Mr. VIDEO (PTY) LTD

(REG NO. 97/128123/07)

DISCLOSURE DOCUMENT
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REGISTERED NAME: Mr. VIDEO (Pty) Ltd
TRADING NAME: Mr. VIDEO
REGISTRATION NUMBER: 97/128123/07
VAT NUMBER: 4370189914
P.A.Y.E NUMBER: 7330742737
STREET ADDRESS: 25 Aylesbury Road, Oakdale, Bellville, 7530
POSTAL ADDRESS: PostNet Suite 208, Private Bag X7, Tygervalley, 7536
BANKERS: ABSA Bank
TELEPHONE: 021 948-5396
FAX: 021 945-2434
E-MAIL ADDRESS: info@mrvideo.co.za
WEB ADDRESS: www.mrvideo.co.za
DIRECTOR: Peter Scott
HEAD OFFICE: 25 Aylesbury Road, Oakdale, Bellville, 7530

INTRODUCTION:
Mr. VIDEO was launched in March 1994 by Mr. Peter Scott and rapidly became the largest and most successful Franchise group in the video rental industry in Southern Africa. Mr. VIDEO currently has 65 stores countrywide.

NATURE OF BUSINESS:
Rental/Retail of Movies, Games, Electronics, Toys and related Items.

BUSINESS EXPERIENCE:
Our business model is now more that 20 years in refinement and still constantly improved to keep us ahead of the pack and in touch with technological, business, economical and customer trends. We keep it simple but effective, backed up by an interactive Head Office and Regional Office support structure with a national presence. Our franchisees are required to attend monthly meetings with the franchisor at which all parties are actively involved in decision making processes and where all the latest market practices, developments and new releases are discussed. We offer our franchisees a "turn-key" operation, ongoing support, training and extensive national marketing and advertising.
NUMBER OF INDIVIDUAL OUTLETS:

There are currently 65 outlets.

FRANCHISOR’S TURNOVER:

The franchisor's turnover in the previous financial year 01/07/2016 to 30/06/2017 showed a decline of 21.8% and a net profit of 55.82% before tax.

FRANCHISOR’S FINANCIAL POSITION:

There have been no significant or material changes in the franchisor's financial position since the date of the last auditor's certificate of the franchisor and the franchisor has reasonable grounds to believe that it will be able to pay its debts as and when they fall due. The assumption is made upon the contents of the certificate of the franchisor's accounting officer attached to this document marked D3, in accordance with Regulation 3(3) of the regulations promulgated in terms of Act 68 of 2008.

PROJECTIONS:

The projections and/or amounts and/or estimates contained herein are not guaranteed and no warranties, representations or assurances of whatever nature (whether express, tacit or implied) are given in respect thereof.

Subject to the above, it is nevertheless projected that with the necessary diligence, maintenance of public confidence, high quality and standard of customer service, maintaining of high ethical standards and the correct and accurate advertising at the store/outlet as well as with regard being had to the fact that the income of a store/outlet is to a great extent dependent on its location, the active involvement of the owner/operator, including the support of the community of the said area, as well as the prevailing and/or changing economic factors, the franchisee should be able to generate an average monthly gross income of approximately R30 000 (thirty thousand Rand) to as much as R150 000 (hundred and fifty thousand Rand) based upon the average monthly gross turnover declared by the current similar Mr. VIDEO franchises in South Africa within the period 01/07/2017 to 30/06/2018.

TRADEMARK:

Our brand is registered with the Registrar of Trademarks and any attempt to copy it or unauthorized association will be vigorously defended.

SELECTION:

All proposed sites must be approved by the Franchisor.

DURATION OF AGREEMENT:

This period of the franchise agreement is from 5 or 10 years. The agreement may be extended for a further period of 5 or 10 years provided that written notice to extend the agreement is received at least 6 (six) months prior to the expiry date of the agreement unless late notification of extension by a franchisee is condoned and accepted by the Franchisor.
TERMINATION:

This is extensively covered in the franchise agreement.

TRANSFER/RE-SALE:

This is extensively covered by the franchise agreement. Sale of the business, or any portion thereof, or to cede, assign, transfer or the make over of any rights or obligations in terms of the Franchise Agreement or the use of a legal entity is subject to approval by the Franchisor.

