

Ocean Basket

FRANCHISE DISCLOSURE DOCUMENT



CONTENTS

1. INTRODUCTION	3
2. CORPORATE INFORMATION	3
3. COMPANY DIRECTORATE	3
4. A BRIEF HISTORY OF THE COMPANY	3
5. THE MANAGEMENT OF THE COMPANY	4
6. CURRENT FRANCHISEE NETWORK	4
6.1. List of current Franchisees	4
7. THE OCEAN BASKET PACKAGE	5
7.1. Restaurant location & setup	5
7.2. Training	5
7.3. Advertising & Marketing	5
7.4. Group benefits	5
8. THE APPLICATION PROCESS / FRANCHISE ASSESSMENT	6
9. THE OCEAN BASKET FRANCHISE AGREEMENT	6
9.1. Restaurant location & setup	6
9.2. Costs	6
9.2.1. Franchisees initial license Fee / joining Fee	6
9.2.2. Cost of Development	7
9.2.3. Ocean Basket Project Fee	7
9.2.4. Royalty Fees	7
9.2.5. Marketing Fees	7
9.2.6. Insurance Costs	8
9.2.7. Training Costs	8
9.3. Summary of restrictions of the Franchisee	8
9.3.1. Territorial	8
9.3.2. Sale	8
9.3.3. Assignment	9
9.3.4. Involvement in Related Business	9
9.4. Summary of Terms & Conditions relating to termination & renewal	9
9.4.1. Termination	9
9.4.2. Renewal of Franchise Agreement	10
9.4.3. Revamp of Restaurant	10
9.5. Main obligations of Ocean Basket	10
9.5.1. Setup	10
9.5.2. Knowledge & Experience	10
9.5.3. Training	10
9.5.4. Trading	10
9.5.5. Evaluations	10
9.5.6. Restaurant Support Managers & support system	10
10. THE FRANCHISEE'S INVESTMENT	11
10.1. Initial Investment	11
10.2. Purchasing a Restaurant	11
10.3. Financing	12
10.4. Other Costs	12
10.5. Potential Return	12
10.6. Main Expenses	12
11. PURCHASING STOCK FROM HEAD OFFICE	12
12. CONCLUSION – THE FUTURE	12

1. INTRODUCTION

We have provided this disclosure document to help you decide about buying an Ocean Basket Franchise. While it includes some information about our franchise agreement, don't rely on it alone to understand the agreement. It is recommended that you also seek financial and legal advice on the franchise proposition.

Please note that this disclosure document is provided for your convenience and information. The Franchisor will not be held liable for any representations or warranties that it makes in this document.

2. CORPORATE INFORMATION

Ocean Basket Franchise Company (Pty) Limited is duly registered in South Africa.

Business office of the Franchisor:
1st Floor, Building 13, Thornhill Office Park
94 Bekker Road
Vorna Valley Ext60
Midrand, Gauteng, 1685

Postal address:
Private Bag X184
Halfway House
1685

Domicilium Address:
The Franchisor
C/o Christelis Artemides
2nd Floor 20 Baker Street
Rosebank
Johannesburg

Telephone: +27 11 655 1300
Email: John@oceanbasket.com

3. COMPANY DIRECTORATE

Director	Peter Lazarides	+27 11 655 1300
Director	George Lazarides	+27 11 655 1300
Director	Pedro de Sambento	+27 11 655 1300
Director	Grace Ann Harding	+27 11 655 1300

4. A BRIEF HISTORY OF THE COMPANY

Ocean Basket is about creating opportunities, this is embedded in our culture and is relevant for all our Franchise partners and their crew.

The first Ocean Basket opened its doors in Pretoria in 1995. Brothers Fats (Peter) and Laz (George) Lazarides had a simple dream: to open a restaurant where anyone could afford to enjoy a seafood meal.

