

QUESTION 1

SOURCE 1

Credit crunch hits SA firms

Johannesburg – The upheaval in world economic markets, high interest rates, slowing economic growth and rising food prices are all contributing to South African businesses facing **increased debtor defaults**.

'We have noticed established companies requesting **extended terms to 60 or even 90 days**. At the same time, debtor defaults are increasing.'

'To decide whether or not to give credit or extend credit terms, businesses need **accurate information** on the financial status of their customer.'

'But this information is not always easily accessible. (New credit) legislation for example, has limited the access to some.'

'They need to deal with debtor defaults themselves and **manage the legal processes** to collect overdue accounts.'

'Our message is that companies need to be especially careful in giving credit or extending credit terms.'

I-Net Bridge

[Adapted from: <<http://www.fin24.com>>]

SOURCE 2

**SHOPTALK
Credit Crunch**

The Foschini Group, Woolworths and Mr Price, this week warned that they had begun to feel the effects of a **consumer slowdown**. This is quite a turnaround from the confident statements made at the Mr Price year end presentation a few months ago. Woolworths CEO Simon Susman was particularly concerned by the group's **exposure to bad debt and the rising levels of bad debts**. The group had experienced an almost 80% increase in bad debts; if this is true for Woolworths then it must be much the same for most other **credit retailers**. So has the damage been done? Have South Africans over spent and will they be able to service the debt that they have incurred and what will the effect be on retailers? We will have to wait and see but it certainly looks like it will be a tough few months ahead for credit retailers.

[Adapted from: <<http://www.fastmoving.co.za>>]

QUESTION 2

SOURCE 3

Estimated total number of cars sold in South Africa	2009	2008
Total Sales September	30 957	41 814
Total Sales October	34 132	47 673
Total Sales January – October	488 951	612 708

SOURCE 4

CAR dealerships are making financial sacrifices to ensure that consumers feel comfortable about buying cars in a difficult economy. One sacrifice involves car trade-ins. **Trade-in values has decreased** significantly which means the customer has no deposit for a car. Car dealerships are now offering an inflated trade-in price which then reduces the dealership profit. This problem has resulted in many car dealerships having to close down.

The car manufacturers have also tried to uplift sales by offering free fuel on certain cars. Under this offer, beneficiaries are entitled to about R2 000 a month for the rest of the year. It was successful given that fuel is a big issue for consumers at the moment.

The car manufacturers has undertaken other promotions, including car price cuts, but all this has compromised profit margins. Independent dealers are struggling in much the same way as bigger rivals run by companies like McCarthy, Imperial, Super Group and Combined Motor Holdings.

[Adapted from: <<http://www.businessday.co.za>>]

SOURCE 5 EXTRACTS OF INFORMATION ON THE VEHICLE INDUSTRY

NEW CAR MARKET

- The South African vehicle industry has approached government for a R10 billion loan to assist with cash flow and to help minimise job losses.
- The industry is struggling with the domestic and global economic recession.
- New car sales have had their biggest fall in 24 years.
- Manufacturers of vehicles would have to raise their prices between 2 percent or 3 percent this year if they want to offset the rising cost of raw materials.

PRE-OWNED MARKET

- Depreciation, a new car buyer's worst enemy, becomes your greatest ally when you buy pre-owned. It means you can buy a perfectly good three-year-old car with all the latest gadgetry for half the price of a new one!
- Buying a pre-owned car with a service plan or certification program removes the uncertainty that often accompanies the purchase of pre-owned car.
- A lot of consumers are trading down as a result of increase in new car prices – the pre-owned market is looking attractive.
- People would rather buy a pre-owned car brand they know than buy a new car brand.

REPOSSESSED VEHICLES

- Be cautious when purchasing a repossessed vehicle, as chances are the maintenance was neglected long before the actual payments became difficult for the previous owner to keep up with.
- Remember that you are buying the repossessed car as-is. That means that if the mechanic finds flaws, you must be willing to overlook them, as they will become your responsibility. If the previous owner failed to change the oil and engine damage was the result, or the tyres are bald, it's your problem once you drive off the lot.
- About 6 000 cars are being repossessed monthly.

MAINTENANCE PLANS/CONTRACTS

- Included in the purchase price of new vehicles.
- Covers all the costs relating to the regular servicing of the vehicle.
- If you have any problem with the car at any time during the maintenance plan period it will be repaired at no charge (excluding oil, tyres and fuel).
- Maintenance plans can be extended past beyond their initial period at an additional cost.

QUESTION 3 EXTRACTS FROM ANNUAL REPORTS



CORPORATE GOVERNANCE – SPUR CORPORATION

Spur Corporation is committed to achieving high standards of corporate governance to protect the interests of the company and its shareholders. The directors recognise that good governance assists shareholders in assessing the quality of the group and its management.

OVERVIEW – SPUR CORPORATION

Spur is a multi-branded restaurant franchisor listed in the travel and leisure sector of the JSE Limited. Through its restaurant brands the group provides customers with a relaxed dining experience in distinctly family-orientated environment, along with a compelling quality and value for money offering.

TOTAL NUMBER OF RESTAURANTS IN SA

Spur Steak Ranches	236
Panarotti's Pizza Pasta	51
John Dory's Fish and Grill	21
TOTAL	308

The group's heritage goes back 41 years to when the first Spur opened the Golden Spur in Newlands, Cape Town, in 1967. Over the past four decades the group has grown into one of the most recognised brands in the country and today Spur is proudly known as 'the official restaurant of the South African family'.