INITIAL TRAINING PROVIDED TO FRANCHISEE:

- Up to two weeks training - initial intro to managing of the business and franchisee requirements - at least 1 week physical point of sale training in an existing and operational store - followed by in-store support and ongoing training, assistance and support by Regional managers and representatives.

- Voluntary training workshops are presented at the Regional offices for owners and staff once every six months, or as otherwise directed by the Franchisor.

TRAINING TOPICS:

- Communications Skills
- Safety and Security
- Point of Sale Computer Program
- Management Skills
- Training Staff
- Evaluating Staff
- Theft and fraud management
- Management reports
- Statutory requirements
- Service Excellence
- Cash flow management
- Selection and purchasing of movie products

TYPES OF STORES/OUTLETS AVAILABLE:

Shop size varies from approximately 70m² to 150m² with approximately 20-50 shelves.

ESTIMATED SET-UP COSTS AND MONTHLY FEES:

The set-up cost can vary from approximately R150 000 to R350 000, depending on the size and layout, landlord, legal and/or municipal requirements. Quotations are provided once the site and layout are known and approved and is further extensively covered in the franchise agreement.

The franchisee is further responsible to pay the franchisor, monthly fees based on the monthly gross turnover which currently amount to a franchisee fee of 5% of gross turnover and an advertising levy of 3% of gross turnover. A minimum monthly fee will
also apply and escalate at 10% annually. The starting minimum fee for a 5 year contract is R3 000 Excl. and R2 000 Excl for a 10 year contract (in the case of a new store). The monthly fees payable will be the greater of 8% of monthly turnover or the minimum fees applicable for that particular month. In addition, an annual software fee is payable for the use and maintenance of the usage of the Mr. VIDEO Point of Sale software and systems used by its franchisees.

The advertising levy is used for advertising, promotions and marketing to the benefit of the entire group and not used or spent on advertising and marketing of the franchisor's franchises for sale. National advertising campaign proposals are presented to the Franchisees at the monthly meetings for input and consideration. The advertising levy is deposited into a National Marketing Fund administered and controlled by the franchisor in a separate bank account used exclusively for that purpose and managed in a transparent manner. The National Marketing Fund is audited on a regular basis. The said monthly fees are extensively covered in the franchise agreement.

**ENTRANCE FEE:**

A non-refundable entrance fee is payable by a franchisee, before a franchise agreement can be concluded.

Entrance fee payable (excl VAT) is as follows:

Standard Franchise starting from: R17 500 and can vary whether it is new franchisee obtaining a new store or existing store, or an existing franchisee obtaining a new or existing store.

**STOCK, EQUIPMENT, FIXTURES, FITTINGS AND OTHER INCLUDED IN THE SET-UP COSTS AND PURCHASE PRICE:**

**SHOPFITTING:**

- DVD shelves
- Bookshelves
- Retail shelves
- Bulkheads
- Cupboards
- Counter

**COMPUTER:**

- Main P.C.
- Terminal P.C.
- Monitors (Flatscreen)
- Cash drawers
- Pole Display
- Scanner
- Printer
- Thermal Receipt Printer
- Stand for scanner
- U.P.S.
MS Windows
Anti-virus
Brackets
Router

SIGNAGE:

"Mr. VIDEO" Flexface sign
"Open" sign
Internal White Led straights
Internal Red Led straights

ELECTRICAL EQUIPMENT:

Shelves
TV point
Counter

ELECTRICAL LABOUR:

Shelves
TV point
Counter
Signs
Compliance Certificate

SECURITY SYSTEM (Sensormatic):

Primary Ultra Post
Sensormatic Sleeve
Sensormatic Labels

MIRRORS (only shelving heads):

DVD EQUIPMENT:

Locking DVD Cases
Decouplers

CLOTHING:

Golfshirts
T-shirts
Shirts

STATIONARY:

DVD Sleeves (500)
Taking slips (100)
Application forms (1000)

DÉCOR & SMALLS:
DVD Boards (Yellow)
DVD Boards (White)
Price Board & P/Frame
Condition Board & P/Frame
Service Board
Service Frame
Actors
Poster Frames
Vinyl return sign

BRANDED RETAIL KIT:

DVD Guards (500)
Popcorn Dispenser
Popcorn (per tray)
Scratch Bins

FRANCHISEE’S RESPONSIBILITIES: STORE SET-UP

- Any glass breakage-Insurance claim
- Floor covering to be done by Landlord/Franchisee
  (Tiles specifications to be approved)
- The moving of existing doors and maintenance of the shop front (To be approved)
- Ceiling to be installed (Ceiling Height to fall between 3.2 meters and 3.0 meters)
- Any charges for permits or permission to install signage
- Window stickers and/or paint
- Any additional brackets for signs
- The additional travel charge if ADSL line is not ready and activated once computer system is installed
- The cost to draft and submit to council architectural drawings of internal layout of store (if required)
- Safes
- Supply and installation of DB Board (position and specification to be confirmed)
- Signing of Lease
- Establishment of supplier and distributor accounts
- Insurance
- Alarm Radio and Monitoring
- Film and Publication Board registration and in store display of registration document
- Movie stock release up to 1 month before completion of set-up

(The obligation and responsibilities of the franchisee and franchisor are extensively covered in the franchise agreement)

OPTIONAL EXTRAS:

Camera Surveillance Equipment
Any other goods not included in the Set Up Cost as per details/list that will be provided by the Franchisor

LIST OF CURRENT FRANCHISEES:

A list of 5 (five) franchisees/outlets is contained in annexure D1 attached hereto and the prospective franchisee is entitled to contact any of the franchisees listed here or on our website, or to visit any stores/outlets operated by an existing franchisee to assess the information disclosed by the franchisor and to evaluate and investigate the franchise opportunity offered by the Franchisor.

ORGANOGRAM DEPICTING THE SUPPORT SYSTEM IN PLACE FOR FRANCHISEES:

An organogram is attached hereto marked D2

CONFIDENTIALITY:

By accepting a copy of this disclosure document, the interested/prospective franchisee agrees and undertakes, in the event of the interested/prospective franchisee not becoming a contracted franchisee of Mr. VIDEO (Pty) Ltd for whatever reason, not to disclose or make public any information contained in this document to any other party and to treat all information contained herein as highly and strictly confidential. The information contained herein are regarded as proprietary information in terms of clause 3.2 of annexure D4 hereof.

DATED AT Ballarat ON THIS 12 DAY OF September 2018

PETER SCOTT
obo Mr. VIDEO (Pty) Ltd

Acknowledgement of Receipt
Interested/prospective franchisee

Print Name

Date
ANNEXURE D1

LIST OF CURRENT FRANCHISEES

1. Name: Graham Young (5 Outlets)
   Physical Address: Mr. VIDEO Birchleigh, Shop 2, 7 Eleven Centre, Elgin road, Birchleigh
   E-mail address and tel. no: graham.a.young@gmail.com Cell: 072 797 4875

2. Name: Sergio Freire (6 Outlets)
   Physical Address: Mr. VIDEO Wilgeheuwel, Shop 28, Retail Crossing, Westrand Shopping Centre, cnr Hendrik Potgieter and Nick Diederichs, Wilgeheuwel.
   E-mail address and tel. no: Sergio@freire.co.za Cell: 074 159 4086

3. Name: Danie Pauw (2 Outlets)
   Physical Address: Mr. VIDEO Rustenburg, Shop 1, De Anker, 59 Von Wieligh Street, Rustenburg.
   E-mail address and tel. no: mrvideorusenburg@telkomsa.net Cell: 084 586 7676

4. Name: Stefan Weydeman (2 Outlets)
   Physical Address: Mr. VIDEO Langenhoven Park, Shop 2, Dynarc Walk, Jan Spies Drive, Langenhoven Park, Bloemfontein
   E-mail address and tel. no stefan@xtremehunt.co.za Cell: 060 990 0077

5. Name: Riaan van Niekerk (9 Outlets)
   Physical Address: Mr. VIDEO Bronkhorstspruit, Shop3, 54/56 Kerk Street, Bronkhorstspruit.
   E-mail address and tel. no: mrvideobronkhorstspruit@lantic.net Cell: 083 391 4612

A prospective franchisee is entitled to contact any of the franchisees listed here or on our website, alternatively to visit any outlets operated by a current franchisee to assess the information disclosed herein.

