







## Inbox Financial Manager

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	2	Elijah Molabe	Big Ranch (Pty) Ltd		09/12/2022
	3	Elijah Molabe	Customer loyalty programme		09/12/2022
	4	Hajra Moodley	Big Ranch (Pty) Ltd	Extracts from management accounts	09/12/2022
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## DOCUMENT 1

### EMAIL FROM CHIEF FINANCIAL OFFICER TO FINANCIAL MANAGER

**From:** Elijah Molabe  
**Sent:** Friday 9 December 2022, 7:59 AM  
**To:** Financial Manager  
**CC:** Hajra Moodley  
**Subject:** Welcome  
**Attachment:**  PowerPoint slides.pptx  
119 KB

Hi there

I hope you have enjoyed your first week or so at Fodjan. You may have found that the restaurant franchise industry is a lot more dynamic and challenging than most people think. As previously discussed, Fodjan (Pty) Ltd ('Fodjan') was established in 1992 and has evolved into one of the leading casual dining restaurant groups in South Africa.

The impact of the initial hard Covid-19 lockdowns from March 2020 to mid-August 2020 was devastating for the restaurant and fast-food markets. Our franchisees suffered a great deal because patrons were unable to have sit-down meals for almost five months. Our franchisees were also unable to serve alcohol, a lucrative source of business, during these months.

It was difficult trading through intermittent lockdowns varying from level 5 to level 1, complicated further by it being hard to predict when these would be imposed. Fortunately, lockdown levels were eased later in 2021 and we were able to get back to almost normal trading conditions. However, the casual dining and fast-food markets have dramatically changed post Covid-19 lockdowns. First, people have learnt how to cook, or to improve their cooking skills, as a matter of necessity. Second, online orders for delivery skyrocketed and this became the 'new normal'. Third, ghost kitchens popped up all over the place. These ghost kitchens have no physical facilities for sit-down meals and instead prepare food to fulfil online orders that are for delivery only. There have been so many innovations and developments in response to the changed landscape.

With the trading environment becoming increasingly complex, I often wonder if we should make more use of the data stored on our computer systems to better understand our businesses. I suppose the same goes for our franchisees. If you have thoughts on this, I would really appreciate your input!

I have attached some PowerPoint slides that provide information about Fodjan and its operations. We use these slides for orientation purposes for new staff members and non-executive directors. This presentation is also useful for planning purposes and our annual strategy sessions. Enjoy the read.

Kind regards  
Elijah

**CFO: Fodjan (Pty) Ltd**

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## ATTACHMENT TO EMAIL

### Annexure A: Fodjan (Pty) Ltd – Background information

# FODJAN

*Top notch food in a family friendly environment*

Fod  
jan

December 2022

## Contents

1. Our business and operating model
2. Our revenue streams
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10. Opportunities

Fod dlers

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## 1. Our business and operating model

- Fodjan is a casual dining restaurant franchise group which has one brand, namely 'Fodders'.
- The vast majority of Fodders restaurants are franchised. We do not believe in competing against our franchisees, who are vital partners in our ecosystem. Fodjan has occasionally acquired underperforming franchise restaurants with the aim of turning these around and finding new franchisees to own and operate them.
- Fodders' menus focus on burgers, chicken, steak and ribs with plant-based protein options. We do not have any pasta, pizza or flame-grilled chicken items on our menus – 'too many options spoil the broth'. Franchisees offer menu items and charge prices that are centrally set by Fodjan.
- Fodjan supports its franchisees in setting up new restaurants:
  - Feasibility studies and site selection
  - Standardised décor selection
  - Project management
  - Training of staff.

Fodders

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## 1. Our business and operating model (cont.)

