

2013 2014



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CHAIRMAN'S MESSAGE



2013-2014 has been another year of growth in Australian franchising.

This year the FCA Board, head office and members have seen the benefits of the ground work, strategic planning and consolidation that was such a high priority last year.

There has been a noticeable upswing in member engagement, participation and attendance at Franchising Expos, increased collaboration with Federal politicians and other stakeholders, and the establishment of partnerships with some of Australia's best known brands.

Franchising Code of Conduct, regulation and representation

With the submission process, consultation period and regulatory impact statement drafting finally complete, the 18 months' work the FCA Board and legal team have put into the Franchising Code of Conduct update is finally taking shape. We will see changes to our national code come into place on 1 January 2015.

I would like to take this opportunity to thank not only the members of our legal team (Stephen Giles, Norton Rose Fulbright; Philip Colman, MST Lawyers; Sean O'Donnell, HWL Ebsworth; and Derek Sutherland, HWL Ebsworth) but also our members who provided feedback, and anecdotal and empirical evidence for our submission and consultation efforts every step of the way. You, our members have donated your time and insight to the process to ensure we have represented your interests in the most effective way possible.

In the time since the Coalition Government came into power last September, we have seen a continued and increased collaboration with the Department of Treasury and other key federal stakeholders including the ACCC, the Small Business Commissioner and the Fair Work Ombudsman.

This increased communication and participation has allowed us to double our representation efforts on your behalf.

“There has been a noticeable upswing in member engagement, participation and attendance at Franchising Expos, increased collaboration with Federal politicians and other stakeholders, and the establishment of partnerships with some of Australia’s best known brands.”

Along with the Franchising Code of Conduct update, the FCA has also been consulting with Treasury on the proposed extension of unfair contract terms to small business. These invigorated relationships and a continued focus on collaboration are ensuring the business environment remains a fair and ethical place for our members to succeed.

Education

I would like to take this opportunity to thank Franklyn Scholar, the official Franchise Academy Education Partner for their continuing support of the Academy and their expertise in vocational education.

Certified Franchise Executive Program

Following the official launch of the Certified Franchise Executive Program (CFE) at NFC13 and the induction of our first graduate (Greg Nathan, Franchise Relationships Institute), the CFE program continues to gain traction in the Australian franchise sector as the benchmark for professional accreditation and best practice in franchising. We are on track to induct a further five candidates at the National Franchise Convention in 2014.

The CFE is the only internationally recognised professional accreditation program for franchise executives. It is an educational framework designed to enhance the professionalism of franchising by certifying the highest standards of quality training and education. It is yet another way the FCA is striving to achieve and maintain world’s best practice in franchising.

FCA Franchisor US Study Tour

In early 2014, the FCA again travelled to the US with an Australian delegation to attend the International Franchise Association Convention, held in New Orleans, Louisiana.

Following the three-day convention - which is an invaluable learning experience and something I would encourage anyone in franchising to attend - the FCA in conjunction with the IFA hosted the second annual FCA Franchisor US Study Tour. Travelling from

Louisiana to Atlanta, Georgia, myself and five other franchisors had the rare opportunity to visit major private equity firm, Roark Capital Group (franchisor of nearly 30 brands including Anytime Fitness, Focus Brands, Cinnabon, and Fast Signs) and franchise brands such as ShelfGenie and Wing Zone.

The US Study Tour is something we are particularly proud of at the FCA and I look forward to seeing it grow and evolve as more franchisors take up the opportunity to visit with some of the largest and most successful franchise brands in the world.

State Committees

Our state committees, once again led by energetic volunteers who are professionals in our sector, have worked tirelessly to organise engaging and educational events across the country and act as touch points for new members in our sector. Technology, finance and recruitment were hot topics at events this year.

I cannot stress enough the importance of the state committees to our association. It is essential to have like-minded groups around the country working together to further enhance the reputation of franchising.

I would like to thank each of the state committees for the expertise, professionalism and enthusiasm displayed in the countless hours they contribute to the FCA.

