



Smiley Kids

Smiley Babes



Early Childhood Development Association

PROUDLY SOUTH AFRICAN

Disclosure Document



2009

WHERE TO FIND INFORMATION

Information	Page Number
INTRODUCTION	
• Background to the Smiley Kids ECD Association	3
• Details of the Smiley Kids ECD Association	4
• Executive Committee	4
• More about Smiley Kids	5
• Trade name and trade marks	5
• Profile of the ideal business	6
• Mutual obligations	6
• Duties of the Association member	7
• Duties of the Association	8
SERVICES OFFERED BY A SMILEY KIDS CENTRE	9
SUPPORT AIMED AT SUCCESS	10
• Before signing the membership agreement	10
• Before opening the business	12
• Ongoing support and training	13
FINANCIAL INFORMATION	15
• Fixed business establishment costs	15
• Variable business establishment costs	16
• Ongoing fees	17
SUMMARY OF MAJOR PROVISIONS IN THE ASSOCIATION AGREEMENT	18
CONCLUSION	19
LIST OF CURRENT SMILEY KIDS SCHOOLS	20



TRUTH , VALUE , HONOUR

INTRODUCTION

This document is provided to you, the prospective **Smiley Kids** Business Owner and Association Member (“the Member”), to assist you in the evaluation of **Smiley Kids** as a potential investment and career opportunity.

While this document is based largely on information that can be found in the Association’s Constitution (“the Constitution”) and the Membership Agreement, it also provides additional information that may be of assistance to those interested in acquiring a **Smiley Kids** Business.

Making the decision to acquire any business is a serious matter. **Smiley Kids** wants you to take the time that you require for this process. We urge you to thoroughly read this Disclosure document.

BACKGROUND OF THE BUSINESS

Smiley Kids is in the business of supplementary and primary education for children age thirteen (13) and under.

The **Smiley Kids** concept was developed in early 1995. While the original premise was that of providing educational opportunities for children after the end of the school day, the concept has grown to become a “one-stop-centre” of learning for all children younger than thirteen (13) years of age. Now, a special area of learning has been established for nursery aged children (from 18 months to six years) and for babies and toddlers (up to 18 months).

Smiley Kids offers an affordable solution for the ever-increasing need for quality education. Because we offer a unique one-stop service based on Christian values and norms, the overwhelming reaction of the parents has proved that not only is a burning issue in the education system being addressed but that it is also a very sound business opportunity for educators who experience quality education as a vocation.



TRUTH , VALUE , HONOUR

DETAILS OF THE ASSOCIATION

1. Trading name

Smiley Kids Early Childhood Development Association.

2. Our contact information

Smiley Kids Early Childhood Development Association
7 Ferceulia Street
Witfield,
BOKSBURG

Telephone: 0861 **SMILEY** (764 539)
Facsimile: 086 657 6341
E-mail: info@smileykids.co.za

3. Management of the Association

The Association is managed by an Executive Committee, all of whom are owners of **Smiley Kids** businesses and which businesses are all members of the Association. The Executive Committee currently consist of:

- Chairperson - Ronel Koen
- Vice Chairperson - Hannelize de Klerk
- Member Baby Department - Annemie Pitzer
- Member Toddler Department - Estelle Aucamp
- Member After Care, Occupational Health and Safety and New Schools Department - Karen Scheepers
- Member Marketing - Hermien Kruger
- Member Research and Development - Ken Henry

The Executive Committee is elected every three (3) years at an Annual General Meeting of the Association.



TRUTH , VALUE , HONOUR

MORE ABOUT SMILEY KIDS

Smiley Kids was a Franchise organisation up to August 2004. The Smiley Kids Early Childhood Development Association (“the Association”) was formed in September 2004 by **Smiley Kids** business with similar goals and objectives..

Mission Statement

The mission statement of **Smiley Kids** is:

“To be the preferred provider of a superior childcare and Pre-primary education service to empower a child for the competitive and rapidly transforming society of the future.”