- All Fodders franchisees are required to install and operate a standardised point of sale (POS) software system (procured from a global leading IT group) that enables:
  - Registering of orders and sending these directly to the kitchen
  - Checking on the status of orders without having to walk to the kitchen
  - Modification of orders (remove or swap ingredients, add extra items)
  - Processing of payments (credit/debit cards, cash and mobile wallets)
  - Data analytics and reporting.
- Waiters can use tablets to place orders and check on the status of orders via the POS system.

Fodders

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## 1. Our business and operating model (*cont.*)

- Fodders restaurants do not allow reservations.
- Fodjan offers procurement services (for a fee) to franchisees. Fodjan negotiates prices and terms with key restaurant suppliers (meat, vegetables, bakery goods, dairy products, catering equipment, etc.) to enable franchisees to purchase high-quality products at competitive prices. Franchisees can order via Fodjan's portal and suppliers deliver directly to restaurants. Franchisees pay suppliers directly.
- Fodjan has its own range of sauces and seasonings, the manufacturing of which is outsourced to third-party manufacturers. Fodjan also procures packaging supplies for Fodders restaurants to ensure consistency at each restaurant. Franchisees are required to purchase the sauces, seasonings and packaging from Fodjan.
- Sauce and seasoning products are available for purchase at Fodders restaurants and selected grocery retailers by customers/patrons.

Fodders

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## 1. Our business and operating model (*cont.*)

- Fodders' customers can, in addition to sit-down meals, place orders for delivery or for collection. The latter is referred to as 'click and collect'. Fodjan has relationships with both MrD and UberEats with regard to delivery options. Individual Fodders restaurants need to load their details on the MrD and/or UberEats platforms/apps and 'pay' a negotiated commission % of the food order value to MrD/UberEats. The delivery platforms collect payments directly from their customers and pay over the amounts, less commission, to Fodders franchisees.
- Fodjan develops meaningful relationships with Fodders franchisees and visits them at least once a month to provide operational support and share skills and know-how.
- Franchise agreements between Fodjan and franchisees are five years in duration, renewable or terminable at the option of either party at the end of the five-year period.

Fodders

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## 2. Our revenue streams

- Fodjan charges an upfront R100 000 joining fee to new franchisees. No further joining fees are applicable if the franchise agreement is extended for a further five years and any subsequent periods.
- Fodjan charges franchisees a monthly franchise fee of 5% of franchisee revenue. This fee was temporarily dropped to 4% during the harshest Covid-19 lockdowns.
- Fodjan also charges franchisees a monthly marketing fee of 3% of franchisee revenue, payable monthly in arrears. In terms of the franchise agreements, Fodjan is the custodian of these funds and is contractually obliged to spend these funds on advertising and marketing for the benefit of all franchisees to promote the Fodders brand. Marketing activities include TV and digital advertising.
- Fodjan charges franchisees a 2% procurement fee based on the value of goods and services that franchisees spend ordering via Fodjan's procurement portal.

Fodders

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## 3. Our reach

- There are currently 96 Fodders franchisee restaurants open and trading throughout South Africa.
- Fodjan recently purchased 100% of the equity of Big Ranch (Pty) Ltd, which is a franchisee with five Fodders restaurants. These restaurants ran into financial difficulty during the Covid-19 lockdowns. Instead of letting these restaurants close, Fodjan purchased Big Ranch because of the strategic locations of the restaurants. Fodjan intends to turn around the profitability of these five restaurants and at a later stage to sell them to new franchisees.
- Fodders restaurants are typically located in smaller suburban shopping centres in major cities and towns. Fodders restaurants are also located in stand-alone properties in suitable suburbs.
- Fodjan discourages franchisees from operating restaurants in larger shopping malls because of the high rental costs.
- Fodders restaurants are targeted to serve middle- to upper-income families and patrons.

