

# Annual Report

**Franchise Association of New Zealand Inc  
For the year ended 31 March 2018**

**Prepared by Inspired Accountants Ltd**

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## Statement of Financial Performance

### Franchise Association of New Zealand Inc For the year ended 31 March 2018

|                                | NOTES | 2018           | 2017           |
|--------------------------------|-------|----------------|----------------|
| <b>Revenue</b>                 |       |                |                |
| Awards                         | 3     | 34,844         | 38,384         |
| Conference                     | 4     | 46,254         | 65,207         |
| Functions                      | 5     | 11,197         | 14,309         |
| New Members                    | 6     | 804            | 509            |
| Publications                   | 7     | 425            | 635            |
| Subscriptions - all members    |       | 253,083        | 232,737        |
| BAFL Management Fee            |       | -              | 2,230          |
| Interest Income                |       | 128            | 287            |
| Dividend Income                |       | -              | 511            |
| Other Income                   | 8     | 12,500         | 16,123         |
| Botany Sublease                | 9     | 5,576          | 19,101         |
| General Sponsorship            |       | 53,116         | -              |
| <b>Total Revenue</b>           |       | <b>417,926</b> | <b>390,032</b> |
| <b>Gross Profit</b>            |       | <b>417,926</b> | <b>390,032</b> |
| <b>Expenses</b>                |       |                |                |
| ACC Levies                     |       | 417            | 625            |
| Accounting & Audit             | 13    | 11,299         | 20,236         |
| APFC/WFC Membership Costs      |       | 1,207          | 2,212          |
| Bad Debt - Write Off           |       | 1,300          | -              |
| Bank Fees & Credit card fees   |       | 2,555          | 3,828          |
| Board Meeting Costs            |       | 813            | -              |
| Cleaning                       |       | -              | 407            |
| Computer Maintenance & Support |       | 1,641          | 3,043          |
| Contractor Costs               |       | 3,397          | 16,043         |
| Data Processing Expenses       |       | 158            | 224            |
| Depreciation Expense           | 10    | 7,490          | 14,123         |
| Discounts Allowed              |       | 1,324          | 1,713          |
| Educational Expenses           |       | -              | 65             |
| Employment Recruitment         |       | 4,823          | 3,095          |
| Expo Costs                     |       | 2,295          | -              |
| Other Expenses                 |       | 5,224          | 2,779          |
| Insurance                      |       | 6,120          | -              |
| Legal Fees                     |       | 5,403          | -              |
| Loss on disposal               |       | -              | 4,776          |
| Office Expenses                |       | 1,491          | 703            |
| Online Course Maintenance Fee  |       | 2,068          | 3,000          |
| Photocopier                    |       | 2,832          | 2,354          |
| Postage & Couriers             |       | 1,316          | 430            |
| PR & Advertising               |       | 3,058          | 7,655          |

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

|  | NOTES | 2018           | 2017           |
|--|-------|----------------|----------------|
| Printing                                 |       | 8              | 195            |
| Rebranding Costs                         |       | 5,970          | -              |
| Rent Commission                          |       | -              | 5,811          |
| Rent & Rates Outgoings                   | 14    | 18,657         | 44,929         |
| Repairs & Maintenance                    |       | -              | 262            |
| Scrutineer Compliance Checks             |       | 3,248          | 3,887          |
| Security                                 |       | -              | 416            |
| Storage                                  |       | 1,409          | 877            |
| Telecommunications                       |       | 3,876          | 3,929          |
| Survey Costs - Massey & Giffith          |       | 19,647         | 12,500         |
| Travel and Accommodation                 |       | 15,720         | 10,076         |
| Wages & Salaries                         |       | 227,703        | 205,146        |
| Website Maintenance                      |       | 5,879          | 2,742          |
| <b>Total Expenses</b>                    |       | <b>368,347</b> | <b>378,080</b> |
| <b>Net Profit (Loss) Before Taxation</b> |       | <b>49,579</b>  | <b>11,952</b>  |
| <b>Net Profit (Loss) After Taxation</b>  |       | <b>49,579</b>  | <b>11,952</b>  |

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 2018

|                             | 2018           | 2017          |
|-----------------------------|----------------|---------------|
| <b>Equity</b>               |                |               |
| Opening Balance             | 52,606         | 40,654        |
| <b>Increases</b>            |                |               |
| Profit or Loss for the Year | 49,579         | 11,952        |
| Total Increases             | 49,579         | 11,952        |
| <b>Total Equity</b>         | <b>102,185</b> | <b>52,606</b> |

