

**FRANCHISE ASSOCIATION OF NEW ZEALAND INC.
ANNUAL GENERAL MEETING 2017
CHAIRMAN'S REPORT**

Firstly, I would like to take this opportunity to thank our hardworking and professional FANZ office team of Kirsty, Lauren and Adelina and the current Board members of Callum, Ian, Deirdre, Dawn, Glenn, and Nathan for their very significant contributions over the last year. The end to 2016, and this year so far, has been a time of very hands-on work for Board members, along with additional members of various sub-committees. Many people have given hours upon hours of their personal and professional time to assist FANZ and I am very thankful for your ongoing support. The Board going forward the 2017/2018 year is now in a great position to build on the excellent work done over the last year and will be able to shape an even stronger Association for us all. Welcome to our new Board members.

I must also make a very special note of our CEO Robyn Pickerill who continues to grow her role within FANZ and amazes me with her constant strive for excellence. With Robyn's enthusiasm for the Association I am confident we are well on the way to achieving our mission to be the "Voice of Franchising" in New Zealand. Thank you Robyn.

In some ways, 2017 was a year of following on from and building on the substantial changes and reorganisation of FANZ in 2016, but in many other ways, it has already been a very important year in its own right. It has been a year of investing in education and the New Zealand Franchising Survey, strengthening government relationships, building Strategic Partnerships, stabilising our FANZ team, working to connect with members more and more; and most importantly, a year of financial 'turnaround'.

This year has seen two Board Members retire from the Board – Glenn Tasker and Ian Robertson. Both have been very valued members of the Board. Glenn has served a two-year term and provided a significant contribution in that time. As many of you will already know, Ian is a long-standing member of the Board and leaves after seven years. During that time Ian served as both Vice-Chairman and Chairman and represented FANZ at a number of International events, such as World Franchise Council and Asia Pacific Franchise Confederation meetings. Ian will be very noticeably missed on the Board by us all. Thank you to both Ian and Glenn.

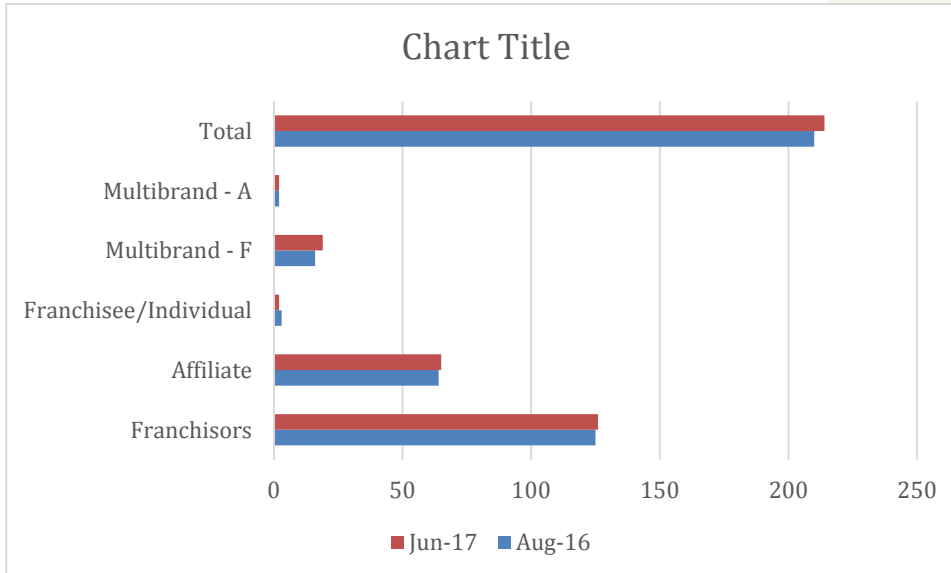
Finally, thank you to our long-term Honorary Solicitors Gaze Burt, specifically Michael Bright, for your continued support over the last year. We are always hugely grateful, but this year has been a particularly busy year and we highly value your generous guidance and advice.

Finance

After a tough result in 2016 with a deficit of \$86,107, the Board, Robyn and the FANZ office team have worked hard to turn this around. It is extremely pleasing to see a remarkable near \$100,000 turnaround for a net profit of just under \$12,000 (normalised surplus of \$26,075).

