

Franchise Banking.

A checklist for buying a franchise.

1. Key financial information

Current financial statements, preferably going back three years:

- Balance sheets
- Profit and loss statements
- Business tax returns
- Projected sales and profits of the franchise, and the method used to calculate them

2. Fees

- Current fees
- Ongoing fees
- What do you get for them?
- Advertising
- Promotional material
- Shop fit-out
- Equipment
- Training
- What are the conditions of the relationship?
- Are there transfer fees if you sell?
- How are royalties determined?

3. Other franchisees

- Does the disclosure agreement include a list of current and previous franchisees?
- What do they say about the business?
- Are their sales growing?
- How is the industry performing?

4. Legal, compliance and contractual issues

- Is the franchisor involved in any current or potential litigation?
- Do you need licences or permits to operate the business?
- Check all existing contracts such as leases and mortgages, especially on the business premises
- Get your lawyer to check the franchise agreement. What are the restrictions on selling, staffing, pricing and supply arrangements?

5. Premises

- Is a lease involved?
- If so, check the lease. Is there a right to renew?
- Who owns the fit-out?
- Are there other inclusions?

6. Track record

- How long has the franchise business been established?
- Does it comply with the mandatory Franchising Code of Conduct?
- Obtain a credit reference on the franchisor

Where to find out more

- ◆ Australian Competition & Consumer Commission
- ◆ Franchise Council of Australia