Ocean Basket focused on serving only the best quality seafood and the brand was founded on an obsession to serve, creating a differentiated guest experience while delivering a worth it seafood experience. When queues started forming outside their doors, the founders knew they had a winning recipe.

Soon they had 5 restaurants in Gauteng and Pedro De Sambento came on board to take Ocean Basket to Cape Town.

This differentiated guest experience and a strong focus on sourcing quality seafood all over the world, combined with a clever location strategy, saw the brand quickly growing to become the most loved and casual dining seafood restaurant brands in South Africa.

Currently there are over 180 Ocean Basket restaurants in 18 countries around the world.

5. THE MANAGEMENT OF THE COMPANY

Ocean Basket is managed by the following leaders:

Chief Executive Officer	Grace Harding	+27 11 655 1300
Strategic Sourcing & Wholesale	Pedro de Sambento	+27 11 655 1300
IT Manager	Karl Schoeman	+27 11 655 1300
Finance Manager	Nasreen Naidoo	+27 11 655 1300
Chief Operating Officer and Corporate Stores	John Camacho	+27 11 655 1300
New Business South Africa	Gabrielle Issa	+27 11 655 1300
Restaurant Support	Jessica Pallister	+27 11 655 1300
Marketing Manager	Morgan Mynhardt	+27 11 655 1300
Store Development	Sandra Caetano	+27 11 655 1300
Head of Franchising	Jaime de Abreu	+ 27 11 655 1300
Head of Strategy	Jean Sloane	+27 11 655 1300

6. CURRENT FRANCHISEE NETWORK

Information as at 21 June 2021:

Number of outlets	185
Franchised outlets including BEE outlets (SA)	143
International outlets (including 10 corporate-owned)	42

6.1. LIST OF CURRENT FRANCHISEES

Please refer to the attached list of current Ocean Basket Franchisees who can be contacted or visited to assess the information disclosed herein. Please contact Gabrielle@oceanbasket.com for an updated list.

7. THE OCEAN BASKET PACKAGE

7.1. RESTAURANT LOCATION & SET UP

As a prospective Franchisee you have at your disposal an experienced team that will partner with you, from initiation to completion. Their functions are:

- Evaluation and selection of suitable premises
- Assistance and advice regarding lease negotiations with the prospective landlord
- Planning layout and interior design
- Site development and supervision.

7.2. TRAINING

New Franchisees and their crew undergo an intensive training programme, which encompasses both theoretical and practical on-the-job training and online training. The course content is designed to fully prepare the participants for the operation of their new business. The training includes:

1. Training on all key areas of running an Ocean Basket restaurant
2. Welcome packs for the new crew members
3. Competency certification
4. Support for 10 days after the restaurant opening
5. Operates Brand standards manual and training manual
6. Assistance with the advertising for and interviewing of new applicants.

Training courses run for a period of four to six weeks. It is the Franchisee's obligation to ensure that all staff are fully trained prior to working in any restaurant. Upon completion, the Franchisee will receive a comprehensive operator's manual for reference purposes. The training programme is on-going and refresher courses are always available.

7.3. ADVERTISING & MARKETING

The marketing fees are allocated to a dedicated Franchise marketing budget which is used for dynamic awareness campaigns. A variety of brand awareness and retail promotional campaigns are run across a variety of mass media, including:

- Print (national and regional publications)
- Radio
- TV
- Outdoor (street poles, billboards)
- Social media.

