30
Foreign exchange (profit)/loss	**(25 634)**	1 046
Net finance costs	**(99 890)**	(20 412)
Finance costs	**(99 900)**	(20 499)
Finance income	**10**	87
Non-operational items*	**713 000**	454 000
Impairment	**713 000**	454 000

* *Represents non-operational items that are not expected to recur in future.*
** *Refer to Note 18 for the restatement.*

10. TAX

	2019 R000	Restated** 2018 R000
Normal tax		
Current tax	**(108)**	–
Prior year overprovision	**(108)**	–
	(108)	–

	2019 %	Restated** 2018 %
Reconciliation of rate of tax		
South African normal rate of tax	**28.0**	28.0
Reduction in rate for year, due to:		
Exempt dividend income	**25.4**	–
Non-taxable income	**–**	1.3
Increase in rate for year, due to:		
Disallowable expenditure*	**(55.8)**	(29.0)
Tax losses not recognised	**2.4**	(0.3)
Effective rate of tax	**–**	–

* *Mainly attributable to impairment in 2018 and 2019.*
** *Refer to Note 18 for the restatement.*

11. DIVIDENDS

Final dividend number 44 of 100 cents per ordinary share (2018: nil) has been declared, payable on 8 July 2019 to ordinary shareholders recorded in the books of the Company at the close of business on 5 July 2019.

Notes to the company annual financial statements continued

for the year ended 28 February 2019

12. CASH FLOW INFORMATION

	2019 R000	Restated** 2018 R000
12.1 Reconciliation of loss before tax to cash generated by operations		
Loss before tax	**(442 461)**	(459 081)
Adjustments for:		
Impairment	**713 000**	454 000
Dividends received	**(350 000)**	–
Net finance costs	**99 890**	20 412
Other non-cash items*	**(25 634)**	(17 731)
Cash utilised before changes in working capital	**(5 205)**	(2 400)
Working capital changes	**1 235**	(787)
Decrease/(increase) in trade and other receivables	**1 682**	(1 992)
(Decrease)/increase in trade and other payables	**(447)**	1 205
Cash utilised in operations	**(3 970)**	(3 187)

* *Relates to foreign exchange movement.*

	2019 R000	Restated** 2018 R000
12.2 Reconciliation of tax paid during the year		
Amounts receivable at the beginning of the year	**845**	730
Amounts charged to profit or loss	**108**	–
Amounts receivable at the end of the year	**(953)**	(845)
Tax paid	**–**	(115)
12.3 Reconciliation of dividends paid during the year		
Amounts owing at the beginning of the year	**(2 221)**	(2 221)
Amounts owing at the end of the year	**2 195**	2 221
Dividends paid	**(26)**	–
12.4 Reconciliation financing activities		
Net amount owing to subsidiaries		
Carrying value at beginning of the year	**1 850 219**	1 840 693
Cash movement	**3 869**	(10 972)
Finance costs	**99 900**	20 498
Dividend	**(350 000)**	–
Foreign exchange	**(25 633)**	–
Carrying value at end of the year	**1 578 355**	1 850 219

** *Refer to Note 18 for the restatement.*

13. RISK MANAGEMENT

The Board of Directors has approved strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short-term and long-term objectives and actions to be taken in order to manage the financial risks that the Company faces.

The major guidelines of this policy are the following:

- minimise interest rate, currency and market risk for all transactions;
- all financial risk management activities are carried out and monitored at a central level; and
- all financial risk management activities are carried out on a prudent and consistent basis.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

	2019 Carrying amount R000	Restated** 2018 Carrying amount R000
Financial assets		
Measured at amortised cost:		
Trade and other receivables	**67**	1 904
Cash and cash equivalents	**238**	355
Receivables from Group Companies	**133 965**	208 232
	134 270	210 491
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	**847**	1 294
Shareholders for dividends	**2 195**	2 221
Payables to Group Companies	**1 712 320**	2 058 451
	1 715 362	2 061 966

*** Refer to Note 18 for the restatement.*

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

Put options over non-controlling interests:		
Carrying value at beginning of the year	**–**	60 447
Derecognition through equity	**–**	(42 716)
Re-measurements	**–**	(17 731)
Carrying value at end of the year	**–**	–

Notes to the company annual financial statements continued

for the year ended 28 February 2019

13. RISK MANAGEMENT CONTINUED

13.1 Liquidity risk

The Company manages liquidity risk on the basis of expected maturity dates, through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, adequate borrowing facilities are secured and utilisation monitored.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	2019			2018		
	Less than 1 year R000	**1 – 5 years R000**	**Total R000**	Less than 1 year R000	1 – 5 years R000	Total R000
Trade and other payables	**847**	**–**	**847**	1 294	–	1 294
Payables to Group Companies	**1 712 320**	**–**	**1 712 320**	2 058 451	–	2 058 451
Shareholders for dividends	**2 195**	**–**	**2 195**	2 221	–	2 221
	1 715 362	**–**	**1 715 362**	2 061 966	–	2 061 966

The carrying amount of the financial liabilities is considered to approximate the fair values.