Queensland/Northern Territory Chapter,
led by **President, Ralph Edwards**

New South Wales/Australian Capital Territory Chapter,
led by **President, Sean O'Donnell**

Victoria/Tasmania Chapter,
led by **President, Gary Carter**

South Australia Chapter,
led by **President, Rose Vis**

Western Australia Chapter,
led by **President, Mike Stringer**

CHAIRMAN'S MESSAGE

Enhancing the perception of Australian franchising to the wider community

Each year, the FCA engages in various activities in Australia and abroad to educate and enhance the perception of Australian franchising.

Along with the revamped Franchise and Business Opportunities Expos held around the country, FCA also took part in the Food Service Australia Show, Regional Living Victoria Show and private careers fairs held by Shell and Qantas among others.

Strong visitor interest in FCA services and franchising more widely has ensured our continued and increased involvement with industry-based events.

It is encouraging to see the numbers in both exhibitors and qualified visitors increasing at the Franchising and Business Opportunities Expos around Australia. The refreshed show and growing economy has paved the way for a renewed interest in Franchising among the general public.

International franchising is high on the agenda for many of our members and we continue to forge relationships that will assist our members taking their brand to new countries. The FCA is a member of and serves as Deputy Secretariat to the World Franchise Council, attending meetings twice a year. Along with the IFA Convention and US Study Tour, FCA representatives also attended the New Zealand Annual Franchise Conference in July. These international relationships are becoming increasingly important to members as their systems grow and move beyond Australia.

It is pleasing to see the interest in international relationships is reciprocated. We were honoured to welcome a delegation from the United States at NFC13. A dozen franchisors and IFA staff attended the convention and took part in the CFE specialist stream before embarking on an Australian study tour following the event. I would like to thank 7-Eleven in Melbourne and Foodco in Sydney for hosting the group and showcasing some of the fantastic things happening in Australian franchising.

Financial Performance

Many non-profit professional membership associations today are facing great financial challenges. Therefore, I am pleased to report that the FCA is going against this trend – producing a strong operating surplus in 2013/14. Our Balance Sheet reserves continue to get stronger, making the FCA well placed to effectively represent its members.

Our financial performance was largely underpinned by a very successful NFC13 and efficient utilisation of resources at National office. Our thanks to General Manager Kym De Britt, the national office team and our army of volunteers at chapter level, who have all contributed to making such a positive result possible.

Board of Directors

We have welcomed two new Board members this financial year. Rose Vis of V.I.P Home Services has taken on the role of South Australian State Chapter President, following the retirement of Mark Langford of Gametraders as President. I would like to thank Mark for his hard work, contribution and enthusiasm during his time as State President and on the Board. Mark remains on the South Australian Chapter Committee.

We have also welcomed Warren Wilmot, CEO of 7-Eleven Stores as a Director by Board appointment.

Both Rose and Warren have a long history in Australian franchising and with the FCA. We are truly fortunate to be able to call on their expertise and experience at a strategic level.

Looking ahead

2014-2015 already has a buoyant energy. With the changes to the Code of Conduct finally being implemented on 1 January 2015 we can move forward with a clear understanding of how our sector will look. Franchisors can now plan for change and ensure a smooth transition for their current and potential franchisees, and wider business relationships.

As the economy gradually continues to strengthen, the franchise sector with its strong business systems will continue to outperform the broader small business market. The FCA is committed to ensuring that government understands the valuable contribution that franchising makes to the national economy. We will work collaboratively with the government, to influence good policy not only for franchising, but for small business generally.

Finally, it cannot go unmentioned, that the work of the Franchise Council of Australia would not be possible without the support of its official partners. We continued our relationships this year with long-term partner, **Whirlwind Print**, the official FCA directory, **Franchisebusiness.com.au**, Franchise Academy Education Partner, **Franklyn Scholar**, insurance broker, **Aon**, web provider, **Bloomtools**, Franchise and Business Opportunities Expo organisers, **Specialised Events**, cloud accounting firm, **Shoebooks**, online payment and merchant account service, **PayPal**, and point of sale provider, **Shift8**.

We also welcomed new partnerships with software provider **Microsoft**, Australian telecommunications company **Telstra**, PR firm, **Keep Left**, and business intelligence group, **FRANdata**.

