

Example Partnership

Trading as Franchise Café

ABN 12 345 678 901

Financial Statements - 30 June 2007

Example Partnership
Income statement
For the year ended 30 June 2007

	2007	2006
	\$	\$
Revenue from operating activities		
Sales - food	600,238	586,294
Sales - drink	148,845	142,645
	<u>749,083</u>	<u>728,939</u>
Less: Cost of goods sold		
Opening stock	2,845	3,109
Purchases - food	133,845	130,847
Purchases - drink	17,395	16,894
	<u>154,085</u>	<u>150,850</u>
Closing stock	3,845	2,845
Cost of goods sold	<u>150,240</u>	<u>148,005</u>
Gross profit	<u>598,843</u>	<u>580,934</u>
Add: Income		
Interest received	28	16
	<u>28</u>	<u>16</u>
Less: Expenses		
Accounting fees	2,400	2,250
Advertising and promotion	24,832	25,701
Amortisation	10,319	10,319
Bags and stickers	248	492
Bank charges - general	429	495
Bank charges - merchant fees	1,482	1,384
Cleaning	492	627
Computer expenses	583	231
Conferences and seminars	400	250
Consumables	482	387
Depreciation	57,638	60,972
Donations	300	50
Electricity	4,837	4,723
Entertainment - deductible	730	824
Franchise fees	41,935	40,525
Freight and cartage	127	163
General expenses	401	138
Insurance	2,538	2,472
Interest paid - bank	20,406	19,598
Internet	843	821
Licences, permits and fees	600	580
Management fees paid	6,080	5,930
Payroll services	4,420	4,370
Pest control	190	175
Printing and stationary	2,394	2,939
Rent	76,830	74,923
Rent outgoing	14,253	13,827
Repairs and maintenance	382	1,920
Salaries and wages	170,028	172,462
Security	1,093	1,039
Shortages of cash	371	1,283
Signage	300	-
Small asset purchases <\$300	-	182

Example Partnership
Income statement
For the year ended 30 June 2007

	2007	2006
	\$	\$
Staff amenities	467	409
Staff training and welfare	923	625
Superannuation	8,232	7,937
Telephone	788	753
Uniforms	910	679
Waste disposal	1,537	1,328
Workers compensation insurance	3,294	2,930
	<u>464,514</u>	<u>466,713</u>
Net profit	<u><u>134,357</u></u>	<u><u>114,237</u></u>
Attributed as follows:		
Anthony Example	67,179	57,119
Brad Example	<u>67,178</u>	<u>57,118</u>
	<u><u>134,357</u></u>	<u><u>114,237</u></u>

Example Partnership
Balance sheet
As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	2	45,055	19,055
Trade and other receivables	3	40,000	40,000
Inventories	4	3,845	2,845
Other	5	10,885	10,621
Total current assets		<u>99,785</u>	<u>72,521</u>
Non-current assets			
Property, plant and equipment	6	220,714	274,441
Intangibles	7	27,369	34,940
Total non-current assets		<u>248,083</u>	<u>309,381</u>
Total assets		<u>347,868</u>	<u>381,902</u>
Current liabilities			
Trade and other payables	8	30,913	34,048
Provisions	9	3,907	3,625
Total current liabilities		<u>34,820</u>	<u>37,673</u>
Non-current liabilities			
Borrowings	10	203,842	239,472
Total non-current liabilities		<u>203,842</u>	<u>239,472</u>
Total liabilities		<u>238,662</u>	<u>277,145</u>
Net assets		<u>109,206</u>	<u>104,757</u>
Equity			
Current account - Anthony Example	11	40,283	25,823
Current account - Brad Example	11	8,923	18,934
Capital account - Anthony Example	12	30,000	30,000
Capital account - Brad Example	12	30,000	30,000
Total equity		<u>109,206</u>	<u>104,757</u>

Example Partnership
Notes to the financial statements
30 June 2007

Note 1. Significant accounting policies

Basis of accounting

This is a special purpose financial report prepared for the partners to enable compliance with the Income Tax Assessment Act 1936. The partners have determined that the accounting policies adopted are appropriate to meet their needs.

The financial report has been prepared in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of the disclosure requirements in the following:

AASB 7	Financial Instruments: Disclosures
AASB 107	Cash Flow Statements
AASB 110	Events after the Balance Sheet Date
AASB 114	Segment Reporting
AASB 117	Leases
AASB 119	Employee Benefits
AASB 124	Related Party Disclosures
AASB 132	Financial Instruments: Presentation
AASB 139	Financial Instruments: Recognition and Measurement

In the opinion of the partners, compliance with these standards would have placed unreasonable burden upon the partnership for a comparably minor benefit.

The financial report is prepared in accordance with the historical cost convention and do not take into account changing monetary values. The accrual and going concern basis have been adopted. Comparative information is reclassified where appropriate to enhance comparability.

