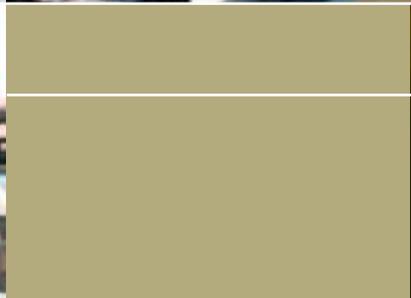




FRANCHISE COUNCIL OF AUSTRALIA | ANNUAL REPORT 2010 - 2011







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CHAIRMAN'S MESSAGE

It is hard to imagine a busier year in the history of the Franchise Council of Australia.

We have had to deal with the ongoing and highly organised efforts to introduce state-based franchising legislation in Western Australia and South Australia, notwithstanding that the ink has hardly dried on the July 2010 changes to the Franchising Code of Conduct which we supported and indeed helped construct. Sensible changes to the *Competition and Consumer Act* were supported and implemented, and less sensible changes successfully opposed.

These activities tested our resources and capabilities, and ultimately it is the politicians who will decide. With the political vagaries of minority governments, and backbenchers with opaque connections and agendas, nothing is certain. However I believe we have put our case very effectively, ensuring our arguments are logical and well-presented, and are supported by the appropriate level of personal representations from our Executive Director and from key members. Thanks in particular to Mike Stringer and the WA FCA members for their effective response to our call to arms. Mark Langford and key FCA members in South Australia were also important in that state. I would like to make special mention of the members of the FCA Legal Committee, with particular thanks to Derek Sutherland for his untiring input.

The Board conducted a strategic and structural review to ensure the processes and arrangements that had served us well in the past remained relevant. We concluded that we should focus on the twin themes of Credibility and Engagement as our immediate strategic priorities. This led to a decision to seek broader representation of major franchise systems on our board, and higher levels of engagement in this area generally. Franchisee engagement was determined to be another priority, with the Franchisee Success Club successfully launched and over 100 members inducted so far.



I see this as one of the most exciting initiatives we have ever introduced, as it will help paint the true picture of franchising, through the real life success stories of our great franchisees, and help us counter the negative articles that occasionally appear in the press. It will be a great resource for positive public relations, and also give us a base of franchisees from whom to source the future leaders of our Franchisee Forum.

We determined that we should take the lead on retail tenancy reform, and we have launched the Retail Leasing Code as part of these activities. The Retail Leasing Code aims to address the information imbalance between landlords and tenants, prevent ridiculous rental increases and other egregious behavior at end of lease term, and otherwise moderate inappropriate behavior by landlords. We will be adding a dedicated resource at FCA office to assist us to pursue this initiative.

Director, Jim Cornish, helped Simon Heggen review and revise our educational activities, with a revitalised Accredited Franchise Executive program to sit as a formal qualification above the Diploma of Franchising, one outcome you will soon see. Jason Gehrke commenced a review of the Member Services area, with further work as Jason and various others work with Kym De Britt and his head office team to enhance the value of FCA membership.

We propose in the near future to launch a new Franconnect program, to ensure we optimise our various member connections, and an Indigenous Franchisee program is also in the development phase, as part of our goal of increasing the pool of quality potential franchisees.

We have asked the State Chapters to be less events focused, so that they can be the front line at a state level of our representation activities and our efforts to enhance the credibility of franchising. We also think this will see greater engagement at state level by franchisors and franchisees.

The recent attempts to introduce state franchising legislation in WA and SA exposed gaps in our engagement that we need to rectify. We have asked the Women in Franchising (WIF) Committee to supplement their excellent events with activities that build and promote the credibility of franchising throughout the areas where WIF members have influence, and engage with other women's groups, politicians and contacts to promote franchising. These are not drastic changes in any area, but worthwhile improvements.

In the meantime, Chief Operating Officer, Kym De Britt, and his team, under the watchful and always constructive eye of Ralph Edwards, has delivered a better than budgeted bottom line due to careful expense management and solid attention to the fundamentals of our business.

So it is pleasing to report we are in excellent financial shape, and well positioned to continue the effective representation of our sector. We have agreed we are prepared to delve into our reserves to ensure we have the resources to successfully implement our new initiatives and effectively represent the sector, as they will create long-term value. We are aiming for 1,000 members of the Franchisee Success Club by 30 June, 2012, which, if achieved, will itself create a capital base of significant value. Similarly, the Franconnect project and the Indigenous Franchisee project are investments in our future, and hopefully the start of future initiatives to broaden the pool of potential franchisees.

Thank you to our hard working executive team led by Steve Wright and Kym De Britt, and all board members for their enthusiastic support in what has been an exciting if somewhat exhausting year. Thank you also to the numerous volunteers who willingly give of their time to organise events and ensure we remain a very vital and collaborative community.

Stephen Giles
Chairman



Despite tough times, and destabilising critics, franchising credibility is not only intact, but increasing...

In tight economic conditions, franchising continues to outperform the broader small business market.

A survey conducted by Price Waterhouse Coopers in cooperation with the Franchise Council and published in early September has shown that the nation's top 200 franchise systems recorded strong double-digit growth in 2010/11.

This is a strong endorsement of the franchising brand. Franchising has not been immune to the downturn in consumer confidence or the rise of offshore purchasing via the internet, but the PwC survey shows that among our established, well-managed brands, there is still the capacity to deliver revenue growth and sustained profitability for franchisors and franchisees.

The performance of franchising is all the more commendable because it has occurred at a time when the brand was being undermined in some areas of the nation, notably Western Australia and South Australia.

It is a shadow on the generally strong performance of the sector and the outlook for franchising in the 2011/12 year ahead, that there are still those who persist in trying to justify a legislative change agenda of dubious motivation and questionable substance.