7.4. GROUP BENEFITS

Franchisees enjoy access to a wide range of benefits, including:

- The backing of a dedicated and respected management team with years of experience in the franchise industry.
- The benefit of belonging to a global casual dining seafood restaurant brand.
- Sustainable Seafood sourcing globally.
- Fixed Menu input cost per menu cycle that ensures a stable Food Cost.
- Franchise support infrastructure which covers operational, training support and financial feedback on your business. All these support systems are designed to make your business as successful as possible

8. THE APPLICATION PROCESS / FRANCHISE ASSESSMENT

Ocean Basket takes great care to ensure that any prospective Franchisee will be a suitable restaurant operator and brand ambassador. As such, all potential Franchisees are required to:

- Complete the franchise application document in full
- Provide all the supporting documentation requested
- Pay the non-refundable application fee to complete the Shadow match
- Undergo an online Shadow Match test
- Complete the 2-3 day in-store assessment program
- Be interviewed by the franchisee approval committee

Once the prospective Franchisee has gone through this process, all the information is taken into consideration to determine whether a candidate is suitable

9. THE OCEAN BASKET FRANCHISE AGREEMENT

9.1. RESTAURANT LOCATION & SET UP

The Franchisor offers an agreement (the franchise agreement) which grants individuals, partnerships or corporations (the Franchisee) the right and license to establish, develop and operate an Ocean Basket outlet under the trade name Ocean Basket and under such other trade names, service marks and trademarks as may be designated by the Franchisor from time to time.

The restaurant business is highly competitive, and the Franchisee will have to compete with numerous other outlets offering a wide variety of foods.

9.2. COSTS

All monies payable by the Franchisee is to be deposited into the trust account of our appointed attorneys, Christelis Artemides Attorneys.

These funds will be dealt with as provided for in the franchise agreement.

Christelis Artemides Trust Account
Nedbank, Business Central Branch
Account Number: 1906 395 578
Branch: 128405
Reference: Your OB restaurant name

9.2.1. FRANCHISEES INITIAL LICENSE FEE / JOINING FEE

The initial (joining) fee charged by the Franchisor is R150 000 (one hundred and fifty thousand Rand) exclusive of VAT. The joining fee is payable in a lump sum upon acceptance as a Franchisee and signing of the franchise agreement. The fee is refundable should the Franchisee fail to procure the necessary development funding of same; or fails to secure a lease. This fee covers the following aspects of establishing an Ocean Basket franchise restaurant:

- The right to use the brand name and associated intellectual property within the brand guidelines set out by Ocean Basket
 1. Joining fee – it grants the Franchisee access to the network and its intellectual property, as well as entitling the Franchisee to receive initial training and assistance in all facets of setting up the business. Initial training in all facets of operating the business:
 - Help with site selection and lease negotiations
 - Advice regarding the fit-out of the premises and the acquisition of initial stock
 - Access to preferential purchasing arrangements that the Franchisor has put in place
 - Assistance with staff recruitment and training
 - Preparations for and professional execution of the grand opening

- Initial presence of a trouble-shooter. An inexperienced operator may find it stressful to cope during the first few days after the opening. Everything is new, including the staff, and things are bound to go wrong. Having someone to lean on can be invaluable
- OB standard of operations manual.

9.2.2. COST OF DEVELOPMENT

In any new site, the Franchisor is required to design, equip and develop the site selected. To this end, a separate costing of a site will be provided to each individual Franchisee. On acceptance of the costing schedule, the costs become payable by the Franchisee, prior to the commencement of the development project. This payment must be effected in the attorney's trust account.

An ideal Ocean Basket restaurant is approximately between 200 m² and 250 m², based on Ocean Basket minimum specifications. The cost will be calculated individually per restaurant, with an estimation of between R2500 000.00 and R3 500 000.00 exclusive of VAT and joining fee, but inclusive of design and project management fees. The construction of a restaurant takes approximately 8 to 12 weeks from the date of beneficial occupation, provided all financial requirements have been met.

As part of the development work undertaken, the services provided herewith are:

- Assistance with lease negotiation with prospective landlord;
- Assistance with application for financing;
- Restaurant design and layout, both interior and exterior, by Ocean Basket appointed designer;
- Site supervision;
- Site development;
- Restaurant evaluation, equipment and fitting; and
- Operational handover.