LIST OF FRANCHISOR-OWNED STORES:

Mr. VIDEO Albermarle
Mr. VIDEO Bellville
Mr. VIDEO Cobblewalk
Mr. VIDEO Kuilsriver
Mr. VIDEO Somerset West

Mr. VIDEO Vredekloof
Mr. VIDEO Worcester
Mr. VIDEO Kreaifontein
Mr. VIDEO Langverwacht
Mr. VIDEO Van Riebeekshof
ANNEXURE D3

I, Jose Luis Rebelo the accounting officer of Mr. VIDEO (Pty) Ltd (Reg No. 97/12823/07) (hereinafter "Mr. VIDEO") hereby certifies the following:

1. The business of Mr. VIDEO is at date hereof a going concern.

2. To the best of my knowledge Mr. VIDEO is able to meet its current and contingent liabilities.

3. To the best of my knowledge Mr. VIDEO is capable of meeting all its financial commitments in the ordinary course of business as they fall due.

4. Mr. VIDEO’s audited annual financial statements for the most recently expired financial year have been drawn up:

   4.1 in accordance with South African generally accepted accounting standards;

   4.2 except to the extent stated therein, on the basis of accounting policies consistent with previous years;

   4.3 in accordance with the provisions of the Companies Act (61 of 1973 or 71 of 2008 which replaced Act 61 of 1973, whichever may be applicable), and all other applicable laws; and

   4.4 fairly reflects the financial position, affairs, operations and results of Mr. VIDEO as at the date for the period to which it relates.

DATED AT Monte Vista ON THIS 26th DAY OF June 2018.

[Signature]

[Position]

[Handwritten Signature]
CODE OF ETHICS AND BUSINESS PRACTICES

1. **OBJECTIVE:**

The purpose of the Code of Business Conduct is to embody the spirit of our conduct and behaviour in terms of fairness, justice and ethical standards and to ensure that the integrity of Mr. VIDEO, its franchisees, its customers and its employees, further called the "Group", are not compromised.

2. **VISION AND VALUES:**

Mr. VIDEO expects the Group to embrace the company’s vision, mission and values to protect and build on it's reputation as market leaders in the video rental industry.

2.1 **CONDUCT**

In support of Mr. VIDEO's values, the following conduct is expected:

**Integrity:**
Communicate and act consistently with high levels of honesty and trustworthiness.

**Adaptability:**
Willingness and ability to assess and adapt one's viewpoint or behaviour to changing situations or circumstances.

**Responsibility:**
Know yourself and accept responsibility for your own behaviour and actions, including a willingness to learn from mistakes and take responsibility for challenges.

**Communications:**
Create an understanding, through the giving and receiving of information, views and opinions in an appropriate manner and style, to actively participate and communicate through the structures and forums created by Mr. VIDEO

i. **Interpersonal sensitivity:**
Display understanding (empathy) for the feelings and needs of others and to be aware of the effect of your own behaviour on others.

ii. **Tenacity:**
Display determination and enthusiasm in striving for and delivering ever-improving service, whilst overcoming performance barriers.

iii. **Problem solving:**
Identify and understand patterns as well as connections between information, ideas, work processes and situations to identify the root and cause of problems, and to formulate and implement appropriate solutions.
iv. **Customer service:**
Willing and able to provide a prompt, efficient and personalized service through establishing and maintaining good relationships and supportive networks.

v. **Teamwork:**
Work co-operatively with others in a team and build and maintain positive working relationships by handling and addressing disagreements and potential conflict effectively.

vi. **Innovation:**
Be open to new ideas, initiate change, improve or modify existing ideas, and show a willingness to experiment and take calculated risks to ensure ongoing improvement.

vii. **Business acumen:**
Understand and apply business principles to optimize service and profit.

2.2 **ENVIRONMENTAL CONSERVATION**

a) **Mr. VIDEO** is committed to preserve and protect the environment. The Group share in the responsibility to conserve our country’s natural resources and to employ environmentally safe practices.

3. **SAFEGUARDING OUR ASSETS**

3.1 **Company funds and property**

a) **Mr. VIDEO** is responsible for safeguarding and making proper and efficient use of company funds and property and to always conduct Mr. VIDEO’s business judiciously. Company funds and property include, but are not limited to company time, cash, cheques, drafts, land, buildings, records, vehicles, equipment, including fax machines, copiers, telephones, computer hardware and software, scrap and obsolete items, including value added stock and all other items belonging to the company.

b) Actual or suspected loss, damage, misuse, theft, embezzlement or destruction of company funds or property will be addressed and managed.