Educating politicians in WA and SA about the economic benefits and business creation opportunities of franchising has been an important and time-consuming task for the FCA in 2010/11. It is an ongoing task, and one which may yet have more dramatic turns of the type since this year.

As I write, we are a month away from our 2011 National Conference. At this event a year ago, the new Federal Minister for Small Business, Senator Nick Sherry, made his first speech in his new Ministerial portfolio.

In 2009, Senator Minchin's predecessor, Dr Craig Emerson, had rejected emotive calls for dramatic change to franchising law, awarding the sector a performance score of 8.5 out of 10.



This was quite a change from the stance Labor had adopted in the lead-up to the 2007 election, when it wrested power from the long-serving Coalition Government lead by John Howard.

As with Dr Emerson, a lot of pressure had been directed toward Senator Sherry to crank up an aggressive approach towards franchising.

It is a measure of the improved credibility of the franchising sector in the eyes of the Government that Senator Sherry also resisted the pressure to upend franchising law. He chose to use the 2010 FCA National Conference to make his first major speech as Minister (much to the disappointment of other groups which had sought his immediate engagement) and to announce his decision to reject the lobbying for dramatic change to franchising law.

That announcement drew spontaneous applause from the 500-strong audience at the opening of NFC10. A second round of spontaneous applause occurred when Senator Sherry went further to announce that he would do whatever he could to stop any moves to introduce franchising laws in any state.

Unfortunately, Senator Sherry's Labor colleagues in Government and Opposition in South Australia and Western Australia have not followed the guidance of their Federal colleague.

As a result we have been, and still are, facing the biggest challenge to the ubiquitous franchising regulatory environment which positively sets Australia apart from countries such as the US.

To date, our results have been good. The threat has been staved off through a half dozen Government inquiries in the past three years, two of them in WA, where KFC 50-store franchisee, Jack Cowin, has been orchestrating a public campaign for the introduction of new franchising laws.

Throughout this period, the FCA approach has been consistent: a thorough, detailed, fact-based education process about the social and economic contribution of franchising to the Australian economy and way of life.

The franchise way provides opportunities for refugees, war veterans, unskilled, non-business and work-from-home people to get into business in a way which they might not regard as feasible in the unsupported non-franchised world of small business. Some, like Canadian-born Jack Cowin, may start with nothing and become rich. Some may fail. That is the reality of all business endeavour and we will never be free from the dissatisfaction of those for whom it does not work out as planned.

In franchising, there is always someone to blame. It is human nature to try to rationalise failure and blame is a well-documented coping method. A measure of the success of the franchising category in any economy is how well it handles this phenomenon.

In Australia we are doing very well. Our dispute levels are low by world standards. Our strong disclosure and mandatory dispute mediation regime is world's best practice. It gives new franchisees greater confidence. The FCA is supporting this with its own 'pre-entry' education seminars aimed at ensuring new entrants come to the sector with their eyes wide open, and, hopefully, with a better understanding to hit the ground running as new franchisee business owners.

Interestingly, during the last six months of political turmoil in WA, franchising complaints to the ACCC have not risen; in fact, in some categories, they have fallen.

Of some complaints investigated by the ACCC, recently retired chairman, Graeme Samuel, said "where there is smoke there is not always fire". Significantly, the ACCC did NOT support the dramatic changes proposed for the Franchise Code of Conduct during the inquiries.

Under its deputy chair, Dr Michael Schaper, the ACCC has been constructive in its relationship with the FCA; an important change from earlier years. The new chair of the ACCC, Rod Sims, has agreed to use the FCA National Conference for one of his first major speeches in the role replacing Mr Samuel.

It is an important period ahead for franchising, as the ACCC now has 'spot audit' and 'name and shame' powers which are available for use in the franchising sector. The audits have already started... and the ACCC is being very thorough.



One of the strongest themes for the FCA through the representative maelstrom over the past three years has been the importance of education. It is a key role for FCA that we ensure appropriate, high-quality education is available for franchisees to address their needs from before they join the sector until the time they leave.

FCA is meeting this need through an array of offerings, which start with our Expo sessions, and our 'Eyes Wide Open' seminars (conducted in conjunction with State small business development departments, the ACCC and with guidance from current franchisees and franchisors). We are providing basic business skills training through Certificate IV Business Management courses and a Diploma course for those seeking to go further.

The next step is to deliver bite-sized training modules, delivered online, providing maximum ease of access and affordability for franchisees and franchisor head office staff. The bite-size chunks will be able to be drawn together to achieve a formal qualification outcome - a great tool for staff retention and for improving franchising and business management capability among franchisees.

As our chairman, Stephen Giles, has outlined in his report, the challenges continue in 2011/12, but there are many opportunities as well. FCA will be vigorously pursuing a number of them, aimed at improving the lot of franchisees in retail tenancies, increasing the franchisee pool through innovative programs and taking further steps to encourage best practice in franchising, both in Australia and in our neighbouring countries.

In all activities we will be making the decisions and following the course which effectively engages the most important stakeholders and enhances the credibility of franchising. This is the path to constantly improving standards - the key to ensuring the destiny of franchising remains always in our own hands.

Steven Wright
Executive Director



It would probably not be an understatement to say that the last year has been a challenging one, if you were based over here in WA.

In addition to a slowing retail sector, which all states have had to endure, we have had to fight off a Franchising Bill tabled by the Member for Southern River, Peter Abetz. The premise for the Bill's introduction was the existence of 'Rogue Franchisors' although, following over a hundred submissions and a Parliamentary Inquiry, we still don't know who these 'rogues' are. Much has been written about this topic so I don't propose going over it again here, except to say that the Bill was opposed on the 23rd June by a majority.

I would like to take this opportunity to publicly thank the numerous people that helped by making submissions and attending the inquiries. Whilst we would have preferred not to have been through this, what it has highlighted is the importance and value of FCA membership. It is clear to me that without the coordination provided by Steve Wright and others at the FCA, the efforts of many individuals would probably not have achieved the desired result.