Continued support from long term partners and new relationships with major brands, both Australian and international only goes to show what a fantastic business environment our sector really is.

Best Wishes



Michael Paul
Chairman
Franchise Council of Australia





STATE CHAPTER COMMITTEE MEMBERS

VIC/TAS COMMITTEE

Corina Vucic	<i>FC Business Solutions</i>	Tanya Robertson	<i>Sigma Pharmaceuticals Limited</i>
Dean Salomone	<i>Rozzis Group of Companies</i>	Maria Robinson	<i>Aussie Home Loans</i>
Peter Fiasco	<i>Hairhouse Warehouse</i>	Spiro Vournazos	<i>RedCat</i>
Steve Wren	<i>Appliance Tagging Services</i>	Warren Scott	<i>Mills Oakley</i>
Bruce McFarlane	<i>Hall and Wilcox</i>	Adam Simon	<i>Brazilian Butterfly</i>
Gary Carter	<i>FC Business Solutions</i>		

NSW/ACT COMMITTEE

Natalie Brennan	<i>Foodco</i>	Sean O'Donnell	<i>HWL Ebsworth Lawyers</i>
Paola Tanner	<i>Fuse Pty Ltd</i>	Greg Prussia	<i>Pack & Send</i>
Jane Lombard	<i>The Franchise Shop</i>	Peter Dable	<i>The Cheesecake Shop</i>
Trish Rogers	<i>Trish Rogers Consulting</i>	Paul Maraia	<i>RAMS Home Loans</i>

WA COMMITTEE

Mike Stringer	<i>Car Care/Housework Heroes</i>	Linda Steele	<i>Think DONE</i>
Steve Hansen	<i>Think DONE</i>	Dean Franks	<i>Australian Franchising Systems</i>
Tamra Seaton	<i>MDS Legal</i>	Ed Babington	<i>Cullen Babington Macleod</i>
Steve Seddon	<i>Westpac</i>	Ryan Willsher	<i>Finn Franchise Brokers</i>
Chris Walsh	<i>Houspect</i>	Mark Fernandez	<i>Business Development Alliance</i>
Joe Lazzara	<i>Borrello Legal</i>		

QLD/NT COMMITTEE

Philip Ciniglio	<i>Market Minds</i>	Darryn McAuliffe	<i>FRANdata</i>
Lee Moore	<i>Poolwerx</i>	Ralph Edwards	<i>Lease 1 / BrightEyes</i>
Warren Ballantyne	<i>Gutter-Vac</i>	Simone Pentis	<i>Advantage Partners Lawyers</i>
Jason Gehrke	<i>Franchise Advisory Centre</i>	Jan Timms	<i>Get Smart Services</i>
Richard Baker	<i>Parmalat</i>	Rob Melin	<i>L & M Partners</i>
James Theoligidis	<i>Sothertons Chartered Accountants</i>		

SA COMMITTEE

Bronwyn Furse	<i>Thomson Geer Lawyers</i>	Michael King	<i>EFM Health Clubs</i>
Seva Surmei	<i>DMAW Lawyers</i>	Matthew Prescott	<i>Thomson Geer Lawyers</i>
Tony Maiello	<i>Essential Beauty</i>	Mark Vettese	<i>Caffe Primo</i>
Mark Carn	<i>ActionCoach</i>	Rose Vis	<i>VIP Home Services</i>
Mark Langford	<i>Gametradars</i>	Courtenay Zajicek	<i>Wendys Supa Sundaes Pty Ltd</i>

A photograph of a man with dark hair, wearing a dark jacket over a white shirt, holding a large burger in his left hand and smelling it with his eyes closed. His right hand is raised near his face. The background is blurred, showing other people and what appears to be a food service area.