At present the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Company expects operating activities to generate sufficient cash inflows. In addition, the Company holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

13.2 Credit risk

Credit risk is managed on a Group-wide basis. Credit risk consists mainly of cash deposits, cash equivalents and other debtors. The Company only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

Company

The Company's credit risk mainly lies with loans with Group Companies. The three-stage model (general approach) is applied in determining expected credit losses for receivables from Group Companies (i.e. intercompany receivables). At each reporting date, the Company assesses whether the credit risk on the financial instruments has increased significantly since initial recognition. The following indicators are incorporated: internal credit rating, significant increases in credit risk on other financial instruments of the same borrower, actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

The loans are provided to subsidiaries on an ongoing basis except where it is considered an equity loan and is included as part of the net investment in the borrower.

The loans, which are not equity loans, are generally repayable on demand and interest free and thus the expected credit loss is immaterial.

	2019 R000	Restated* 2018 R000
Trade and other receivables	**67**	1 904
Receivables from Group Companies	**133 965**	208 232
Cash and cash equivalents	**238**	355
	134 270	210 491

* *Refer to Note 18 for the restatement.*

14. CHANGES IN ACCOUNTING POLICY

14.1 IFRS 9 Classification and measurement

On the date of initial application, 1 March 2018, the financial instruments of the Company were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original R000	New R000	Difference
Financial assets					
Trade and other receivables	**Loans and receivables**	**Measured at amortised cost**	**1 904**	**1 904**	–
Cash and cash equivalents	**Loans and receivables**	**Measured at amortised cost**	**355**	**355**	–
Receivables from Group Companies	**Loans and receivables**	**Measured at amortised cost**	**208 232**	**208 232**	–
Financial liabilities					
Trade and other payables	**Measured at amortised cost**	**Measured at amortised cost**	**1 294**	**1 294**	–
Shareholders for dividends	**Measured at amortised cost**	**Measured at amortised cost**	**2 221**	**2 221**	–
Payables to Group Companies	**Measured at amortised cost**	**Measured at amortised cost**	**2 058 451**	**2 058 451**	–

The financial assets have been reclassified from loans and receivables to amortised cost, however the measurement principles are still the same as they are measured at amortised cost using the effective interest method. The Group's business model is to hold these for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest of the principal amount.

14.2 Impairment of financial assets

The Company has three types of financial assets that are subject to the expected credit loss model being trade and other receivables, cash and cash equivalents and receivables from Group Companies.

No impairment loss is raised on the cash and cash equivalents as balances are held with reputable financial institutions. On transition, the new expected credit loss impairment model on financial assets measured at amortised cost did not result in a material amount and therefore not recognised.

14.3 IFRS 15 Revenue from contracts with customers

The transition to IFRS 15 did not have a quantitative financial impact on the Company financial statements.

15. SCHEDULE OF INVESTMENTS IN SUBSIDIARIES

Please refer to Note 31 of the consolidated annual financial statements.

Notes to the company annual financial statements continued

for the year ended 28 February 2019

16. RELATED PARTY TRANSACTIONS

The Company, in the ordinary course of business, entered into transactions with related parties. These transactions occurred under terms and conditions no more favourable to those entered into with third parties.

16.1 Transactions between the holding company and subsidiaries

	2019 R000	2018 R000
Dividends received	**350 000**	–
Management fees received by the Company from the operating subsidiary for statutory costs incurred	**1 260**	1 188

16.2 Remuneration

The remuneration for directors of the holding company paid during the year by subsidiaries within the Group has been disclosed in Note 28 *Directors remuneration*. Executive directors are defined as key management.

16.3 Receivables and payable for Group Companies

The intercompany loan balances, including the terms and conditions, have been disclosed in Note 31 of the consolidated financial statements and Note 1 of the Company financial statements.

17. SUBSEQUENT EVENTS

No material subsequent events have been identified that impact the Company financial statements.

18. RESTATEMENT OF PRIOR PERIOD ERROR

The restatement relates to the intercompany loan modification and discounting for the loan facility of £13.7 million between Famous Brands Limited and GBK Restaurants as at 28 February 2018. The loan terms and conditions were modified in FY2018 from repayable on demand to extend the repayment period. The assessment at that stage was that the loan would be repaid within five years. The loan was not appropriately discounted to take account of the amended repayment terms.

The change in the terms of the loan necessitated the discounting over the expected repayment period as well as a reclassification from current to non-current assets.

A third statement of financial position has not been provided as the restatement does not impact FY2017.

