

# Financial Planning Association of Australia Limited Annual Report 2005



FPA



# FPA Code of Ethics

## Integrity

Members shall observe high standards of honesty and integrity in conducting their financial planning business and in the provision of financial planning services.

## Objectivity

Members shall disclose to the client any limitation on their ability to provide objective financial planning services.

## Competence

Members shall provide competent financial planning services and maintain the necessary knowledge and skill to continue to do so in those areas in which the Member is engaged.

## Fairness

Members shall provide financial planning services in a manner that is fair and reasonable.

## Diligence

Members shall act with due skill, care and diligence in the provision of financial planning services.

## Professionalism

Members shall ensure their conduct does not bring discredit to the financial planning profession.

## Confidentiality

Members shall not disclose any confidential information without the specific consent of the provider of that information unless compelled to by law or as required to fulfil their legal obligations.

## Compliance

Members shall ensure their conduct complies with the Memorandum and Articles of Association of the FPA, the FPA's regulations and Professional Standards.

# Chairman's report

**For the Australian financial planning sector, the year to 30 June 2005 was characterised by continued adjustment to Financial Services Reform, impending super choice legislation and increasing expectations from both regulator and community.**

Whilst these three issues had a major influence on the agenda for the FPA and our 12,000-plus members, they did not divert us from the five strategic priorities set by the Board.

In February 2005, your Board endorsed a five point strategic focus which had been adopted a year earlier. We have worked consistently to help members increase professionalism, engage with members through the Chapter structure, generally improve communications with members, strengthen relationships with government and the regulator, and to increase awareness of the CFP® mark.

The year also saw important internal preoccupations. After posting an operating deficit in 2003/04, FPA has demonstrated a tight grip on financial management while determining that the delivery of member services would remain uppermost. I am delighted to say that we ended the year with a significant surplus, a proportion of which your Board committed to raising community awareness of the value of financial planning advice, and of the CERTIFIED FINANCIAL PLANNER™ designation.

The focus on financial management did not hold back the many policy and professional initiatives which were tackled, with notable successes.

Not only did FPA make many submissions to Government on issues of concern and relevance to our members, but our opinion and involvement was actively sought out by Government ministers and senior officials.

As the peak professional association for financial planning, representing members who are actively involved in our sector, FPA's representational power is increasingly valued by policy makers. Members have demonstrated the valuable contributions they can - and do - make to policy debates. What really counts with government when an FPA submission is on the table, is the fact that it draws on the practical experience of a broad base of practitioners who themselves are actively engaged with clients who are part of the broader Australian community.

Active member involvement and contribution have sustained the policy development of FPA committees, the breadth and depth of activity at Chapter level, and the success of FPA conferences, seminars and other events. At every level, we exist for and depend on our members.

Amongst the most significant milestones of the year were the adoption on 1 August 2004 of the FPA/IFSA Code of Practice on Alternative Forms of Remuneration and the adoption on 1 January 2005 of the Guide on Rebates and Related Payments.

These two key initiatives formed part of a wider program to improve payment and remuneration practices in the wealth management sector, on which we worked in collaboration with the Investment & Financial Services Association (IFSA).

The critically important third aspect of this overall work was focused on the development of draft Principles on Conflicts of Interest, which were released for a six month consultation period in late April 2005.

*If, as the peak professional association for financial planning, we are able to help more Australians to plan for financial independence then we will all be winners.*

Taken together, these initiatives are a demonstration of FPA members' commitment to further raising professional standards in financial planning. They are vital to Australians' ability to put their confidence in financial planners, to understanding the advice they receive and how they pay for it.

CEO Kerrie Kelly and her staff rose to the challenge of another demanding year. This time, however, they had the satisfaction of turning the 2003/04 deficit position into a healthy surplus. Moreover, they did it while continuing to deliver member services and building the reputation and professionalism of our sector on a variety of fronts. I take this opportunity to record publicly the major contribution made by all members of staff to our Association.

I was privileged to take over the Chair in November 2004 from Steve Helmich who had guided the FPA through two challenging years. It has been a stimulating and immensely enriching experience working with my Board colleagues, the executive, FPA members, and with many people inside and outside our sector.

As I prepare to step down at the AGM in November 2005, I know that the Association is in good shape. In our Chair-elect Corinna Dieters and Deputy Chair-elect Sarah Brennan, FPA has two exceptionally talented professionals - both with extensive knowledge of our sector and of the FPA.

FPA has an experienced and committed Board and management team. We have established a growing capability to represent member interests to government and the regulator. We have shown our commitment to raising professional standards.

In these and other ways FPA has demonstrated that it has the focus and strength of a leader in the financial planning sector. With members continued support we can make a real difference.



*Kathryn Greiner AO*

At the end of the financial year, the FPA Board made a commitment to introducing a broadly-based 'value of advice' campaign to promote financial planning and to encourage more people to seek professional financial advice.

If, as the peak professional association for financial planning, we are able to help more Australians to plan for financial independence and self-funded retirement then we will all be winners.

A handwritten signature in black ink that reads "Kathryn Greiner". The signature is fluid and cursive, written in a professional style.

Chairman

# CEO's report

**Financial planning has continued to be a focus of strong public, political and regulatory attention. In this environment FPA's role in voicing and supporting member interests has taken on increased and important significance.**

## Policy issues

Financial Services Reform continued to dominate the agenda for much of the year, not only in a policy and professional sense but also in terms of how financial planning is perceived in the community. At the same time, choice of superannuation fund legislation – to come into effect on 1 July 2005 – focused attention on planners' regulatory responsibilities as over four million Australians become eligible to choose where to place their superannuation funds.

Members have continued to look to the FPA to represent their interests and those of the financial planning sector. During 2004/2005 much effort has been devoted to our policy and government relations work with strong emphasis on our representational and lobbying role. High level meetings with Government, the regulator, key politicians and senior government officials have been held at the FPA's and, on occasions, the Government's instigation. At such meetings, the FPA has been represented by the CEO with practitioner members and by Board directors.

The quality of FPA's submissions and representations has met a high standard with the active guidance and direction of members. FPA's Chapters, advisory committees, Principals' forums, taskforces and working groups are particularly important in this regard, bringing a depth and geographic breadth of member knowledge and client experiences. As a result, FPA has been able to deliver well argued and substantiated submissions to Government, Treasury and the regulator.

## More effective communication with members

FPA members are the source of the FPA's direction and are its life blood and vitality. The commitment I made when I took up office in November 2003 to open up effective lines of communication has continued to be one of my major priorities.

Stronger engagement through the Chapters, one of FPA's five strategic priorities, and the Principals' forums has become a reality. The regular teleconferences I instigated with the Chapter Chairs and the Principals' Representatives have provided a forum for exchange of news, ideas and for resolution of issues as they arose. Chapter Chairs and Principals' Representatives in turn have reported back to their local groups of members to contribute ideas and raise and discuss issues directly with them.

Fortnightly updates delivered to all members via *e-news* and the monthly *Financial Planning* magazine have also been vehicles for regular communications with members, and

when the issues have warranted it, I have also communicated directly with members via email. At Chapter visits I have also provided members with briefing materials.

During the year I have been pleased to accept the invitation of Chapter / State Principals' Forums to attend, and usually address, 27 separate events. This year only Tasmania and Northern Territory were not able to be included on an itinerary which included Chapter meetings and Principals' meetings, graduation ceremonies, and a range of professional development and member networking occasions.