Value statement

This undertaking maintains:

- Christian philosophy and life style
- Honesty and Integrity
- Loyalty
- Recognition of diversity
- Creativity
- Building character

Our Motto

WE ARE THE DIFFERENCE!

TRADE NAME AND TRADE MARKS

The **Smiley Kids** Early Childhood Development Association enters into Membership Agreements with its members (owners of **Smiley Kids** businesses). This allows the Members to use the trade names and trade marks – **SMILEY KIDS** and **SMILEY BABES**.



TRUTH , VALUE , HONOUR

PROFILE OF THE IDEAL BUSINESS

In purchasing or starting a business, it is important to ensure that you are suited for the business, and that the business is suited to you.

For **Smiley Kids** you need to have an entrepreneurial spirit, as this will be your own business, but you must also be prepared to work within the strict parameters imposed by the Business System.

It is important that your business is financially correctly geared. **Smiley Kids** does not want Members that have borrowed so much money to start their business that they end up effectively “working for the bank”. The actual establishment cost of each business varies, due to a number of factors, but the “rule of thumb” is that you should have R 400 000.00 available to start up the business.

People skills are equally important. **Smiley Kids** is a child care, training and development facility and therefore your ability to comfortably communicate with children and parents, as well as your staff, is important. Experience in nursery education is an advantage, but it is not critical.

Previous own-business experience will certainly be of benefit, but it is also not a necessity.

A **Smiley Kids** business owner needs to be presentable and “believable”. Clients must believe in the integrity of a **Smiley Kids** owner.

MUTUAL OBLIGATIONS

Every attempt is made to ensure the right individual is selected to become a **Smiley Kids** business owner.

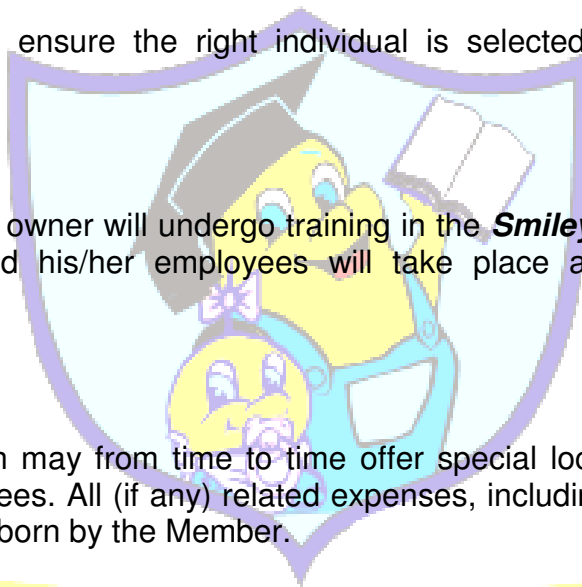
Training

The **Smiley Kids** business owner will undergo training in the **Smiley Kids** Business System. The training for the owner and his/her employees will take place at a location chosen by the Association.

Additional training

In addition, the Association may from time to time offer special localized training courses to all Members and their employees. All (if any) related expenses, including travelling, subsistence and salaries for the attendee is born by the Member.

The Association may require the Member to pay for local training. Fees associated with such training are determined by the Association.



SMILEY KIDS, VALUE, HONOUR

Other support

Upon payment of the Joining Fee, the Association assumes the responsibility to support and/or assist with the following:

- Identification of suitable premises for the **Smiley Kids** business
- The facilities layout
- Development of fitting specifications
- An initial marketing and “Grand Opening” program for the new business

During the operation of the business, ongoing support is provided by the Association by means of consultation and scheduled visits. **Smiley Kids** representatives will visit the business to ensure adherence to the academic syllabus and standards set by the Association.

Operation Manuals

Upon completion of the initial training programme, the Member is given access to the computerized Operation Manual and other manuals for use in the **Smiley Kids** business. These manuals have been prepared as the result of time and money expended by the Association to assist new and established Members in the successful operation of their businesses.