Looking at the more positive aspects of the year, franchising continues to be seen as a good way to go into business, as evidenced by the attendance level at the recent Expo.

This year's WA State Conference was one of the best we have put together. We lined up some great speakers and excellent content, and the feedback from all attendees was very positive.

The awards night was a great success and we wish all the local winners the very best of luck at the National Awards in Melbourne.

On behalf of all FCA Members in WA, I would like to thank the WA Committee for their hard work in supporting the sector through the organisation of events, and the time they have given assisting our membership representation.

Mike Stringer
State President (WA)



STATE PRESIDENT'S MESSAGE

WESTERN AUSTRALIA STATE CHAPTER



The Victorian Chapter has experienced another year of strong member participation.

We have embarked on a streamlining of our events calendar, to ensure that any forum Victorian members attend will have a strong small/medium business educational and networking focus to them.

State events and Round Tables have become a fixture on our calendars now, and I take this opportunity to thank all the firms and individuals who have hosted these events and, of course, the members who have shown support in their attendance and participation.

As a committee, we have been involved in the development and execution of the NFC 11 Program, and for anyone who has been part of this process before you will be aware this is not an easy feat for any volunteer organisation.

The wonderful, hard-working committee members (past and present) are to be congratulated and thanked for their time, effort and dedication. I would also like to thank the FCA National Office for all their support and assistance over the past year. Particular mention must be made of our Events Sub-Committee for all their efforts throughout the year.

This is my last message as State President and I would like to personally thank all committee members and FCA staff for their help and support during my tenure, and I wish the incoming President the best of luck in the future.

Dean Salomone
State President (VIC)

VICTORIAN STATE CHAPTER



The franchising industry in SA is in good shape, compared to the amount of non-franchised businesses that are shedding staff and batting down the hatches due to the downturn in retail and general confidence in the economy.

The current push by the South Australian Small Business Minister, Tom Koutsantonis, to appoint a Small Business Commissioner is a double-edged sword. On the one hand, if a Small Business Minister was appointed on the same model as the Victorian Small Business Minister then this would be a positive step forward, however there is a hidden agenda to this legislation to bring in state-based franchising legislation.

Most people would agree that national legislation is the best way to reduce the burden of red tape on business in Australia, and that bringing in state-based legislation in SA will be an added burden to the franchising industry in this state, and a disincentive to expanding franchises into SA.

We believe that the biggest threat to franchisees in SA is not 'Rogue Franchisors' as Mr Koutsantonis will tell you, as the ACCC already has the power to deal with unconscionable conduct. The main threat is never-ending red tape, rising labour costs, declining sales, online competition and unsustainable rent increases, so this is not the time to add to the burden of doing business in South Australia. In fact, there should never be state based legislation when we have national laws in place.

Mark Langford
State President (SA)



STATE PRESIDENT'S MESSAGE

SOUTH AUSTRALIAN STATE CHAPTER



STATE PRESIDENT'S MESSAGE

QUEENSLAND / NORTHERN TERRITORY CHAPTER

2011 has been a demanding year for the Australian franchise sector, but we are pleased to report that the FCA, as a whole, is in strong financial shape and continues to grow.

Many of our franchisees, franchisors, and service providers have seen very tough times, with the start of 2011's wide-spread natural disasters both directly and indirectly affecting the entire state, along with the constant effects of the Global Financial Crisis, and the political instability persistently challenging franchising. We have and will continue to be a resilient group with a common cause.

On a more positive note, Queensland hosted the National Conference 2010 with the theme "Seeking Knowledge, Gaining Wisdom" and that is exactly what delegates were given, along with an extremely beneficial and successful State Conference program based around "Driving Franchise Profitability" complimenting current business practices.

The Queensland Breakfast Series has been well attended, with a wide range of topics discussed; likewise the Round Tables have had some great topics and have been well attended- a big thank you to our organising committee, hosts, and guest speakers involved. As part of our commitment to ongoing development in all aspects of the franchise community, the FCA has launched the Franchisees Success Club which we are all very excited about.

I once again would like to thank my fellow board and committee members for volunteering their time to help guide the FCA, both in Queensland and nationally, on a path that continues to follow the pillars on which the FCA stands - member services, representation, events, and education.

In addition, I'd like to express thanks and acknowledge the efforts of those retiring committee members. I am confident that 2012 will have a more positive start and the franchising community will once again have a cracker of a year. I look forward to sharing the journey with everyone in the sector.

Ralph Edwards
State President (QLD/NT)



The NSW Chapter has again been working hard to ensure it engages with the franchise community throughout the whole state. It is through communication with our members and the broader franchising community that the FCA continues to add value and benefit to the sector.

The franchising sector in our state continues to expand, and as such we continue to hold varying types of events for different parts of the sector.

The Chapter has been particularly active with its Round Table program this year. Themes for us this year have focused on practical aspects of franchising in our member training and networking events. Notwithstanding the challenging trading circumstances for many members, our events have been well subscribed.

Each of these events has created not only remarkable learning opportunities, but has also allowed for tremendous networking in the franchise sector.

Again, I extend my gratitude to the many volunteer panelists and speakers who have bared all for our benefit, thereby ensuring the unrelenting development of a vital, strong and financially viable franchise sector. I never ceased to be amazed with the generosity of our members in sharing their time and experiences.

Finally, I would like to acknowledge and express my appreciation for the amazing contribution of the NSW Chapter committee members who have volunteered their time to support FCA activities in New South Wales. Our committee members have continued to arrange events that are not only topical and relevant to our sector, but also promote the role of franchising to the wider community.

Elisabeth Ritchie
State President (NSW)



STATE PRESIDENT'S MESSAGE

NEW SOUTH WALES STATE CHAPTER



The aims of the Women in Franchising Special Interest Group (WIF) have continued to be provided as tangible outcomes to the FCA membership in abundance this year.

