

Prospectus



Are you..

sales driven, do you have the capacity to manage a small team and are you looking for a franchise which is simple to run? If so, 1st Fitness is the solution and tailor-made for you.

We offer:

- A modern and fresh design and layout
- Tried and proven systems
- Full access control and member management
- Back end and debt management
- State-of-the-art equipment
- Turn-key solutions
- Online support

Training

...we are looking for new franchisees, who are **dynamic, positively minded, go-getter-types**, with a great sense of business ethics, willing to join a structured franchise system, geared for success.

About 1st Fitness



Modern lifestyle tends to promote sedentary behaviour. This can lead to ill health and, worse case scenario, chronic disease.

According to the results for the 2010 Glaxo SmithKline survey, South Africa was ranked the '3rd Most Overweight Country in the World'. Seventeen percent of our youngsters, under the age of 15, are obese.

Says Dr Louis Holtzhausen, (Africa and SA representative for Exercise Medicine and department head of Sports, Science and Exercise Medicine, at the University of the Free State): "It is not obesity and disease that kills people, the biggest attributable factor to all death is a lack of physical exercise, which has been proven beyond a doubt.

"Regular exercise is just as effective in treating clinical depression as Prozac and psychotherapy .Unfit people have a two to three times greater chance of heart attack than a fit person."

After reading those startling facts, isn't it time to think of being part of an industry which gets the nation moving?

The two main players in the fitness industry are Virgin Active and Planet Fitness. Virgin Active does not, currently, offer franchises. Planet Fitness has made an effort with its Fitsmart offering, but this resulted in only four clubs being set up under the Fitsmart brand. Planet Fitness has now started a new franchise group, Valuefit, however, the start up costs are prohibitive.

There are, currently, no other gym franchises on offer in the low cost gym section which can compare to that offered by 1st Fitness, i.e. under R2m and including low cost memberships.

It has become clear that successful low-cost gyms are not just gyms with enticingly low membership fees. These are gyms which have identified the unmet needs, within the population, of potential members, structuring structured both their customer offering and business systems to meet those needs.

Low prices are only part of the model.

Premium fitness equipment, to attract and retain members and a significant use of networked technologies, to efficiently manage the business, are examples of other core

components. The low-cost model has, been, internationally, proven as a successful model, filling a huge gap in the market.

1st fitness offers a smarter way to exercise, providing clients with a hygienic, professional and modern environment, with state-of-the art equipment, doing away with the unnecessary frills used by only a few members in the larger gyms.

1st fitness gyms will be located, mainly, in residential areas, close to communities. In other words, the gym will be, literally, on the community's door step.

1st Fitness will cater for all levels of fitness.

The gym area is split into clear zones, e.g. cardio, circuit and strength zones, which makes it easier for the member to train in an area where others are doing similar training. T

he 1st Fitness gym offers a large group training area, a Fitvibe studio, an interactive bike training studio, and much more.

1st Fitness encourages the franchisee to offer the member further value by suggesting additional group training classes, depending on members requirements in specific areas, e.g. MMA or kick boxing.

1st Fitness offers state-of-the-art in-club entertainment systems and will also be adding exciting online resources to the website to help members with their fitness goals.

All the 1st Fitness floor staff are qualified in the basics of personal training. They will always be on hand to assist members with instruction on the use of the various pieces of equipment, to assist with eating plans and to give guidance through training programmes.

For those members with specific goals and who require personal attention, 1st Fitness will also offer personal training by qualified instructors.

For a fee, sessions with personal trainers can be arranged on a one on one basis, or in small groups.

There really is no easier way to get healthy!

1st fitness may not offer extras, such as a sauna or swimming pool, but it is conveniently located close to the target market and offers almost all the conveniences of an up-market gym, at a low cost. When it comes to the right stuff, 1st Fitness is right up there with the big boys...

Why 1st Fitness?