The manuals and its content are (and remain) the property of the Association – as same is part of the Intellectual Property of the Association. The Member should take steps to ensure that these manuals are maintained in a secure place. The Member is also responsible for keeping the manuals updated by inserting replacement or additional pages as instructed by the Association from time to time.

Upon termination of the Membership Agreement, the Member is required to return all manuals to the Association. Along with the original manuals, the Member is required to return photocopies, printouts or other duplications of manuals that may have been made.

DUTIES OF THE ASSOCIATION MEMBER

The Member shall have *inter alia* the following duties:

- Conduct itself and the business in such a manner as not to harm the name and reputation of **Smiley Kids**;
- Ensure that adequate funding is available to finance the business;
- Not disclose to any third party the trade secrets or details as to the operation of the business;
- Pay its Association membership and other related fees timeously and honour its commitments to creditors;

- Comply with teaching uniformity;
- Not sell, cede, transfer, assign or otherwise dispose of the business without notifying the Association and complying with the details as laid down in the Membership Agreement; and
- Ensure that all employees are adequately trained as per the Association's requirements.

DUTIES OF THE ASSOCIATION

The Association shall have *inter alia* the following duties:

- Assist and/or support in the selection of the business premises;
- Use its best endeavours to maintain the goodwill and reputation of the business;
- Permit the use of the business name and identity in connection with the business and allow the Member to benefit from the goodwill, trade marks, know-how, trade secrets and business system;
- Train the Member in the operation of the business and its systems;
- Conduct audits and/or inspections of the **Smiley Kids** business and advise on matters that should be attended to arising out of such audits and/or inspections;
- Assist the Member in procuring supplies and services necessary for the business;
- Refer all enquiries in the business area to the Member; and
- Give the assistance and support with the business as may be required.



TRUTH , VALUE , HONOUR

SERVICES OFFERED BY A SMILEY KIDS CENTRE

A **Smiley Kids** business addresses the needs of parents and children, by creating three levels of attention, based on the age of the child and the individual needs of the child.

The three sections include:

- A *baby care centre* for children up to approximately 18 months;
- A *nursery centre* for children aged approximately 18 months to 6 years; and
- An *after school centre* for children of the age of approximately 6 up to 13 years.

By providing these various sections, a **Smiley Kids** business offers a “one-stop care and learning centre”.

The **baby care centre** offers a service to parents with a child attending either the nursery or after care centre. While the focus in the baby care centre area is not on education, it provides relevant education preparation for the child’s learning. The teacher - baby ratio in this centre may not be higher than 1:6.

The **nursery centre** is the first level of semi-formal education for child development.

The class groupings are:

- 2-3 years
- 3-4 years
- 4-5 years
- 5-6 years (Grade R).

The teacher - student ratio in this class may not be higher than 1:24. This low ratio allows **Smiley Kids** to grant the individual attention necessary for productive and thorough learning.

The third focus of a **Smiley Kids** business is the **after-school care** facility. A daily routine is followed to encourage good study habits. Home work is done under the supervision of skilled teachers.

Once the centre is operating at full capacity, each business employs (approximately):

- Four nursery school teachers;
- One after-school teachers;
- One administrative assistant;
- Three domestic workers; and
- The owner

TRUTH, VALUE, HONOUR

SUPPORT AIMED AT SUCCESS

One of the cornerstones of the success of **Smiley Kids** is the extent and level of initial support and training provided to new **Smiley Kids** businesses as well as established Association Members. The details of the support provided to you, will be discussed in the following three sections:

- Before signing your Membership Agreement;
- Before opening your business; and
- Ongoing support

1. BEFORE SIGNING THE MEMBERSHIP AGREEMENT

Before you commit to an Association Membership Agreement and/or a Rental Agreement (for premises) it is important for your sake, and for the brand's sake, to ensure that the proposed business is right for you and that you are right for the proposed business.