Fodders

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## 4. Our stakeholders

- Franchisees
- Fodders' customers
- Shareholders
- Banks and other funding institutions
- Communities
- Suppliers
- Employees
- Government and regulators

Fodders

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## 5. Our shareholders

Shareholders	% shareholding
Hambre Family Trust	35,0%
New Africa Finance Corporation	30,0%
RAC Empowerment Fund	20,0%
Fodjan Employee Share Trust	15,0%
	100,0%

- Phillip Hambre started Fodjan in 1992 and set up the Hambre Family Trust to own 100% of the shares in issue of the company. The Trust's shareholding reduced over time as new shareholders were introduced. Phillip retired in 2017 but remains a non-executive director of Fodjan.

Fodders

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## 5. Our shareholders (cont.)

- New Africa Finance Corporation (NAFC) is a lending institution that specialises in financing franchisees, particularly those in the casual dining restaurant and fast-food industries. NAFC has developed a proprietary database covering these industries and tracks the successes and failures of particular restaurants and fast-food franchises and locations. NAFC is Fodjan's preferred finance partner in lending to the franchisees.
- The RAC Empowerment Fund is a women-led B-BBEE investment group funded by a major South African financial services group.

Fodders

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## 6. Our directors

Director	Capacity
Katleho Mokoena	Non-executive director and chairperson
Phillip Hambre	Non-executive director
Hiernon Bosch	Non-executive director
Danisa Notshe	Independent non-executive director
Ellie Hambre	Non-executive director
Hajra Moodley	Chief Executive Officer
Elijah Molabe	Chief Financial Officer

Fodders

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## 6. Our directors (cont.)

- Katleho Mokoena is an executive director of the RAC Empowerment Fund.
- Hiernon Bosch is the CEO of New Africa Finance Corporation.
- Danisa Notshe is a professor at a leading South African university and head of the School of Economics.
- Ellie Hambre is Phillip's daughter.
- The board of directors of Fodjan is of the opinion that full compliance with the principles of King IV is not always in the best interests of Fodjan. For example, the board believes that persons with an intimate knowledge of the casual dining industry are far more valuable as non-executive directors than persons who are appointed purely because they are independent.

Fodders

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## 7. Fodders franchise restaurants

<b>October year end</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
<b>Number of franchise restaurants</b>			
Open at start of financial year	104	94	86
New restaurant openings	0	0	10
Restaurant closures	-10	-8	0
Number of restaurants at year end	94	86	96

- Unfortunately, numerous franchisees were not able to trade profitably during Covid-19 lockdowns and had to close their businesses
- Fodjan was very pleased that ten new franchise restaurants opened in FY2022
- There is currently a strong pipeline of applications for new franchise restaurants, and Fodjan expects a further eight Fodders restaurants to open in FY2023

Fodders

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## 8. Summarised financial information

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
Franchise fees	36 054	51 036
Marketing fund contributions	22 533	30 621
Sales of sauces and seasonings	27 462	29 576
Procurement service fees	4 597	4 777
Joining fees	170	320
<b>Total revenue</b>	<b>90 816</b>	<b>116 330</b>

*Fodjan has an October year end*

Fod ders

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
<b>Total revenue</b>	<b>90 816</b>	<b>116 330</b>
Cost of sales	(20 816)	(22 567)
Administration expenses	(30 715)	(32 834)
Marketing expenses	(20 280)	(30 468)
Impairments	(4 500)	-
<b>Operating profit before interest*</b>	<b>14 505</b>	<b>30 461</b>

\* Depreciation of property, plant and equipment of R4,231 million (FY2021: R3,706 million) and depreciation of right-of-use assets of R8,497 million (FY2021: R3,785 million) have been taken into account in determining operating profit.

Fod ders

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
<b>Operating profit before interest</b>	14 505	30 461
Interest income	1 171	829
Finance costs on lease liabilities	(1 239)	(3 123)
Current taxation	(5 272)	(8 332)
Deferred taxation	1 230	446
<b>Profit for the year</b>	<b>10 395</b>	<b>20 281</b>

Fod ders

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
<b>Non-current assets</b>	26 418	56 195
Property, plant and equipment	10 497	9 766
Right-of-use assets	7 571	22 633
Loans receivable*	6 500	7 000
Investment in Big Ranch (Pty) Ltd*	0	14 500
Deferred taxation	1 850	2 296

\* Refer to notes on slide 19 for further details.