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 2018

|  | NOTES | 31 MAR 2018    | 31 MAR 2017    |
|--|-------|----------------|----------------|
| <b>Assets</b>                            |       |                |                |
| <b>Current Assets</b>                    |       |                |                |
| <b>Cash and Bank</b>                     |       |                |                |
| Petty Cash                               |       | 22             | 100            |
| Westpac - Call Account                   |       | 30,437         | 424            |
| Westpac - Cheque Account                 |       | 68,639         | 82,697         |
| <b>Total Cash and Bank</b>               |       | <b>99,098</b>  | <b>83,221</b>  |
| <b>Trade and Other Receivables</b>       |       |                |                |
| Accounts Receivable                      |       | 153,799        | 127,261        |
| Receivables - Buyafranchise Limited      | 11    | 804            | 2,564          |
| Conference Costs Prepaid                 |       | 4,596          | 8,151          |
| Deposit - Furniture & Equipment          |       | 287            | -              |
| Awards Costs Prepaid                     |       | 500            | 500            |
| <b>Total Trade and Other Receivables</b> |       | <b>159,986</b> | <b>138,476</b> |
| Inventory                                |       | 4,038          | 3,542          |
| Income Tax Receivable                    | 12    | -              | 250            |
| <b>Total Current Assets</b>              |       | <b>263,123</b> | <b>225,489</b> |
| <b>Non-Current Assets</b>                |       |                |                |
| Investments                              |       | 100            | 100            |
| Property, Plant and Equipment            | 10    | 21,025         | 18,346         |
| <b>Total Non-Current Assets</b>          |       | <b>21,125</b>  | <b>18,446</b>  |
| <b>Total Assets</b>                      |       | <b>284,248</b> | <b>243,935</b> |
| <b>Liabilities</b>                       |       |                |                |
| <b>Current Liabilities</b>               |       |                |                |
| Trade and Other Payables                 |       | 5,574          | 753            |
| Accrued Liabilities                      |       | 10,300         | 3,190          |
| GST Payable                              |       | 747            | 11,889         |
| Income in Advance                        |       | 159,778        | 167,637        |
| Employee Entitlements                    |       | 5,664          | 7,860          |
| <b>Total Current Liabilities</b>         |       | <b>182,063</b> | <b>191,329</b> |
| <b>Total Liabilities</b>                 |       | <b>182,063</b> | <b>191,329</b> |
| <b>Net Assets</b>                        |       | <b>102,185</b> | <b>52,606</b>  |
| <b>Equity</b>                            |       |                |                |
| Retained Earnings                        |       | 102,185        | 52,606         |
| <b>Total Equity</b>                      |       | <b>102,185</b> | <b>52,606</b>  |

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

 Bradley A Jacobs  Callum John Floyd

Chairperson

Board Member

Date: 21/6/18

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 2018

#### 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 a 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 other 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 accumulated depreciation.

##### Depreciation

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

Computer, Software and Website - 25% to 60%

Office Furniture and Equipment - 14.4% to 80.4%

Leasehold Additions - 0%

##### 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% (2017: 28%).

##### Inventory

Inventories are stated at the lower of cost or not realisable 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 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.

|                          | 2018      | 2017      |
|--------------------------|-----------|-----------|
| <b>3. Awards</b>         |           |           |
| Awards Sales Revenue     | 57,565    | 37,730    |
| Awards Sponsorship       | 63,810    | 64,950    |
| Awards Expenses          | (86,531)  | (64,296)  |
| Net Income (Loss)        | 34,844    | 38,384    |
|                          | 2018      | 2017      |
| <b>4. Conference</b>     |           |           |
| Conference Sales Revenue | 212,007   | 137,025   |
| Conference Sponsorship   | 44,890    | 34,500    |
| Conference Expenses      | (210,643) | (106,318) |
| Net Income (Loss)        | 46,254    | 65,207    |
|                          | 2018      | 2017      |
| <b>5. Functions</b>      |           |           |
| Functions Income         | 25,850    | 30,349    |
| Functions Expenses       | (14,654)  | (16,039)  |
| Net Income (Loss)        | 11,197    | 14,309    |

|   | 2018      | 2017      |
|---|-----------|-----------|
| <b>6. New Members</b>                                   |           |           |
| New Members Income                                      | 3,000     | 4,400     |
| New Members Expenses                                    | (2,196)   | (3,891)   |
| Net Income (Loss)                                       | 804       | 509       |
|   | 2018      | 2017      |
| <b>7. Publications</b>                                  |           |           |
| Publicational Income                                    | 581       | 765       |
| Publicational Expenses                                  | (157)     | (130)     |
| Net Income (Loss)                                       | 425       | 635       |
|   | 2018      | 2017      |
| <b>8. Other Income</b>                                  |           |           |
| WFC Secretariat income                                  | -         | 3,523     |
| Sundry Income   | -         | 100       |
| Franchise Survey Sponsorship                            | 12,500    | 12,500    |
| Total Other Income                                      | 12,500    | 16,123    |
|   | 2018      | 2017      |
| <b>9. Botany Sublease</b>                               |           |           |
| Rent & Rates Botany Sub Lease                           | 5,560     | 19,002    |
| Water & OPEX Botany Sublease                            | 16        | 99        |
| Total Botany Sublease                                   | 5,576     | 19,101    |
|   | 2018      | 2017      |
| <b>10. Property, Plant and Equipment</b>                |           |           |
| <b>Computer, Software &amp; Website</b>                 |           |           |
| Computer, Software & Website                            | 125,149   | 116,162   |
| Accumulated depreciation - Computer, Software & Website | (108,047) | (101,555) |
| Total Computer, Software & Website                      | 17,102    | 14,606    |
| <b>Office Furniture &amp; Equipment</b>                 |           |           |
| Office Furniture & Equipment                            | 11,112    | 9,932     |
| Accumulated depreciation - Office Furniture & Equipment | (7,189)   | (6,191)   |
| Total Office Furniture & Equipment                      | 3,924     | 3,741     |
| <b>Leasehold Additions</b>                              |           |           |
| Leasehold Additions                                     | 1,214     | 1,214     |