STEP 1

Complete a Request for Consideration

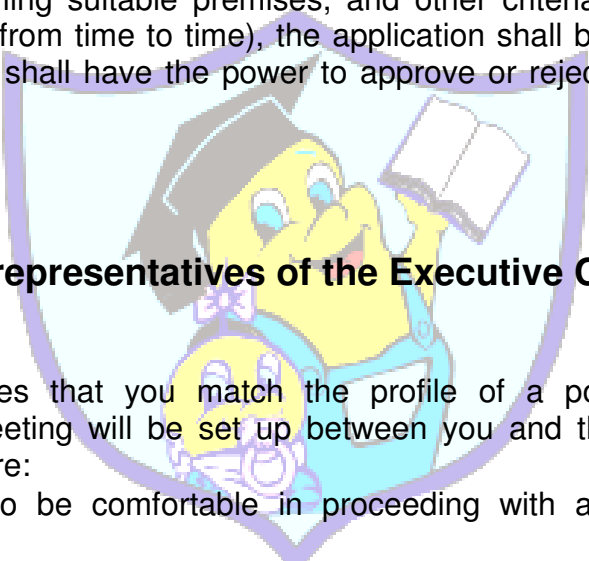
Smiley Kids will upon receipt of a request to join the Association and after compliance with all the pre-membership requirements of the Association (including but not limited to financial guarantees, obtaining suitable premises, and other criteria that the Executive Committee may determine from time to time), the application shall be considered by the Executive Committee, who shall have the power to approve or reject the application for membership.

STEP 2

Meet duly authorized representatives of the Executive Committee of the Association

If your application indicates that you match the profile of a potentially successful Association member, a meeting will be set up between you and the Association. The objectives of this meeting are:

- For both parties to be comfortable in proceeding with a potential business relationship;
- For you to ask the Association directly any unanswered questions you may have; and
- For the Association to question you on any queries it may have.



TRUTH · VALUE · HONOUR

If you are still keen to proceed with the business after this meeting and the Association is also willing to proceed, a duly authorized representative will be appointed to support and assist you with the business set up procedure.

STEP 3

Signing of a Request to Join Agreement

After the Association's in principle written acceptance of your request to join the Association, you will be required to enter into the standard Pre- Membership Agreement.

On signing of the Pre-Membership Agreement you will be required to pay to the Association the joining fee as reflected in the Pre-Association Agreement. This payment of this is in consideration of the assistance given by the Association in guiding the prospective member to set up the business as well as a contribution towards the development costs of the Business System and Operation Manual of **Smiley Kids**. Should the prospective member not continue with the venture, prior to the signing of the Membership Agreement, a portion of the joining fee will be refunded and the prospective member will not be given access to the Business System and Operation Manual – in order to protect the intellectual property rights of the Association.

STEP 4

Get provisional acceptance for a loan from the bank (or use own financial resources)

Most potential business owners either need a bank loan to fund the business.

This step entails that the Association will, after receiving your joining fee, advise you and assist you, where possible, to obtain a loan required to set up the business. The Association does not in any way become a surety for such loan and it remains the responsibility of the business owner to repay the loan.

STEP 5

Undergo Business Viability and Verification programme (BVV)

In the BVV you will be assisted with the following:

- Market research and competitor analysis
- Financial modeling
- Cash flow modeling
- Developing start-up requirements, schedules and plans
- Business Plan formatting, compilation and presentation

- Submitting 'Offer to Lease', and acceptable lease 'terms and conditions'
- Tenant installation requirements
- Site rezoning, analysis and verification
- 'Start-up' project management
- Business structuring and/or partnership formatting

One of the outcomes of the BVV is the production of a detailed business plan. This business plan fulfils a number of roles and:

- Answers your questions as to whether or not you are suited to this business;
- Answers your questions regarding the potential viability of your intended business;
- Answers the Association's questions as to whether or not you will succeed as a **Smiley Kids** new business owner and Association Member and therefore whether or not you should proceed by entering into a Membership Agreement with us;
- Is used as part of the presentation to the bank for the bank's final consideration and approval for the loan to finance the business; and
- Most importantly, the business plan serves as the blueprint for your running of the business, should you proceed with it.

