

Annual Report

Franchise Association of New Zealand Inc
For the year ended 31 March 2017

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Statement of Financial Performance

Franchise Association of New Zealand Inc For the year ended 31 March 2017

	NOTES	2017	2016
Revenue			
Awards	3	38,384	26,177
Conference	4	65,207	60,062
Functions - All Centres	5	14,309	3,990
New Members	6	509	2,004
Publications	7	635	1,081
Subscriptions - all members		232,737	225,209
BAFL Management Fee		2,230	3,637
Interest Income		287	1,004
Dividend Income		511	512
Other Income	8	16,123	97
Botany Sublease	9	19,101	-
Total Revenue		390,032	323,772
Gross Profit		390,032	323,772
Expenses			
ACC Levies		625	751
Accounting & Audit	13	20,236	9,621
APFC/WFC Membership Costs		2,212	1,172
Bad Debt - Write Off		-	3,388
BAFL Management costs		-	1,500
Bank Fees & Credit card fees		3,828	5,652
Board Meeting Costs		-	390
Chairman's Expenses		-	9,906
Cleaning		407	28
Computer Maintenance & Support		3,043	87
Contractor Costs		15,043	748
Data Processing Expenses		224	-
Depreciation Expense	10	14,123	32,761
Discounts Allowed		1,713	-
Educational Expenses		65	-
Employment Recruitment		3,095	6,082
Forgiveness of debt	18	-	22,669
Other Expenses		2,779	3,601
Insurance		-	6,806
Interest Paid		-	2
Legal Fees		-	2,678
Loss on disposal		4,776	-
Office Expenses		703	4,489
Online Course Maintenance Fee		3,000	3,000
Photocopier		2,354	-

The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report.

	NOTES	2017	2016
Political advocacy		-	554
Postage & Couriers		430	2,194
PR & Advertising		7,655	2,889
Printing		195	-
Rent Commission		5,811	-
Rent & Rates Outgoings	14	44,929	40,148
Repairs & Maintenance		262	3,456
Scrutineer Compliance Checks		3,887	487
Security		416	-
Storage		877	-
Telecommunications		3,929	6,251
Survey Costs - Massey & Giffith		12,500	-
Travel and Accommodation		10,076	6,043
Wages & Salaries		205,146	231,377
Website Maintenance		2,742	1,149
Total Expenses		378,080	409,879
Net Profit (Loss) Before Taxation		11,952	(86,107)
Net Profit (Loss) After Taxation		11,952	(86,107)

The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report.

Statement of Changes in Equity

Franchise Association of New Zealand Inc
For the year ended 31 March 2017

	2017	2016
Equity		
Opening Balance	40,654	126,761
Increases		
Profit or Loss for the Period	11,952	(86,107)
Total Increases	11,952	(86,107)
Total Equity	52,606	40,654

The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report.

Statement of Financial Position

Franchise Association of New Zealand Inc As at 31 March 2017

	NOTES	31 MAR 2017	31 MAR 2016
Assets			
Current Assets			
Cash and Bank			
Petty Cash		100	18
Westpac - Call Account		424	416
Westpac - Cheque Account		82,697	37,312
Total Cash and Bank		83,221	37,745
Trade and Other Receivables			
Accounts Receivable		127,261	166,504
Receivables - Buyafranchise Limited	11	2,564	2,137
Total Trade and Other Receivables		129,825	168,641
Prepayments		8,651	21,055
Inventory		3,542	9,493
Income Tax Receivable	12	250	468
Total Current Assets		225,489	237,402
Non-Current Assets			
Investments		100	100
Property, Plant and Equipment	10	18,346	37,688
Total Non-Current Assets		18,446	37,788
Total Assets		243,935	275,190
Liabilities			
Current Liabilities			
Trade and Other Payables		753	11,861
Accrued Liabilities		3,190	8,236
GST Payable		11,889	26,261
Income in Advance		167,637	180,314
Employee Entitlements		7,860	7,864
Total Current Liabilities		191,329	234,536
Total Liabilities		191,329	234,536
Net Assets		52,606	40,654
Equity			
Retained Earnings		52,606	40,654
Total Equity		52,606	40,654

The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report.