|  |               |               |
|--|---------------|---------------|
| Accumulated depreciation - Leasehold Additions | (1,214)       | (1,215)       |
| Total Leasehold Additions                      | -             | (1)           |
| <b>Total Property, Plant and Equipment</b>     | <b>21,025</b> | <b>18,346</b> |
|  | <b>2018</b>   | <b>2017</b>   |

### Depreciation

|                              |              |               |
|------------------------------|--------------|---------------|
| Computer, Software & Website | 6,492        | 13,133        |
| Office Furniture & Equipment | 998          | 990           |
| Leasehold Additions          | -            | -             |
| <b>Total Depreciation</b>    | <b>7,490</b> | <b>14,123</b> |
|                              | <b>2018</b>  | <b>2017</b>   |

### 11. Related Parties

#### Buyafranchise Limited

|                                     |            |              |
|-------------------------------------|------------|--------------|
| Receivables - Buyafranchise Limited | 804        | 2,564        |
| <b>Total Buyafranchise Limited</b>  | <b>804</b> | <b>2,564</b> |

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

|  |             |             |
|--|-------------|-------------|
|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|

### 12. Income Tax Expense

#### Interest, Dividend & Sublease and WFC Income

|   |              |               |
|---|--------------|---------------|
| WFC Secretariat income  | -            | 3,523         |
| BAFL Management Fee   | -            | 2,230         |
| Dividend Income   | -            | 511           |
| Water & OPEX Botany Sublease                                  | 16           | 99            |
| Rent & Rates Botany Sub Lease                                 | 5,560        | 19,002        |
| Interest Income   | 128          | 287           |
| <b>Total Interest, Dividend &amp; Sublease and WFC Income</b> | <b>5,703</b> | <b>25,652</b> |

#### Deductions from Taxable Profit

|   |              |               |
|---|--------------|---------------|
| Allocation of Related Expenses              | 4,703        | 24,652        |
| Loss carried forward                        | -            | -             |
| Non-Profit Body Exemption                   | 1,000        | 1,000         |
| <b>Total Deductions from Taxable Profit</b> | <b>5,703</b> | <b>25,652</b> |

Taxable Profit (Loss)

Tax Payable at 28%

#### Deductions from Tax Payable

|                             |       |       |
|-----------------------------|-------|-------|
| Tax Opening Balance         | (252) | (468) |
| Dividend Imputation Credits | -     | 141   |

|  | 2018     | 2017       |
|--|----------|------------|
| Resident Withholding Tax Paid            | -        | 111        |
| Provisional Tax Paid                     | -        | -          |
| Tax Refund Received                      | 252      | 468        |
| Rounding Adjustments                     | -        | (2)        |
| <b>Total Deductions from Tax Payable</b> | <b>-</b> | <b>250</b> |
| Income Tax Payable (Refund Due)          | -        | (250)      |

### 13. Accounting & Audit

This cost is made up of \$4,507 for audit services, \$5,967 for accounting consultancy services, \$0 for MYOB system and \$825 for Xero (2017 \$6,985, \$12,595, \$160 and \$496 respectively).

### 14. Rent & Outgoings

The Franchise Association of New Zealand Inc leases an office space at Level 4, 51 Hurstmere Rd, Takapuna, Auckland.

### 15. Total Turnover

The Franchise Association of New Zealand Inc total turnover for the year is \$732,107 (2017: \$580,706).

### 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:

|             | 2018 | 2017    |
|-------------|------|---------|
| Current     | \$ 0 | \$4,833 |
| Non Current | \$ 0 | \$0     |

The Association received subleasing income on its Botany office until 31 May 2017. 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. (2017 Nil)

### 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 2018, the Association released Buyafranchise Limited from a debt of \$nil (2017: \$nil) and charged Buyafranchise Limited management fees of \$0 (2017: \$2,230).

## 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") on pages 3 to 12, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance and statement of changes in equity 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 2018 are prepared, in all material respects, in accordance with the basis of accounting as described in Note 2 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 Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Society report to its members and for management purposes. 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 in Note 2 and for such internal control as those charged with governance 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 22nd day of June 2018