These aims include creating initiatives for the FCA and franchising community, focusing on and influencing FCA policy on key issues relating to women in franchising, providing genuine networking opportunities for contribution, networking and professional development and promoting the success of women in franchising within the franchise sector and into the broader Australian business community.

The WIF events calendar has been integrated into the state chapters in full force this year. Our WIF March Series focused on "why women should aim for the top - tips on how to get there". This matched in with a high proportion of requests from the franchising sector for WIF to provide educational sessions on how to improve in business.

Our July networking functions focused on mentoring as a valuable tool and the functions enabled participants to foster an environment of sharing and establishing relationships.

We also trialled our first co-branded event in Western Australia with the Business Growth Centre, which is a state government initiation created to assist small business owners in getting the skills and knowledge to remain competitive in a changing economy. The Business Growth Centre have a "Small Business Solutions[®]" mentoring programme and first partnered with FCA in 2009 as a part of the FCA Mentoring Programme. They have created some spectacular results with franchisees in the sector this year.

A recent survey of National Franchise Conference attendance rates showed that participation of women at NFC's has increased from 26.65% in 2006 to 34.84% in 2010 and we anticipate an even higher attendance at NFC11. These statistics demonstrate the strength of contribution and involvement of women in the franchising sector.

As always, women in franchising participate in the Excellence in Franchising Awards and we would like to extend our congratulations to the regional winners and wish them all the very best for the National Awards on 11 October, 2011.

To the WIF committee, who contribute their time, energy and expertise to the women in franchising, it has been a pleasure to work with each and every one of you. You are dedicated and prove time after time that you are committed to the cause.

I look forward to seeing another great year of WIF activities in 2012 and to the committee working side by side with the FCA to create solid opportunities for women in franchising.

Linda Steele

Chairperson

Women in Franchising Special Interest Group



This year has been a red-letter year for the Franchisee Forum.

We have launched the Franchisee Hub - a franchisee-focused space on the FCA website (www.franchisee.org.au). This is a place where franchisees can access education offerings, read articles of interest about the sector and find out what franchisee-focused events are on the FCA calendar.

We had a terrific franchisee program at the 2010 National Franchise Convention, held at the Gold Coast (NFC10) - with very attractively subsidised rates. As with the Perth conference a year earlier, about 100 people took advantage of participating in the biggest franchising annual gathering anywhere in the western world outside the US. We are expecting more of the same at NFC11, in Melbourne.

FCA is pushing hard to get useful, practical self-improvement courses into place for franchisees, at attractive prices. Certificate IV courses in Business Management and Franchising are a part of this line-up. We will soon add online versions to make it as easy as possible for a franchisee to learn, improve their skills and their profitability, and perhaps to have a formal qualification to boot.

Franchisee Success Club

The real cymbal crash for franchisees in 2011 was the July launch of the Franchisee Success Club.

The FSC is a world first and it is totally the work of the Australian franchisee community.

FCA chairman, Stephen Giles, embraced the initiative and gets a lot of the credit for really driving it with the FCA's state chapters.

I was delighted to launch the FSC with Stephen at the FCA NSW state conference in July and make the first inductions to the Success Club.

This program is all about recognition. Not necessarily the high flying financial success recognition, although that is well worthy of inclusion in the Success Club, but the FSC is also about recognition for other things that matter; like overcoming adversity, doing good things in the business or community that sometimes otherwise get overlooked. The FSC is about celebrating success at every level.

It is a great way for franchisees to get recognition in their system and beyond it. The FSC moniker is something they can wear with pride - and display in their businesses if they wish.

Retail leasing code

Another important initiative the FCA are currently undertaking is to try and get a better deal for franchisees in retail tenancies.

Franchisees often have to deal with landlords, especially in shopping centres, who do not provide the same support that the franchisor does in the franchisor-franchisee relationship.

To help redress the imbalance, we are looking at introducing a Retail Tenancy Code of Conduct; the aim being to adopt some of the good aspects of the Franchising Code into the retail leasing area.

If we can convince landlords to behave in a more constructive way, we can achieve a win-win for franchisees and for the shopping centre owners.

We will be launching this initiative at NFC11 and rolling it out in 2012 - another red-letter year for franchisees!

Tony Melhem
Deputy Chair
Franchise Council of Australia



EXECUTIVE SUMMARY

The FCA has made significant progress and investment to drive membership value in education reinforcing the Franchise Academy as a central repository of thought leadership and access to franchising education and professional development programs.

Three Core Components:

People

Operational drive & momentum

Product

Relevant & targeted

Membership Engagement

Learning & development leadership

People

FCA Board & Staff Appointments

20th September 2010

Appointment of new Education Manager, Simon Heggen

9th December 2010

Jim Cornish appointment to the Education Chair on the FCA Board

28th February 2011

Appointment of RTO Administration Officer

FCA Supplier Appointments

1. Engagement of Business Essentials (Geoff McDonnell) and William Angliss Institute of TAFE to facilitate, manage and deliver Franchise Academy nationally accredited vocational courses
2. Commercial partnership for delivery of interactive webinars (CPDLive)

Product

1. Launch of the Diploma of Franchising on 23rd July 2010 - 40 students enrolled in the first 12 months
2. Launch of Certificate IV in Small Business Management - July 2011
3. Webinars - commercial pilot delivered in May/June 2011
4. Marketing of education supplier programs including Franchise Advisory Centre, Business Development Company and The Growth Faculty
5. Eyes Wide Open seminars for potential new entrants (franchisees) in all major capital cities
6. Launch of first Learning & Development forum in Melbourne - July 2011

Membership Engagement

Forums, meetings and discussions to access and share information, provide assistance and source resources to meet member's learning and development priorities.