	2018 R000
Statement of financial position	
Non-current and current assets	
Receivables from Group Companies – previously reported	228 730
Adjustment for loan modification and discounting (net of tax)	(20 498)
Restated receivables from Group Companies (current and non-current assets)	208 232
Equity	
Equity attributable to owners of Famous Brands Limited previously reported	(338 561)
Adjustment for loan modification and discounting (net of tax)	(20 498)
Restated equity attributable to owners of Famous Brands Limited	(359 059)
Company statement of profit or loss and other comprehensive income	
Finance costs – previously reported	1
Adjustment for loan modification and discounting (net of tax)	20 498
Restated finance costs	20 499
Disclosure	
Receivables from Group Companies – previously reported in current assets	228 730
Restated receivables from Group Companies – non-current portion	(202 090)
Sub-total	26 640
Adjustment for loan modification and discounting (net of tax)	(20 498)
Restated receivables from Group Companies – current portion	6 142

Shareholder spread

	2019				2018			
	Number of share-holdings	% of total share-holdings	Number of shares	% of issued capital	Number of share-holdings	% of total share-holdings	Number of shares	% of issued capital
1 – 10 000	**5 126**	**93.08**	**1 843 807**	**1.84**	6 690	94.17	3 826 686	3.83
10 001 – 50 000	**232**	**4.21**	**5 080 000**	**5.08**	270	3.80	6 095 321	6.10
50 001 – 100 000	**38**	**0.69**	**2 689 469**	**2.69**	42	0.60	3 003 218	3.00
100 001 – 1 000 000	**89**	**1.62**	**31 008 953**	**30.99**	82	1.16	26 744 202	26.75
Over 1 000 000	**22**	**0.40**	**59 443 990**	**59.40**	20	0.28	60 308 008	60.32
Total	**5 507**	**100.00**	**100 066 219**	**100.00**	7 104	100.00	99 977 435	100.00
Distribution of shareholders								
Individuals	**4 470**	**81.17**	**22 459 998**	**22.45**	5 816	81.87	24 716 778	24.72
Insurance companies	**10**	**0.18**	**428 555**	**0.43**	10	0.14	328 100	0.33
Investment trusts	**371**	**6.74**	**8 835 101**	**8.83**	555	7.81	9 259 598	9.26
Other companies and corporate bodies	**654**	**11.87**	**67 752 789**	**67.71**	723	10.18	65 672 959	65.69
Sovereign funds	**2**	**0.04**	**589 776**	**0.59**	–	–	–	–
Total	**5 507**	**100.00**	**100 066 219**	**100**	7 104	100.00	99 977 435	100.00
Shareholder type								
Non-public shareholders	**18**	**0.33**	**24 777 246**	**24.76**	9	0.13	10 908 120	10.91
Directors and associates (Direct)	**6**	**0.11**	**14 613 863**	**14.60**	9	0.13	10 908 120	10.91
Directors and associates (Indirect)	**12**	**0.22**	**10 163 383**	**10.16**	–	–	–	–
Public shareholders	**5 489**	**99.67**	**75 288 973**	**75.24**	7 095	99.87	89 069 315	89.09
Total	**5 507**	**100.00**	**100 066 219**	**100.00**	7 104	100.00	99 977 435	100.00
Fund managers greater than 5% of the issued shares								
Coronation Fund Managers			**17 357 866**	**17.35**			14 448 186	14.45
Public Investment Corporation			**9 053 910**	**9.05**			9 022 596	9.02
BMO LGM Investments Management Group			**9 956 335**	**9.95**			8 367 790	8.37
Total			**36 368 111**	**36.35**			31 838 572	31.84
Direct and indirect beneficial interests of 5% or more of the issued shares (excluding directors)								
Government Employees Pension Fund			**10 677 270**	**10.67**			10 230 408	10.23
Coronation Fund Managers			**10 445 681**	**10.44**			8 492 531	8.49
BMO LGM Investments Management Group			**9 956 335**	**9.95**			7 755 676	7.76
Theofanis Halamandaris			**7 017 598**	**7.01**			7 017 598	7.02
Panis Trust			**6 828 955**	**6.82**			7 350 000	7.35
Total			**44 925 839**	**44.89**			40 846 213	40.86

Exchange rates

The following significant exchange rates were applied in the preparation of the Group's results for the year under review:

	Group			
	2019 Average	**2019 Closing**	2018 Average	2018 Closing
GB Pound to Rand	**17.82**	**18.59**	17.15	16.26
Euro to Rand	**15.76**	**15.93**	15.11	14.35
US Dollar to Rand	**13.53**	**13.99**	13.08	11.75
Zambian Kwacha to Rand	**1.25**	**1.16**	1.37	1.20
Nigerian Naira to Rand	**0.04**	**0.04**	0.04	0.03
Botswana Pula to Rand	**1.28**	**1.30**	1.26	1.21

Administration

FAMOUS BRANDS LIMITED

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

DIRECTORS

Norman Adami, Santie Botha (Independent Chairman), Chris Boulle, Deon Fredericks, Nik Halamandaris, John Halamandres, Darren Hele (Chief Executive Officer)*, Emma Mashilwane, Lebo Ntlha (Group Financial Director)* and Bheki Sibiya.

* *Executive*

COMPANY SECRETARY

Ian Isdale

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