NATIONAL PARTNERS

Without the tremendous support of our National Partners, the FCA would not be able to deliver the same outstanding results to its members. On behalf of all the State Chapter Committees the FCA extends its unequivocal gratitude to our National Partners:

AON Risk Services

Bloomtools

Cirrus Media Pty Limited

FRANdata

Franklyn Scholar

Keep Left

Microsoft Pty Ltd

PayPal Pte Limited

Shift8

Shoebooks

Specialised Events Pty Ltd

Telstra Corporation Ltd

Whirlwind Print

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of Franchise Council of Australia Ltd will be held at 5.00pm on 26th October 2014 at Sydney Showgrounds, Hall 5, Sydney Olympic park NSW 2127.

AGENDA

- 1 Apologies.
- 2 To receive and adopt Minutes of the 2013 Annual General Meeting.
- 3 To receive and adopt the Chairman's Report.
- 4 To receive, consider and adopt the financial report of the company and of the economic entity for the year ended 30 June 2014 and the reports by directors and auditors thereon.
- 5 To confirm appointment of Directors.
- 6 To appoint Auditors.

By Order of the Board



Kym De Britt
Secretary

30 August 2014

DIRECTOR'S REPORT

Your directors present this report on the company and its controlled entities for the financial year ended 30 June 2014.

Directors

The names and particulars of directors in office at any time during or since the end of the year are:

Michael Paul

Chairman of the FCA since October 2012
Previously Deputy Chairman
Board member since October 2009
CEO/Founder of Pack & Send International

Stephen Giles B.Ec.LLB. Director

Deputy Chairman of the FCA since October 2012
Board Member since 1997
Member of Executive Committee
Past Chairman of the FCA
Past Chair of Ethics and Legal Committees
Fellow of the Franchise Academy
Partner with Norton Rose Fulbright Lawyers

Jason Gehrke MBA

Deputy Chairman of the FCA since October 2012
Chair Suppliers Forum
Board member since October 2008
Director of Franchise Advisory Centre
Franchise lecturer and examiner at Griffith University
Publisher, Franchise News & Events

Ralph Edwards

Director and President of QLD/NT State Chapter
Board member since October 2008
Director of Lease1
Managing Director of BrightEyes
Director of Zarraffa's; Akliv Brands; and Enviro Chase

Sean O'Donnell BA.LLB(Hons)

Director and President of NSW/ACT State Chapter
Member of FCA Legal Committee
Board member since Feb 2012
Partner of HWL Ebsworth Lawyers
Franchise and dispute resolution lawyer
Accredited mediator

Gary Carter GradDip Bus, GradDip HR.

Director and President of VIC/TAS State Chapter
Board member since July 2012
General Manager – Franchise Operations FC Business Solutions.

Mike Stringer

Director and President of WA State Chapter
Board Member since October 2008
Director of Car Care Australia and Heroes Group

Rose Vis

Director and President of SA State Chapter
Board member since December 2013
Member of SA committee since 2004
Co-Founder and Director of V.I.P. Home Services

Jim Cornish BVSc(Hons), BSc(Vet)(Hons) Sydney University, MBA AGSM

Board member since October 2009
CEO of Nanotek Car Cleaning

Sara Pantaleo

Board Member since October 2012.
Past member of VIC/TAS FCA State Chapter
Chair/Director/CEO of La Porchetta Group

Warren Wilmot

Board Member since June 2014
CEO of 7-Eleven Stores Pty Ltd
and Starbucks Coffee Australia Pty Ltd
Member of the Australian Institute of Company Directors
Fellow with the Australian Institute of Management

Mark Langford (Retired)

Past President of SA State chapter
Board member from October 2009 to December 2013
Founder and Managing Director of Gametraders retail franchise



Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Any director that has an interest in any contract or proposed contract with the company declared since the last Directors' Report is outlined below.

Forming part of the FCA Expert Legal Committee, Deputy Chairman, Stephen Giles, Norton Rose Fulbright, and NSW State Chapter President, Sean O'Donnell, HWL Ebsworth Lawyers (along with Phillip Colman, MST Lawyers and Derek Sutherland, HWL Ebsworth Lawyers) were partially remunerated for their services in the financial year 2013-14.

Deputy Chairman Stephen Giles declared a financial interest in FRANData, who have since entered into a partnership agreement with the Franchise Council of Australia.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Kym De Britt MBA, B.Bus
FCA General Manager
Appointed Company Secretary Sept 2008.