EXTRACT – CHAIRMAN'S REPORT – SPUR CORPORATION

- After the year-end we have started to see signs that interest rates are stabilising and hopefully debt-strapped South Africans will be in for some relief from mid 2009 onwards. Fuel prices too have started to decline from their highs in mid 2008. Consumers will however, take time to recover from the current cycle as we expect a time lag between interest rate cuts and an uplift in consumer spending.
- Our financial performance was negatively impacted on by operational losses and an impairment of assets totalling R9.2 million in an unsuccessful fish and grill pilot outlet in Australia. This contributed to a 4.5% decline in operating profit to R85.5 million (2007: R89.6 million). The group will not continue with this concept.

INFORMATION FROM 2008 ANNUAL REPORT SPUR CORPORATION

- Food inflation is currently at 17.6%.
- Spur's new advertising agency produced memorable creative work which is encouraging for future growth.
- A new leather bound menu was launched in October 2007, with a different layout and pictorial display. This was a profound shift from traditional wooden menu boards.
- The group plans to open 16 restaurants in South Africa in 2009.

FINANCIAL INDICATORS – SPUR CORPORATION

	2008 (R'000)	2007 R ('000)
Profit before tax R ('000)	90 094	92 995
Profit after tax R ('000)	59 602	81 752
Current Assets	129 194	99 462
Inventory	6 624	4 943
Non Current Liabilities	57 636	34 252
Current Liabilities	62 396	57 836
Market Price – 30 June (cents)	620	1 180
Cash flow from operating activities	31 038	48 442
Return on equity	15.9%	20%
Acid Test Ratio	?	1.6 : 1
Liquidity (CA : CL)	2,07 : 1	1,72 : 1
Return on Capital Employed	19.7%	
DPS (cents)	55	55
EPS (cents)	67.23	92.80
Net Asset Value (cents)	495.83	457.87
Authorised Share Capital	201 000 000 ordinary shares at 0.001c each	
Issued shares at June 2008	88 155 507 ordinary shares	





EXTRACT – CORPORATE GOVERNANCE REPORT – FAMOUS BRANDS LTD

A code of ethics was also introduced to raise the ethical awareness of conducting business. The company's code of ethics requires all directors and employees to act with honesty and integrity and to maintain the highest ethical standards. The code deals with compliance with laws and regulations, conflicts of interest, relationships with customers and suppliers, remuneration, outside employment and confidentiality. Directors and employees are prohibited from dealing in the company's shares during price-sensitive periods.

OVERVIEW – FAMOUS BRANDS LTD

Famous Brands continues to distinguish itself as a leader in the quick service and casual dining industry with its stable of leading brands.

Total number of restaurants nationally

Steers	455
Wimpy	450
Debonairs Pizza	215
FishAways	80
House of Coffees	31
Brazilian Café	18
TOTAL	1249

EXTRACT – CHAIRMAN'S REPORT – FAMOUS BRANDS LTD

- The year under review presented two distinct halves. In the first half, good trading conditions were experienced. At the interim results stage we envisaged an even better operating environment in the second half of the financial year, which has traditionally been the case. However, trading conditions deteriorated, succumbing to economic factors such as increases in interest rates, fuel prices, raw material input costs and exceptionally high food inflation. The implementation of the National Credit Act also dampened consumer spending.
- The profitability and strong returns delivered by the Group were endorsed in The Top 200 FinWeek Survey 2008, a review of business achievement, in which Famous Brands was rated in the top 50 companies on the JSE for return on equity.

FINANCIAL INDICATORS – FAMOUS BRANDS LTD

	2008	2007
Profit before tax R ('000)	190 459	131 537
Profit after tax R ('000)	131 081	87 114
Current Assets	330 906	354 418
Equity	405 872	303 480
Non Current Liabilities	230 654	96 888
Current Liabilities	217 168	273 007
Market Price – 29 Feb 2008 (cents)	1 624	1 590
Cash flow from operating activities	124 097	115 225
Return on equity	38%	36%
Acid Test Ratio	1.1 : 1	1.1 : 1
Liquidity (CA : CL)	1,52 : 1	1,3 : 1
Return on Capital Employed	40.3%	
DPS (cents)	66	48
EPS (cents)	137	100
Net Asset Value (cents)	136.7	99.5
Authorised Share Capital	200 000 000 ordinary shares of 1 cent each	
Issued shares at February 2008	94 448 096 ordinary par value shares of 1 cent each	

The Group's capital expenditure was R36 million, spent on projects to build capacity in the Manufacturing and Logistics businesses. A further R39 million in capital expenditure has been approved for the year ahead with most of this being allocated to our Logistics business. Capital will be employed to complete the take-on of the Wimpy distribution business and to shift our Logistics function to a multi-temperature operating model, where our fleet is able to carry frozen, chilled and dry product to location, thereby increasing fleet utilisation.

We opened 106 new restaurants in the year which was disappointing when compared to the 151 opened in the prior year. This provides a further indication of a slowing economy and the impact of new developments being put on hold due to the national power shortage. However, we completed no fewer than 116 revamps of existing restaurants.