*FPA members are the source of the FPA's direction and are its life blood and vitality.*

Many members have committed their time and expertise to the FPA by getting involved in their local FPA Chapters, Principals' forums, technical advisory committees, taskforces and working groups. In this way the whole of the FPA and individual members have benefited from the constructive and participative membership style. FPA has been able to tap into member knowledge and experiences to develop policies and articulate issues to Government, Treasury and the regulator.

Each Chapter is a microcosm of the Association as a whole, drawing on the voluntary involvement of members. While some Chapters are very active, organising local events with a strong professional development focus, others hold more networking and social activities. Whatever their focus, the 31 Chapters are a forum for FPA members to be involved at the local level with their peers. They help to ensure that the Association delivers value and the benefits of FPA membership both to members and to local communities.

### Raising the bar of professionalism

Recognising the pivotal role that professional standards play in raising the professional bar, guiding members on appropriate behaviour and practices, and helping to instill consumer confidence in professional financial planners, the FPA has continued its work in this area.

There have been significant achievements, especially in the work of members to improve the clarity of payment and remuneration in the sector, as noted in the Chairman's report. The joint FPA/IFSA Code of Practice on Alternative Remuneration, which had been issued in late 2003 for an extended period of member consultation, was adopted on 1 August 2004. The joint FPA/IFSA Guide on Rebates and Related Payments was adopted from 1 January 2005. These two documents have already resulted in changes in practices in the financial planning sector, for example through the banning of volume related payments and the requirement to keep publicly available registers of 'soft dollar' benefits, allowing for greater



*Kerrie Kelly*

transparency to the consumer. In late April 2005, the third element of the overall work was released for consultation in the form of the FPA's draft Principles on Conflicts of Interest.

These three pieces of work have been viewed by members, politicians, the regulator and clients as very important steps towards better practice among financial planning professionals. Their significance lies not just in the raising of professional standards – crucial though that is – but in their capacity to make payment and remuneration practices more transparent and more readily understandable for consumers.

As well as setting and monitoring the observance of codes and rules, FPA provides support to members in meeting expectations of high professional standards. This year the introduction of Super Choice legislation provided a further reason for Australians to seek professional financial advice. So that FPA member practitioners should have the benefit of clear guidance on what is required of them when advising clients post 1 July 2005, FPA has been active in providing super choice business tools for member use.

FPA has also worked to raise educational standards in the financial services educator market. In January 2005, FPA established the Quality Education Assessment Committee (QEAC) comprised of professional external educators and CFP® members to offer an assessment and quality accreditation facility for entry level financial education providers.

Providing the opportunity for FPA accreditation to registered training organisations has raised the standards of financial services programs.

The FPA announced in May 2005 that it had reached an agreement with American Home Assurance Company for the provision of a professional indemnity (PI) insurance facility for FPA members which meets the requirements imposed under FPA Principal membership. The cost and availability of adequate PI insurance cover has been a serious issue for financial planning businesses in Australia for several years. Therefore the establishment of this arrangement has been an important milestone.

In 2004, FPA initiated a review of the activities and operations of its professional standards area to consider their appropriateness in the post Financial Services Reform environment. This review is on-going.

### Improving the reputation and credibility of financial planners

During the year the publication of a number of pieces of market research - including consumer sentiment research commissioned by FPA from Royal Melbourne Institute of Technology - independently confirmed a shift in perceptions of financial planners and high levels of satisfaction among users of financial advisers. Frequent users of advisers feel more informed about financial matters, are more financially secure and less worried about their finances than infrequent users and, by inference, non-users.

These are findings which support FPA members' view that their advice gives clients financial security and control over their financial affairs.

Members have increasingly expressed their views on the need to build recognition of the value of financial planning advice among Australians. The issue attracted a groundswell of interest - and a degree of passion - at the meeting of the National Principals' Forum in April 2004. Principal members strongly supported the concept of an industry-wide initiative to help raise levels of understanding - and so work began on the concept of a 'value of advice' campaign.

The collective efforts of the FPA and its members to raise professional standards and to encourage practitioners to higher levels of education, training, service and ultimately the quality of advice, only have meaning if they deliver to Australians a service that is wanted and understood - valued and of value.

By promoting the professionalism of FPA members and CFP® practitioners, consumers will naturally look to FPA members and the CFP designation when choosing a financial planner. These messages formed the basis of a significant advertising campaign centred on Financial Planning Week (23-29 May 2005) and through June in a range of national, metropolitan and regional newspapers, and online. We were pleased to see a significant uplift over this period both of calls to the FPA's Freecall number and hits on the Find a Planner service on the FPA's website.

I extend a sincere thank you to all FPA members for their continuing support and commitment to their professional association and the support and assistance they have provided to me.

I would also like to thank the management team and staff for their individual and collective commitment to FPA members and the collaborative support they provide to each other. They have been instrumental in working within tight budgetary constraints to help the FPA return to surplus whilst continuing to deliver a full range of member services.



Chief Executive Officer

The background is a monochromatic blue image. It features a close-up of a pen nib pointing towards the bottom left. In the background, there is a scale or ruler with markings and numbers. The numbers '330', '340', and '350' are visible. A large, bold letter 'M' is also present on the scale. The overall composition is clean and professional, suggesting a theme of measurement, precision, or progress.

# *The year in review*

# Year in review

## Policy and government relations

**There have been many policy, legislative and regulatory issues which have demanded attention during the year.**

In the run up to implementation of the Federal Government's Superannuation Choice legislation, superannuation issues were amongst the most compelling. Others included FSR refinements, remuneration practices and disclosure, and tax matters.

Across the board of our policy work, the direct involvement of FPA members has been a critical success factor. The strong membership base, represented by technical advisory committee members, has provided invaluable experience and perspective to the FPA's small in-house policy unit.

### Superannuation

Super Choice legislation had far-reaching implications for the policy agenda during the year. FPA made submissions on:

- Draft regulations needed to implement Choice of Fund
- Government Transition to Retirement Policy
- The need to amend portability regulations in line with Super Choice.

### Super Choice guidance

FPA worked with ASIC, and other financial services industry participants, on a range of materials to provide guidance to members and the public:

- The FPA Super Choice Business Tool has been well received by members and received favourable comment from ASIC

***Strategic priority***  
*Influencing policy issues which impact the way members do business.*

- Collaboration with ASIC on its Super Switching Q&A Guide for financial advisers
- Input to ASIC's Super Decisions brochure and the Federal Government's Super Choice website portal
- FPA published a consumer booklet *Smarter Super - Make the most of your retirement*, jointly with the Australian Bankers Association and the Investment and Financial Services Association
- Participation in swimEC, an initiative to encourage the adoption of standards to facilitate electronic transmission of financial services data, including a standard on transmission of Super Choice data which was launched in April.

Importantly, the work with ASIC on the Super Switching Q&A Guide for financial advisers was essential to ensuring that the guidance reflected the general position of the financial services industry on switching issues. The detailed comments for FPA's submissions were provided by the FPA Regulations and Superannuation committees on how regulatory obligations on super switching worked in practice. The Q&A Guide released by ASIC on 24 June to a large extent incorporated the issues raised by FPA.

The work done by the Superannuation Committee to help FPA members prepare for Super Choice - and in particular the focus members place on serving their clients' interests - should assist members to meet their obligations.

### Small super funds and defined benefit pensions

In June 2004, following vigorous lobbying by FPA and others, and a comprehensive FPA submission, the Government announced a Government-led review into the feasibility of small funds providing a defined pension without prudential and tax avoidance risks.