Fod ders

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## 8. Summarised financial information (cont.)

### Notes to non-current assets

- Loans receivable represent advances by Fodjan to franchisees. These loans are generally short term in nature, lasting only until franchisees raise finance to open new restaurants. However, due to the Covid-19 lockdowns, many franchisees have been struggling to raise finance and Fodjan's loan terms were extended.
- Fodjan acquired 100% of the equity of Big Ranch (Pty) Ltd with effect from 1 July 2022. Fodjan has not yet processed any pro forma journal entries with regard to Big Ranch for the purposes of preparing the group's consolidated AFS. The cash amount paid for the acquisition is reflected as an investment in Fodjan's draft AFS.

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
<b>Current assets</b>	50 003	37 693
Inventories	2 396	3 091
Trade and other receivables	14 530	16 868
Loans receivable	0	1 200
Restricted cash*	4 003	4 157
Cash and cash equivalents	29 074	12 377

\* Restricted cash represents surplus cash in the marketing funds (marketing fund contributions not yet spent). Fodjan may only spend this cash on advertising and marketing-related activities.

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
Ordinary share capital and premium	5 100	5 100
Retained earnings	53 517	53 797
<b>Total equity</b>	<b>58 617</b>	<b>58 897</b>
<b>Non-current liabilities</b>	<b>5 185</b>	<b>17 236</b>
Contract liabilities*	190	840
Lease liabilities	4 995	16 396

\* Joining fees deferred over the period of franchise agreements.

Fod ders

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## 8. Summarised financial information (cont.)

Extracts from the AFS	FY2021 Audited	FY2022 Draft
	R'000	R'000
<b>Current liabilities</b>	<b>12 619</b>	<b>17 755</b>
Taxation payable	395	625
Trade and other payables	7 730	8 033
Contract liabilities	170	200
Lease liabilities	4 324	8 897
<b>Total equity and liabilities</b>	<b>76 421</b>	<b>93 888</b>

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## 9. Trends in the industry

- Increase in consumption of chicken in the restaurant and fast-food industries.
- Traditional mealtimes are blurring – customers are no longer strictly adhering to mealtimes (breakfast, lunch and dinner) and they tend to eat whenever it suits them during the day.
- Social media have become all powerful as customers share their good and bad experiences at restaurants.
- Many customers are seeking plant-based meals as they seek to minimise environmental impact and eat healthier meals.
- Load shedding is adversely impacting on sit-down meals as customers prefer to order in when there are power outages.
- Food inflation is increasing as the prices of cooking oil, grain products and petrol escalate due to the Russia/Ukraine war and global inflationary pressures.
- Increasing competition from ghost kitchens (online orders and collection only fast-food operations).

Fod ders

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## 10. Opportunities

- Fodjan is exploring launching its own ghost kitchen brands in the following food categories:
  - Sushi
  - Greek food
  - Mexican food
- Fodjan is working with selected franchisees to introduce drive-through facilities at their restaurants given the increasing popularity of 'click and collect'.
- Fodders is considering introducing a loyalty programme whereby customers are issued with a loyalty card (free of charge) and can earn loyalty points based on their purchases. It is proposed that loyalty points could be redeemed as discount against future purchases. There would be no cash-back option.

Fod ders

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## DOCUMENT 2

### EMAIL FROM CHIEF FINANCIAL OFFICER TO FINANCIAL MANAGER

**From:** Elijah Molabe  
**Sent:** Friday 9 December 2022, 8:11 AM  
**To:** Financial Manager  
**Subject:** Big Ranch (Pty) Ltd

Hi again

Hope you are settling in well.