3.2 **Proprietary information**

a) Proprietary information is information or knowledge that Mr. VIDEO does not want to be disclosed to outsiders, except as required by law, because in doing so could prejudice Mr. VIDEO’s competitiveness, or harm its financial well being. Where a situation requires, Mr. VIDEO may insist that non-disclosure agreements or confidentiality undertakings be signed by any franchisee or employee.
b) Proprietary information includes (but is not limited to) information about-

i. Mr. VIDEO's business, financial, marketing and service plans;

ii. Research and development activities and results, inventions and patent applications;

iii. Customer and employee records;

iv. Network management;

v. Confidential manufacturing and service processes or know-how;

vi. Non-public information about products or services; and

vii. Any other information that may be regarded as confidential.

3.3 Company records

a) Company records include employee and payroll records, vouchers, bills, time sheets, measurement, performance and production records and other essential documentation.

b) Accurate and complete records are critical in meeting Mr. VIDEO's financial, legal and managerial obligations as well as in fulfilling our obligations to franchisees, customers, suppliers, employees and others. Records are retained according to legal requirements and file retention systems. Mr. VIDEO shall disclose records only when authorized by the company or in response to legal requirements.

3.4 Copyright

a) Copyright Laws protect the original expression in, among other things, written materials, work of art and music and prohibit its unauthorized duplication, distribution, display and performance. One may not reproduce, distribute or alter copyright materials from literature, computer software, or play visual or audio recordings thereof without the permission of the copyright owners or their authorized agents.

b) Computer software used in connection with Mr. VIDEO business must be properly licensed and used only in accordance with that license. The using of unlicensed software could constitute copyright infringements.

c) Mr. VIDEO is the owner of the in-store video hiring software and customer database (including the Mr. VIDEO EXTRA CARDS) as stipulated in the franchise agreement and such software and property may not be altered or destroyed. Database information may not be disclosed to any third party without the express permission of the
3.5 **Financial reporting & business interest**

Mr. VIDEO's accounting, financial and other systems provide accurate and timely reporting of all financial activity. Every accounting or financial record, as well as the underlying support data, will accurately describe the transaction without omission, concealment or falsification of information.

**Conflict of interest**

a) Mr. VIDEO and its employees will act in the exclusive interest of the Group and not for personal gain.

b) Mr. VIDEO will not enter into unauthorized business relations with competitors, not own a competing business or offer trading assistance to any third party.

**Customers**

Mr. VIDEO recognizes that integrity and customer satisfaction go hand in hand. In today's fiercely competitive marketplace Mr. VIDEO can only succeed by delighting our customers with our products and services and by strictly adhering to the highest ethical standards. In this way we will contribute directly, both to the success of the company and in the marketplace.

The following guidelines for ethical conduct according to which Mr. VIDEO business should be conducted, must be observed at all times:

i. Complete honesty, integrity and open communications are fundamental. We communicate clearly and precisely to ensure that our customers understand the terms of our contracts, including performance criteria, schedules, prices and responsibilities.

ii. Credibility is essential for lasting relationships and misrepresentations of our products and services will not be tolerated.

iii. We will compete vigorously and effectively, but always fair.

**Selection of suppliers**

We strive to build healthy working relations with our suppliers. They are partners in helping us to achieve the highest standards of quality and in servicing our customers. Our choice of suppliers is based on merit and value of their products and services, considering amongst other things, price, quality, service delivery and reputation. Selection of suppliers will be done on a level playing field applying fair, legally sound, equitable, consistent and transparent procurement processes.

3.6 **Advertising**

a) The way we advertise and market our products and services in an
important element in maintaining the trust of our customers and
growing the business. An advertisement can establish a prospective
customer's first impression of Mr. VIDEO or motivate an customer to
try a new product or service. It is important to secure loyal customers
and to enhance Mr. VIDEO's reputation and market share. To maintain
customer trust, our advertisements and other communication must
always accurately and fairly describe our products and services.
Advertising and Marketing are regarded as extremely important and a
dedicated Marketing Department attends to continuous, ongoing and
effective marketing strategies where the input of franchisees are always
welcomed. The costs of Advertising, promotions, etc. are paid from the
Marketing Fund to which each franchisee contribute on a monthly basis.
Advertising and Marketing are done in a transparent manner and
carried out in the sole discretion of the franchisor.

4. **COMMUNITY SUPPORT:**

4.1 Community activities

a) Mr. VIDEO encourages the group to participate and support
incentives in their local market which enhance, uplift and build the
community. It further strives to bring it's product to the previously
disadvantaged communities and rural areas.