- A world class management and access control system standard, which efficiently manages the membership database.
- Back end support and debt management, from a central support centre.
- Online support.
- Training.
- Tried and proven systems.
- Unique sense of community. In the long term. focus on the people aspect, by encouraging the use of membership, ensures greater member loyalty and increased profitability for the franchise.
- State-of-the-art equipment chosen for its design and durability;
- Bulk buying of promotional material, cleaning materials, printing etc
- Group marketing and advertising
- Franchise quality controls, ensuring quality service, products and facilities are offered to members
- Full printing media supplied, with respect to employment, brand standards, memberships etc
- Functional layout and design makes optimum use of the space, thereby making the footprint efficient and economical;
- The level of service, regular promotions, modern facilities and change rooms are all of a very high standard, making the 1st Fitness regional gym a very attractive proposition;
- A major competitive advantage for the members will be that the membership fees will be lower than that of any other higher end facilities in the area, yet still providing all the necessary requirements for the majority of the gym going public

1st Fitness's Vision

1st Fitness's vision is "Inspiring People to Live Well by making fitness affordable and accessible to everybody."

Franchise Association of South Africa Membership

1st Fitness Holdings Pty Ltd is in the process of registering as a preliminary member with the Franchise Association of South Africa.

The heads of the 1st Fitness franchise agreement are:

- Five years with the option to renew for a further five years;
- Total Investment: R 1,866,000.00 (Excluding VAT);
- Set up costs: R 1,436,000.00 (Excluding VAT);
This fee is an estimate and may vary from operation to operation;
- Franchise Fee: - R 80 000.00 (excluding VAT) due upon signing of the franchise agreement;
- Monthly management fee: - 5% of monthly turnover (excl. VAT);
- Monthly marketing fee: - 3% of monthly turnover (excl. VAT);
- Working capital suggested: - R 350,000.00. This is just an estimate (excluding VAT); and
- Owner or suitably qualified operator

The franchise fee is a once off payment for each franchise opened. It secures the rights to operate a franchise, using 1st Fitness trademarks and business systems. This fee is excluded in the set up costs.

The franchise fee includes training for approximately 15 days at the head office or the 1st Fitness training facility in Durban.

1st Fitness Marketing Ethos

1st Fitness conducts marketing and advertising activities which are funded by a central marketing fund from monies collected from the advertising levy appropriated through contributions by all franchisees.

We will advise on local marketing. Appropriate mediums and advertorials in relevant consumer and trade magazines are generally used, with a combination of shows and press advertising. Joint promotions and direct mail will be encouraged to convey the 1st Fitness message to defined markets. The direct selling concept is the very core of the 1st Fitness mode of operation. Each franchise operates independently, marketing and selling the services to the consumer.

Training

1st Fitness offers an intensive in-house training course for franchisees and managers, followed by on-the-job training on the training site, which, typically, takes up to 15 days. Other training courses are also available, at various times during the year and will be run on an ongoing and ad hoc basis.

Franchisee profile

1st Fitness is particularly interested in people who possess some or all of the following attributes:

- A people person, is able to work with people and having a pleasant, positive and caring nature;
- He or she must have excellent selling skills, experience in direct selling is preferable;