The review followed considerable public concern, including a submission to the Government from the FPA, about the consequences of the 2004 Budget decision to stop self-managed super funds (SMSFs) from running defined benefit pensions. The transition period, extended to 31 December 2005, allows SMSF members (as at 11 May 2004) who retire to start a complying lifetime pension.

FPA made a second submission on the issue in the period leading up to the release of a Treasury discussion paper in January 2005.

A third submission was made in March 2005, reiterating FPA member views that the perceived shortcomings of small funds offering defined benefit pensions can be overcome.

## Financial Services Reform Act

A priority for FPA is to obtain a financial services regulatory regime which balances increased disclosure to consumers with reasonable compliance costs. Strong representations have been made to Government, Treasury and ASIC reflecting FPA member concerns about the excessive prescriptiveness and rigidity of FSRA requirements, particularly in relation to Statements of Advice (SoA).

### Statements of Advice & Additional Advice

To help members with the preparation of effective Statements of Advice, FPA provided guidance to best practice in November 2004, which is currently being revised in the light of regulatory developments affecting SoAs.

ASIC's Class Order on Statements of Additional Advice (21 July 2004) went only some way to addressing FPA concerns about SoAs.

The introduction in December 2004 of new class order relief expanding the circumstances in which a SoAA can be used was welcomed by FPA for its potential to reduce duplication and paperwork.

The new class order addresses some of the practical compliance difficulties, in particular the concern of FPA members that, if previous detail could not be incorporated by reference, SoAAs would become lengthier and be of little benefit to the consumer.

### FSR refinement proposals

FPA welcomed as a good basis for discussion the FSR refinement proposals released by Government on 2 May 2005. Each of the proposals were addressed in the FPA submission to Treasury made on 3 June and have been the subject of individual and industry discussions with Government, Treasury and ASIC.

## Competitive neutrality

FPA members seek a regulatory environment which provides a level playing field for financial planners with other providers of advice in the financial services environment. There were three primary areas of focus in which FPA worked to ensure that financial planners are treated equally: further market-related advice, self managed super funds, and property investment advice.

In August 2004, FPA made an application for Class Order Relief for licensees (other than participants in licensed markets) providing further market-related advice (FMRA), given that stockbrokers already have a conditional exemption from the need to provide an SoA for this advice in time critical situations.

Where financial services are being provided, FPA has also sought to prevent any expansion of the accountants' exemption from obligations under the Corporations Act and argued against the exemption provided to accountants for SMSFs on the public policy grounds of consumer protection and competitive neutrality. The patchwork of regulation governing property investment advice in Australia threatens consumer interests and highlights regulatory inequality. It is an issue that FPA has sought to address in submissions to the Ministerial Council on Consumer Affairs (MCCA) in October 2004 and to the Inquiry into the regulation of property investment advice by the Parliamentary Joint Committee on Corporations and Financial Services (PJCCFS) in February 2005.

Members of the Regulations Committee, supported by FPA staff, gave evidence to the Inquiry on 15 April and its report, released on 23 June, endorsed FPA's request that property investment advice should be regulated nationally, recommending that it be included within the FSR regime. FPA is working to have Government adopt PJCCFS's recommendations.

Seeking to fix a similar regulatory weakness affecting finance and mortgage broking, on 28 February 2005 FPA made a submission to the MCCA inquiry into a uniform national regime for the sector. FPA argued for a national regime consistent with that governing financial services.

## Taxation

### Payroll tax

After a long campaign by FPA and IFSA to have the representative / principal relationship recognised for payroll tax purposes, the NSW Office of State Revenue (OSR) issued a ruling on 19 July

2004 exempting from payroll tax those financial planners who operate a personal services business. Subsequently, FPA has met with NSW OSR to develop a declaration to meet the evidentiary requirements for the exemption. FPA and IFSA are now making joint approaches to achieve similar exemptions in other states.

A further FPA submission to the NSW OSR has argued for revised relevant contract provisions, based on the model used in the Commonwealth's alienation of personal services income tax provisions.

This would be practical to implement and provide a basis for harmonisation across Australian jurisdictions.

### Tax advice and financial planners

On 18 May 2005, the Australian Tax Office issued a Tax Determination which allows, inter alia, financial planners to charge a fee for tax-related advice given as part of a holistic financial plan, provided that they are not acting as a taxpayer's representative and their advice is part of or incidental to another service.

The final determination confirms a draft determination made on 30 June 2004 and was a welcome outcome to long term work by FPA's Taxation Committee.

### Tax minimisation schemes

On 24 November 2004, FPA wrote to the Assistant Treasurer for assurance that FPA members who had been involved with the mass marketed tax effective investment schemes of the late 1980s and early 1990s were being treated fairly and not discriminated against compared with other groups such as tax agents.

In response the Minister confirmed that treatment was even-handed and that access to the full settlement had been provided to a significant number of financial planners who had received a fee in return for another's participation in a scheme.

### Remuneration practices

FPA has continued its engagement in a three-phase process to improve the clarity and transparency of payment and remuneration practices in financial planning, and to improve client understanding of what they pay for and how planners are remunerated.

#### Formal submissions made by the Financial Planning Association – 2004/2005

Date	Submission issue	Recipient
09/08/04	Class order relief to put FPA members on par with stockbrokers' exemption for FMRA	ASIC
20/08/04	Member issues with SoA and SoAA	ASIC
10/09/04	Dollar disclosure	ASIC
24/09/04	Secondary service providers providing an FSG	ASIC
01/10/04	Review of SMSF and defined benefit pensions	Treasury
01/10/04	Review of the Rural Financial Counselling Service	Department of Agriculture, Fisheries and Forests
25/10/04	Property investment advice	Ministerial Council on Consumer Affairs
01/12/04	Exemption for AFSLs using limited powers of attorney in order to avoid duplicated regulation of Managed Discretionary Accounts	ASIC
23/12/04	Choice of Fund regulations (1st submission)	Treasury
24/12/04	Review of Private Sector Privacy Regime	Federal Privacy Commissioner
02/02/05	Transition to retirement regulations (1st submission)	Treasury
15/02/05	Proposed IOSCO Principles on Outsourcing in Financial Services	ASIC
16/02/05	Transition to retirement regulations (2nd submission)	Treasury
18/02/05	Choice of Fund regulations (2nd submission)	Treasury
22/02/05	Commonwealth regulation of property investment advice	PJC - Corporations & Financial Services
28/02/05	Regulation of finance broking	NSW Office of Fair Trading
07/03/05	Tax exploitation schemes	Treasury
23/03/05	Review of defined benefit pensions and small super funds	Treasury
31/03/05	Incorporation by reference into SoAs and SoAAS	ASIC
22/04/05	Review of relevant contract provisions	NSW Office of State Revenue
13/05/05	Portability regulations	Treasury
03/06/05	"Finetuning" of FSR regime	Parliamentary Secretary for Financial Services

### Code on alternative remuneration

The first phase was completed on 1 August 2004 with the adoption of the FPA/IFSA Code of Practice on Alternative Forms of Remuneration in the Wealth Management Industry, which became enforceable from 1 January 2005. The FPA's National Quality Assessment Program (see page 13) is being used to confirm members are complying with the Code's obligations, in particular to maintain a publicly available register of all material alternative remuneration received.

A joint FPA/IFSA Code of Practice Committee has been set up to monitor compliance, independently chaired by Nancy Milne, a respected lawyer specialising in financial services. FPA has worked with IFSA to provide guidance to both associations' members for example on appropriate treatment under the Code for bundled and unbundled business tools, technical services, practice management and conferences.

