

KEY FACTS SHEET

IMPORTANT NOTE TO PROSPECTIVE FRANCHISEES

The Key Facts Sheet contains information specific to the franchise agreement you are proposing to enter into – but it does not cover everything you need to know.

The Key Facts Sheet is a starting point – it is not a substitute for carefully reading the Disclosure Document and other documents given to you by the franchisor. The Key Facts Sheet should be used as a guide to reading the Disclosure Document.

More resources to help you decide if you are ready to become a franchisee and if this is the right franchise business for you are available at franchising information (<https://www.business.gov.au/franchising>) and buying a franchise (<https://www.accc.gov.au/buyingafranchise>).

It's important to get legal, accounting and business advice from independent professionals with expertise in franchising. They will see risks you can't and will help you in your decision making.

A. About the franchisor

- *The Franchising Code usually requires franchisors to provide financial reports for the last 2 completed financial years in the Disclosure Document. Details about the financial viability of the franchisor can be found in items 21.1-21.6 of the Disclosure Document.*

Name of Franchisor

Andersens Floor Coverings Pty Ltd

How long has the franchisor operated the franchise system in Australia?

37 Years

Financial viability: does the franchisor have reasonable grounds to believe it will be able to pay its debts when they are due?

Yes

B. Major disputes

- *Details about legal proceedings can be found in items 4.1-4.4 of the Disclosure Document.*

Current legal proceedings: Is the franchisor currently involved in any disclosable legal proceedings?

No

Final judgments: Has the franchisor been subject to a final judgment in civil proceedings in the last 5 years (which is required to be disclosed under the Franchising Code), or declared bankrupt, been insolvent under administration or a Chapter 5 body corporate in Australia or elsewhere in the last 10 years?

No

Franchisor-franchisee disputes: What percentage of franchisees in your franchise system were party to a mediation, conciliation or arbitration process in the last financial year? (Includes matters that went to or were awaiting mediation, conciliation or arbitration in the last financial year and disputes initiated by franchisors, franchisees and multi-party disputes.) *(It is optional for franchisors to respond to this question if the Key Facts Sheet is given to a prospective franchisee before 1 November 2021.)*

0

C. Current and past franchisees

- *Details about businesses in the franchise system and a list of current and former franchisees you can talk to as part of your research can be found in items 6.1-6.5 of the Disclosure Document.*

Number of franchise businesses in the franchise system

Franchisee owned

52

Corporate owned

0

Last 3 financial years
(as required in the Disclosure Document)

52

50

49

Event

Number of occurrences

A franchise was transferred (ownership changed to a different franchisee)

7

10

3

A franchised business ceased to operate (closed)

0

0

0

A franchise agreement was terminated by the franchisor

0

0

0

A franchise agreement was terminated by the franchisee

1

0

0

A franchise agreement was not extended

0

0

0

A franchise business was bought back by the franchisor

0

0

0

A franchise agreement was terminated and the business was acquired by the franchisor

0

0

0

D. The territory or site for the business

- *Details about the site or territory can be found in items 9.1-9.2, 11.1, 12.1-12.5 and 13.1-13.4 of the Disclosure Document.*
- *As well as reading all the information the franchisor provides on leasing, you should seek legal advice before entering a contract.*

Details of the territory or site:

☐

The franchisee can only operate the business at a particular site (limited to premises only)

☒

The franchisee can operate the business anywhere but may be competing with other franchised businesses (no territory)

☐

No other franchised business will operate in the franchisees defined territory (exclusive territory)

☐

You may encounter competition from other franchisees or the franchisor in your defined territory (non-exclusive territory)

☐

Other

Can the franchisor change the territory or site of the franchise?

No

Could the franchisee face competition from one or more businesses that sell goods or services that are substantially the same as the franchisee, including via online sales?

☒

Yes, but only from businesses not associated with the franchisor

☒

Yes, from another franchisee with the same brand

☐

Yes, from the franchisor

☐

Yes, from a third party authorised by the franchisor

Can the franchisee sell goods or services of the same type or brand online?

No

Does the franchisor have an interest in a lease that will be used for the operation of the franchised business? (For example, as landlord, head lessee or another interest disclosed under clause 13 of the Franchising Code.) (It is optional for franchisors to respond to this question if the Key Facts Sheet is given to a prospective franchisee before 1 November 2021.)

No

E. Supply of goods and services to the franchisee

- *Details about the supply of goods or services to operate your franchise, including the rebates and other financial benefits received by the franchisor, can be found in items 10.1-10.3 of the Disclosure Document.*

Are there restrictions to franchisees choosing suppliers?

Yes

Does the franchisor have an interest in any supplier the franchisee might have to get goods or services from?

No

Does the franchisor receive a rebate or other financial benefit from supplying goods or services to franchisees?