2012 Priorities

1. **Registered Training Organisation (RTO) license**
Awaiting formal advice from the newly formed national regulator of vocational education - the Australian Skills Quality Authority (ASQA) regarding the Franchise Academy's application and formal registration.
2. **The Accredited Franchise Executive (AFE) Program**
- in consultation with Prof. Andrew Terry. This will include an annual calendar of CPD courses and programs as an integral part of the AFE program.



Franchise Academy
a wholly owned subsidiary of Franchise Council of Australia



The Legal Committee has been active during the year, with many of the partners and senior in-house counsel contributing to a number of activities. The input by members of the Legal Committee was provided by teleconferences that were well attended. The contributions have been very helpful in enabling the formulation of opinions and validating FCA policy positions.

The Legal Committee meetings have been used as a forum for Steve Wright to provide updates to the Legal Committee members on FCA policy and legal issues of interest, particularly in relation to state-based legislative reform proposals in Queensland, South Australia and Western Australia.

During the year the FCA (and members of the Legal Committee) once again provided detailed written and verbal submissions to the committee's inquiries in South Australia and Western Australia. They also led a delegation of FCA members and lawyers to meet with the Queensland Parliamentarian, David Gibson, MP, who is the LNP member for Gympie who had indicated an intention to introduce a private member's Bill in Queensland.

We believe that as a result of the delegation, the introduction of a private member's Bill for state-based franchise reforms is unlikely to proceed into Queensland Parliament during this term of the Bligh government.

In the past year, many members of the Legal Committee have provided immense assistance to the FCA and its members, by making detailed and important legal submissions to various state governments, and inquiries regarding state-based franchise law reforms. There have also been valuable contributions from a number of members of the Legal Committee who practice in states outside those where the reforms are proposed. These members have provided collegiate support to the efforts of their colleagues in South Australia, Western Australia and Queensland. I would like to thank all of those members of the Legal Committee who have assisted, and no doubt the FCA members who have been opposing these changes in their states would also be extremely appreciative of their time and efforts.

The Legal Committee are also monitoring the latest use by the ACCC of their new audit and substantiation powers, to understand the level of affect it is having on members of the FCA, and to provide feedback for submissions in the future by the FCA to the ACCC.

This year the NFC 2011 Legal Conference in Melbourne will be a "must attend" event. I express my thanks to the tireless work of this years Victorian organising committee in putting together a fantastic legal program.

I would like to thank all of the members of the Legal Committee who have participated and provided advice and assistance to the various projects of the FCA, and look forward to the projects for the next year.

Derek Sutherland
Chair
Legal Committee



The Ethics Committee received 29 complaints during the past 12 months. All were investigated by our Chief Operating Officer, Kym De Britt, as part of the initial stage of our complaints handling and ethics process.

Only one matter was sufficiently serious to be escalated to the Ethics Committee, with Derek Sutherland and I being the designated members who provided assistance to Kym. This matter then resulted in a detailed letter being sent to the member concerned. When no reply was received the matter was escalated to the FCA Board in accordance with the FCA Constitution, and an opportunity provided to the member to attend the FCA Board meeting. As the member failed to attend, the FCA Board resolved to terminate the membership of the member.

The remaining complaints were found to be of no merit. One matter necessitated communicating with a state member of parliament, who had made the complaint.

The Ethics Committee functioned very effectively during the year, and assisted Kym De Britt as required. I am grateful for the assistance of Derek Sutherland, whose wise counsel is always invaluable.

I am keen to see the Ethics Committee take on a

broader role within the FCA. I believe the production of detailed ethical guidelines on important franchising issues and circumstances would be of great benefit to members, and enhance the credibility of franchising. I also think that the Ethics Committee could provide further input into dispute resolution and a range of other FCA activities. However to do this the committee would need to substantially expand in size, and others would need to take up these challenges.

Although I remain, for the moment, in the Chair I would be pleased to pass on this role to a group of members keen to help take the Ethics Committee to the next level. I think there is a lot of unexplored potential.

Stephen Giles
Chair
Ethics Committee



VIC COMMITTEE

Corina Vucic	FC Business Solutions	Dean Salomone	FC Business Solutions
Debra Shugg	Award Bookkeeping Company	Peter Fiasco	Quest Serviced Apartments
Elissa Ryan	Pacnet	Luke Boland	Natrad
Gary Carter	Tatts Group	Phil Blain	Franchise Alliance
Sara Pantaleo	La Porchetta	Tanya Robertson	7 Eleven
Cassidy Poon	Life Resolutions	Cameron Graham	ANZ
Bruce McFarlane	Hall & Wilcox	Rebecca Bedford	Minter Ellison
Spiro Vournazos	Redcat	Sergio Alderuccio	PwC
Tim Kilham	McLean Delmo		

NSW COMMITTEE

Andy Levestek	Mortgage Choice	Damian Kay	Telco in a Box
Debbie Lowe	Franchise Relationships Institute	Elisabeth Ritchie	HWL Ebsworth
Kate Fellows	Foodco	Melissa Dwyer	Fastway
Michael Nicholas	Expense Reduction Analysts	Nick Hudson	Snap on Tools
Nigel Patient	Franchise Marketing Expert	Paola Tanner	Fuse Franchise Partners
Rod Young	DC Strategy	Rod Laycock	Civic Video & Card Connection
Sean O'Donnell	Thomson Playford Cutlers	Stuart Cook	Zambrero
Tony Melhem	Cococabana		



WA COMMITTEE

Butcher Bronwyn	Frontline	Byron Smith	MYO
Carolyn Meighan	Talbot Oliver	Chris Walsh	Open2view
Dean Franks	Australian Franchising Systems	Joe Lazzara	Borrello Legal
John Dorazio	Walker Wayland	Leon Pike	City Farmers Dogwash
Linda Steele	Think BIG Management Consultancy	Mark Fernandez	BDA Business Development
Mike Stringer	Car Care/Housework Heroes	Peter Dohnt	Hire a Hubby
Stephen Seddon	Westpac	Steve Hansen	Think BIG Management Consultancy
Tamra Seaton	Norton Rose	Veronica Jumeaux	Downings Legal

