



# FRANCHISE DISCLOSURE DOCUMENT

**PASSION - KNOWLEDGE - INNOVATION**

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Directors: L. D Drake; T. C Nel  
Phezulu Franchise Holdings (Pty) Ltd t/a Phezulu VBO Registration No: 2014/197439/07

# Evaluating a Phezulu VBO Franchise

We have compiled the following menu of questions and answers that you should be asking when purchasing a Franchise.

Questions to ask the Franchisor

## **History of the Business**

**Question: Since when was your company established?**

Answer: 2006

**Question: Who are your shareholders?**

Answer: Phezulu Group CC and Laurie Drake

**Question: Who are the directors?**

Answer: Tyrone Nel and Laurie Drake

**Question: When did you commence franchising?**

Answer: March 2010

**Question: How many franchises have you sold to date?**

Answer: We have sold 18 franchises

## **The Product**

**Question: Has your product been tested in the market?**

Answer: Yes

**Question: Are your products protected through copyright?**

Answer: Yes, they are

**Question: Do you have a plan for future product developments?**

Answer: Yes, we are continually developing new products and refining our current offering

## **The Market**

**Question: Is your market growing, stable or in decline?**

Answer: Our market is in its infancy with massive growth opportunities.

**Question: What is your current market share?**

Answer: Our market share is currently miniscule, however it is growing.



**Question: How do you intend growing your market?**

Answer: We will develop SME programmes to suit our current market.

**Financial Aspects**

**Question: What is the total investment required?**

Answer: R150 000.00 upfront purchase price & a monthly 3% Marketing Fee and 7% Royalty Fee (all excluding Vat).

**Question: What does your fee buy me?**

Answer: The name, logo, and systems will be made available to you. You will receive ongoing sales, marketing and administration training. You will receive a turnkey operation relating to setting up a franchise.

**Question: How much will I have to invest in capital equipment?**

Answer: The R150 000.00 includes all the electronic hardware you will need to begin your franchise, however items like software licences, furniture, fixtures etc. are excluded.

**Question: How much working capital should I provide for?**

Answer: 3 - 6 Months of estimated overheads. See page 8 for a guide of estimated fixed monthly costs.

**Question: Will you provide me with sales projections?**

Answer: Yes, we will. See page 7 for our projections, which were based on our first year's trading

**Question: Will you provide me with a set of financial projections?**

Answer: Yes, we will. See pages 10, 11 and 12 for our projections.

**Question: Am I allowed to spend additional monies on local advertising?**

Answer: Yes you are allowed to, however please clear your advertising with us first.

**Question: Is there a minimum amount I have to spend when buying from Head Office?**

Answer: No, there is not.

**Question: Do you have any other periodic or ongoing fees?**

Answer: The only other periodic or ongoing fees will be for training from outside institutions.

**Question: How has the franchised business grown in the last year?**

Answer: We have added 2 additional franchisees in the past several months and view this progress with optimism going forward.

**Question: Have these changes affected your ability to trade?**

Answer: No, however we have been able to streamline operations



## **Legal Aspects**

**Question: Once I have received the disclosure document and the Franchise Agreement, do you observe a "COOLING OFF PERIOD" before I am permitted to sign the agreement?**

Answer: Yes, we do 10 (ten) days.

**Question: Am I permitted to show the documentation you will provide me with to my professional advisor?**

Answer: Yes, you may

**Question: Are you prepared to meet with them, should they request?**

Answer: Yes, we are

**Question: Will I be required to sign a "CONFIDENTIALLY UNDERTAKING"?**

Answer: Yes you will be

**Question: If so may I have a copy now so that I can review of at my leisure?**

Answer: Yes you may

**Question: Does the franchise agreement contain restraints?**

Answer: Yes, it does

## **The Franchise Operation**

**Question: Do you operate from a franchise support infrastructure and manual?**

Answer: Yes, we do

**Question: Am I allowed to visit the franchisees to discuss any aspect of the franchise?**

Answer: Yes you may, their details are as follows:

### **Phezulu VBO - Ballito**

Tyronne Nel

Ballito Business Centre, The Circle, Ballito

[tyronne@phezulu.net](mailto:tyronne@phezulu.net)

010 003 8558



**B & J Accountancy (Pty) Ltd t/a**

**Phezulu VBO - Bryanston**

James Scott

14 Ballyclare Drive, Bryanston, Johannesburg

[james@phezulu.net](mailto:james@phezulu.net)

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**North Wing Trading (Pty) Ltd t/a**

**Phezulu VBO – Woodstock**

Peter La Grange

The Old Biscuit Mill, Albert Road, Woodstock

[peter@phezulu.net](mailto:peter@phezulu.net)

010 003 8558

**IAccountancy (Pty) Ltd t/a**

**Phezulu VBO – Pretoria East**

Nardus Venter

642 Cicely Street, Garsfontein, Pretoria

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010 003 8558

**Phoenix Capital (Pty) Ltd t/a**

**Phezulu VBO – Phoenix**

Jason Sequeira

Hyde Park

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010 003 8558

**2016/010978/07 (Pty) Ltd t/a**

**Phezulu VBO - Fairlands**

Laurie Drake

186 Sherwell Avenue, Boskruin

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010 003 8558



**Stoke Trading (Pty) Ltd t/a**

**Phezulu VBO – White River**

Anthony Tanner

4 Tendela, Alma Street, White River

[tony@phezulu.net](mailto:tony@phezulu.net)

010 003 8558

### **Initial Franchise support**

**Question: Will you help me with site selection?**

Answer: Yes, if you wish

**Question: Will you supply specifications for the decorating of my franchise?**

Answer: Yes

**Question: Am I compelled to use your contractors?**

Answer: Yes, we have negotiated group rates

**Question: Do you provide initial training?**

Answer: Yes

**Question: If so, what does this entail?**

Answer: 30 days setup and Operations Training, thereafter monthly Development Training.

**Question: Will you train me in recruiting clients?**

Answer: Yes

**Question: Will you help me with the necessary registrations etc, to ensure that I do not inadvertently break any laws?**

Answer: Yes

### **Ongoing franchise support**

**Question: Do you supply me with an operations manual?**

Answer: Yes

**Question: If so, when has it been last updated?**

Answer: May 2015



**Question: Do you have a regular programme in place for updates on the manual?**

Answer: Yes, every March or when new legislation is promulgated.

**Question: Do you make regular visits to the Franchisee's?**

Answer: Yes monthly visits, and on request by the Franchisee

**Question: Do you have a formal internal communications infrastructure in place?**

Answer: Yes, e-mails, weekly telephone calls, newsletters, meetings.

## **Marketing**

**Question: Do you have a promotional programme in place?**

Answer: Yes, we do

**Question: If additional local advertising is either compulsory or necessary and I pay for it, would this be subject to any restrictions?**

Answer: Yes, all branding and marketing material must be approved by the Franchisor.

## **Summing up**

**Question: How did you settle on the financial projections that are used in this document?**

Answer: The figures used here are a combination of the following:

Sales projections were based on our first year of trading

Estimated monthly costs are an average based on current expense as incurred by our franchisees and us.

**Question: Are your books of account kept in accordance with the provisions of the Companies Act No. 71 of 2008?**

Answer: Yes, they are.

**Question: Assuming I sign a deal, what are the next moves and when could I expect to be operational?**

Answer: You will be required to sign the franchise agreement and pay over the franchise license fee. Once the funds have been authorized you will immediately start the process of training and establishing your franchise and will immediately begin trading.