Just a heads up. You may have noticed on slide 19 of the PowerPoint presentation I emailed you, that Fodjan has not yet prepared any pro forma journal entries regarding our acquisition of 100% of the equity of Big Ranch for the purpose of preparing the group's FY2022 consolidated AFS. I will need your help with this.

I will send you more information next week.

Kind regards  
Elijah

CFO: Fodjan (Pty) Ltd

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## DOCUMENT 3

### EMAIL FROM CHIEF FINANCIAL OFFICER TO FINANCIAL MANAGER

**From:** Elijah Molabe  
**Sent:** Friday 9 December 2022, 8:17 AM  
**To:** Financial Manager  
**Subject:** Customer loyalty programme

Hi there

As mentioned to you earlier, our industry was hit hard by the pandemic. We will need to think outside the box on how we can boost our revenue. You would have noticed from the PowerPoint presentation that we are considering introducing a customer loyalty programme.

Some of our competitors have implemented customer loyalty programmes quite successfully. In particular, one competitor issues 'family cards' to customers, which entitle these customers to benefits such as –

- discount vouchers once customers have spent a certain amount of money at any of their restaurants; and
- access to exclusive promotions and automatic entry into competitions.

Although such a programme obviously comes at a cost, it holds many potential benefits for Fodjan and our franchisees. Such programmes have proven to be effective in increasing customer loyalty in the restaurant industry – the benefits outweigh the cost. The more often customers visit our franchisees' restaurants, the more revenue our franchisees will earn. And the more revenue our franchisees earn, the more franchise fees we will collect. It's a win-win situation!

The board is comfortable to consider the business merit of such a programme, but will draw on your technical expertise to give advice on the accounting and tax implications.

We will chat once I have more details.

PS: While we are talking about revenue, I must point out that there are no uncertainties on how to account for our existing revenue streams. When the new IFRS 15 became effective in 2018, we consulted an IFRS expert who assisted us with our revenue recognition. Our auditors, Greener & Co, expressed their complete satisfaction with how we account for revenues and there have been no significant changes since.

Kind regards  
Elijah

**CFO: Fodjan (Pty) Ltd**


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## DOCUMENT 4

### EMAIL FROM CHIEF EXECUTIVE OFFICER TO FINANCIAL MANAGER

**From:** Hajra Moodley  
**Sent:** Friday 9 December 2022, 8:31 AM  
**To:** Financial Manager  
**CC:** Elijah Molabe  
**Subject:** Big Ranch (Pty) Ltd  
**Attachment:**  Extracts from management accounts.docx  
16 KB

Hi there

I believe Elijah has provided you with some background regarding Fodjan's acquisition of Big Ranch and the plans to turn around these restaurants and then later to sell them to new franchisee(s). Our operational team is already working hard at improving profitability at Big Ranch – refer attached for extracts from the management accounts of Big Ranch with some explanatory notes.

I have started discussions with various potential franchisees to take over all the Big Ranch restaurants. It makes sense to sell all the restaurants together rather than individually since that would mean less work. My discussions with potential franchisees have revolved around the following negotiating points:

- Fodjan paid a total of R14,5 million for Big Ranch, so we would want to recover at least this amount from selling the business of Big Ranch to a new franchisee/buyer. A new Fodders restaurant costs approximately R3,5 million in capital expenditure (kitchen equipment, tables and chairs, IT equipment, crockery and cutlery, etc.) prior to opening. Hence, R14,5 million for five established restaurants would be a bargain for a buyer;
- Big Ranch would enter into a new franchise agreement with Fodjan or renew the existing agreement for a further five years but no joining fees would be payable; and
- Big Ranch would from 2023 onwards pay the normal 5% franchise fee and a marketing fee of 3% on its restaurants' turnover – as do all other franchisees.

I am going to ask you to assist with our discussions with potential franchisees/buyers and to analyse the Big Ranch numbers ahead of these discussions.

Many thanks in advance.