The following is a summary of the significant accounting policies adopted in the preparation of these financial statements. Unless otherwise stated, these accounting policies are consistent with those of the previous year.

Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Revenue recognition

Sales revenue is recognised at the point of sale. Amounts disclosed as revenue are net of returns and discounts.

Other revenue is recognised when it is received or when the right to receive payment is established.

Inventories

Inventory is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line and diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Leasehold improvements

The cost of improvements to or on leasehold properties is depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Example Partnership
Notes to the financial statements
30 June 2007

Intangible assets

Territory fees

Territory fees are capitalised as an asset and amortised over the exclusive territory agreement period.

Formation costs

Costs in relation to the formation of the entity are capitalised as an asset. These costs are not subsequently amortised.

Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on:
- short term and long term borrowings

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in BAS receivable or BAS payable.

Rounding of amounts

Amounts in the financial report have been rounded off to the nearest dollar.

Note 2. Current assets - cash and cash equivalents

	2007	2006
	\$	\$
Cash on hand	673	820
Cash at bank	44,382	18,235
	<u>45,055</u>	<u>19,055</u>

Note 3. Current assets - trade and other receivables

	2007	2006
	\$	\$
Receivable from Example Family Trust	<u>40,000</u>	<u>40,000</u>

Example Partnership
Notes to the financial statements
30 June 2007

Note 4. Current assets - inventories

	2007	2006
	\$	\$
Stock on hand	3,845	2,845

Note 5. Current assets - other

	2007	2006
	\$	\$
Prepayments - insurance	1,830	1,739
Prepayments - management fees	510	490
Prepayments - marketing	1,330	1,285
Prepayments - rent	6,472	6,283
Prepayments - workers compensation	293	374
Security deposits	450	450
	<u>10,885</u>	<u>10,621</u>

Note 6. Non-current assets - property, plant and equipment

	2007	2006
	\$	\$
Leasehold improvements - at cost	19,237	19,237
Less: Accumulated depreciation	(6,695)	(3,947)
	<u>12,542</u>	<u>15,290</u>
Plant and equipment - at cost	189,043	182,384
Less: Accumulated depreciation	(80,797)	(44,715)
	<u>108,246</u>	<u>137,669</u>
Fixtures and fittings - at cost	145,823	145,823
Less: Accumulated depreciation	(46,984)	(26,152)
	<u>98,839</u>	<u>119,671</u>
Office equipment - at cost	3,743	3,743
Less: Accumulated depreciation	(2,656)	(1,932)
	<u>1,087</u>	<u>1,811</u>
	<u>220,714</u>	<u>274,441</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	274,441	336,041
Additions	6,659	2,120
Depreciation expense	(60,386)	(63,720)
Closing fair value	<u>220,714</u>	<u>274,441</u>

Example Partnership
Notes to the financial statements
30 June 2007

Note 7. Non-current assets - intangibles

	2007	2006
	\$	\$
Territory fees	53,000	53,000
Less: Accumulated amortisation	(26,354)	(18,783)
	<u>26,646</u>	<u>34,217</u>
Formation costs	<u>723</u>	<u>723</u>
	<u><u>27,369</u></u>	<u><u>34,940</u></u>

Note 8. Current liabilities - trade and other payables

	2007	2006
	\$	\$
Trade payables	8,159	14,982
Interest payable	820	673
BAS payable	<u>21,934</u>	<u>18,393</u>
	<u><u>30,913</u></u>	<u><u>34,048</u></u>

Note 9. Current liabilities - provisions

	2007	2006
	\$	\$
Provisions - annual leave	3,193	2,934
Provisions - superannuation	<u>714</u>	<u>691</u>
	<u><u>3,907</u></u>	<u><u>3,625</u></u>

Note 10. Non-current liabilities - borrowings

	2007	2006
	\$	\$
Loan - Australian Bank Limited	<u>203,842</u>	<u>239,472</u>

Example Partnership
Notes to the financial statements
30 June 2007

Note 11. Equity - partners current accounts

	2007	2006
	\$	\$
Anthony Example		
Opening balance	25,823	12,039
Share of profit	67,179	57,119
Drawings	(37,939)	(30,523)
Tax payments	(14,780)	(12,812)
Closing balance	<u>40,283</u>	<u>25,823</u>
Brad Example		
Opening balance	18,934	9,302
Share of profit	67,178	57,118
Drawings	(72,688)	(38,774)
Tax payments	(4,501)	(8,712)
Closing balance	<u>8,923</u>	<u>18,934</u>
	<u>49,206</u>	<u>44,757</u>

Note 12. Equity - partners capital accounts

	2007	2006
	\$	\$
Anthony Example		
Opening balance	30,000	25,000
Capital introduced	-	5,000
Closing balance	<u>30,000</u>	<u>30,000</u>
Brad Example		
Opening balance	30,000	25,000
Capital introduced	-	5,000
Closing balance	<u>30,000</u>	<u>30,000</u>
	<u>60,000</u>	<u>60,000</u>