9.2.3. OCEAN BASKET PROJECT FEE

Ocean Basket levies a 10% professional fee on costs associated with the development of a new restaurant. This is the only mark-up charged by Ocean Basket Franchise Company, and the Company receives no hidden discounts or rebates from suppliers.

- Restaurants with a projected turnover of less than R750 000.00 per a month will be charged R84 000.00 plus VAT or 10% of the project costs whichever is the lesser amount.
- Restaurants with a projected turnover of more than R750 000.00 per a month will be charged R157 000.00 plus VAT or 10% of the project costs whichever is the lesser amount.

9.2.4. ROYALTY FEES

The Franchisee is required to pay the Franchisor a recurring non-refundable monthly royalty fee of 4.5% (four point five percent) of the gross revenue of the franchised outlet. All royalty payments are to be made by the 10th (tenth) day of each month.

9.2.5. MARKETING FEES

Every month, Franchisees will pay an amount of 2.5% (two point five percent) of the monthly gross sales of the licensed outlet towards Marketing.

All marketing fees collected are used exclusively for brand marketing activities and are accounted for separately. Monies not used are carried over to the next fiscal year's advertising budget. Advertising fees are non-refundable.

9.2.6. INSURANCE COSTS

Prior to the opening of the outlet, the Franchisee is required to procure and maintain, in full force and effect, an insurance policy or policies adequately protecting the Franchisee and Franchisor and their officers, directors, partners and employees, against risks associated with the restaurant's business during the term of the franchise agreement, and any renewal thereof, at the Franchisee's own expense. Such a policy or policies must be written by an insurance company and approved in writing by the Franchisor.

Should the Franchisee, for any reason, fail to procure and maintain the insurance required by the franchise agreement, as revised from time to time for all Franchisees by the manager or otherwise in writing, the Franchisor has the right to procure such insurance and to charge the same to the Franchisee, which charges, together with a reasonable fee for the Franchisor's expenses in so acting, are payable by the Franchisee immediately upon notice.

9.2.7. TRAINING COSTS

It is a requirement that the Franchisee, or its members and any designated managers, as well as the working team, successfully pass the Franchisor's selection system of management. These persons must then complete the Franchisor's training programme to the Franchisor's reasonable satisfaction for final approval as Franchisees.

All expenses incurred in training, including, without limitation, the cost of travel, room, board and wages, must be borne by the Franchisee. The Franchisor will provide and pay only for the training instructors, facilities and required training materials. A full budget breakdown will be submitted by the training department to show where all costs are allocated.

On opening day, the Franchisor's training team is present to assist in the start-up of the new outlet. The Franchisee shall be responsible for the selecting and recruiting of all staff members, however, the Franchisor may offer assistance in such selection too.

All employees have to pass a training programme relating to their specific job functions prior to them being entitled to commence work within and Ocean Basket Franchise Company. The training periods in respect of crew are as follows:

Franchisee	4 weeks
Management	4 weeks
Kitchen crew	4 weeks
Waiters	4 weeks

All training is done at Head Office and the designated training restaurant in each region.

9.3. SUMMARY OF RESTRICTIONS OF THE FRANCHISEE

9.3.1. TERRITORIAL

The Franchisee will not be entitled for a period of 3 (three) years after termination of the franchise agreement to own, operate or have any interest, direct or indirect, in the ownership or operation of any similar restaurant outlet within a radius of 1 (one) kilometer from the premises in which any Ocean Basket outlet franchised in terms of the franchise agreement is situated.

9.3.2. SALE

The Franchisee shall not be entitled to sell, alienate or part with possession of the business or any of the assets of the business franchised in terms of the agreement to any person. Nor should the Franchisee, be it a company or close corporation, permit the disposal or any share or interest in such company or close corporation without the prior written consent of Ocean Basket, and always subject to the Franchisor's right of first refusal.