QLD COMMITTEE

Alan Payne	Mr Rental	Darren McCauliffe	NAB
Dean Atkins	Poolweks	Derek Sutherland	Icon Law
Gary Fryer	Inxpress	James Theologidis	Sothertons Chartered Accountants
Jan Timms	Worldwide Printing	Jason Gehrke	Franchise Advisory Centre
Jim Roddy	Parmalat	Philip Ciniglio	Market Minds
Ralph Edwards	lease 1	Richard Baker	Parmalat Australia
Rob Melin	L&M Partners	Rod Wakefield	Coffee Club
Sarah Cobb	Cariblu	Simone Pentis	Fitness Matters
Warren Ballantyne	Gutter-Vac		



SA COMMITTEE

Andrew Andrews	Ezypayroll	Andrew Russo	Kennedy & Co
Andrew Bampton	Soloman Bampton	Andrew Harvey	Optimum Assurance Group
Ben Brazier	Pitcher Partners	Bronwyn Lee	Minter Ellison
Fiona Gilbert	DLA Phillips Fox	Jock Dean	Outdoor Living Designs by Mr Carports
Kate Rayson	communicate et al	Mark Langford	Gametraders
Matthew Prescott	Thornton Playford Cutler	Peta St Clair	Dr PC
Ramsey Andary	DMAW Lawyers	Rosalie Vis	VIP Home Services
Simon Norriss	Club Financial Services		

WOMEN IN FRANCHISING

Diana Williams	Fernwood Womens Health Clubs	Linda Steele	Think BIG Management Consultancy
Fiona Gilbert	DLA Phillips Fox	Tamra Seaton	Norton Rose
Corina Vucic	FC Business Solutions	Paola Tanner	Fuse Franchise Partners
Bronwyn Lee	Minter Ellison	Erin Walford	Herbert Geer
Kendra Teasdale	Bakers Delight	Kirsty Dunn	Thompson Playford Cutlers
Kate Baring	Traxion Group	Louise Broekman	HR Coach Group
Jan Timms	World wide Printing	Robyn Chatwood	Allen Arthur Robinson
Meghann Noble	Coleman Greig Lawyers	Natalie Brennan	Foodco
Peta St Clair	DR PC	Melissa Anderson	Gloria Jean's Coffees
Jaclyn Connelly	Muffin Break	Kate Johnson	Ordium Pty Ltd
Samantha Hellen	Rams		



Without the tremendous support of its National Alliance 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 National Alliance Partners:

- Bloomtools
- Franchising and Business Opportunities Expo
- NAB
- PacNet
- Whirlwind Print
- Willis Australia



Notice is hereby given that the 28th Annual General Meeting of Franchise Council of Australia Ltd will be held at 5.00pm on 9th October 2011 at the Sebel Albert Park, 65 Queens Road, Melbourne, VIC, 3004

Agenda

1. Apologies.
2. To receive and adopt Minutes of the 2010 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 2011 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

6 September 2011



Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

Stephen Giles B.Ec. LLB *Director*

Fellow of the Franchise Academy. Chairman of the FCA since December 2010. Member of Executive Committee. Board Member since 1997. Partner with Norton Rose Australia.

George Yammouni B.Bus.Stud CPA *Past Chairman*

Member of the Executive Committee. Past President of Victorian State Chapter (2003 to 2006). Board Member since 2003. Elected as Independent Director in 2006. CEO of Bathroom Werx.

Diana Williams *Deputy Chairwoman*

Board Appointed Representative Women in Franchising Forum. Board Member since October 2007, Director of Fernwood Fitness. Resigned in August 2010.

Tony Melhem MMA, BA Comm *Deputy Chairman*

Director and Chairman of National Franchisee Forum. Board Member since October 2007, FCA 'Franchisee of the Year' 2005-06. Gloria Jeans Franchisee.

Rod Wakefield BA, Bed, MBA *Board appointed Representative Chair Education Forum.*

FCA Board Member since 2007. Member of FCA Qld Chapter 2004-09. Member of Griffith University Advisory Board Asia Pacific Centre for Franchising Excellence 2008-09. CEO The Coffee Club Group. Resigned in October 2010.

Dean Salomone B. Bus (Accounting) Deakin University.

President of Victorian Chapter. Past Vice President of Vic Chapter FCA (2005 - 2009). Managing Director Franchise Careers. Board member since April 2009.

Ralph Edwards *Director and President of QLD State Chapter.*

Board member since October 2008. Director of Lease1.

Mike Stringer *Director and President of WA State Chapter.* Board Member since October 2008, Director of Car Care Australia and Heroes Group.

Jason Gehrke MBA

Director of Franchise Advisory Centre. Franchise lecturer and examiner at Griffith University. Publisher, Franchise News and Events. Board member since October 2008

Elisabeth Ritchie LLB. Partner of HWL Ebsworth Lawyers. Accredited Franchise Mediator on the Office of Mediation Adviser panel. FCA NSW Chapter President. National board member of the FCA since 2009. Resigned in June 2011.

Mark Langford *President of the South Australian Chapter,* Director of the Franchise Council of Australia since October, 2009. Founder and Managing Director of Gametraders retail franchise of 37 stores nationally.

Michael Paul *CEO/Founder of Pack & Send International.* Board member since October 2009

Jim Cornish BVSc(Hons), BSc(Vet)(Hons)

Sydney University, MBA AGSM.
CEO of Ecowash Mobile International.
Board member since October 2009.

Steve Wright B. Bus *FCA Executive Director*

Board Member since February 2008

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

No director has an interest in any contract or proposed contract with the company declared since the last Directors' Report.

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 Chief Operating Officer.*

Appointed Company Secretary Sept 2008.