For and on behalf of the Board


Chairperson **Bradley Jacobs** Board Member  **Caum Floy**

Date 28 June 2017

The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report.



Notes to the Financial Statements

Franchise Association of New Zealand Inc For the year ended 31 March 2017

1. Reporting Entity

Franchise Association of New Zealand Inc is an incorporated society under the Incorporated Societies Act 1908.

Franchise Association of New Zealand Inc is not required to prepare financial statements that comply with generally accepted accounting practice and as result the Franchise Association of New Zealand Inc has elected to prepare special purpose financial statements. The special purpose financial statements do not include the financial position and result of entities controlled by the Franchise Association of New Zealand Inc. The special purpose financial statements have been prepared to assist the Franchise Association of New Zealand Inc prepare a set of financial statements for management purposes and to report to its members. As a result the special purpose financial statements may not be suitable for another purpose.

2. Statement of Accounting Policies

Measurement Base

These financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position of the incorporated society, have been applied.

Goods and Services Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Property, Plant and Equipment

Property, plant and equipment are valued at cost less aggregate depreciation.

Depreciation

Depreciation of the assets has been calculated at the maximum rates permitted for Income Tax purposes.

Computer Hardware and Software - 25% to 60%

Furniture and Equipment - 14.4% to 80.4%

Leasehold Additions - 10%

Trade Mark - 10%

Income Tax

Income tax is accounted for using the taxes payable method. Income derived from members, for member activities, is exempt from income tax. Other non-member income, above the exemption of \$1,000, is taxable at 28% (2016: 28%).

Inventory

Inventories are stated at the lower of cost or market selling value.

Accounts Receivable

Accounts Receivable are stated at their estimated realisable value. Bad debts are written off in the year they are identified.

Investments

Investments are valued at net cost.

Revenue

Revenue is recognised on an accrual basis. Revenue is deferred until the associated obligations have been complied with.

Trade and other payables

Trade and other payables are recorded when it is probable that future sacrifice of service potential or future economic benefits will be required and the amount of the liability can be measured reliably.

Employee entitlements

Employee entitlements for salaries and wages, annual leave, long service leave and other benefits are generally recognised when they accrue to employees.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

	2017	2016
3. Awards		
Awards Sales Revenue	37,730	49,591
Awards Sponsorship	64,950	61,622
Awards Expenses	(64,296)	(85,035)
Net Income (Loss)	38,384	26,177
	2017	2016
4. Conference		
Conference Sales Revenue	137,025	111,900
Conference Sponsorship	34,500	52,500
Conference Expenses	(106,318)	(104,338)
Net Income (Loss)	65,207	60,062
	2017	2016
5. Functions - All Centres		
Functions Income	30,349	23,465
Functions Expenses	(16,039)	(19,475)
Net Income (Loss)	14,309	3,990

	2017	2016
6. New Members		
New Members Income	4,400	4,800
New Members Expenses	(3,891)	(2,796)
Net Income (Loss)	509	2,004
	2017	2016
7. Publications		
Publicational Income	765	1,845
Publicational Expenses	(130)	(764)
Net Income (Loss)	635	1,081
	2017	2016
8. Other Income		
WFC Secretariat income	3,523	-
Sundry Income	100	97
Franchise Survey Sponsorship	12,500	-
Total Other Income	16,123	97
	2017	2016
9. Botany Sublease		
Rent & Rates Botany Sub Lease	19,002	-
Water & OPEX Botany Sublease	99	-
Total Botany Sublease	19,101	-
	2017	2016
10. Property, Plant and Equipment		
Computer, Software & Website		
Computer, Software & Website	116,162	131,269
Accumulated depreciation - Computer, Software & Website	(101,555)	(101,575)
Total Computer, Software & Website	14,606	29,694
Office Furniture & Equipment		
Office Furniture & Equipment	9,932	23,204
Accumulated depreciation - Office Furniture & Equipment	(6,191)	(15,507)
Total Office Furniture & Equipment	3,741	7,697
Leasehold Additions		
Leasehold Additions	1,214	1,724

Accumulated depreciation - Leasehold Additions	(1,215)	(1,427)
Total Leasehold Additions	(1)	297
Total Property, Plant and Equipment	18,346	37,688
	2017	2016

11. Related Parties

Buyafranchise Limited		
Receivables - Buyafranchise Limited	2,564	2,137
Total Buyafranchise Limited	2,564	2,137

See note 18 to the financial statements for further details on related party transactions.