Yes

F. What the franchisee has to pay to operate the franchise

- *Details about the costs to operate your franchise can be found in items 14.1-14.10 of the Disclosure Document.*
- *When considering operating costs, remember to look at how many staff (including you) are needed to operate the business, the average hours they would work and the costs of hiring staff. The Fair Work Ombudsman can help you understand your workplace rights and obligations: Franchises overview (<https://www.fairwork.gov.au/find-help-for/franchises>).*
- *It is important to get professional advice about likely costs.*

(Figures provided are total amounts or an estimate if the total amount is unavailable.)

What payment does the franchisor require before the franchisee can enter the franchise agreement, if any?

(Details about this payment can be found in item 14.1 of the Disclosure Document.)

NIL

What are the range of costs to set up the franchise business?

(This includes a summary of costs outlined in 14.3 of the Disclosure Document, including capital set up costs and other payments by a franchisee to begin operations, which might include payments on signing a franchise agreement).

Franchise Fee of \$60,000 + GST, Rental Bond equal to 3 months rent \$30,000 + GST (network average), Fit Out of \$80,000 + GST (network average), Opening Inventory \$8,000 + GST, Legal Advice, licenses, insurances - \$12,000 = GST (network average), Working Capital \$50,000 + GST =

\$250,000 + GST

What is the amount and/or method of calculation of ongoing payments (both recurring and one-off payments) the franchisee has to make to the franchisor during the term of the franchise agreement?

(Details about these payments can be found in item 14.6 and 14.10 of the Disclosure Document.)

**Ongoing Franchise Fee calculated on landed invoice value is 9.25% on residential work and 1.5% on commercial work
Ongoing Warranty Fee of 0.4% of landed invoice value
Project Green ongoing cost of \$1 per job number**

What other payments are payable by the franchisee to a person other than the franchisor? (This includes payments within the knowledge or control of the franchisor or that are reasonably foreseeable, including significant capital expenditure).

(Details about these payments can be found in items 14.7 and 14.10 of the Disclosure Document.)

Image 2025 remodel for all stores transferring and for those not transferring the remodel can be completed in a staged process as approved by the franchisor. Estimate cost for the remodel is \$50,000 + GST

G. Marketing Funds

- *Note that if the franchisor becomes insolvent, you may not get money back that you have given to the franchisor, including contributions to the marketing funds.*
- *The franchisor is required by clause 15 of the Franchising Code to provide the franchisee with marketing fund statements each year. The statements need to be audited (unless 75% of franchisees have voted to agree that statements do not need to be audited). More details about marketing and other cooperate funds can be found in items 15.1 of the Disclosure Document.*

If the franchisee must contribute to a marketing fund, what is the contribution or how is it calculated?

Ongoing Ad Levy calculated in landed invoice value is 4.75% on residential work and 3.5% on commercial work

H. The franchisor's ability to change the franchise agreement (unilateral variation)

- *Details about the ability to change the franchise agreement or other documents can be found in items 17.1-17.2 of the Disclosure Document.*

Can the franchisor change the franchise agreement without the franchisee's consent?

No

I. Earnings

- *The Franchising Code requires a franchisor to state that to the best of its knowledge any earnings information provided is accurate unless it specifies otherwise. It is important to review this information with your accountant or business adviser.*
- *Details about earnings information can be found in items 20.1-20.4 of the Disclosure Document.*

Does the Disclosure Document include historical earnings data for the specific site/territory of the franchise business you are being offered?

No

Does the Disclosure Document include projected earnings information for the specific site/territory of the franchise business you are being offered?

No

J. What happens at the end of the franchise agreement

- *A franchise agreement may end due to expiry (non-renewal), termination or the franchise system ceasing to operate for any reason.*
- *Details about what happens at the end of the term of the franchise agreement can be found in items 18.1-18.5 of the Disclosure Document and in the franchise agreement as set out below.*

Which section or items of the franchise agreement has the details about what happens at the end of the term of the franchise agreement?

Item 4

What is the term of the franchise agreement (unless terminated earlier for any reason)?

10 Years

Does a franchisee have an option to renew the franchise agreement?

☐

Yes - subject to a new agreement

☒

Yes - subject to conditions

☐

No

Will the franchisor purchase unsold stock, marketing material, equipment and other assets?

No

Is the franchisee entitled to any compensation for goodwill in the business? *(It is optional for franchisors to respond to this question if the Key Facts Sheet is given to a prospective franchisee before 1 November 2021.)*

Goodwill is not defined in the Franchising Code. It is important you seek independent legal advice.

No

Will the franchisee be subject to any restraint of trade (or similar) clause? *(It is optional for franchisors to respond to this question if the Key Facts Sheet is given to a prospective franchisee before 1 November 2021.)*

Yes

Information in this document is current at

01-11-2022