The location of your **Smiley Kids** centre is important. For this reason, your business plan is produced for a specific site. **Smiley Kids** may, but are not obligated, to source sites for prospective new Members.

2. BEFORE OPENING THE BUSINESS

If **Smiley Kids** and you are happy with the outcome of the Business Viability and Verification Programme and the bank has agreed to provide the loan (or you have your own start up capital), a Membership Agreement is signed. Now the real work begins.

Training for the owner

All Members must undergo initial training to ensure that you are adequately trained in the operation of the business. This training will concentrate on the following aspects:

- Strategic Business Training
- Business Management
- Academic Orientation
- Practical Nursery School Operations



TRUTH , VALUE , HONOUR

The initial training is conducted at a venue decided on by the Association. The cost of the initial training is covered below under “Establishment Costs”.

Site development, project management and equipping the centre

Smiley Kids oversees and co-ordinates, in conjunction with the new Member, the project management of your new business, from rezoning, designs to plans, costing, and equipping.

3. ONGOING SUPPORT AND TRAINING

After you have opened your business, you are not left on your own to “fend for yourself”. **Smiley Kids** is there to support you on an ongoing basis.

Training on new products and system upgrades

Smiley Kids is continuously upgrading its systems and procedures to be more professional, productive and profitable. There are also new products being introduced into the market and into **Smiley Kids** centers on an ongoing basis.

Smiley Kids provides ongoing academic training. This training is provided to both the owner and staff. The training is conducted at **Smiley Kids**’ premises. Depending on the nature of the training, training interventions can range between a one-hour session and a full day course. The Membership Agreement allows the Association to charge for additional or special training.

Training of new staff

Newly appointed academic staff will join the training programme as they start their employment and will complete training modules in a subsequent year should they start their employment in the middle of the year.

Inspections, reports and advice

Part of the **Smiley Kids** service is to assist you to be more profitable. This is important for a number of reasons including the strength of the brand, the image of the brand, the growth of the brand and the value of the brand.

A **Smiley Kids** representative will visit members on a regular basis. The regularity of visits is different for each center, and is based on a number of factors.

The objectives of the visits are to evaluate the important brand criteria of each center, to provide feedback to the Association members and to assist every Association member in improving his/her business.

The cost of these visits is covered by the monthly membership fee (as detailed under “Ongoing Payments”)

Monitored Business Support

Your BVV was positive, your product knowledge is good, your financial projections looked good, but you are not achieving the bottom line as projected in your business plan, developed during the BVV. Where do you go from here?

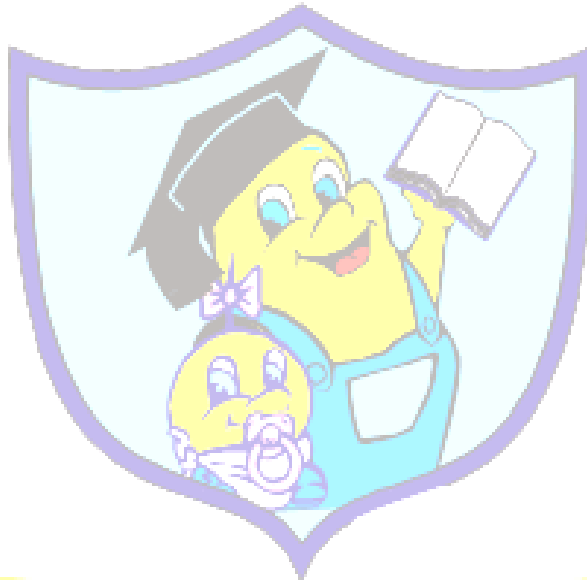
Smiley Kids’ ongoing support, as in all businesses, is aimed at protecting the brand and increasing your income. A much smaller emphasis is placed on watching your bottom line.

