

Annual Report

Franchise Association of New Zealand Inc
For the year ended 31 March 2016

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Statement of Financial Performance

Franchise Association of New Zealand Inc For the year ended 31 March 2016

	NOTES	2016	2015
Revenue			
Awards	3	26,177	16,787
Conference	4	60,062	41,158
Functions - All Centres	5	3,990	16,285
New Members	6	2,004	210
Publications	7	1,081	49
Subscriptions - all members		225,209	231,704
BAFL Management Fee		3,637	29,393
Interest Income		1,004	1,717
Dividend Income		512	490
Other Income	8	97	7,200
Total Revenue		323,772	344,994
Gross Profit		323,772	344,994
Expenses			
ACC Levies		751	648
Accounting & Audit	12	9,621	8,278
APFC/WFC Membership Costs		1,172	-
Bad Debt - Write Off		3,388	2,631
BAFL Management costs		1,500	-
Bank Fees & Credit card fees		5,652	4,604
Board Meeting Costs		390	1,804
Chairman's Expenses		9,906	9,900
Cleaning		28	-
Computer Maintenance		87	-
Contractor Costs		748	-
Depreciation Expense		32,761	39,057
Employment Recruitment		6,082	4,387
Other Expenses		3,601	5,080
Insurance		6,806	4,045
Interest Paid		2	-
Legal Fees		2,678	-
Office Expenses		4,489	-
Online Course Maintenance Fee		3,000	5,000
Political advocacy		554	-
Postage & Couriers		2,194	6,274
PR & Advertising		2,889	3,658
Rent & Rates Outgoings	13	40,148	36,071
Repairs & Maintenance		3,456	1,102
Scrutineer Compliance Checks		487	3,795
Staff Training		-	172
Telecommunications		6,251	5,800

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



Statement of Financial Performance

	NOTES	2016	2015
Travel and Accommodation		6,043	21,450
Wages & Salaries		231,377	211,256
Website Maintenance		1,149	691
Forgiveness of debt	17	22,669	
Total Expenses		409,879	375,703
Net Profit (Loss) Before Taxation		(86,107)	(30,709)
Net Profit (Loss) After Taxation		(86,107)	(30,709)

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 2016

	2016	2015
Equity		
Opening Balance	126,761	-
Surplus/(Deficit) B/Forward	-	163,050
Increases		
Loss for the Period	(86,107)	(30,709)
Other increases		
Prior Period Adjustment	-	(5,580)
Total Other Increases	-	(5,580)
Total Increases	(86,107)	(36,289)
Total Equity	40,654	126,761

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

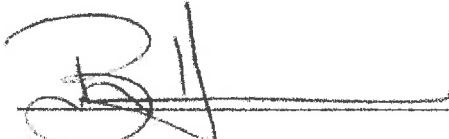
As at 31 March 2016

	NOTES	31 MAR 2016	31 MAR 2015
Assets			
Current Assets			
Cash and Bank			
Petty Cash		18	20
Westpac - Call Account		416	880
Westpac - Cheque Account		37,312	19,615
Total Cash and Bank		37,745	20,515
Trade and Other Receivables			
Accounts Receivables		166,504	71,416
Receivables - Buyafranchise Limited	10	2,137	27,687
Total Trade and Other Receivables		168,641	99,103
Loan - Buyafranchise Limited	10	-	5,790
Prepayments		21,055	6,383
Inventory		9,493	13,142
Income Tax Receivable	11	468	677
Total Current Assets		237,402	147,610
Non-Current Assets			
Investments		100	100
Property, Plant and Equipment	9	37,688	67,005
Total Non-Current Assets		37,788	67,105
Total Assets		275,190	214,715
Liabilities			
Current Liabilities			
Trade and Other Payables		11,861	7,371
Accrued Liabilities		8,236	9,948
GST Payable		26,761	17,158
Income In Advance		180,314	40,460
Employee Entitlements		7,864	13,016
Total Current Liabilities		234,536	87,954
Total Liabilities		234,536	87,954
Net Assets		40,654	126,761
Equity			
Retained Earnings		40,654	126,761
Total Equity		40,654	126,761

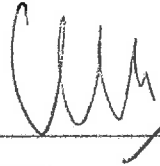
The Financial Statements must be read in conjunction with the accompanying Notes to the Accounts and Auditor's Report

Statement of Financial Position

For and on behalf of the Board



Chairperson



Board Member

Date..... 27/07/2016

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 2016

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 - 13% to 80.4%

Leasehold Additions - 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% (2014: 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.