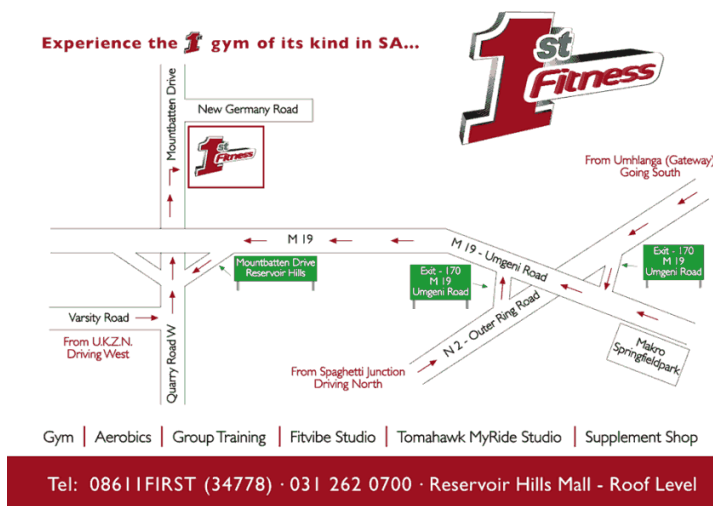
- Communication skills: This is one characteristic that every franchisee must possess - they must be able to deal with others in a positive way. A good franchisee is one who enjoys spending time with people. Remember, if staff and customers are treated with trust and respect, they will remain loyal. Hence, treating customers properly is a must for a franchisee. Positive communication will, ultimately, add to the popularity of a business;
- Hard working: Running a 1st Fitness franchise is easy, however it takes hard work to make it successful and profitable. To get a franchise on its feet and make it successful, a franchisee will need to make sacrifices and be happy to put in extra hours.
- Positive attitude: A potential franchisee must have a positive attitude towards the 1st Fitness business model. A franchisee must have a good attitude towards work and show that they can work alongside their employees, whether it is in the office, on the gym floor or out in the field. They must also be willing to look for ways to make the brand more popular and suggest frequent changes for the betterment of the business. In other words, a franchisee must be self-motivated, while also taking action to follow the successes of others. They must also be self-motivated, organised, wanting to succeed and be prepared to work as part of a team;
- The term "to be a good leader, you also must be a good follower" is indeed true in franchising. Customers preferring franchised businesses are generally there because they know what to expect. A franchise system then rests upon the consistency of the products or services it offers. Deviate from this and you have taken out the foundation of this business system. This is why franchisors look for people who can lead and, at the same time, follow the business system already in place. People who can follow the operations manual of the company as Moses followed the Ten Commandments, will be the most successful franchisees;
- As there is always the chance of a franchise failing, 1st Fitness is looking for people who do not just follow the system, but can also get going when the going gets tough. Of course, purchasing a franchise also has its risks as with other

business systems. 1st Fitness is looking for franchisees who can handle the risk and work hard to make their franchise a success;

- Franchisees must be financially and ethically sound persons who treat customers, suppliers and the 1st Fitness support team with respect and integrity;
- They must have, approximately, 50 percent of total set-up costs available in cash; and the
- Working capital, which will include at least six months personal living expenses, while the franchise outlet is being established.

Current Branches

The only, current, franchise is situated at the Reservoir Hills Mall in Durban and is the training facility for future franchisees. Word of mouth has already resulted in many applications already being received prior to the launch of the 1st Fitness franchise. We are looking towards a rapid roll out of quality franchisees in the near future.



Benefits of being a 1st Fitness Franchisee

1. You immediately become part of a going concern;
2. You start your business step by step with the support, expertise and experience of the 1st Fitness team;

3. You benefit from continuing guidance and management support;
4. You are equipped with marketing and sales support and administrative procedures to ensure maximum results;
5. You benefit from the constant interplay of new ideas resulting in franchisee interaction; and
6. You receive the benefits of co-operative national advertising.
7. Back end and debt collection assistance

What you get for your investment:

1. Assistance with the start-up programme and identification of needs;
2. Advertising material templates;
3. Assistance with joining and procuring from specified suppliers;
4. Training and continuous follow up training;
5. Proven marketing and sales strategies;
6. Advice and assistance;
7. Annual conference for all franchisees, once franchisees are operating;
8. Once the franchise agreement has been signed and the franchise fee has been paid, on the job training and start-up assistance will be provided;
9. Franchise operations and procedure manual.
10. Stationery design for all documents required for the franchise

What we expect of you:

1. A commitment and determination to succeed;
2. Hard work and dedication to grow the business;
3. Hands on management;
4. Loyalty to 1st Fitness ideals and objectives;
5. A consistent standard in the areas of service, customer relations and efficiency ;
6. Compliance with the franchise agreement.

We are we looking for Franchisees in the following areas?