### Guide on rebates and related payments

The second phase was completed with the adoption of the joint FPA/IFSA Guide on Rebates & Related Payments from 1 January 2005, with compliance enforceable from 1 July 2005. The Guide sets out standard definitions and summarises all of the rebate practices and disclosure requirements at different stages of the advisory and sales process.

### Conflicts of interest

FPA's work on conflicts of interest has sought not to add another layer of regulation but to distil existing obligations into a number of principles against which advisory and adviser practices can be assessed and realigned where necessary.

*The work of the committees has helped FPA gain a strong reputation with the regulator and Government for well informed and well argued contributions to policy debates.*

An FPA taskforce made up of Principal members representing small, medium-sized and large licensees developed the draft principles, which were released to members for a six month consultation period starting 27 April 2005.

In line with FPA's role as a member-based association which sets standards of professionalism, the taskforce deliberately avoided a rules-based, prescriptive approach. Given the dynamism of the financial services industry, such an approach would have quickly become outdated.

Once finalised and adopted by the FPA, the principles will provide guidance to members on conflicts of interest issues they should consider in the management of financial planning businesses. Implementation will be subject to a transitional period to take account of existing contractual relationships which may be inconsistent with the adopted Principles.

### Other policy issues

#### Adviser quality project

FPA is participating in an ASIC-led consultation panel seeking to limit the ability of unprofessional advisers (dubbed the 'bad apples' project by ASIC) to keep moving around the financial services industry. In conjunction with FPA and four other industry bodies\*, ASIC has developed a set of forms to facilitate thorough reference checking, and initiated discussions with representatives of Standards Australia with a view to incorporating this work into its wider employment screening undertakings.

\*Investment and Financial Services Association (IFSA), Securities Dealers' Investment Association (SDIA), National Insurance Brokers' Association (NIBA) and the Australian Compliance Institute (ACI)

#### Anti-Money Laundering

The adoption of an anti-money laundering (AML) regime (as part of the Government's commitment to enforce the Forty Recommendations of the international Financial Action Task Force) is likely to have significant consequences for financial planning practitioners and businesses.

During the year, along with other financial services industry groups, FPA began consultations with Government to develop draft legislation. The primary goal will be principles based legislation; implementation will be guided by notes to be agreed between industry and the regulator, AUSTRAC. FPA has made it clear to Government that the burden of the AML regime should not fall on financial planners.

### *Drawing on practitioner knowledge and experience*

Given the significant number of important issues over the past year, FPA has been fortunate in being able to call on the knowledge and experience of members of its technical advisory committees: Legislation and Regulation, Superannuation, Regulations, and Taxation. The work of the committees has helped FPA gain a strong reputation with the regulator and Government for well informed and well argued contributions to policy debates.

The opportunity was taken in March to call for expressions of interest in joining the technical advisory committees, whose work was refreshed by inviting new members and allowing those who wished to stand down.

We acknowledge the valuable contribution made by the committee chairs: Mr Mark Spiers, Ms Louise Biti, Mr Seng Wing Chong and Mr Chris Drummer. The chairmen not only run the monthly meetings of each committee, but also guide their work - particularly formulation of submissions.

### Relations with political parties

The FPA only makes payments to political parties to enable participation in events which are relevant to the interests of FPA members. During 2004/05 these were:

Name of political party	Event/function	Cost (\$)
Australian Democrats	Business & Industry Policy Forum - 27 Sept 2004	500.00
Liberal Party of Australia, NSW <sup>1</sup>	Millennium Forum participant - 2005	11,000.00
Liberal Party of Australia, NSW	Liberal Senators Budget Function - 10 May 2005	1,000.00
Liberal Party of Australia, NSW	2005 Budget Night Dinner - 10 May 2005	350.00
Progressive Business Association	State Conference - Business Observer - 21 May 2005	2,000.00
Liberal Party of Australia	Federal Council 2005 - Business Observer - 24–26 June 2005	7,500.00

The above amounts are recorded on a cash basis as per the Donor to Political parties Annual Return 04/05.

<sup>1</sup> Of the \$11,000 paid for the Millennium Forum Participant 2005, \$6,000 is recognised in the 05/06 financial year.

# Year in review

## Professional standards

The professional standing which membership of the FPA affords is based on members' obligations to deliver and maintain high standards of service to clients, technical competence and professional conduct. A major on-going focus for the FPA is to ensure that its professional standards remain at a high level, to support members in fulfilling their obligations, and to take disciplinary action against members where necessary.

In 2004, FPA initiated a review of its professional standards area, the main focus of which is to reassess FPA's professional standards and complaints handling and disciplinary system in the post Financial Services Reform (FSR) environment.

As part of this review, the FPA's Professional Standards and Ethics Committee (PSEC) was re-established in late 2004 to carry forward the work of the review.

*Strategic priority*  
*Commitment to assisting members raise their level of professionalism.*

### National Quality Assessment Program

FPA's National Quality Assessment Program (NQAP) assists members to honour their commitment to FPA's professional standards by:

- measuring adherence to FPA's standards
- reducing the risk of compliance failure
- defining systemic issues and trends to be addressed
- reassuring consumers of FPA members' integrity and commitment to high standards.

The NQAP approach also provides a tool with which FPA is able to assess applications for Principal membership, working with advisory businesses to establish whether they meet FPA codes and professional standards and to highlight areas of deficiency.

The NQAP is based on examination of Principal members' business operations through compliance visits which look at adherence to FPA professional standards, risk plans and the financial planning process. The approach is educative and pro-active, and feedback from Principal members (Australian Financial Services Licence holders) is very positive.

During the 2004/05 year, NQAP compliance visits focused on members' new requirements for the disclosure of alternative remuneration, and on the lead up to the introduction of Super Choice on 1 July 2005.

The FPA/IFSA Code of Practice on Alternative Forms of Remuneration, which was adopted from 1 August 2004, has required Principal members to review practice related to the alternative, or indirect, forms of remuneration provided to financial planners, and to ensure that such payments are properly disclosed to clients so they can assess the influence of such payments, if any, on the advice being offered.

The field team conducted 77 full NQAP field visits during the year, of which 37 were amongst existing Principal members and 40 amongst potential new Principal members. Of the latter, 37 were admitted to Principal membership.

The main issues identified amongst existing members were inadequate documentation on how business is conducted, the need for more discussion with clients about the basis for recommendations contained in Statements of Advice, and inadequate or inappropriate wording in disclaimers, particularly in smaller businesses.

In some instances, the visits highlighted the need for contingency plans to replace or change the Responsible Officer, and for more procedural assistance in compliance manuals and guidelines.

NQAP field visits were followed up with individual assessments identifying areas of non-compliance, with recommendations and suggestions as to how these should be addressed. Where necessary, they were required to rectify deficiencies within a specified period, failing which their case would be referred to the disciplinary process. All such FPA notifications were acted upon and deficiencies addressed to FPA's satisfaction.

### NQAP - Self Assessment Program

The NQAP process includes a mandatory requirement for all Principal members to lodge a Self Assessment Questionnaire (SAQ), enabling FPA to identify quickly any issues which may require remedial or supportive action.

*The NQAP approach is educative and pro-active, and feedback from Principal members is very positive.*

The 2004 SAQ was delivered electronically on 1 February 2005. The return date was extended into the first quarter of 2005/2006 following the identification of a technology problem which prevented lodgement of SAQs by some members.

### Complaints & Disciplinary Scheme

The FPA Complaints and Disciplinary Scheme (CDS) is the means by which professional standards are maintained and made visible to consumers, members and regulators.

During the year, as part of the Professional Standards review, the Scheme's regulations, procedures and operations have been reviewed and the process will be completed during 2005/06.