	2017	2016
12. Income Tax Expense		
Interest, Dividend & Sublease and WFC Income	25,652	5,153
Deductions from Taxable Profit		
Allocation of Related Expenses	24,652	4,153
Loss carried forward	-	-
Non-Profit Body Exemption	1,000	1,000
Total Deductions from Taxable Profit	25,652	5,153
Taxable Profit (Loss)	-	-
Tax Payable at 28%	-	-
Deductions from Tax Payable		
Tax Opening Balance	(468)	(539)
Dividend Imputation Credits	141	141
Resident Withholding Tax Paid	111	327
Provisional Tax Paid	-	-
Tax Refund Received	468	539
Total Deductions from Tax Payable	252	468
Income Tax Payable (Refund Due)	(252)	(468)

13. Accounting & Audit

This cost is made up of \$6,985 for audit services, \$12,595 for accounting consultancy services, \$160 for MYOB system and \$495 for Xero (2016 \$4,650, \$4,410, \$561 and \$0 respectively).

14. Rent & Outgoings

The Franchise Association of New Zealand Inc leases an office space at Level 4, 51 Hurstmere Rd, Takapuna, Auckland and subleases its previous office space at 2 Bishop Dunn Place, Botany Junction.

15. Total Turnover

The Franchise Association of New Zealand Inc total turnover for the year is \$580,706 (2016: \$536,180).

16. Lease and Capital Commitments

Capital Commitments

There are no capital commitments contracted for at balance date.

Operating and Lease Commitments

The Association has operating lease commitments as follows:

	2017	2016
Current	\$ 4,833	\$25,992
Non Current	\$ 0	\$43,320

The Association will receive subleasing income on its Botany office until 31 May 2017. This will offset its rental commitments on the property. As from 1 June 2017 the Association has been released from its obligations under the Botany lease. The Association now conducts its business from its Takapuna office. The rental on this office was negotiated on a month to month basis.

17. Contingent Liabilities

No contingent liabilities are known to exist at balance date.

18. Related Party Transactions & Balances

The Association formed a wholly owned subsidiary company, Buyafranchise Limited on 7th April 2014. Buyafranchise pays management fees to the Association in return for services rendered in managing the company. It is not deemed helpful to the user of the financial statements to consolidate the two entities for the current year given the results and financial position of Buyafranchise Limited is immaterial to the Association. During the year ended 31 March 2017, the Association released Buyafranchise Limited from a debt of \$nil (2016: \$22,669) and charged Buyafranchise Limited management fees of \$2,230 (2016: \$3,637).

Franchise Association of New Zealand Inc**Independent Auditor's Report to the Members of Franchise Association of New Zealand Inc****Opinion**

We have audited the financial statements of Franchise Association of New Zealand Inc ("the Society"), which comprise the Statement of Financial Position as at 31 March 2017, Statement of Changes in Equity and Statement of Financial Performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Franchise Association of New Zealand Inc for the year ended 31 March 2017 are prepared, in all material respects, in accordance with the basis of accounting as described on Pages 8 and 9 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Franchise Association of New Zealand Inc in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Society.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Page 8 and 9 of the financial statements, which describes the basis of accounting. The financial statements have been prepared to assist the Franchise Association of New Zealand Inc prepare a set of financial statements for management purposes and to report to its members. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Franchise Association of New Zealand Inc and should not be distributed to parties other than the Society and its members. Our opinion is not modified in respect of this matter.

Responsibilities of the Board for the Financial Statements

The Board are responsible on behalf of the Society for the preparation of the financial statements in accordance with the basis of accounting as described on Pages 8 and 9 of the financial statements and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Auckland this 30th day of June 2017