<u>Gauteng</u>	Glenvista	Montana	Sandton
Alberton	Hartbeespoort	Nigel	Southgate
Bedfordview	Hatfield	North Gate	Soweto
Benoni	Heidelberg	Odendaalsrus	Springs
Boksburg	Jetpark / Isando	Pretoria Central	Strijdom Park
Brakpan	Johannesburg	Pretoria East	Tembisa
Booyens	Central CBD	Pretoria North	Vaal
Centurion	Kempton Park	Pretoria South	Valhalla
Clearwater	Krugersdorp	Pretoria West	Vanderbijl Park
Cresta	Lenasia	Randburg	Vereeniging
Dobsonville	Laudium	Randfontein	Wanderers
Fourways	Lonehill	Riebeeckstadt	West Gate
Germiston	Midrand	Roodepoort	West Rand
<u>Kwazulu Natal</u>			
Amanzimtoti		Margate	Richards Bay
Ballito	Estcourt	Musgrave	Scottburgh
Chatsworth	Hibiscus - South Coast	Newcastle	Vryheid
Durban Central	Hillcrest	Pietermaritzburg 1	Westville
Durban North	Kokstad	Pietermaritzburg 2	Ulundi
Durban South	Ladysmith	Pinetown	Underberg
Dundee	Midlands	Prospecton	Umlazi
Empangeni	Mooi River	Queensburgh	Umhlanga
<u>Western Cape</u>			
Atlantic Seaboard	Hermanus	Paarl	Swellendam
Beaufort West	Langebaan	Pinelands	Tableview
Blouberg/West Coast	Long Beach	Rondebosch	Tygervalley

Blue Route	Milnerton	Sedgefield	Tokai
Constantia/Kenilworth	Mossel Bay	Somerset West	Vredendal
Durbanville	Oudtshoorn	Stellenbosch	Worcester
<u>Eastern Cape</u>			
Aliwal North	Gonubie	Middelburg	Queenstown
Cradock	Grahamstown	Plettenberg/Knysna	Uitenhage
East London	George	Port Alfred	Umtata
East London- Beacon Bay	Jeffreys Bay	Port Elizabeth 1	Walmer
Graaf Reniet	King Williamstown	Port Elizabeth 2	
<u>Northern Cape</u>			
Botshabelo	Kimberly	Phuthaditjaba	Upington
De Aar	Prieska	Springbok	
<u>Mpumulanga</u>			
Burgersfort	Delmas	Piet Retief	Witbank
Bethel	Middelburg	Sasolburg	Ottosdal
Ermelo	Nelspruit	Secunda	
<u>Free State</u>			
Bethlehem	Colesburg	Kroonstad	Parys
Bloemfontein 1	Harrismith	Jeffreys Bay	Welkom
Bloemfontein 2			
<u>North West</u>			
Bloemhof	Klerksdorp	Potchefstroom	Vryburg
Brits	Mafikeng	Rustenburg	Zeerus
<u>Limpopo</u>			
Machado (Louis Trichardt)	Potgietersrus	Warmbad	
Polokwane (Pietersburg)	Phalaborwa		

...Now is the time to join the best in the industry

We invite you to join our winning team and become part of our success story, by starting your own 1st Fitness Franchise. You will be backed by a young and vibrant team of dedicated individuals, committed to the success of the 1st fitness franchise.

Contact

Head Office

Telephone: 0861fitness or 031-304 7137

Fax: 086 260 5453

E-mail: franchise@1stfitness.co.za

Website: www.1stfitness.co.za

Thank you for your time. If you wish to receive further information regarding this franchise concept, please complete the following three documents below and email or fax them back to **086 260 5453**

Document 1

Dear Applicant

Thank you for your interest in South Africa's very own trusted 1st Fitness. The process is to now complete your application form and submit your relevant documentation.

What is required from you?