All aspects of CDS are being assessed against 'best practice', Australian Standards, the Corporations Act and ASIC Policy Statement 175 *Licensing: Financial Product Advisers – Conduct and Disclosure*.

Specifically, the review seeks to:

- assess CDS sanctions applied to members who contravene FPA professional standards
- create a more direct link between CDS and the FPA's work in compliance, education and policy
- streamline data analysis and reporting

### Academic misconduct

During the year, FPA received 14 complaints of academic misconduct. Four of these were judged to have 'no case to answer'. The Disciplinary Academic Policy Committee was convened to hear the remaining 10 matters, of which:

- Two students were found guilty of collusion and failed in their DFP 8 assignments
- One student was found guilty of plagiarism and failed in DFP 3 assignment
- Four students were investigated for alleged collusion in assignments (three for DFP 3, one for DFP 8) and the allegations were dismissed
- Three students were investigated for alleged plagiarism (DFP 8) and the allegations were dismissed.

### Complaints by category of members and complaints by type, 2004 - 2005

Complaints by member category	Year end June 2003	%	Year end June 2004	%	YTD June 2005	%
Non member <sup>1</sup>	16	10	26	15	17	22
Affiliate / General	23	16	50	30	28	36
Associate / Snr Associate	17	12	9	5	7	9
CFP	32	22	36	22	21	28
Principal	58	40	47	28	4	5
<b>Total</b>	<b>146</b>		<b>168</b>		<b>77</b>	
Complaints by type of complaint						
Banning orders <sup>2</sup>	8	5	17	10	7	9
FPA Non compliance <sup>3</sup>	56	39	46	28	6	8
Unsuitable advice	28	19	24	14	13	17
Non disclosure fees/risk	15	10	18	11	9	12
Ethics	21	15	57	34	29	37
Implementation	6	4	2	1	6	8
Other	12	8	4	2	7	9
<b>Total</b>	<b>146</b>		<b>168</b>		<b>77</b>	

1. The FPA investigates complaints against non member students undertaking FPA courses, and records details of non members who are banned by ASIC.

2. Records are created for FPA members subject to a banning order or licence condition, and for non-members who are banned by the regulator but who operate in areas aligned with FPA members.

3. FPA Non Compliance primarily relates to the failure by a Principal member to comply with the National Quality Assessment Program and for CFP trade marks breaches.

### Disciplinary hearings

The Disciplinary Committee was convened to hear two allegations of misconduct against CFP members. One CFP member was found to have acted unprofessionally in accepting undisclosed gifts totalling \$70,000 from an elderly client.

The member received a fine of \$2,000, required to pay costs of \$3,200 and had his CFP certification suspended for 12 months.

The other CFP member was found to have failed to provide recommendations in writing. He was fined \$5,000, required to pay costs of \$4,840, and had his CFP certification suspended for three months.

### Ethical Conduct Review Group

The Ethical Conduct Review Group (ECRG) was established as part of the review of CDS to streamline the consideration of complaints.

The Group, comprising three senior Professional Standards officers (General Manager Professional Standards, Manager Complaints and Discipline, and Senior Compliance Analyst), meets each month to consider actions for open files.

### ISO standard on financial planning

Considerable energies were invested during the year in representing members' interests with regard to the proposal from the International Standards Organisation (ISO) for the creation of an international standard on financial planning, the first to apply solely to the services sector rather than to products.

For Australian financial planning, the proposed standard, which has been developed for the global environment, has the potential to introduce a further layer of compliance and cost – over and above that of the FSR regime. FPA voted against its introduction in Australia and expressed its various concerns to the ISO Technical Committee. The Committee accepted many of the points raised and, with FPA assistance, drafted correspondence to the Chair of the ISO Technical Management Board (TMB). The International Standard was passed into Final Draft Stage in June 2005. Dependent on TMB consideration and the international affiliate vote, the standard is expected to be published in the first half of 2006.

FPA continues to engage in discussions with Standards Australia, Government and the regulator to ensure that any International Standard for financial planning is viewed in the context of regulatory and legislative policies which have placed Australia at the leading edge of professionalism in financial planning.

### External complaints resolution

During the year, major changes proposed by the Financial Industry Complaints Service (FICS) threatened to place an unreasonable financial burden on FICS members (many of whom are FPA Principal members) who request judicial review of a FICS determination. FPA urgently and forcefully took up the issue on behalf of its affected Principal members, who would have been required not only to pay their own appeal costs but also the appeal costs of the consumer and of FICS, regardless of the outcome of the judicial review.

Following consultation with FPA members and receipt of external legal advice on the proposed FICS rule changes, FPA highlighted concerns and put forward a counter proposal. FICS chose not to proceed with its proposed changes, instead deciding to impose a levy against all members of FICS if funds are required to cover appeal costs.

Subsequently, taking account of FPA members' interest in FICS procedures, FPA commenced the establishment of a Fix FICS Taskforce made up of experienced FPA practitioners and compliance experts. The inaugural meeting will take place in the first quarter of 2005/06.

### Professional indemnity insurance

In May 2005, following extensive discussions on behalf of Principal members, FPA announced that it had reached agreement with American Home Assurance Company (AHAC) for the

provision of a professional indemnity insurance facility for FPA Principal members which meets the requirements imposed under FPA Principal membership.

As part of the three year agreement AHAC, an AIG subsidiary, has undertaken to sponsor the FPA's National Quality Assessment Program with a contribution of \$60,000 in the first year. While the FPA does not recommend or endorse the insurance, Principal members should seek the advice of their insurance broker or AHAC.

### Super Choice

A particular focus of activity during the year was on providing support to members in the months leading up to the Federal Government's Super Choice legislation, which took effect on 1 July 2005. In April, FPA released a Super Choice Business Tool to help members understand and comply with their legal and fiduciary obligations when providing advice to clients who wish to switch superannuation funds. The business tool is being reviewed in the context of further guidance provided by ASIC in late June 2005, and will be subject to further development in the light of circumstances and member needs.

A seminar series supporting the Super Choice Business Tool was conducted in May 2005. A series of Super Switching seminars were under development at year end for roll out to members in early in 2005/06, with a DVD kit to be developed for use by Chapters.

# Year in review

## CFP® Certification

In a further step to strengthen CFP® certification standards, in late 2004 the Board resolved that from 1 July 2005 all candidates must complete CFP1 - Ethics, Professionalism and Compliance, irrespective of their formal education pathway to certification.

### Enrolment for CFP certification

CFP certification is awarded to individuals who have achieved the highest education qualifications, have fulfilled extensive industry experience criteria *and* are involved in continuing professional development. Candidates are eligible to enrol in the CFP Certification Assessment if they have held Authorised Representative or representative status with an Australian

Financial Services Licensee for two years and have completed one of the following education pathways:

- CFP Certification Program
- FPA approved post-graduate qualification in financial planning
- Obtained professional designation\* of CA, CPA, PNA or CFA.

\* From 1 July 2005 candidates with another professional designation seeking the CFP certification must also have a financial planning specialisation or post-graduate qualification in financial planning.

### Certification assessment

CFP certification assessment is the 'capstone' unit of the CFP Certification Program. It assesses the candidate's skills, knowledge and attitudes against the standard required for competent professional practice by a CFP practitioner. Candidates are required to complete a comprehensive financial plan, present the plan to the 'client' and complete two three-hour multiple choice question examinations.