To determine the selling price, the income multiple method, where the net income of a business is subject to a certain multiple to arrive at a selling price, is used with a factor between 30 and 36 times monthly net profit.

$$\text{Selling price} = \text{average monthly net income before interest, tax and depreciation} \times 30$$

It is important to note that this method provides a rough guideline as various other factors can also influence the selling price and should be considered. These include:

- Position / location of the business
- Current turnover
- Lease agreement – remaining duration, whether an option to renew exists, rental rates, etc.
- Stability and quality of staff compliment
- Refurbishment requirements
- Condition of existing restaurant.

9.3.3. ASSIGNMENT

The Franchisee shall not be entitled to cede or assign his rights, duties and obligations in terms of the franchise agreement without the prior written consent of the Franchisor.

9.3.4. INVOLVEMENT IN RELATED BUSINESS

The Franchisee shall not own, operate, or have any interest, directly or indirectly, in the ownership or operation of any other outlet, other than an Ocean Basket outlet operated in terms of the franchise agreement, without the prior written consent of the Franchisor.

9.4. SUMMARY OF TERMS & CONDITIONS RELATING TO TERMINATION & RENEWAL

9.4.1. TERMINATION

Ocean Basket is entitled to cancel the franchise agreement upon breach by the Franchisee of any of the terms and conditions of the franchise agreement, and after failure by the Franchisee to remedy such breach after having been given the opportunity to do so by the Franchisor, in terms of the franchise agreement. The Franchisor can claim all monies owing to it by the Franchisee, as well as any damages that it suffers as a result of the cancellation of the franchise agreement.

Upon termination of the agreement:

- All monies owing by the Franchisee to the Franchisor shall become due and payable
- The Franchisee shall immediately cease to use, or permit the use of the name Ocean Basket or any other name or symbol referred to in the franchise agreement, and will forthwith surrender to Ocean Basket all paper, goods and advertising material bearing any such name or symbol
- The Franchisee shall be precluded from making use of any written object whatsoever which would lead to an impression that there is any connection or relationship between the Franchisee and OceanBasket
- The Franchisee shall be precluded from holding out verbally, or otherwise, that any connection or relationship between the Franchisee and Ocean Basket still subsists
- Ocean Basket and the Franchisee shall be entitled to make it known, in such manner as either or both shall deem fit that the franchise agreement is of no force or effect whatsoever.

9.4.2. RENEWAL OF FRANCHISE AGREEMENT

Upon renewal, the Franchisee would enter into a new franchise agreement, the terms of which would be renegotiated with Ocean Basket.

9.4.3. REVAMP OF RESTAURANT

Restaurants are to be revamped every 5 years. The extent of the refurbishment will be determined by the Franchisor.

9.5. MAIN OBLIGATIONS OF OCEAN BASKET

9.5.1. SET UP

Ocean Basket will assist the Franchisee in the setting up of the outlet by giving the Franchisee technical assistance, know-how and advice as to the layout of the outlet, the equipment necessary and other such matters, as they may arise in the setting up of the outlet.

9.5.2. KNOWLEDGE & EXPERIENCE

Ocean Basket will make available to the Franchisee the benefit of its specialised knowledge and experience in the operation of the Ocean Basket outlet.

9.5.3. TRAINING

Complete training of the Franchisee's employees.

9.5.4. TRADING

To provide other assistance that Ocean Basket may deem necessary or required by the Franchisee for the establishing, training and operating of the outlet; including general advice, information as to items available for purchase, advice on advertising, instruction in product purchasing and handling, record keeping and general administration.

9.5.5. EVALUATIONS

Perform evaluations from time to time of the outlet and to advise the Franchisee of any matters which should be attended to arising out of such evaluations.