## Sales Projection

Line of Business	Retail Price (excl. vat)	Estimated Earnings
1. CC under R3 million	R 2 500.00	R 90 000.00
2. CC under R5 million	R 3 500.00	R 115 500.00
3. PTY under R3 million	R 2 500.00	R 155 000.00
4. PTY under R5 million	R 3 500.00	R 168 000.00
5. Corporate Service		R 61 500.00
6. Tax Returns	R 850.00	R 32 800.00
7. Payroll	R 60.00	R 30 600.00
8. One Off Audits		R 65 000.00
9. One Off Consultations	R 1250.00 /hour	R 305 000.00
10. Catch Up Work		R 24 500.00





## Office Setup Costs (estimates)

Expense	Cost
1. Telkom/ADSL/Internet Lines	R 1 000.00
2. Posters, Paintings – Décor	R 4 000.00
3. Kitchen Equipment & Cutlery	R 2 500.00
4. Rental Deposit	R 6 000.00
5. Miscellaneous	R 2 000.00
Estimated Total Setup Costs (Excl. Vat)	R 15 500.00

## Estimated Start Up Monthly Costs

1. Bank Charges	R 700.00
2. Insurance	R 1 500.00
3. Petrol	R 2 000.00
4. Rent & Electricity	R 6 000.00
5. Staff Salaries	R 10 000.00
6. IT Management	R 500.00
7. Stationery	R 150.00
8. Telephone & Fax	R 2 000.00
Estimated Total Fixed Monthly Costs	R 22 850.00



## **What you receive for your Initial Franchise Fee**

On full payment of your R150 000.00 Franchise Fee, the Franchisor will provide you with the following:

1. A full trading license
2. The use of our name, logo and technology
3. Full Business Training
4. Ongoing Support
5. An Operations Manual
6. A Training Manual
7. Software Set Up & Registration
8. Remote Office Set up
9. Fax 2 Email
10. Business Cards (1 Set)
11. Office Signage
12. 1 x Laptop
13. 1 x Network Printer



**SALES BUDGET**

**Company Name: PHEZULU VBO FRANCHISE**

PRODUCT / SERVICE CATEGORY	Sales Budget from:						to:						Total Sales by Category
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	
<b>CC UNDER 3 MILL - R 2500.00</b>	2,500	2,500	5,000	5,000	5,000	7,500	7,500	7,500	10,000	10,000	12,500	15,000	90,000
<b>CC UNDER 5 MILL - R 3500.00</b>		3,500	3,500	3,500	7,000	10,500	10,500	14,000	14,000	14,000	17,500	17,500	115,500
<b>PTY UNDER 3 MILL - R 2500.00</b>	2,500	5,000	10,000	10,000	12,500	15,000	15,000	15,000	17,500	17,500	17,500	17,500	155,000
<b>PTY UNDER 5 MILL - R 3500.00</b>	3,500	3,500	3,500	10,500	10,500	14,000	14,000	17,500	21,000	21,000	24,500	24,500	168,000
<b>A</b>													
<b>CORPORATE SERVICES</b>	5,600	3,600	11,800	3,100	1,600	4,200	7,400	1,600	2,600	3,200	5,900	10,900	61,500
<b>TAX RETURNS - R850.00</b>					2,400	3,200	4,000	8,000	12,000	800	1,600	800	32,800
<b>PAYROLL – R60.00</b>		1,020	1,020	1,020	4,080	4,080	4,080	3,000	3,060	3,120	3,060	3,060	30,600
<b>ONE OFF AUDITS</b>				25,000			15,000			25,000			65,000
<b>ONE OFF CONSULTATIONS</b>		35,000		25,000	65,000		110,000		15,000		55,000		305,000
<b>CATCH UP WORK</b>			12,000		3,000			2,500		7,000			24,500
<b>TOTAL SALES</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260	1,047,900