Kind regards  
Hajra

**CEO: Fodjan (Pty) Ltd**

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## ATTACHMENT TO EMAIL

### Big Ranch (Pty) Ltd Extracts from management accounts together with some explanatory notes

Financial years (FY) ended 31 October	Notes	FY2021 R'000	FY2022 R'000
Revenue	1	47 571	58 887
Food and beverages costs		(22 596)	(29 620)
Employee costs		(8 753)	(9 716)
Other operating expenses		(6 951)	(7 514)
Franchise fees	2	(1 903)	(2 355)
Marketing fund contributions	2	(1 189)	(1 472)
Procurement fees	3	(339)	(444)
Joining fees	4	(100)	(100)
Owner's drawings	5	(1 250)	(650)
<b>Operating profit</b>		4 490	7 015
Depreciation: Furniture and equipment		(2 681)	(2 434)
Depreciation: Right-of-use assets		(2 410)	(2 410)
<b>(Loss)/profit before interest and taxation</b>		<b>(601)</b>	2 171
Interest expense: New Africa Finance Corp.	6	(1 142)	(1 177)
Interest expense: Lease liabilities	7	(491)	(263)
<b>(Loss)/profit before taxation</b>		<b>(2 234)</b>	731

#### Notes to extracts from management accounts

1. Revenue represents the total sales of meals, products and beverages at the five Fodders restaurants that Big Ranch operates.
2. Franchise fees were reduced by Fodjan to 4,0% of revenue during FY2021 and FY2022 to provide relief because of the impact of Covid-19 restrictions and Big Ranch's losses. Similarly, marketing fund contributions were reduced from 3,0% to 2,5%. Because of Big Ranch's financial distress, the franchise fees and marketing fund contributions were left unchanged in FY2021 and FY2022.
3. Fees payable to Fodjan for using its procurement services to source products.
4. Joining fees represent the amortised initial joining fees over the period of the initial franchise agreements.
5. The previous shareholder of Big Ranch paid himself a monthly amount, classified as 'drawings', over and above his monthly market-related salary.
6. Big Ranch obtained a loan from New Africa Finance Corporation in FY2018 to fund the opening of new restaurants. The balance owing to New Africa Finance Corporation at 31 October 2022 was R8,49 million.
7. Big Ranch paid R3,032 million in lease payments to lessors in FY2022 of which R0,263 million was allocated to interest expense and the balance to reducing the lease liabilities.

## DOCUMENT 5

### EMAIL FROM CHIEF FINANCIAL OFFICER TO FINANCIAL MANAGER

**From:** Elijah Molabe  
**Sent:** Friday 9 December 2022, 8:45 AM  
**To:** Financial Manager  
**Subject:** Matters arising from meeting with external auditors

Yesterday afternoon I had a meeting with Basil Bean, the audit engagement partner, and his team. Basil Bean is from Greener & Co, our duly appointed firm of Registered Auditors. The purpose of the meeting was for the audit team to clarify its understanding of our systems of internal control as part of its planning for the upcoming audit of Fodjan's annual financial statements for FY2022.

Numerous questions were asked about our system of internal control for revenue. I am not sure whether these questions are due to the sizeable increases in revenue from the prior financial year. But this got me to thinking about whether we have adequate controls in operation to ensure that these revenue streams are correctly invoiced to our franchisees. Accordingly, I would like you to set some time aside in the next few days to review the system of internal control for our revenue transactions.

The audit team also expressed the desire to make greater use of 'automated tools and techniques' when conducting the audit to improve the efficiency and effectiveness of its work. Not being particularly tech-savvy, I would appreciate your assistance in helping them with this (if necessary) once the audit is under way.

After the planning meeting, during an informal conversation with Basil over a cup of coffee, he mentioned that several of his clients are franchisees of Fodjan. They have been complaining that they have not seen much benefit from the campaigns run by our marketing team despite their sizeable financial contributions to the marketing fund over many years.