9.5.6. RESTURANT SUPPORT MANAGERS & SUPPORT SYSTEM

Each Franchisee shall have a dedicated RSM who will assist in the opening and on-going operations of the restaurant. RSMs add value to the Franchisees, both from an operational and financial point of view and their function is also to ensure that the brand integrity of Ocean Basket is maintained across all franchise outlets. Further support is provided by head office and depicted in the organogram below:



10. THE FRANCHISEE'S INVESTMENT

10.1. INITIAL INVESTMENT

The schedule below describes estimated initial development investment of Ocean Basket Franchisees. It is provided simply as a guide to the type of costs and is not an accurate presentation as figures will vary from site to site. It is based on premises approximately 200 m². All figures are exclusive of VAT.

Figures relating to building work could be reduced if allowances are received from the landlord. In addition to the above, the Franchisee must bear the cost of transport, accommodation and meals for staff members during the training period.

The following costs are to be considered to determine the total restaurant set up cost (excl. VAT)

Joining fee	R150 000
Development costing / purchase price	Site dependent
Rent deposit	Site dependent
1st month rent	Site dependent
Liquor license	R20 000 – on average -depending on municipality
Trade license	R10 000
Working capital	R200 000

10.2. PURCHASING A RESTAURANT

Apart from the purchase price there are other costs to be kept in mind. These funds are payable to Ocean Basket, the seller and the landlord:

Joining Fee – R150 000

The joining fee is the license for the franchise and is payable by all Franchisees to Ocean Basket Franchise Company.

Ocean Basket Royalties and Marketing

For all new franchise agreements, royalties and marketing will be charged at 4.5% and 2.5% respectively.

Liquor License Application – approximately R20 000

This is an estimate. An Ocean Basket nominated attorney will assist with the transfer of the license.

Trade License Application – approximately R10 000

This is an estimate. An Ocean Basket nominated attorney will assist with the transfer of the license.

Working Capital – approximately R200 000

This is a suggested amount of working capital required for the running of the business once you take it over.

Rent Guarantee – dependent on the landlord

Gross Rental for 1st month – dependent on the landlord

10.3. FINANCING

The minimum own contribution required is 50% of the total capital outlay required. Ocean Basket has strong working relationships with all the major banking institutions and can assist with the finance application process.

10.4. OTHER COSTS

The costs of leasehold improvements to an existing building would depend upon the amount of remodeling needed to change the interior to meet Ocean Basket specifications.

10.5. POTENTIAL RETURN

The projected group average restaurant turnover for 2019 is R 800 000 excluding VAT per month. Financial projection will be provided on completion of a successful Ocean Basket Franchise application.

It is important to note that the financial projections in no way represent any form of guarantee or undertaking by the Franchisor to the Franchisee that any figures set out therein will be achieved.

10.6. MAIN EXPENSES

Main expenses headings which will impact directly on the Net Profit of the business are:

- management and crew costs
- rent and operations costs
- electricity
- gas
- royalties and marketing
- other expenses
 - administration and accounting fees
 - bank charges
 - insurances
 - interest
 - stationery
 - telephone, fax and postage

11. PURCHASING STOCK FROM OCEAN BASKET APPROVED SUPPLIERS

Ocean Basket are responsible Ocean citizens, this means that all our seafood is sustainably sourced and traceable to source. Ocean Basket has a fixed pricing per menu cycle policy which means that all products supplied by Ocean Basket through their supply chain partners are sold at a fixed price for the duration of a menu cycle.

The pricing policy applied by Ocean Basket does not guarantee that Ocean Basket products individually are the cheapest but rather as a basket of products Ocean Basket is competitive when compared with other suppliers in the market. All products supplied are tested for quality, consistency of supply and adherence to health and safety requirements.

The purchase of products from Ocean Basket approved suppliers is mandatory to ensure consistency of quality within the Ocean Basket group of restaurants, Digistics is the current logistics partner for the supply of products in South Africa, supplier accounts will need to be opened and maintained in good standing to receive Ocean Basket approved products.

12. CONCLUSION – THE FUTURE

The Franchisee will become part of the family of numerous Ocean Basket outlets with its unique and vibrant ambience growing from strength to strength after more than 2 years in the market.