*Strategic priority*  
*Upholding and strengthening standards for CFP certification.*

### CFP® certification assessment: enrolment and results 2004/2005

	Semester 2, 2003	Semester 2, 2004	Semester 1, 2004	Semester 1, 2005
Enrolments	102	47	89	112
Successfully completed	21.5%	40.42%	51.6%	24.32%

### Certification results in other countries

Affiliate country	Examination date	Pass rate	Examination date	Pass rate
Canada	November 2004	52.98%	June 2005	53.31%
Hong Kong	December 2004	46.10%	June 2005	45.96%
Japan	November 2004	9.7%	June 2005	9.3%
United States	November 2004	63%	March 2005	58%

### The six step financial planning process

1. *Gathering the data*

2. *Identifying the client's goals*

3. *Identifying financial issues*

4. *Preparing the financial plan*

5. *Implementing the plan*

6. *Reviewing and revising the plan*

### CFP certification renewal

During the year under review, policies and processes were put in place for an annual renewal process for CFP professionals, to take effect from the 2005/06 membership year. The requirement underlines the difference between an educational qualification which is awarded at a point in time, and a certification which requires practitioners to undertake continuing professional development and to adhere to standards of professional practice.

To continue using the CFP marks, the Board determined that CFP professionals must now meet annual renewal requirements.

In addition to their initial certification, they must formally declare that they continue to abide by the FPA Code of Ethics and Rules of Professional Conduct and that they comply with continuing professional development (CPD) requirements.

Those professionals who renew their membership in this way are eligible to apply for a Certificate of Practice for the year. Appropriately displayed, the Certificate demonstrates the individual's commitment to provide comprehensive financial planning advice. It is issued only to those who actively use their knowledge, skills and ability to provide, or directly supervise, comprehensive financial planning advice to clients in accordance with the FPA's six step financial planning process.

Combined, the annual certification renewal and Certificate of Practice will help to differentiate CFP professionals as those who have attained - and continue to maintain - the highest practitioner designation in financial planning.

### Financial Planning Standards Board assessment

As reported in the Annual Report 2004, FPA was one of the first affiliates to be assessed under the Financial Planning Standards Board (FPSB) Affiliate Assessment Program. The first two stages of the audit were completed during that year. Early in 2004/05, the process culminated in an on-site visit by the FPSB.

The FPA Assessment Report was accepted by the Financial Planning Standards Board of Directors on 22 April 2005 and no concerns were raised.

### FPSB Affiliate Assessment Program

The audit is an obligation under the FPA's international license agreement with the FPSB (formerly CFP Board of Standards).

The Affiliate Assessment Program defines the relationship between FPSB and affiliates by providing standards for the global CFP certification program and the means with which to meet the standards.

The assessment, which is expected to be conducted every three to five years, covers over 280 topic areas, which are based on internationally accepted best practice in competency and accreditation of certification standards.

It involves four stages: information gathering, analysis, feedback and decision. The final assessment identifies areas in which the affiliate can benefit from training or assistance, as well as those where performance is up to or above defined standards.

# Year in review

## Professional education

### CFP® Certification Program

On 1 January 2005, the CFP education program and the CFP certification assessment process were brought together under the CFP Certification Program.

The Program is a three-stage model:

- CFP 1: a compulsory foundation unit covering ethics, professionalism and compliance
- CFP 2, 3 & 4: three technical units which examine the development of strategies for clients beyond the minimum knowledge and skills stipulated by PS146. Exemptions may be granted for equivalent approved post-graduate studies in financial planning or transcript review process, and for allied professionals who have completed specialist financial planning studies.
- CFP 5: a compulsory integrative unit, CFP Certification Assessment. This 'capstone' unit assesses the skills and knowledge standard required by CFP practitioners.

The new model has brought the FPA into line with other professional bodies and supports the recognition of financial planning as a profession.

Statistics have shown that graduates of the CFP Certification Program's education units have a good success rate in undertaking the CFP certification assessment (see page 17).

#### Greater flexibility

The introduction of Winter School for CFP 4 (Platinum) enabled students to complete studies in time for Semester 2 entrance to the CFP Certification Assessment unit.

*Strategic focus  
Development and  
preparation of  
candidates for CFP®  
certification assessment,  
continuing professional  
development for all  
members, and standards  
setting for entry level  
financial planning  
education.*

From 2006 there will be more flexibility in enrolment periods, increasingly allowing students to move through the program at a pace to suit their individual needs.

#### Program delivery

FPA outsources the instructional design and logistical supply of the CFP Certification Program. With the cessation of the contract with Deakin Prime on 31 December 2004, a new arrangement was entered into with the Securities Institute of Australia.

#### Transition to degree entry

Anticipating the introduction of an undergraduate degree as a requirement for entering the CFP Certification Program from 1 January 2007, in April 2005 the FPA Board approved transition arrangements for those without an undergraduate degree who are currently studying for CFP certification. These candidates will be eligible provided they have three years' approved experience by semester 2, 2006; they start the CFP Certification Program before the end of 2006 and satisfy all the requirements for certification before the end of 2008.

These transitional arrangements are designed to support aspiring CFP certificants who have started financial planning studies and to encourage those already employed in financial planning to pursue CFP certification (especially where promotion is directly aligned to certification).

#### Continuing Professional Development

CPD is provided to members via a range of seminars, workshops and online modules. During the year there were several notable developments:

### Seminars and workshops

FPA organised seminars on topical subjects such as Super Choice, Self-Managed Super Funds and Super Switching, with events held in a number of state capitals for approximately 550 participants.

### CPD Online

During the year, some 300 members and non-members registered to undertake on-line CPD modules. These included new online CPD Professional Accredited Literature and an online module in Self-Managed Superannuation Funds which offered complete accredited courses designed to meet the specialist knowledge requirements of ASIC Policy Statement 146 (PS 146).

### CPD Professional Accredited Literature

Launched in April 2005, CPD Professional Accredited Literature (PAL) is an online reading program covering a range of

specialist and generic knowledge areas, with particular focus on practice management and ethics. Four articles are provided on the first Monday of each month, each accredited for CPD points.

Member participation is developing well and feedback has been positive.

### Accredited CPD Register

FPA undertakes accreditation of CPD events and activities designed and conducted by external providers, listing all accredited events on the Accredited CPD Register. By establishing CPD accreditation standards and requirements, FPA aims to foster consistent standards of education and training in financial planning and related subjects. During the year the facility to accredit their own CPD activities proved popular both with FPA Principal members and Chapters. An audit process was put in place to ensure that such activities meet FPA standards and requirements.

### Auditing CPD among CFP practitioners

Between September and November 2004, FPA conducted a random audit of CPD attainment among CFP practitioners, who are required to gain 120 CPD points over a three year period. Over 280 practitioners were required to submit a copy of their CPD register together with their annual training plan. The results were encouraging, with an overwhelming majority meeting (and in many cases exceeding) the CPD points required. However, 33% were partially compliant, failing to submit an appropriate training plan together with their CPD register, although they had attained the required number of hours. A further audit will be conducted in the first half 2006.

### Quality Education Accreditation

In January 2005, FPA introduced Quality Education Accreditation for entry level education providers. Under the scheme, registered training organisations have the opportunity to have their financial planning courses assessed and quality accredited. Several applications have been considered by the QEA Committee. Two institutions were successfully accredited, the Securities Institute of Australia, and the Australia and New Zealand Institute of Insurance and Finance.

### Transition arrangements for FPA entry level students

In 2004/05, FPA only offered students one semester - semester 2, 2004 - of DFS/ADFS educational courses. FPA then exited from entry level financial planning education delivery, making transitional arrangements for current students which were established with Tribeca Learning, taking effect 1 January 2005. During the financial year, 761 students took advantage of the transitional arrangements.