However, **Smiley Kids** is different! **Smiley Kids** wants you to achieve the bottom line that you projected and “bought into” during your Business Viability and Verification Programme.

The areas of the business that are analyzed monthly for variances from the initial projections are:

- Income
- Expenditure

Should there be any variance from the projected performance to the actual performance, you also suggest remedial actions to address such variances.



TRUTH , VALUE , HONOUR

FINANCIAL INFORMATION

Total investment

The projected profitability of a **Smiley Kids** business is detailed in a cash flow projection, which is available on request. These benchmarked figures indicate profit margins and revenue expenses at stated turnover levels, which have been experienced by leading Association members, on average.

There is no guarantee that any prospective Association member will not necessarily achieve the same results, nor is it intended that a prospective Association member should rely on them as a guarantee.

The total investment for a **Smiley Kids** business varies from center to center because of numerous factors including different sizes of premises, services provided and a varying number of children.

The total investment is made up of the following costs:

- **Fixed Business Establishment Costs**
 - Initial Joining Fee
- **Variable Business Establishment Costs**
 - Outlet development costs
 - Initial working capital and guarantees, and
 - Business set up costs

The objective of this section is to give you an indication of what your total investment could be.

FIXED BUSINESS ESTABLISHMENT COSTS

A compulsory Association joining fee of R 45 000.00 (forty-five thousand rand) is payable. This amount is paid to allow the Association to assist the prospective member to complete the Business Viability and Verification Programme. It is also in consideration of:



TRUTH , VALUE , HONOUR

- The development of the Operations and Procedures Manual (which other members of the Association has paid to develop over a period of time)
- Drafting of the **Smiley Kids** Association Agreement
- Assistance in setting up and opening of the **Smiley Kids** Centre
- Assistance in the site selection of the **Smiley Kids** Centre
- Assistance in selecting equipment from suppliers

As stated above should you decide not to continue with the venture prior to the signing of the Membership Agreement, a portion of the joining fee will be refunded and you will not be given access to the Business System and Operation Manual – in order to protect the intellectual property rights of the Association.

Once you sign the **Smiley Kids** Association Membership Agreement the aforesaid amount becomes non-refundable.

VARIABLE BUSINESS ESTABLISHMENT COSTS

Outlet Development Cost

The start up cost schedule is attached as annexure A hereto.

The schedule is intended as an **estimate** of potential costs you will incur to establish your proposed **Smiley Kids** center.

Initial Working Capital and Guarantees

The initial working capital that an Association member requires will vary from business to business, depending on the needs of the prospective Member as well as how soon the business starts showing a profit. For this reason, initial working capital has not been shown, but could include the following:

- Lease/Rental/Bond administration and stamp duties
- Rental guarantee
- Provision for first month's rental/bond payment
- Working capital reserve

Annexure A also sets out the **estimated** initial working capital required.

During your Business Viability and Verification Programme you will determine the total investment cost required. Typically, your own cash contribution should be half of the total investment amount. However, this will be determined during the Business Viability and Verification Programme.



TRUTH , VALUE , HONOUR

ONGOING FEES

Association Membership Fee

The General Meeting of Members annually determines the membership fee payable in a subsequent year.

Currently (2009) this fee is R2 930.00, payable monthly in advance, on the first day of the succeeding month to **Smiley Kids**. This fee is obligatory.

The Association Membership Fee is a charge by the Association to the Association member, on an ongoing basis, in order to finance the provision of specific services by the Association to the Association members.

- Weekly Lesson Plans
- Handling of Parent Complaints
- Use of the Smiley Kids Trademark and Promotional Items
- Business Consulting at the offices of the Association or/and via e-mail on request of the Association member
- Debit Order Facility to collect fees on behalf of Association member
- Smiley Kids e-mail access
- Access to intellectual property and business systems

Advertising

Smiley Kids undertakes local and national advertising and marketing. Members may be consulted when a special advertising campaign is lodged and Members may be required to contribute financially to such a campaign.