Principal Activities

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

- 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;
- 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 conferences, 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 profit of \$63,964.

Review of Operations

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 co-ordinator 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 Continuing Professional Development program is in its second year. The CPD program is designed to elevate members' professional standards and reputation in franchising and assist the broader business community to identify experienced franchise professionals. It will enhance skills and knowledge and encourage on-going individual professional development.

continued over page



FCA Insurance Services Pty Ltd

Since its launch, FCA Insurance Services has saved numerous franchise systems thousands of dollars on their insurance premiums. FCAIS is 100% owned by the Franchise Council of Australia and is for the benefit of all members. It is an authorised representative of Willis Australia, one of the world's largest insurance brokers.

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
Stephen Giles	5	4	3	3		
George Yammouni	5	4	3	3		
Dianna Williams	1	0	0	0		
Tony Melham	5	3	3	3		
Rode Wakefield	2	1	0	0		
Dean Salomone	5	3	3	3		
Ralph Edwards	5	5	3	3	3	3
Mike Stringer	5	5	3	2		
Jason Gehrke	5	5	3	3		
Elisabeth Ritchie	5	4	3	3		
Mark Langford	5	3	3	2		
Michael Paul	5	5	3	2		
Jim Cornish	5	5	3	3		
Steve Wright	5	5	3	3	3	3

Directors' Emoluments

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



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 2011 has been received and can be found on page 45 of the directors' report.

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

A handwritten signature in blue ink, appearing to read 'Stephen Giles'.

Stephen Giles
Director

Dated this 15th day of September 2011





Statement of Comprehensive Income for the year ended 30 June 2011

	NOTE	Consolidated Group	
		2011 \$	2010 \$
Revenues	2	2,800,468	2,649,542
Employee benefits expense		(1,159,756)	(1,183,057)
Depreciation & amortisation expense		(53,782)	(89,930)
Other expenses	3	(1,507,009)	(1,402,473)
Profit / (Loss) before tax		79,921	(25,918)
Income tax expense	4	(15,957)	(4,870)
Profit / (Loss) for the year		63,964	(30,788)
Other Comprehensive Income		-	-
Total comprehensive income attributable to members		63,964	(30,788)

The accompanying notes form part of these financial statements.



Statement of Financial Position as at 30 June 2011

	NOTE	Consolidated Group	
		2011 \$	2010 \$
CURRENT ASSETS			
Cash & cash equivalents	5	1,244,716	1,271,519
Trade & other receivables	6	248,117	119,052
Inventories	7	3,450	5,282
Other current assets	8	108,354	134,067
TOTAL CURRENT ASSETS		1,604,637	1,529,920
NON-CURRENT ASSETS			
Property, plant and equipment	10	55,147	82,563
Intangible assets	11	72,023	65,430
Other non current assets	8	10,000	10,000
TOTAL NON-CURRENT ASSETS		137,170	157,993
TOTAL ASSETS		1,741,807	1,687,913
CURRENT LIABILITIES			
Trade & other payables	12	817,317	846,419
Short-term provisions	13	153,235	134,203
TOTAL CURRENT LIABILITIES		970,552	980,622
NON-CURRENT LIABILITIES			
Long-term provisions		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		970,552	980,622
NET ASSETS		771,255	707,291
EQUITY			
Retained earnings		771,255	707,291
TOTAL EQUITY		771,255	707,291

The accompanying notes form part of these financial statements.



Statement of Cash Flow for the year ended 30 June 2011

	NOTE	Consolidated Group	
		2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and non-members		2,640,356	2,640,573
Payments to suppliers and employees		(2,682,318)	(2,664,650)
Interest Received		48,119	38,026
Net cash provided by (used in) operating activities	16	6,157	13,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10a	-	(9,088)
Purchase of Intangible Assets		(32,960)	-
Net cash provided by (used in) investing activities		(32,960)	(9,088)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD			
Cash and cash equivalents at the beginning of the financial year		1,271,519	1,266,658
Cash and cash equivalents at end of the financial year	5	1,244,716	1,271,519

The accompanying notes form part of these financial statements.



Statement of Changes In Equity for the year ended 30 June 2011

	Retained Earnings \$	General Reserves \$	Total \$
Consolidated Group			
Balance at 1 July 2009	738,079	-	738,079
Profit attributable to members of parent entity	(30,788)	-	(30,788)
Balance at 30 June 2010	707,291	-	707,291
Profit attributable to members of parent entity	63,964	-	63,964
Balance at 30 June 2011	771,255	-	771,255

The accompanying notes form part of these financial statements.



Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes 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. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to non-reporting entities under the *Corporations Act 2001* and 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 the previous period unless stated otherwise.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

b. Income Tax

The consolidated group adopts the principles of the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax benefit of those items.

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 \$16,379 (2010: \$4,705).

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available.

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



Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

c. Inventories

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

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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 which 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.

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:

Class of Fixed Asset	Depreciation Rate
Plant and equipment - computer hardware	25%
Plant and equipment - computer software	40%
Furniture and fittings	7.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.



Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. Financial Instruments

Recognition & Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.



Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

g. Impairment of Assets

At each reporting date, the group reviews the carrying values 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 value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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.

h. 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.

i. Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

j. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

k. 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.

l. 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 balance sheet.



Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

m. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

n. 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 Tax 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.

o. Comparative Figures

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

p. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.