### Components of the FPA Accredited Education Register

#### 1. Entry pathways to CFP Certification Program

Completion of a course listed as an entry pathway enables a candidate to commence the Program

#### 2. Advanced Standing Pathways to CFP Certification Program

Completion of a course listed as an advanced standing pathway enables a candidate to apply for advanced standing for the technical units (CFP 2, 3 and 4) of the Program.

#### 3. FPA Quality Education Accreditation Register

This register lists those organisations whose entry level education programs have been accredited by the FPA.

#### 4. Accredited CPD Register

Events listed in the Accredited CPD Register are those that have been formally accredited by FPA since January 2005 when standards for CPD accreditation were raised. Accreditation is for a one year period.

# Year in review

## Corporate communications

Central to the FPA's work in the community are two initiatives which seek to raise the awareness of Australians about the value of financial planning advice: **Financial Planning Week** and **Dollarsmart**, a financial toolkit for young Australians.

From 23-29 May 2005, Financial Planning Week provided the focus for Chapter activities, advertising and media relations work – all with the aim of getting Australians to think about their financial goals and to recognise the need to plan for future financial security and peace of mind.

FPA Chapters around Australia organised activities to encourage Australians to improve their financial knowledge and take an active interest in their finances. For example:

- A Financial Planning Career expo in Sydney
- Presentations of *Dollarsmart*, a financial toolkit for young Australians, to schools (In Mackay alone, presentations to 10 schools reached more than 1,000 Year 11 students)
- A client breakfast seminar entitled 'The Great Debate - Property versus Shares', held by the Toowoomba Chapter
- An evening event held by the FPA Mid-North Chapter featuring an investment seminar
- A variety of client, member and student seminars and networking events in Adelaide, Brisbane, Perth, Hobart and Albury.

**Strategic priority**  
*Building awareness and reputation.*

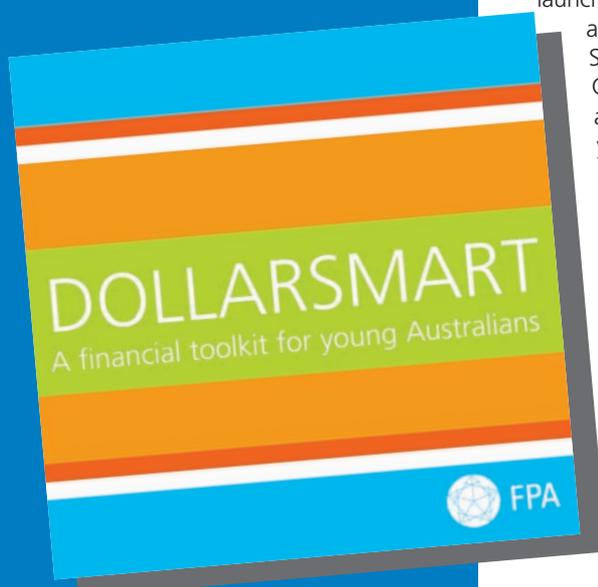
Many Chapters used local newspapers and radio to spread the message about the value of financial planning advice. Articles and media releases on subjects of direct relevance to consumers were distributed to Chapters for adaptation and local placement. Advertisements were placed in local newspapers throughout Australia, as well as in national and metropolitan titles (see page 23).

*Dollarsmart*, a financial toolkit for young Australians, continued to be a popular resource for helping young people learn about handling money and planning for the future.

Many FPA members took the initiative to set up presentations and lessons for local schools, using the *Dollarsmart* CD rom as the basis for discussions and exercises on budgeting, saving, managing debt, and setting financial goals.

FPA continued its agreement with McGraw-Hill Education for the distribution of *Dollarsmart* with the market-leading text book, *Commerce in Action*. In September 2004, FPA and McGraw-Hill launched the new Year 9 textbook with a presentation at the Library of New South Wales, addressed by FPA Chair Kathryn Greiner AO and the authors of the book. During the year, Book 2 of *Commerce in Action* (Year 10) was put into production for release in late 2005. Distribution of Book 1 has exceeded 2,500 copies to schools across New South Wales, Queensland and Victoria.

A further 20,000 *Dollarsmart* disks were produced during the year, newly packaged with a bright, contemporary cover design.



## Media relations

An active contact program with trade and personal financial journalists was an important part of overall activity, helping to develop better understanding of FPA positions on issues of relevance to our sector and greater awareness of FPA programs resulting in some positive media coverage. Throughout the year, the FPA received and responded to approximately 30 media enquiries each month, and initiated many more contacts.

Providing tools and advice to help FPA Chapters in building local media presence has also been a focus. Chapter Chairs, with Board directors gathered for a working breakfast during the 2004 Annual Convention, focusing the role of FPA office holders as 'brand ambassadors'. A number of media releases were distributed to Chapters during the year for their adaptation and local placement.

## CFP practitioners in the press

During the year, FPA has continued to facilitate the contribution of regular Q&A columns in six major metropolitan newspapers. By providing general advice in response to readers' questions, the CFP members involved help to demonstrate the value of advice and the importance of seeking professional help. The table below gives details.

Promotion of CFP® practitioners in the media		
Newspaper	FPA members who have contributed	Average columns published in year
<i>Adelaide Advertiser</i> , 'Money' (SA)	16 SA-based CFP practitioners	39
<i>Daily Telegraph</i> , 'Money & You' (NSW)	24 NSW-based CFP practitioners	47
<i>Herald Sun</i> , 'Money' (VIC)	18 Vic-based CFP practitioners	36
<i>Hobart Mercury/Sunday Tasmanian</i> , 'Money' (TAS)	15 Tas-based CFP practitioners	33
<i>Sunday Telegraph</i> , 'Your Money' (NSW)	21 NSW-based CFP practitioners	37
<i>West Australian</i> , 'Business News' (WA)	2 WA-based CFP practitioners	2

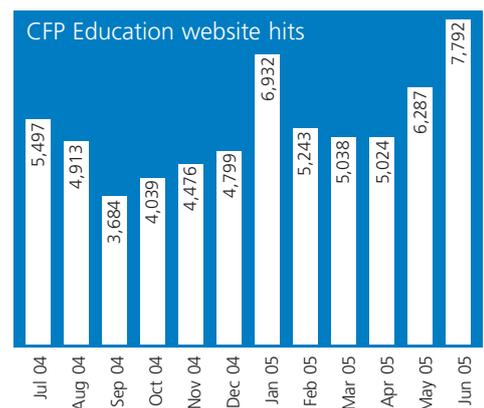
## Channels for communication

*Financial Planning* magazine, FPA's official publication, increased its focus on in-depth coverage of professional technical and practice management subjects which further the professional development needs of members. Research conducted by McNair Ingenuity Research in September–October 2004 demonstrated the magazine's strong value proposition, with respondents ranking *Financial Planning* alongside *Money Management* and *Asset* magazine on many measures.

The FPA commenced a redevelopment project for the FPA website ([www.fpa.asn.au](http://www.fpa.asn.au)), aimed at improving its accessibility, ease of use and functionality. Considerable work was done during the second half of the financial year, and the live testing of the new site will take place later in 2005.



The Find a Planner web service was by far the most frequently visited section of the FPA website during 2004/05. The second most used pages on the website were for the CFP Education Program.



Member *e-news* continued to be distributed every second week to keep members in touch with financial planning sector related news, policy development, education and training information, and through which to seek members' feedback.