Association member's "Territory"

The defined business area as defined in the Constitution refers to the location of the premises and the area allocated to the Member.

Site Identification

While the Member has a great deal of flexibility concerning the selection of the business premises, the Association must approve the location of the premises in writing, so that the rights of another Member in respect of his/her defined business area is not infringed.



TRUTH , VALUE , HONOUR

SUMMARY OF MAJOR PROVISIONS IN THE ASSOCIATION AGREEMENT

Termination

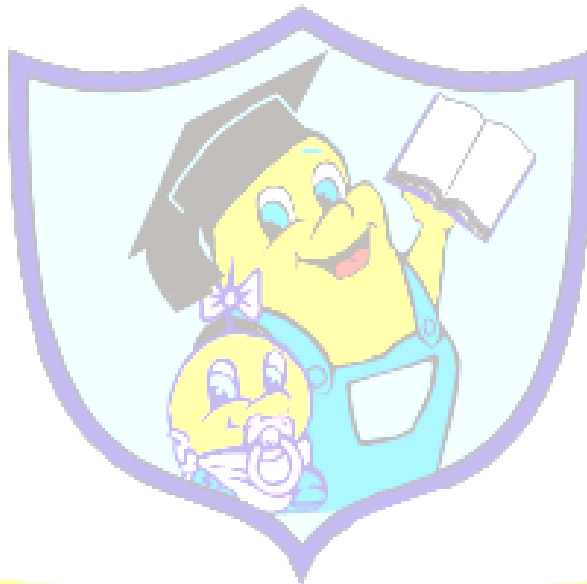
The Association retains the right to terminate the agreement if the Member does not comply with the provisions of the Constitution or the Membership Agreement. By signing the Membership Agreement, the Member agrees to perform to certain operating standards. Should the Member not uphold this part of the agreement or be guilty of any other material breach of the Constitution, the agreement will be terminated. .

Goodwill

The Member acknowledges that any 'goodwill' resulting from the Member's use of the trade names "**Smiley Kids**" and "**Smiley Babes**" and/or any other trade names or trademarks is to the benefit of the **Smiley Kids** Association.

Assignment

The Member may not transfer, cede, or assign his/her rights in the business without the prior written consent of the Association.



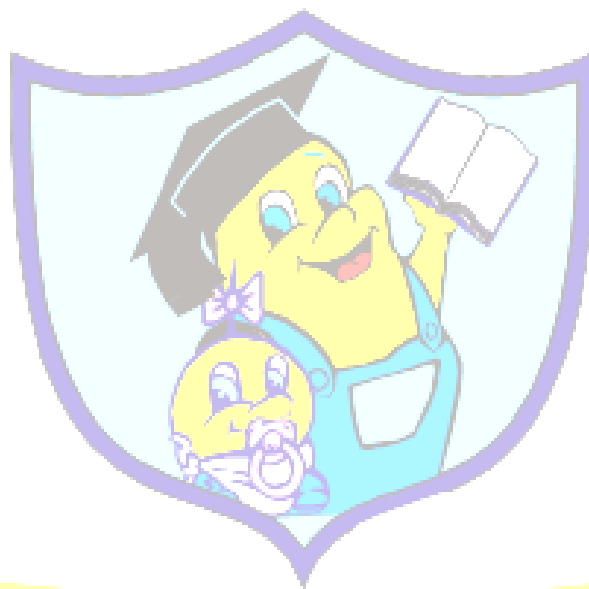
TRUTH , VALUE , HONOUR

CONCLUSION

This Disclosure document should have helped you make up your mind. Don't rely on this document alone to make your decision. Take further advice from an attorney and a financial advisor. If you are still satisfied, only then should you conclude the relevant Agreements.

This is your opportunity to become a **Smiley Kids Association** Member and to be part of a successful and growing network of **Smiley Kids** businesses.