Notes to the Financial Statements for the year ended 30 June 2011

	NOTE	Consolidated Group	
		2011 \$	2010 \$
NOTE 2: REVENUE			
Continuing Operations			
- Book sales		14,251	20,702
- Commissions		15,000	15,000
- Conferences & Awards		751,357	586,572
- Diploma of Franchising		9,299	-
- Franchise Review: Advertising & Sponsorship		38,120	65,697
- Functions		143,950	144,429
- Insurance Commission		75,179	83,639
- Interest received	2a	48,119	38,026
- Members' subscriptions		992,236	916,708
- Other income		28,686	33,354
- Sponsorship		300,354	374,854
- Website advertising		383,917	370,561
Total Revenue		2,800,468	2,649,542
a. Interest revenue from:			
- Other parties		48,119	38,026
Total interest revenue		48,119	38,026



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 3: OTHER EXPENSES		
Administration expenses	265,030	230,595
Advertising & promotion	8,506	5,721
Committee expenses	14,516	26,758
Conference & awards expenses	522,740	542,639
Cost of book sales	8,479	11,061
Course consultancy & associated costs	28,141	19,568
Facility expenses	138,990	137,547
Finance & Legal expenses	108,250	123,850
Franchise Review costs	74,594	71,948
Function expenses	169,264	136,850
Information technology expenses	77,308	56,212
International initiatives	1,318	6,766
Loss on scrapping of equipment	-	-
Representation expenses	89,873	32,958
	1,507,009	1,402,473
NOTE 4: INCOME TAX		
a. The components of tax expense comprise:		
- Current tax	16,379	4,705
- Under/(over) provision in respect of previous year	(422)	165
Total tax expense	15,957	4,870

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.



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	509,520	405,059
Short-term bank deposits	735,196	866,460
	1,244,716	1,271,519
NOTE 6: TRADE AND OTHER RECEIVABLES		
CURRENT		
- Trade receivables	248,117	108,444
- Other receivables	-	10,608
	248,117	119,052

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.



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 7: INVENTORIES		
Stock on hand	3,450	5,282
NOTE 8: OTHER ASSETS		
CURRENT		
Credit card clearing	13,528	-
Prepayments	8,106	6,448
Deposits paid	86,720	127,619
Other	-	-
	108,354	134,067
NON CURRENT		
Other	10,000	10,000
	10,000	10,000
Total other assets	118,354	144,067

	Country of Incorporation	Percentage Owned	
		2011	2010
NOTE 9: CONTROLLED ENTITIES			
Controlled Entities Consolidated			
Parent Entity			
Franchise Council of Australia Ltd	Australia	-	-
Subsidiaries			
Franchise Academy Ltd	Australia	100%	100%
FCA Insurance Services Pty Ltd	Australia	100%	100%

Franchise Academy Ltd was incorporated on 8 December 2005.

FCA Insurance Services Pty Ltd was incorporated on 2 August 2006.



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 10: PROPERTY PLANT AND EQUIPMENT		
Plant and equipment		
At cost	91,531	91,531
Accumulated depreciation	(65,641)	(42,754)
Accumulated impairment losses	-	-
Total plant and equipment	25,890	48,777
Furniture & Fittings		
At cost	60,378	60,378
Accumulated depreciation	(31,121)	(26,592)
Accumulated impairment losses	-	-
Total furniture & fittings	29,257	33,786
Total property, plant and equipment	55,147	82,563
A. Movement in property, plant and equipment		
Balance at beginning of year	82,563	98,852
Additions	-	9,088
Disposals	-	-
Depreciation Expense	(27,416)	(25,377)
Total balance at end of year	55,147	82,563



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 11: INTANGIBLE ASSETS		
a. Intangible Assets being amortised		
At cost:		
- Website and Online processes	128,745	95,785
- 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	259,652
Accumulated amortisation	(221,339)	(194,972)
Accumulated impairment losses	-	-
Total	71,273	64,680
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	72,023	65,430
NOTE 12: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors and accruals	118,563	87,875
Superannuation and PAYG payable	56,047	52,441
Unearned subscription income	443,098	580,430
Other unearned income	154,708	80,471
GST obligation	44,901	45,202
	817,317	846,419



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 13: PROVISIONS		
Ketchell's Case	15,057	15,057
Income Tax	16,379	4,705
Employee entitlements	121,799	114,441
Total current provisions	153,235	134,203
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 LIABILITIES AND CONTINGENT ASSETS		
There are no known contingent liabilities as at record date.		
NOTE 16: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit / (Loss) after Income Tax	63,964	(30,788)
Non-cash flows in profit		
Depreciation and amortisation	53,782	89,930
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	(111,994)	29,057
Decrease/(increase) in other assets	25,713	(25,906)
Decrease/(increase) in inventories	1,832	503
Increase/(decrease) in payables	(46,173)	56,141
Increase/(decrease) in provisions	19,033	(104,988)
	6,157	13,949



Notes to the Financial Statements for the year ended 30 June 2011

	Consolidated Group	
	2011 \$	2010 \$
NOTE 17: PARENT ENTITY DISCLOSURE		
Current Assets	1,589,339	1,525,109
Non Current Assets	229,648	210,888
Total Assets	1,818,987	1,735,997
Current Liabilities	972,430	979,165
Total Liabilities	972,430	979,165
Shareholders Equity		
Retained Earnings	846,557	756,831
Total Shareholders Equity	846,557	756,831
Profit / (Loss)	89,726	2,375
Total Comprehensive Income	89,726	2,375

NOTE 18: 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 19: 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 20: COMPANY DETAILS

The registered office and principle place of business of the company is:

Suite 6, 307-313 Wattletree Road
Malvern East, Victoria 3145



Directors' 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 43 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 2011 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

Stephen Giles
Director
Melbourne

Dated this 15th day of September 2011



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FRANCHISE COUNCIL OF AUSTRALIA LTD AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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
Chartered Accountants

Jeffrey Luckins

Jeffrey Luckins
Director
William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

Dated on this 15th day of September 2011

Sydney
Melbourne
Brisbane
Perth
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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, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 and have determined that the basis of preparation described in Note 1 of 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 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 have 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 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.

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. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Franchise Council of Australia Ltd, would be in the same terms if provided to the directors as at the date of this auditor's report.

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Melbourne
Brisbane
Perth
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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's and consolidated entity's financial position as at 30 June 2011 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 15th day of September 2011