Principal Activities

The principal activities of the economic entity during the financial year were:

- to establish standards of international best practice in business format franchising for Australian franchise systems;
- to provide information and education about franchising to existing and potential franchisees and franchisors (including organising and co-ordinating annual State and National Conferences, and maintaining the FCA website);
- to lobby state and federal governments on issues relevant to the sector;

- to develop a vital, strong and financially viable franchising sector;
- to advance the interests of members in Australia and in special interest markets such as the international franchise community, Franchise Advisory Councils, Small Business Forums and property leasing organisations (particularly shopping centres);
- to continually foster among consumers, governments and the business community, a broad-based understanding of the economic importance of having a strong franchising sector in Australia; and to design efficient, identified, value-added services to members and assist them to be more effective in franchising.

As the peak body for franchising, the FCA continues to add value to the businesses of its members by providing a range of services relevant to franchising and which represent good value. The FCA recognises that its members have different needs, and that different types of members should co-exist harmoniously. The success of franchising depends on successful franchisors, and this in turn, depends on profitable and happy franchisees. The Franchise Council of Australia works constantly to ensure that all activities and services are for the good of the entire sector including franchisors, franchisees and service providers. There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Performance Measurement

The company measures its performance by reviewing attendance of members at National and State events, member use of education facilities and subscription renewal.

Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to a net surplus of \$177,784.

DIRECTOR'S REPORT

Review of Operations

General

A high level of attendance at National and State Conferences, and a high level of member use of the education facilities (including FCA's website) continued. Member retention was also strong.

Member Development & Representation

The FCA continues to attract new members due to its status as the sector peak representative body – and the only body to represent the interests of the sector as a whole – franchisors, franchisees and advisers/service providers. The FCA is the coordinator of all mainstream education and professional development services in the sector, as well as the only provider of member services including specialised insurance broking.

Franchise Academy Ltd

The FCA Franchise Academy continued to develop its programs during the year. The Academy has expanded its service providers with the intent to develop a broader curriculum for the sector. The Academy has established an exclusive education partnership with nationally Registered Training Organisation (Franklyn Scholar) to support the development of a skilled franchise sector workforce.

Directors' Emoluments

Directors do not receive any fees for their time and service on the Board. However, the FCA meets all their travelling and accommodation costs for attending Board meetings throughout the year.

Meetings of Directors

During the financial year, the following meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

DIRECTOR	BOARD MEETINGS		TELECONFERENCE		FINANCE COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Michael Paul	6	6	6	6	6	6
Stephen Giles	6	6	6	6		
Jason Gehrke	6	6	6	6		
Ralph Edwards	6	6	6	6	6	6
Sean O'Donnell	6	6	6	6		
Gary Carter	6	6	6	6		
Mike Stringer	6	6	6	6		
Rose Vis	3	3	3	3		
Jim Cornish	6	5	6	6		
Sara Pantaleo	6	6	6	6		
Warren Wilmot	1	1	2	2		
Mark Langford	3	2	3	3		

Members Liability if the company is wound up

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that the liability of each member is limited.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 33.

Signed in accordance with a resolution of the Board of Directors.



Michael Paul
Director

Dated this 18th day of September, 2014





FINANCIAL REPORT

Statement of comprehensive income for the year ended 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
Revenues	2	2,234,386	2,570,856
Employee benefits expense		(889,327)	(1,018,506)
Depreciation & amortisation expense		(16,131)	(41,349)
Other expenses	3	(1,151,144)	(1,184,799)
Profit / (Loss) before tax		177,784	326,202
Income tax expense	4	-	-
Profit / (Loss) for the year		177,784	326,202
Other Comprehensive Income		-	-
Total comprehensive income attributable to members		177,784	326,202