I would therefore also like you to apply your audit skills to the marketing expenditures incurred during the past 12 months. If there is anything that is questionable, I would like to know about it sooner rather than later. While you are busy with this, you might as well consider whether there are any tax issues relating to the marketing fund. For a long time now, I have left the marketing team to 'do their own thing' from a financial perspective, but having heard Basil's comments, I definitely do not want to be accused by the board of neglecting my fiduciary duties!

Please set some time aside in your diary to address these important matters.

Kind regards  
Elijah

**CFO: Fodjan (Pty) Ltd**

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## DOCUMENT 6

### EMAIL FROM CHIEF EXECUTIVE OFFICER TO FINANCIAL MANAGER

**From:** Hajra Moodley  
**Sent:** Friday 9 December 2022, 8:51 AM  
**To:** Financial Manager  
**CC:** Elijah Molabe  
**Subject:** New franchise offering

Hi there

Fodjan has stuck to its game plan since inception of being a franchisor and has exclusively focused on the Fodders brand offering, a family-friendly casual dining restaurant group. However, having survived the Covid-19 pandemic and related lockdowns, we have started to think about expanding our offering to diversify and grow the group. There is limited scope to significantly increase the number of Fodders restaurants, so we need to expand in different ways.

I believe Fodjan needs to keep to its strategy of being a franchisor operating in the sit-down and takeaway food and beverage industry. We have in the past debated introducing a new franchise offering such as flame-grilled chicken, pizzas and pastas. However, we believe these may be over-traded in South Africa.

The board of directors is currently debating options regarding the expansion of our franchise offering and we have narrowed it down to two potential options:

1. Purchasing an existing South African franchise operation (as franchisor) but not with a focus on flame-grilled chicken, pizza or pasta restaurants; or
2. Entering into a master franchise agreement with a leading global brand to introduce their offering into South Africa (Fodjan assuming the role of franchisor of the South African operations).

It would be wonderful if you could start thinking about the above two options. We will certainly involve you in investigating one of these options and doing some financial modelling work for us. Many thanks in advance for your inputs.

Kind regards  
Hajra

**CEO: Fodjan (Pty) Ltd**

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## DOCUMENT 7

### EMAIL FROM CHIEF FINANCIAL OFFICER TO FINANCIAL MANAGER

**From:** Elijah Molabe  
**Sent:** Friday 09 December 2022, 9:00 AM  
**To:** Financial Manager  
**CC:**  
**Subject:** FW: Supplier proposal

Hi there

Please see email below from our chairman – I'm just looping you in as I may need some help in drafting/considering the terms of the agreement.

Thanks

Elijah  
**CFO:** Fodjan (Pty) Ltd

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**From:** Katleho Mokoena  
**Sent:** Thursday 08 December 2022, 3:49 PM  
**To:** Elijah Molabe  
**CC:**  
**Subject:** Supplier proposal

Hi Elijah

I've got a proposal that I think presents an excellent opportunity to get ahead in the market, especially as the economy is trying to recover from the lockdowns.

I'm sure you are familiar with one of our sauce and seasoning suppliers by the name of Flavourful. I have a monthly golf game with the CEO of Flavourful, Michelle Watson. Yesterday, I had a conversation with Michelle that ended up with a proposal that I think has the potential to be really beneficial to Fodjan. The proposal is that Fodjan enters into a two-year exclusivity agreement with Flavourful whereby Fodjan procures sauces and seasoning only from Flavourful, but at significantly discounted prices. I really think this would be a great deal for Fodjan.

Of course, when I wear my RAC hat, it is important for me to point out that such a supplier contract would likely result in better profits for Fodjan, and ultimately dividend payments for the RAC so that it can repay its own funders as soon as possible. After all, we shouldn't forget that, first and foremost, I am here by virtue of being a nominee director representing the RAC's interests.

I'll be in touch soon with more details.

Kind regards  
Katleho Mokoena

**Executive Head: Investments**  
**RAC Empowerment Fund**

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