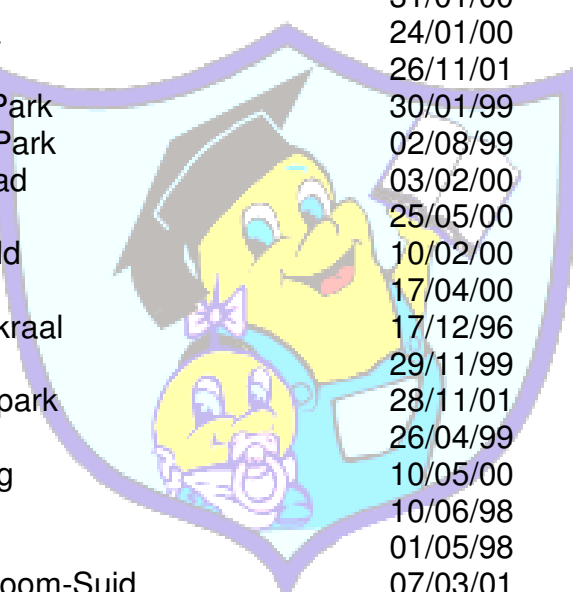
We look forward to hearing from you in the near future.



TRUTH , VALUE , HONOUR

LIST OF CURRENT SMILEY KIDS SCHOOLS

No	Name of Association member	Date Opened	Contact Numbers
1	Smiley Kids Albermarle	11/05/00	(011) 865-4689
2	Smiley Kids Bedfordview	10/08/00	(011) 455-4719
3	Smiley Kids Boksburg-Noord	04/05/99	(011) 892-3644
4	Smiley Kids Charlo	13/04/99	(041) 368-7855
5	Smiley Kids Dalview	31/07/97	(011) 744-0904
6	Smiley Kids Edenvale	06/12/99	(011) 609-7178
7	Smiley Kids Eldoradopark	18/11/96	(011) 342-5030
8	Smiley Kids Elspark	09/08/97	(011) 916-2005
9	Smiley Kids Eveleigh (NEW)		
10	Smiley Kids Farrar Park	21/11/01	(011) 913-2772
11	Smiley Kids Florida	23/09/99	(011) 672-1077
12	Smiley Kids Glenvista	01/06/99	(011) 682-3909
13	Smiley Kids Homestead	06/07/98	(011) 828-2606
14	Smiley Kids Horison	05/12/98	(011) 766-2545
15	Smiley Kids Jeffreysbaai	01/2009	(076) 554-8522
16	Smiley Kids Kenleaf	05/2006	(011) 742-2409
17	Smiley Kids Kimberley	12/06/97	(053) 832-6409
18	Smiley Kids Klerksdorp-Noord	03/11/97	(018) 468-6656
19	Smiley Kids Lambton	12/08/98	(011) 827-4488
20	Smiley Kids Midrand	31/01/00	(011) 315-7918
21	Smiley Kids Naturena	24/01/00	(011) 941-2425
22	Smiley Kids Nelspruit	26/11/01	(013) 752-3879
23	Smiley Kids Newton Park	30/01/99	(041) 364-0246
24	Smiley Kids Norkem Park	02/08/99	(011) 391-4827
25	Smiley Kids Northmead	03/02/00	(011) 425-6400
26	Smiley Kids Oakdene	25/05/00	(011) 435-5963
27	Smiley Kids Petersfield	10/02/00	(011) 811-6353
28	Smiley Kids Primrose	17/04/00	(011) 828-2826
29	Smiley Kids Rooihuiskraal	17/12/96	(012) 661-9222
30	Smiley Kids Sinoville	29/11/99	(012) 567-5584
31	Smiley Kids Sunwardpark	28/11/01	(011) 913-2251
32	Smiley Kids Walmer	26/04/99	(041) 581-0707
33	Smiley Kids Westering	10/05/00	(041) 360-0681
34	Smiley Kids Willows	10/06/98	(051) 444-3331
35	Smiley Kids Witfield	01/05/98	(011) 826-2333
36	Smiley Kids Wonderboom-Suid	07/03/01	(012) 331-0003



TRUTH , VALUE , HONOUR