	2016	2015
3. Awards		
Awards Sales Revenue	49,591	40,626
Awards Sponsorship	61,622	50,059
Awards Expenses	(85,035)	(73,898)
Net Income (Loss)	26,177	16,787
	2016	2015
4. Conference		
Conference Sales Revenue	111,900	95,970
Conference Sponsorship	52,500	52,000
Conference Expenses	(104,338)	(106,812)
Net Income (Loss)	60,062	41,158
	2016	2015
5. Functions - All Centres		
Functions Income	23,465	31,757
Functions Expenses	(19,475)	(15,472)
Net Income (Loss)	3,990	16,285
	2016	2015
6. New Members		
New Members Income	4,800	5,600

New Members Expenses	(2,796)	(5,390)
Net Income (Loss)	2,004	210
	2016	2015

7. Publications

Publicational Income	1,845	656
Publicational Expenses	(764)	(608)
Net Income (Loss)	1,081	49
	2016	2015

8. Other Income

Sundry Income	97	7,200
Total Other Income	97	7,200

Other income includes amounts derived from Education Seminars, Seminar and Website commission. For commercial sensitivity reasons in line with contractual obligations, further detail of these amounts was not disclosed.

	2016	2015
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9. Property, Plant and Equipment

Computer, Software & Website		
Computer, Software & Website	131,269	128,799
Accumulated depreciation - Computer, Software & Website	(101,575)	(71,291)
Total Computer, Software & Website	29,694	57,508
Office Furniture & Equipment		
Office Furniture & Equipment	23,204	22,230
Accumulated depreciation - Office Furniture & Equipment	(15,507)	(13,225)
Total Office Furniture & Equipment	7,697	9,005
Leasehold Additions		
Leasehold Additions	1,724	1,724
Accumulated depreciation - Leasehold Additions	(1,427)	(1,232)
Total Leasehold Additions	297	492
Total Property, Plant and Equipment	37,688	67,005
	2016	2015

10. Related Parties

Buyafranchise Limited		
Loan - Buyafranchise Limited	-	(5,790)
Receivables - Buyafranchise Limited	(2,137)	(27,687)
Total Buyafranchise Limited	(2,137)	(33,477)

See note 17 to the financial statements for further details on related party transactions.



	2016	2015
11. Income Tax Expense		
Interest, Dividend & Management Fees	5,153	31,600
Deductions from Taxable Profit		
Allocation of Related Expenses	5,153	31,600
Total Deductions from Taxable Profit	5,153	31,600
Taxable Profit (Loss)		
	-	-
Tax Payable at 28%		
	-	-
Deductions from Tax Payable		
Tax Opening Balance	(539)	-
Dividend Imputation Credits	141	137
Resident Withholding Tax Paid	327	539
Provisional Tax Paid	-	-
Tax Refund Received	539	-
Total Deductions from Tax Payable	468	676
Income Tax Payable (Refund Due)		
	(468)	(676)

12. Accounting & Audit

This cost is made up of \$4,650 for audit services, \$4,410 for accounting consultancy services and \$561 for MYOB system (2015 \$2,963, \$4,744 and \$571 respectively).

13. Rent & Outgoings

The Franchise Association of New Zealand Inc leases an office space at 2 Bishop Dunn Place, Botany Junction.

14. Total Turnover

The Franchise Association of New Zealand Inc total turnover for the year is \$536,014 (2015: \$547,170).

15. Lease and Capital CommitmentsCapital Commitments

There are no capital commitments contracted for at balance date.

Operating and Lease Commitments

The society has operating commitments as follows:

Current \$25,992

Non Current \$43,320

16. Contingent Liabilities

No contingent liabilities are known to exist at balance date.

17. Related Party Transactions & Balances

The Association formed a wholly owned subsidiary company, Buyafranchise Limited on 7th April 2014. Buyafranchise Limited pays management fees to the Association in return for services rendered in managing and running the company. It is not deemed helpful to consolidate the two entities results for the current year. During the year ended 31 March 2016, the association released Buyafranchise Limited from a debt of \$25,202, a portion of which includes GST and charged Buyafranchise Limited management fees of \$3,637.

18. Prior Period Adjustment

This relates to an overstatement of prepaid expenses in the 2013/2014 year covering travel costs to the World Franchise Meeting.

19. Going Concern

As at 31 March 2016 the Association has a working capital surplus of \$2,865 and incurred a loss for the year ended 31 March 2016 of \$86,107.