Statement of financial position as at 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
CURRENT ASSETS			
Cash & cash equivalents	5	1,622,344	1,445,161
Trade & other receivables	6	72,668	87,043
Inventories	7	4,261	6,086
Other current assets	8	215,328	126,495
TOTAL CURRENT ASSETS		1,914,601	1,664,785
NON-CURRENT ASSETS			
Property, plant and equipment	10	18,581	26,472
Intangible assets	11	4,183	12,423
Other non current assets	8	10,000	10,000
TOTAL NON-CURRENT ASSETS		32,764	48,895
TOTAL ASSETS		1,947,365	1,713,680
CURRENT LIABILITIES			
Trade & other payables	12	899,861	866,717
Short-term provisions	13	70,631	47,874
TOTAL CURRENT LIABILITIES		970,492	914,591
TOTAL LIABILITIES		970,492	914,591
NET ASSETS		976,873	799,089
EQUITY			
Retained earnings		976,873	799,089
TOTAL EQUITY		976,873	799,089



FINANCIAL REPORT

Statement of cash flow for the year ended June 30 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and non-members		2,280,635	2,478,098
Payments to suppliers and employees		(2,130,500)	(2,303,534)
Interest Received		27,048	35,510
Net cash provided by (used in) operating activities	16	177,183	210,074
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10a	-	(2,182)
Purchase of Intangible Assets		-	-
Net cash provided by (used in) investing activities		-	(2,182)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD			
		177,183	207,892
Cash and cash equivalents at the beginning of the financial year		1,445,161	1,237,269
Cash and cash equivalents at end of the financial year	5	1,622,344	1,445,161

Statement of changes in equity for the year ended June 30 2014

	Retained Earnings \$	Total \$
Consolidated Group		
Balance at 1 July 2012	472,887	472,887
Loss attributable to members of parent entity	326,202	326,202
Balance at 30 June 2013	799,089	799,089
Profit/Loss attributable to members of parent entity	177,784	177,784
Balance at 30 June 2014	976,873	976,873



FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

Note 1 : Summary Of Significant Accounting Policies

These financial statements include the consolidated financial statements and notes of Franchise Council of Australia Ltd and controlled entities ('Consolidated Group' or 'Group'). Franchise Council of Australia Ltd is an unlisted not-for-profit public company limited by guarantee, incorporated and domiciled in Australia.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the company's members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for not-for-profit oriented entities that qualify for and apply differential reporting concessions.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest dollar.

a. Principles of Consolidation

A controlled entity is any entity over which Franchise Council of Australia Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 9 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Notes to the Financial Statements for the year ended 30 June 2014

b. Income Tax

In assessing its income tax liability, Franchise Council of Australia Ltd applies the principles of mutuality to its revenue and expenses. Revenue in the form of receipts from members represents mutual income and is not subject to income tax. Expenditure associated with mutual activities is not deductible for income tax purposes. All other receipts and payments are classified for income tax purposes in accordance with income tax legislation.

Income tax expense is calculated on the operating result at current taxation rates. A permanent difference due to mutual activities with members, result in the current income tax expense of Franchise Council of Australia Ltd being \$NIL (2012: \$NIL).

Franchise Council of Australia Ltd and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the Tax Consolidation System.

c. Inventories

Inventories are measured at the lower of cost and net realisable.

d. Plant and equipment

Plant & equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

In the event the carrying amount of plant and equipment is greater than the recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment - computer hardware	25.0%
Plant and equipment - computer software	40.0%
Furniture and fittings	7.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the Financial Statements for the year ended 30 June 2014

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Impairment of Assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f. Intangibles

Intangibles are recorded at cost less accumulated amortisation and impairment where they have a finite life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period. Where the intangibles are considered to have an indefinite life the impairment is measured annually by reference to the discounted future inflows of the asset.

g. Employee Provisions

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of accounts payable and other payables in the statement of financial position. Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

Long-term employee benefits

Provision is made for the company's long-term employee benefits. Long-term benefits such as accrual of long service leave are recognised when there is a legal obligation that can be reliably measured.

h. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.



Notes to the Financial Statements for the year ended 30 June 2014

i. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

j. Revenue

Subscription and sponsorship revenue

When subscription and sponsorship revenue is received and the company incurs an obligation to deliver economic value directly back to the customer, this is considered a reciprocal transaction and the revenue is recognised in the statement of financial position as a liability until the service has been delivered to the customer, otherwise the revenue is recognised as income on receipt.