INCOME AND EXPENDITURE STATEMENT													Company Name:		PHEZULU VBO FRANCHISE	
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total			
	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB				
<b>Income</b>																
<b>Sales</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260	1,047,900			
<b>Purchases</b>													0			
<b>Gross Profit (Sales - Purchases)</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260	1,047,900			
<b>Total Income</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260	1,047,900			
<b>Gross Profit %</b>	100	100	100	100	100	100	100	100	100	100	100	100	100			
<b>Ordinary Expenses</b>																
<b>Vatable Expenses</b>																
<b>Advertising</b>	423	1,624	1,405	2,494	3,332	1,754	5,624	2,073	2,854	3,049	4,127	2,678	31,437			
<b>Bank Expenses</b>	700	700	700	700	700	700	700	700	700	700	700	700	8,400			
<b>Insurance</b>	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000			
<b>Rent</b>	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000			
<b>Royalties</b>	987	3,788	3,277	5,818	7,776	4,094	13,124	4,837	6,661	7,113	9,629	6,248	73,353			
<b>Stationery</b>	150	150	150	150	150	150	150	150	150	150	150	150	1,800			
<b>Telephone/Fax</b>	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000			
<b>Management Fee</b>	705	2,706	2,341	4,156	5,554	2,924	9,374	3,455	4,758	5,081	6,878	4,463	52,395			
<b>IT Management</b>	500	500	500	500	500	500	500	500	500	500	500	500	6,000			
													0			
<b>Vatable Expenses</b>	12,965	18,968	17,873	23,318	27,512	19,622	38,972	21,215	25,123	26,093	31,484	24,239	287,385			
<b>Non-Vatable Expenses</b>																
<b>Salaries &amp; Allowances</b>	10,000	10,000	10,000	25,000	25,000	25,000	25,000	25,000	40,000	40,000	40,000	40,000	315,000			
<b>Petrol &amp; Oil</b>	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000			
<b>Non-Vatable Expenses</b>	12,000	12,000	12,000	27,000	27,000	27,000	27,000	27,000	42,000	42,000	42,000	42,000	339,000			
<b>Total Expenses</b>	24,965	30,968	29,873	50,318	54,512	46,622	65,972	48,215	67,123	68,093	73,484	66,239	626,385			
<b>Net Profit/Loss Before Tax</b>	-10,865	23,152	16,947	32,802	56,568	11,858	121,808	20,885	28,037	33,527	64,076	23,021	421,515			



<b>CASH FLOW ANALYSIS</b>		<b>Company Name: PHEZULU VBO FRANCHISE</b>										
<b>Interest on Overdraft Rate %</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>
18	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>JAN</b>	<b>FEB</b>
<b>Opening Bank Balance</b>	90,000	79,135	102,287	119,234	152,036	208,604	220,462	341,970	362,855	390,892	424,419	488,495
<b>Inflows: (Excluding VAT)</b>												
<b>Sales: Cash</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260
<b>Sales Debtors</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sundry Income</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Input VAT Refund: Capital Items</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Inflows</b>	14,100	54,120	46,820	83,120	111,080	58,480	187,480	69,100	95,160	101,620	137,560	89,260
<b>Outflows: (Excluding VAT)</b>												
<b>Monthly Ordinary Expenses</b>	24,965	30,968	29,873	50,318	54,512	46,622	65,972	48,215	67,123	68,093	73,484	66,239
<b>Purchases: Cash</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Purchases: Creditors</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tax Payable</b>												
<b>Owners' Drawings</b>												
<b>Sub-Total of Expenses</b>	24,965	30,968	29,873	50,318	54,512	46,622	65,972	48,215	67,123	68,093	73,484	66,239
<b>Finance Costs (Ex. VAT)</b>												
<b>Interest on Overdraft</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Bank Loan Repayments (Capital)</b>												
<b>Lease Payments</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Interest on Bank Loan</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Financial Expenses</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total Finance Costs</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Outflows</b>	24,965	30,968	29,873	50,318	54,512	46,622	65,972	48,215	67,123	68,093	73,484	66,239
<b>Surplus/Deficit</b>	-10,865	23,152	16,947	32,802	56,568	11,858	121,508	20,885	28,037	33,527	64,076	23,020
<b>Total Surplus/Deficit</b>	-10,865	23,152	16,947	32,802	56,568	11,858	121,508	20,885	28,037	33,527	64,076	23,020
<b>Closing Bank Balance</b>	79,135	102,287	119,234	152,036	208,604	220,462	341,970	362,855	390,892	424,419	488,495	511,516