The three key factors contributing to the turnaround have been the relocation of the FANZ office and sub leasing of the Botany Office (lease now surrendered), the reduction in staffing hours and the vigilant control of operational expenses. An overview of the 2016/17 accounts will be given at the AGM by Craig Weston of Inspired Accountants acting for FANZ.

Membership



There are a total of 214 members up by 4 from last year.

Over the course of the year we have joined up 25 new members and 17 have resigned. The 25 new members consist of 13 franchise systems and 12 Affiliates. The 17 resignations consist of 7 franchise systems and 10 Affiliates

Whilst the growth is marginal, there has been a clean-up of members. A number who were on record but failed to pay their fees or whose systems were in the downward side of their life cycle, so have since resigned.

Membership growth will be a focus for the Board as we move ahead. The year just gone has been a year of renewal as we assessed the foundations of FANZ and put measures in place to enhance our brand image and sustainability.

A number of members have been proactive in promoting FANZ and providing referrals. This is much appreciated and we would ask all members if you would consider supporting the association in this way. Robyn has made a concerted effort over the year not only to meet all the new members, but has also taken time to meet many of the existing members. She would love to put even more effort into meeting members as this is clearly appreciated, so the Board will be looking at how we can assist Robyn in this area.

The turnout at conference this year is very likely a direct reflection of the personal approach Robyn has taken to membership over the last year.

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Advocacy

Last year we advised that it was a key focus of the Board to enhance relations with Government to create an awareness of Franchising and the substantial contribution it makes to the economic and social wealth of New Zealand.

A remarkable step forward has been achieved in this area. As a result of the great work done by Darryl King of Jackson Russell on the Commerce (Cartels and Other Matters) Amendment Bill submission, a door was opened to FANZ to meet the policy advisors. In April, a delegation of FANZ members made a trip to Wellington to meet the Policy Advisors in MBIE, and both National and Labour Party government officials.

The representatives included:

- Callum Floyd - Vice Chair FANZ, Director Franchise Consultants
- Deirdre Watson - Barrister and Board Member
- Darryl King - Jackson Russell
- Michael Bright - Gaze Burt
- Robyn Pickerill - CEO FANZ

The primary goal was to create an awareness of FANZ, our Code of Practice and Code of Ethics and standards required by our members. It was important that they were aware that FANZ acts as the “Voice of Franchising” and that our door is open should they have a requirement to discuss amendments to bills or new legislation in the franchising space. The plan going ahead is to retain our connections and visit on an annual basis or as we note party personnel changing portfolios.

More recently we have also started communicating regularly with the MBIE Labour Inspectorate and are developing a strong and positive working relationship here also.

Thank you to all members of our legislation sub-committee for your on-going assistance and support.

Complaints Panel

After more than 10 years of tremendous service as Chair of the Complaints Panel, Kevin Connell earlier this year advised of his intention to stand down as Chair. Kevin was acknowledged at last year’s Westpac New Zealand Franchise Awards, by admission to the Hall of Fame, for his sterling service to FANZ in both his roles as Scrutineer and Chair of the Complaints Panel. I would once again like to thank Kevin for his exemplary services over the years and his support for Robyn over the past year.

I would also like to thank Patrick Learmonth of Stace Hammond and Hamish Walker of Iazard Weston, for their ongoing work on the panel. I am pleased to announce that Patrick has agreed to take on the role of Chair going ahead, providing continuity for the complaints process. Glenn Tasker has been appointed to be the business person on the panel to keep a balance of perspectives. Glenn’s input is much appreciated and with his background on the FANZ board, he too, is very familiar with FANZ requirements.

Complaints enquiries have increased over the last year. The majority of enquiries come from franchisees whose franchisor is not a member and it is always disappointing that FANZ is not able to assist these people and reinforces the need to for us all to promote the messages of “Look for this sign before you sign, buy a franchise with confidence”.

There have been a small number of formal complaints this year against members and in all cases these have been resolved.

Education

FANZ's Franchisee Pre-entry online education programme has now been live for four years. There have been 149 course completions over the last year.

A review of the course has recently been undertaken. The Massey hosting platform was relatively expensive and did not deliver the service requirements we needed. In the process of moving to a new platform provider Callum reviewed the course content, but due to the generic nature of the material, few updates were actually required. The opening video will be updated in the near future to reflect the results from the 2017 franchising survey.

I continue to encourage all franchisors to make reference to the online training on your own franchise recruitment website pages and to request that prospective new franchisees to your groups complete the programme before joining your franchise group.