The special purpose financial statements have been prepared on a going concern basis as the board members' view is that the Association has adequate financial resources to enable it to meet its obligations in the ensuing 12 months from the date of these special purpose financial statements. The Association's ability to meet its obligations and continue as a going concern is wholly dependent on the Association's ability to receive sufficient income including the full collection of accounts receivable at 31 March 2016 from its activities to meet its operating expenses together with reducing the cost of operating these activities. The board have prepared a cash flow forecast which demonstrates that the Association expects to continue to meet its obligations as they fall due. Should the forecasted trading not be fully realised then the Association may no longer be able to continue as a going concern, and adjustments would need to be made to the Association's special purpose financial statements to provide for any possible loss on realisation of the Association's assets. In addition, the Association would likely be required to provide for further liabilities arising and to reclassify certain non-current assets and liabilities as current assets and liabilities.

20. Accounting Records

The Board have become aware of salary and wage payments made by the Association of approximately \$20,000 during the year ended 31 March 2016 that were allegedly not budgeted for. The Board is in the process of reviewing these payments further. The Board have also become aware of procedures for recognising revenue and management fees at 31 March 2015 of approximately \$40,000 which allegedly may not be in accordance with the Association's accounting policies. Any resulting assessment that these salaries and wages were not in accordance with entitlements could result in a change in classification in the statement of financial performance and any revenue and management fees recognised at 31 March 2015 not in accordance with the Association's accounting policy, or found to be irregular for any other reason, could result in reclassifications between the opening retained earnings in the statement of financial position and the net loss in the statement of financial performance.

INDEPENDENT AUDITOR'S REPORT

To the Readers of the Special Purpose Financial Statements of the Franchise Association of New Zealand Inc

We have audited the accompanying special purpose financial statements of the Franchise Association of New Zealand Inc, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Committee's Responsibility for the Special Purpose Financial Statements

The committee members are responsible for the preparation of these special purpose financial statements in accordance with the statement of accounting policies as disclosed in the special purpose financial statements, and for such internal control as the committee members determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial statements 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, as well as evaluating the presentation of the special purpose financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Franchise Association of New Zealand Inc.

Opinion

In our opinion, the special purpose financial statements of the Franchise Association of New Zealand Inc for the year ended 31 March 2016 are prepared, in all material respects, in accordance with the statement of accounting policies as disclosed in the special purpose financial statements.

Emphasis of Matter

As referred to in Note 19 of the special purpose financial statements, the Association had made a loss for the year ended 31 March 2016 in the amount of \$86,107, and that the special purpose financial statements have been prepared on a going concern basis as the committee members' view is that the entity has adequate financial resources to enable it to meet its obligations in the ensuing 12 months from the date of these special purpose financial statements. The entity's ability to meet its obligations and continue as a going concern is wholly dependent on the entity's ability to receive sufficient income, including the full collection of accounts receivable at 31 March 2016, from its activities to meet its operating expenses together with reducing the cost of operating these activities. The committee members have prepared a cashflow forecast which demonstrates that the entity expects to continue to meet its obligations as they fall due. Should the forecasted trading not be fully realised then the entity may no longer be able to continue as a going concern, and adjustments would need to be made to the entity's special purpose financial statements to provide for any possible loss on realisation of the entity's assets. In addition, the entity would likely be required to provide for further liabilities arising and to reclassify certain non-current assets and liabilities as current assets and liabilities.

As referred to in Note 20 of the special purpose financial statements, the committee members have become aware of salary and wage payments made by the Association of approximately \$20,000 during the year ended 31 March 2016 that were allegedly not budgeted for. The committee members are in the process of reviewing these payments further. The committee members have also become aware of procedures for recognising revenue and management fees at 31 March 2015 of approximately \$40,000 which allegedly may not be in accordance with the Association's accounting policies. Any resulting assessment that these salaries and wages were not in accordance with entitlements could result in a change in classification in the statement of financial performance and any revenue and management fees recognised at 31 March 2015 not in accordance with the Association's accounting policy, or found to be irregular for any other reason, could result in reclassifications between the opening retained earnings in the statement of financial position and the net loss in the statement of financial performance.

Basis of Accounting and Restriction on Distribution of Use

Without modifying our opinion, we draw attention to the accounting policies as disclosed in the notes to the special purpose financial statements, which describes the basis of upon which these special purpose financial statements have been prepared. 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.



Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
27 July 2016