Stage 1:

1. Company Registration Documentation i.e. CK1 or Certificate of Incorporation, (if available)
2. Certified copies of ID Documents of all members, shareholders or partners.
3. Three months bank statements (originals certified by bank).
4. Proof of residence i.e. Utilities Bill (original).
5. Professional profile or CV.
6. Sign copy of conditions of document 1, below, on each page.
7. Signed Confidentiality Agreement.(document 2 below)
8. Completed Franchise Application (document 3)

Signature: _____

Should you wish to review our Disclosure Document, we would require all the necessary documentation submitted, FULLY COMPLETED prior to your viewing any confidential information pertaining to Disclosure Documentation. Sites and operational procedures will NOT be discussed until a franchise agreement has been signed and a formal relationship is in place.

Stage 2:

Once you have submitted your completed documentation and have had confirmation of your application being approved, a head office representative will contact you and arrange a one on one meeting with a franchising consultant. By this time you would have been issued with a disclosure document highlighting areas of the franchise which highlight its success's and operating procedures. After this meeting you will be given both the contract and the disclosure document. You will be given 14 days for you and your attorney to review this opportunity and to sign the contract. The franchise fee or

initial fee of R 80 000.00 excl. is due upon signature. Moving on, you will now have a site in mind and would need to complete the financial process of raising your finance.

Cash or finance? Should you decide on purchasing your store in “cash”, you will have the added advantage of having your store set up and ready to operate far sooner than if go the finance route. “Franchise in a Box” offers numerous points of assistance, which we would happily supply to help you raise funding from banks, funding Institutions etc. 1st Fitness do not, however, handle any funding process, thus taking no responsibility for any outcome/turnaround time this may have. 1st Fitness will however, within its power, supply the financier with any requirements needed to raise funding. Once ALL outstanding monies have been paid over to the franchisor, we will then enter into lease negotiations for your allocated site and begin the store setup. Please note: This setup process has a turnaround of six weeks, from date of occupation, which will be supplied to you by the Projects Team. Certain regions may take longer to set up due to new relationships needing to be built with contractors.

Signature: _____

Document 2

Confidentiality Agreement

I,

ID Number.....

of.....

.....

acknowledge that I am looking into the possibility of purchasing a 1ST FITNESS franchise from 1st Fitness . Confidential information will be made available to me. I agree, for a period of two years from the date of signature, that I shall neither directly or indirectly, nor through family, a company or close corporation, participate in, or have any interest in the carrying on of business, in competition with 1st Fitness operations, anywhere.

The parties hereto acknowledge that the aforesaid restraint of trade is just and reasonable, both as to period and areas. I will also not disclose any confidential information regarding the affairs of 1st Fitness to any other party.

Prospective Purchaser: _____

As Witnesses 1. _____

2. _____

Date _____

1ST FITNESS _____

As Witnesses 1. _____

2. _____

Date _____

Document 3

New Application form



New / Existing Franchise Name: 1ST FITNESS	
Name of Person Applying:	
Date:	

Notes:

1. This document is to be completed by the person(s) wanting to obtain a Franchise.
2. After completion, the document needs to be submitted to the Franchisor either by hand, fax or e-mail.

								er			
	If Married	In Community						Out of Community			
11	S A Citizen	Yes						No			

Assets (Amounts in Rand)

1	Fixed Property Registered in my Name Give us a brief description of property registered in your name only. State on the last page: details of any usufruct, age and usufructuary, and, if applicable, any servitudes.	
1.1	City & Town Property	
	Purchase Price	R
	Purchase Date	
	Erf Number	
	Fire Insurance	
1.2	Farm & Small Holding Properties	
	Name / No of Farm	
	Purchase Price	R
	Purchase Date	
	Hectare	
	District	
1.3	Property Bought Under Deed of Sale	
2	Mortgage Bonds in Your Own Favour (Where a bond is held over the fixed property of another person. State first or subsequent bond(s) and give	

7	Shares / Loans (Specify, if necessary, on last the page.)	
7.1	Listed Shares on the Stock Exchange / Bank Investments.	
7.2	Unlisted Shares / Loans to Private Companies and Individuals	
8	Other Investments and Assets (Specify.)	
9	Life Policies (Supply surrender value/s, if known.)	
9.1	Company	
	Policy Number	
	Surrender Value	R
	Ceded to	
9.2	Company	
	Policy Number	