Sponsorship

Sponsorship is vital to the long term sustainability of FANZ. A huge focus on this area has seen the Board take a more long term view of sponsorship support for FANZ leading to the introduction of the Strategic Partnership program. This program has attracted significant interest and the Board is delighted that companies have seen the franchise space as an area to support.

Our Strategic Partners to date are Westpac, Crombie Lockwood, MYOB, Green Acres, KPMG and we are in the process of talking to one other. Each of these brands are significant names in their industries and FANZ is eager to ensure they get value from supporting franchising. Thank you to all our Strategic Partners for your very valued support.

It is early days for this program but I would encourage you to acknowledge the support of our Strategic Partners and become aware of the areas where they may be able to assist your franchise and/or franchisees.

In addition to Strategic Partners we have our Platinum Partner - Waipuna Hotel and Conference Centre, who have supported FANZ for several years across all our key events; awards, conference and breakfasts. I thank Waipuna for their continued support.

Specific sponsorships for Conference and Awards are still very important to FANZ and we very much appreciate all the sponsors and trade exhibitors who choose to show their support for franchising by supporting these events.

Sponsors come on board for primarily two reasons; one is to show their support for the franchising industry and the second being to seek exposure for their own brand and services. I encourage all members to first consider our sponsors when looking at products and services for your own businesses.

Collaboration with Franchise New Zealand Media

The decision to close the Buy a Franchise business unit and work more closely with Franchise New Zealand Media has been an extremely positive one for FANZ. I must thank Simon for the continued support he gives FANZ and the promotional stories he writes to encourage attendance and participation in FANZ events. I have no doubt that the support of Franchise New Zealand Media has also contributed to the outstanding turnout at conference this year.

Magazines and websites however, do rely on advertising in order to produce quality material and therefore I would once again encourage you to promote your business through the Franchise New Zealand magazine and website. This is the only magazine in New Zealand dedicated to franchising and continues to produce top quality news and stories and strong readership rates.

Franchise New Zealand Media has direct links from the FANZ website through to their site, so you should ensure that when your name is clicked on, on the FANZ website, that the listing you link to is of the quality and size you would want to attract further enquiries and business opportunities.

Westpac New Zealand Franchise Awards

The 22nd Westpac New Zealand Franchise Awards was a stunning event and I whole heartedly thank Westpac for their continued sponsorship of the awards. Westpac will be back again for the 23rd time in November this year!

Awards entries are well underway for this year and registrations would indicate that interest is well up on last year. Congratulations to all of those members who entered last year and to those who have taken the plunge this year. It is a great opportunity to review your business from a slight distance and as a result you will find the whole process a very positive experience and great learning curve for your business.

Again this year, judging remains completely independent of FANZ and will be primarily conducted by the New Zealand Business Excellence Foundation. The Baldrige Criteria, which is an internationally recognised set of judging criteria, will be used to assess business performance for the major category awards.

This year has seen the introduction of one new award being the “Digital Innovation” award and is supported by our Strategic Partner Green Acres. The Board saw this as a most fitting addition, as without Digital Innovation, businesses are at risk of being left behind. We expect a lot of interest in this award.

During the 2016 awards evening we took the opportunity to recognise Rory MacDonaldas a Life Member of FANZ and Kevin Connell was inducted into the FANZ Hall of Fame. It was an honour to be able to recognise these two gentlemen for their contributions to franchising. The 2016 awards night also saw government representation for the third straight year, confirming recognition for the significant contribution we all make to the economy.

Conference

Conference 2016 was a particularly successful and professional event, held in Tauranga. I have every confidence that this year’s event will be even better. We have the largest attendance we have ever had at a conference I believe, and this year there are 53 systems represented. Due to the popularity it was necessary to close off registrations, so a really positive sign for FANZ going forward.

Thank you to our conference sponsors Link, Inspired Accountants, Stace Hammond Lawyers, The Coffee Club, MacDonald Lewis Law, Franchise New Zealand Media and Duncan Cotterill. There are also a number of trade exhibitors at conference and your support is also very much appreciated, thank you.

Branch Meetings

The past year has seen a number of excellent presenters address FANZ members and guests in various parts of the country. Without the support of those presenters our regular branch events would not be possible.

ASB continues to support FANZ through the sponsorship of the Auckland 'After 4pm' meetings and I thank ASB for their continued support.

