

Appendix 1

(Ref: Para. 3)

Excerpt from Franchising Code of Conduct

21 Financial details

21.1 A statement of the franchisor's solvency that:

- (a) reflects the franchisor's position:
 - (i) at the end of the last financial year; or
 - (ii) if the franchisor did not exist at the end of the last financial year—at the date of the statement; and
- (b) is signed by at least one director of the franchisor; and
- (c) gives the directors' opinion as to whether there are reasonable grounds to believe that the franchisor will be able to pay its debts as and when they fall due.

21.2 Financial reports for each of the last two completed financial years in accordance with sections 295 to 297 of the *Corporations Act 2001*, or a foreign equivalent of that Act applicable to the franchisor, prepared by the franchisor.

Note: See also items 21.4 to 21.6.

21.3 If:

- (a) the franchisor is part of a consolidated entity that is required to provide audited financial reports under the *Corporations Act 2001*, or a foreign equivalent of that Act applicable to the consolidated entity; and
- (b) a franchisee requests those financial reports; financial reports for each of the last two completed financial years, prepared by the consolidated entity.

Note: See also items 21.4 to 21.6.

21.4 Items 21.2 and 21.3 do not apply if:

- (a) the statement under item 21.1 is supported by an independent audit provided by:
 - (i) a registered company auditor; or
 - (ii) if the franchisor is a foreign franchisor—a foreign equivalent for that franchisor;

within four months after the end of the financial year to which the statement relates; and

- (b) a copy of the independent audit is provided with the statement under item 21.1.

21.5 If the franchisor or consolidated entity (the *entity*) has not existed for two or more financial years, then instead of providing the financial reports mentioned in item 21.2 or 21.3, the following:

- (a) a statutory declaration of the entity's solvency;

- (b) an independent audit report on the entity's solvency as at the date of the entity's declaration.
- 21.6 If the franchisor or consolidated entity (the *entity*) was insolvent in either or both of the last two completed financial years, the following:
- (a) a statement of the period during which the entity was insolvent;
 - (b) a statutory declaration of the entity's solvency;
 - (c) an independent audit report on the entity's solvency as at the date of the entity's declaration.