



FRANCHISE DISCLOSURE DOCUMENT



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Evaluating a SME.Tax 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: 2016

Question: Who are your shareholders?

Answer: Ken Brown

Question: Who are the directors?

Answer: Ken Brown

Question: When did you commence franchising?

Answer: March 2016

Question: How many franchises have you sold to date?

Answer: We have sold 8 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: R250 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 R250 000.00 includes all the electronic hardware you will need to begin your franchise, however items like some future 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:



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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 2019

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 3 500.00	R 90 000.00
2. CC under R5 million	R 4 500.00	R 115 500.00
3. PTY under R3 million	R 3 500.00	R 155 000.00
4. PTY under R5 million	R 4 500.00	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 R250 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. Business Cards (1 Set)
10. Office Signage
11. 1 x Laptop
12. 1 x Network Printer



SALES BUDGET

Company Name: **SME.TAX FRANCHISE**

PRODUCT / SERVICE CATEGORY	Sales Budget from:			01/03/15	to:	28/02/16	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Sales by Category
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6							
	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	
CC UNDER 3 MILL - R 3500.00	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
CC UNDER 5 MILL - R 4500.00		3,500	3,500	3,500	7,000	10,500	10,500	14,000	14,000	14,000	17,500	17,500	115,500
PTY UNDER 3 MILL - R 3500.00	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
PTY UNDER 5 MILL - R 4500.00	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
A													
CORPORATE SERVICES	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
TAX RETURNS - R850.00					2,400	3,200	4,000	8,000	12,000	800	1,600	800	32,800
PAYROLL – R60.00		1,020	1,020	1,020	4,080	4,080	4,080	3,000	3,060	3,120	3,060	3,060	30,600
ONE OFF AUDITS				25,000			15,000			25,000			65,000
ONE OFF CONSULTATIONS		35,000		25,000	65,000		110,000		15,000		55,000		305,000
CATCH UP WORK			12,000		3,000			2,500		7,000			24,500
TOTAL SALES	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:		SME.TAX 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				
Income																
Sales	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			
Purchases													0			
Gross Profit (Sales - Purchases)	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			
Total Income	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			
Gross Profit %	100	100	100	100	100	100	100	100	100	100	100	100	100			
Ordinary Expenses																
Vatable Expenses																
Advertising	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			
Bank Expenses	700	700	700	700	700	700	700	700	700	700	700	700	8,400			
Insurance	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			
Rent	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			
Royalties	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			
Stationery	150	150	150	150	150	150	150	150	150	150	150	150	1,800			
Telephone/Fax	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			
Management Fee	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			
IT Management	500	500	500	500	500	500	500	500	500	500	500	500	6,000			
													0			
Vatable Expenses	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			
Non-Vatable Expenses																
Salaries & Allowances	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			
Petrol & Oil	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			
Non-Vatable Expenses	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			
Total Expenses	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			
Net Profit/Loss Before Tax	-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			



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