Thanks also to our sponsors of the Auckland breakfast events over the last year, Waipuna Hotel & Conference Centre and Brookfields.

I would also like to acknowledge and sincerely thank our very own Life Member and Hall of Fame inductee David McCulloch for his continued commitment to attending every Auckland branch event and fulfilling the role of MC voluntarily.

David Foster and Harris Tate also deserve special mention for the quality and frequency of regional events they organise in both Tauranga and Hamilton. Thank you for your continued great work in these regions. Liz Le Prou and Crowe Horwath also continue to be great supporters and initiators of events in the Wellington region, supported by Claire Byrne of Gibson Sheat and Mick Robinson of Westpac. The enthusiasm and effort put in by our regional coordinators is heartening and certainly helps to spread the positive franchising message.

There is still a need to create activity in other regional areas, particularly in Christchurch, New Plymouth and Northland. If you think you could assist FANZ in this area and provide support or coordination in these regions we look forward to hearing from you.

Rebranding of FANZ

As part of the reinvigoration of FANZ the Board saw a need to refresh the brand which had served us well for 20 years. Steve Goldie from Beans and Rice has led us through the rebranding process and I am very appreciative of his involvement and direction. I am very confident that we are now in a position where we have a brand that is both contemporary and fresh, yet respects and retains the very significant heritage of the FANZ colours and icons that we are all very familiar with.

At the recent May breakfast we also invited input from our members and this proved to be a very worthwhile and productive morning.

The new branding is progressively being introduced and I would encourage you all to upgrade your collateral as appropriate with the new member's badge. The members badge is a point of difference for your franchise and I would urge you to display it on your websites as this is often the first connection a prospective franchisee will have with your brand.

Franchising New Zealand Survey 2017

It has been five years since the last franchising survey, so it has been a terrific achievement to finally get this year's survey complete. I would like to acknowledge the great work of Dr. Susan Flint-Hartle of Massey University and Professor Lorelle Fraser of Griffith University for producing such a comprehensive report that will have significant value to us over the next few years.

Like many activities, there is a cost to completing such a professional survey of this calibre. I would like to extend thanks on behalf of all members, for the support of the following businesses and affiliate members who have generously supported this survey. Without their support the survey would not have been completed.

Thanks to:

- Westpac
- The Franchise Coach
- Hayes Knight
- Franchise Consultants
- ASCO Legal
- Franchise New Zealand Media.

I also extend my thanks to the many franchise systems who participated in the survey. With a 27% response rate, this provided a wealth of data and allowed for very thorough results. A 15% response rate would have been acceptable, so to achieve 27% is simply superb. Top line results from the survey will be shared at the first conference session.

Rules and Code Changes

At this year's AGM we have a number of rule amendments to ratify, with the one of particular importance being to allow for electronic voting in the future.

International Representation

FANZ continued its role as General Secretariat of the World Franchise Council (WFC) and has attended WFC meetings in both Jakarta, Indonesia and London, United Kingdom in the last year. An Asia Pacific Franchise Confederation (APFC) meeting was also held in Jakarta in conjunction with the WFC meeting.

As FANZ was continuing to complete its role of General Secretariat for both of these meetings, the Board appointed David Foster to the role of International Delegate to assist me in this role. I sincerely thank David for the sterling job he did at very short notice.

At the most recent meeting the position of General Secretariat was up for re-election and this time around the vote was in favour of the Egyptian Franchise Development Association. FANZ had fulfilled the General Secretariat role for an unprecedented three terms (six years), so Council decided it was the appropriate time for change.

Attendance by FANZ at both the WFC and APFC meetings continues to strengthen our international contacts and provides us with ongoing insights in to the developments, challenges and new initiatives of other franchise associations and franchise industries right around the world.

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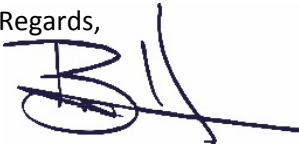
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A number of common themes continued to be discussed at all three meetings, specifically in the areas of association's growth, business innovation and the increasing trend of legislation joining together franchisors and franchisees in being held to account for employee liabilities and other businesses responsibilities.

Finally, thank you to all members of the Association, both long-term and new members, for your continued support and care for FANZ. I wish you all the best for a positive and prosperous end to 2017.

Regards,



Brad Jacobs | Chairman