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