	Surrender Value	R
	Ceded to	
9.3	Company	
	Policy Number	
	Surrender Value	R
	Ceded to	
10	Credit Balances	
	Cheque Account	R
	Savings Account	R
	Total Assets	R

Liabilities (Amount in Rands)

1	Fixed Property Registered in my Name – Mortgage Bond (Or amounts due under Deed of Sale.)	
1.1	City & Town Property	
	Outstanding Amount	R
	Bond Holder	
	Monthly Payment	R
	Expiry Date	
	Erf No	
1.2	Farm & Small Holding Properties	
	Outstanding Amount	R
	Bond Holder	R
	Monthly Payment	R
	Expiry Date	
	Name / No of Farm	
2	Term Loans (Specify)	

3	Owing under Instalment Sale Arrangements	
3.1	Type of Asset	
	Finance Institution	
	Monthly Instalment	R
3.2	Type of Asset	
	Finance Institution	
	Monthly Instalment	R
3.3	Type of Asset	
	Finance Institution	
	Monthly Instalment	R
3.4	Type of Asset	
	Finance Institution	
	Monthly Instalment	R
3.5	Type of Asset	
	Finance Institution	
	Monthly Instalment	R
4	Income Tax Owing	
	(State when due.)	
	Amount	R
5	Owing To Banks (Credit cards included) (State names and specify liabilities.)	

Outstanding amount	R
Instalment	R
Payable by	
Item 2	
Financed by	
Outstanding amount	R
Instalment	R
Payable by	
Item 3	
Financed by	
Outstanding amount	R
Instalment	R
Payable by	
Suretyships	
In favour of (Bank)	
Defaults of security provided	
Amount	R
In favour of (Bank)	
Defaults of security provided	
Amount	R
In favour of (Bank)	
Defaults of security provided	
Amount	R

B. Monthly Cash Flow (Income and Expenditure)

Main Net Income (Salary minus tax, pension and medical aid.)	
	R
Other Income	(Specify)
Source	
	R
Source	
	R
Source	
	R
Total Income	R
Expenditure	
Rent / Housing bond instalments	R
Hire purchase and / or lease instalments	R
Repayment of loans / credit card accounts	R
Insurance premiums (short term – house / vehicle)	R
Life Insurance premiums	R
Domestic expenses	R
Other expenses	R
Total Expenses	R
Surplus Available	R

C. Details of Fixed Property and Other Assets Where Applicable

Details of the Proposed Franchise

Company / Entity Name			
Registration Number			
VAT Registration Number			
Trading Name			
Registered Address			
	Postal Code		
Physical Address			
(1ST FITNESS Premises Business Address)			
	Postal Code		
Shareholders / Members / Directors Details			
1. Full Names			
ID / Passport No.			
2. Full Names			
ID / Passport No.			
3. Full Names			

ID / Passport No.			
4. Full Names			
ID / Passport No.			
5. Full Names			
ID / Passport No.			

Note: Each shareholder / Member must complete a personal assets and liabilities Statement.

Taking your assets, liabilities and commitments into consideration, how do you plan to finance your 1ST FITNESS Franchise?

Expense Example	Amount		How Financed?
Start-up Costs			
Franchise Fee	R		
Rent Deposit	R		
Rent Advance	R		
Set-up	R		
Stock Purchased	R		
Month One			
Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		
Month Two			
Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		
Month Three			

Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		
Month Four			
Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		
Month Five			
Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		
Month Six			
Expenses	R		
Expenses	R		
Personal Expenses	R		
Stock Purchased	R		
Rent	R		

Maximum monthly credit limit required: _____

I hereby declare that this statement provided by me is true, correct and a full record of my financial situation. I herewith also authorise 1ST FITNESS and whoever they appoint, to conduct any enquiry necessary, in order to evaluate this application.

Signature _____

Date _____