Conference revenue

Conference Revenue is recognised in the period that the conference occurs.

Revenue from the sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds with the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement of those goods

Interest revenue

Interest revenue is recognised as it is received using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

k. Accounts Receivable and Other Debtors

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

l. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a net of GST basis.

m. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

n. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future



FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
NOTE 2: REVENUE			
Continuing Operations			
Book sales		10,916	10,992
Commissions		15,450	16,750
Conferences & Awards		636,830	660,463
Franchise Review: Advertising & Sponsorship		8,564	20,009
Functions		87,646	98,249
Insurance Commission		10,864	-
Interest received	2a	27,048	35,510
Members' subscriptions		823,465	842,907
Other income		14,802	33,045
Sponsorship		381,412	531,725
Website advertising		217,389	321,206
Total Revenue		2,234,386	2,570,856
a. Interest revenue from:			
Other parties		27,048	35,510
Total interest revenue		27,048	35,510

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 3: OTHER EXPENSES		
Administration expenses	210,107	190,778
Advertising & promotion	-	2,010
Committee expenses	25,591	13,187
Conference & awards expenses	433,843	495,006
Cost of book sales	1,709	3,116
Course consultancy & associated costs	9,383	20,156
Facility expenses	124,577	104,998
Finance & Legal expenses	72,530	93,453
Franchise Review costs	20,709	22,256
Function expenses	79,730	99,082
Information technology expenses	56,026	56,268
International initiatives	6,360	4,489
Write Off of Barter Dollar Account	7,846	-
Representation expenses	102,733	80,000
	1,151,144	1,184,799

NOTE 4: INCOME TAX

a: The components of tax expense comprise:

Current tax	-	-
Under/(over) provision in respect of previous year	-	-
Total tax expense	-	-

As per Note 1b. Franchise Council of Australia Ltd applied the principles of mutuality to its revenue and expenses, in assessing its income tax liability. Revenue in the form of receipts from members represents mutual income and is not subject to income tax. Expenditure associated with mutual activities is not deductible for income tax purposes.

FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	618,200	690,015
Short-term bank deposits	1,004,144	755,146
	1,622,344	1,445,161

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT

- Trade receivables	72,482	87,043
- Other receivables	186	-
	72,668	87,043

Provision for Impairment of Receivables

Current trade receivables are generally on 30 day terms, with follow up every 7 days thereafter. It has not been found to be necessary to charge interest on trade receivables. By closely managing trade receivables, those which are in excess of their terms rarely become irrecoverable. Where any trade debtor does become irrecoverable, the amount is written off and is included in Other Expense items. Accordingly, no provision for Impairment of Receivables has been required in either of the years shown in these statements.

NOTE 7: INVENTORIES

Stock on hand	4,261	6,086
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Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 8: OTHER ASSETS		
CURRENT		
Credit card clearing	1,671	21,957
Prepayments	29,834	22,839
Deposits paid	183,823	73,037
Barter Dollar Account	-	8,662
	215,328	126,495
NON CURRENT		
Other	10,000	10,000
	10,000	10,000
TOTAL OTHER ASSETS	225,328	136,495
	2014	2013

NOTE 9: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
Controlled Entities Consolidated			
Parent Entity			
Franchise Council of Australia Ltd	Australia	-	-
Subsidiaries			
Franchise Academy Ltd	Australia	100%	100%
FCA Insurance Services Pty Ltd	Australia	N/A	100%

Franchise Academy Ltd was incorporated on 8 December 2005.
FCA Insurance Services Pty Ltd was incorporated on 2 August 2006,
and deregistered on 26 September 2013.



FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 10: PROPERTY PLANT AND EQUIPMENT		
Plant and equipment		
At cost	97,418	97,418
Accumulated depreciation	(94,651)	(91,145)
Accumulated impairment losses	-	-
Total Plant and Equipment	2,767	6,273
Furniture & Fittings		
At cost	60,378	60,378
Accumulated depreciation	(44,564)	(40,179)
Accumulated impairment losses	-	-
Total Furniture & Fittings	15,814	20,199
Total Property, Plant and Equipment	18,581	26,472
a. Movement in Property, Plant and Equipment		
Balance at beginning of year	26,472	35,839
Additions	-	2,182
Disposals	-	-
Depreciation Expense	(7,891)	(11,549)
Total balance at end of year	18,581	26,472

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 11: INTANGIBLE ASSETS		
a. Intangible Assets being amortised		
At cost:		
Website and Online processes	128,745	128,745
PCI Retail Lease Submission	43,568	43,568
Franchising Australia Report	12,500	12,500
Course Establishment Costs	107,799	107,799
Total Cost	292,612	292,612
Accumulated amortisation	(289,179)	(280,939)
Accumulated impairment losses	-	-
Total	3,433	11,673
b. Intangible Assets which the Directors have assessed as having an indefinite life.		
At cost:		
Trade Marks	750	750
Total	750	750
Total intangible assets	4,183	12,423

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors and accruals	43,867	20,346
Superannuation and PAYG payable	27,527	37,562
Unearned subscription income	468,009	497,510
Other unearned income	310,545	228,860
GST obligation	49,913	82,439
	899,861	866,717



FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 13: PROVISIONS		
Income Tax	-	-
Employee entitlements	70,631	47,874
Total current provisions	70,631	47,874

NOTE 14: CONTRIBUTED EQUITY

In accordance with the company's Memorandum and Articles of Association, the Franchise Council of Australia Ltd is limited by guarantee and does not have share capital.

NOTE 15: CONTINGENT ASSETS OR LIABILITIES

There are no known contingent assets or liabilities as at report date.

NOTE 16: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

Profit / (Loss) after Income Tax	177,784	326,202
Non-cash flows in profit		
Depreciation and amortisation	16,131	41,349
Loss on scrapping of equipment	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade and other receivables	14,375	67,927
Decrease/(increase) in other assets	(88,833)	2,674
Decrease/(increase) in inventories	1,825	3,807
Increase/(decrease) in payables	33,144	(160,616)
Increase/(decrease) in provisions	22,757	(71,269)
	177,183	210,074

Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated Group	
	2014 \$	2013 \$
NOTE 17: PARENT ENTITY DISCLOSURE		
Current Assets	1,884,187	1,636,575
Non Current Assets	32,764	48,895
Total Assets	1,916,951	1,685,470
Current Liabilities	1,015,492	905,850
Total Liabilities	1,015,492	905,850
Shareholders Equity		
Retained Earnings	901,459	779,620
Total Shareholders Equity	901,459	779,620
Profit / (Loss)	121,839	231,192
Total Comprehensive Income	121,839	231,192

NOTE 18: AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic), the auditor of the company:

audit of the financial report	13,500	11,000
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FINANCIAL REPORT

Notes to the Financial Statements for the year ended 30 June 2014

NOTE 19: MEMBERS' GUARANTEE

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that the liability of each member is limited.

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

There are no known events after the balance sheet date which might have a significant impact on the Consolidated Group.

NOTE 21: COMPANY DETAILS

The registered office and principle place of business of the company is:
Suite 5B, 307-313 Wattletree Road
Malvern East, Victoria 3145





DIRECTOR'S DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 27 to 38 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and consolidated group;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the board



**Michael Paul, Director
Melbourne**

Dated this 18th day of September, 2014



2013
2014

INDEPENDENT AUDITOR'S STATEMENTS

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FRANCHISE COUNCIL OF AUSTRALIA LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J.C. Luckins

J.C. Luckins
Director

Dated this 18th day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 485 Auburn Road
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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRANCHISE COUNCIL OF AUSTRALIA LTD AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Franchise Council of Australia Ltd (the Company), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view, and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FRANCHISE COUNCIL OF AUSTRALIA LTD AND CONTROLLED
ENTITIES (CONT)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion the financial report of Franchise Council of Australia Ltd is in accordance with the Corporations Act 2001, including:

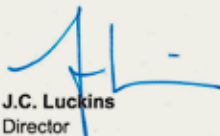
- a) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J.C. Luckins
Director

Dated this 18th day of September, 2014