## Research

For the third successive year, the Royal Melbourne Institute of Technology was contracted by FPA to undertake two major pieces of research among Principal

members (Industry Structure and Professional Practice) and a third research study among consumers. For the first time in 2004, the Consumer Sentiment survey was expanded to include 400 respondents who had never sought financial advice, as well as 400 who already have a financial planner. The approach provided interesting findings, which were launched to the media in January 2005 and attracted significant coverage (see table below).

### Findings from Consumer Sentiment research

#### Non-users of advice

- Half say it is worth seeking advice with less than \$50k to invest
- Most people don't seek advice because they 'don't need it' or have 'too little money'
- Most say they will go to a financial planner if they seek advice
- Far more young people intend to use advisers than retirees
- 7 in 10 think of financial planners as professionals

#### Users of advice

- Use of financial planners has increased at the expense of other advisers
- Increasing trend for employed people to go to financial planners
- More than half asked family and friends to recommend an adviser
- 4 in 5 are satisfied or very satisfied with advice
- 40% believe advice is 'free'

A further research study, on fees and remuneration practices in financial planning was commissioned from Rice Walker Actuaries in May 2005 and will be undertaken in late 2005.

### Advertising

As financial resources allowed, FPA selectively placed advertisements (see above) during the year in metropolitan and regional newspapers. These were focussed

on how to find a professional financial planner and CERTIFIED FINANCIAL PLANNER™.

Towards the end of the financial year, the Board committed funds of \$562,000 for advertising during Financial Planning Week in May and throughout June. The four advertisements were developed and a media plan drawn up across national, metropolitan and regional newspaper titles and with several leading online news providers. All advertisements directed consumers to the FPA's web-based Find a Planner service and to the

consumer freecall line. The result was a significant up-lift in website hits for Find a Planner (see graph on page 22) and a rise in calls to the consumer freecall line to 250 during Financial Planning Week, up from 157 in the previous week.

During the year, FPA also committed substantial funding towards a new Value of Advice marketing campaign. With additional funds committed by a number of FPA Principal members, development work was initiated in June 2005 with a view to launching the campaign in October 2005.

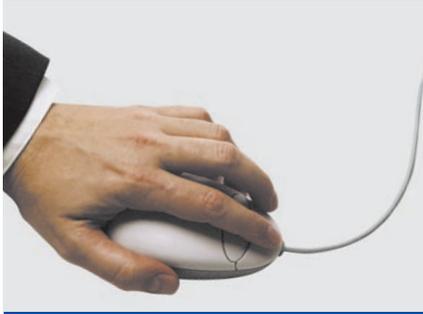


**Where do you start looking for a professional financial planner?**

Discover our Find a Planner service. Click on [www.fpa.asn.au](http://www.fpa.asn.au) or call freephone 1800 626 393.

Wherever it is that you're going, you'll get there faster with a plan designed specifically to hit your goals. At the Financial Planning Association, our practitioner members work to high standards of ethics and professional conduct, and undertake continuing professional development.

Financial Planning Association of Australia

**Now you can really click with your financial planner.**

Find yourself a financial planner on our Find a Planner service at [www.fpa.asn.au](http://www.fpa.asn.au) or call freephone 1800 626 393.

Wherever it is that you're going, you'll get there faster with a plan designed specifically to hit your goals. Choose a professional financial planner who is a member of the Financial Planning Association. FPA practitioner members work to high standards of ethics and professional conduct and undertake continuing professional development.

Financial Planning Association of Australia




**He knows very little about wealth management. Or investment strategies. Or retirement planning.**

**He doesn't need to. That's the job of his CFP® adviser.**

Make sure you've got a CERTIFIED FINANCIAL PLANNER™ to help you look after your money. CFP is the international standard of excellence for professional financial planners. To find your CFP adviser, phone the Financial Planning Association on freecall 1800 626 393 or Find a Planner at [www.fpa.asn.au](http://www.fpa.asn.au).

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Financial Planning Association of Australia



# Year in review

## The member interface

The FPA's 31 Chapters provide the framework through which all members can engage with their professional association. Through them, members have access to professional development, networking activities, a channel for communication, and become directly involved with their Association's work.

The Chapters are a vital link in the transfer of information, advice and feedback between the national office and individual members.

Communication has been considerably strengthened during the year through monthly teleconference meetings between all Chapter Chairs and FPA senior managers, often also with the participation of Board directors. The teleconferences serve as a channel for progress reports from the FPA executive and for the discussion of a wide range of issues of relevance to Chapters.

CEO Kerrie Kelly has continued her active program of Chapter / State Principal Forum visits, making 27 during the year and using these well-attended meetings to update members on FPA work in lobbying, submissions, policy development, education and professional development.

During the year, more than 280 networking, professional development and community events have been organised by FPA Chapter committees, with the support of State Executive Officers (SEOs) – FPA staff - in Adelaide, Brisbane, Hobart, Melbourne, Perth and Sydney.

### Member Events 2004/2005

FPA members gathered on many occasions during the year for professional development, business networking and community activities.

Chapters	Professional development	Business networking	Community activities
ACT	0	10	2
Albury-Wodonga	8	0	1
Ballarat	1	1	0
Bendigo	11	11	0
Brisbane	19	7	2
Cairns	0	9	1
Central QLD	0	1	0
Central Murray	0	0	0
Darling Downs	0	2	1
Far North Coast	0	3	0
Geelong	10	2	0
Gippsland	3	0	0
Gold Coast	0	5	1
Goulburn Valley	4	0	0
Hobart	10	2	0
Mackay	0	4	1
Melbourne	6	5	0
Mid North Coast	0	6	0
New England	0	11	1
Newcastle	0	12	1
Northern Tasmania	12	1	0
Northern Territory	0	0	0
Riverina	0	8	0
Rockhampton	0	0	0
SA	4	6	2
SE Melbourne	5	1	0
Sunraysia	4	0	0
Sunshine Coast	0	5	2
Sydney	31	5	1
Townsville	0	1	0
WA	4	7	1
Western Division	0	5	0
Wide Bay	0	1	1
Wollongong	0	2	0
<b>Total</b>	<b>132</b>	<b>133</b>	<b>18</b>

Following the recruitment of a new FPA National Chapter Manager in January 2005, particular attention has been given to the interaction between SEOs, their Chapter Chairs and the national office. At the same time there has been a focus on streamlining and co-ordinating Chapter policies, activities and procedures. Notably:

- Budget planning and financial controls have been reviewed and fine-tuned, with the support of FPA's finance unit. Guidelines and reporting mechanisms have been established to help Chapters to meet their budgetary obligations and to aid the reduction and ultimate elimination of Chapter deficits.
- The planning and implementation of Chapter events has increased in consistency and professionalism, with the establishment of clearer guidelines. A revised central Chapter events calendar was set up via the SEOs to ensure timely updating of the FPA website and dissemination of information to the Board and management. Clear procedures were established for all Chapter activities and events, especially in relation to review of contractual obligations.
- With the support of FPA's Education unit, professional development activities have been made compliant. The CPD accreditation requirements of all Chapters were outlined, procedures established and registers set up.

## Principal members

Communications with and among Principal members have taken place both through National Principals' Forums, held in October 2004 in Sydney and in May 2005 in Canberra, and through regular teleconference meetings of the Principals' Representative Forum.

### CEO Kerrie Kelly Chapter / State Principal Forum visits 2004/2005

9 July 2004	Newcastle Chapter
19 July	Perth Principals' Meeting
23 July	Wide Bay Chapter
29 July	Gippsland Chapter
19 August	Melbourne Chapter focus group
7 September	Albury/Wodonga Chapter
7 September	Goulburn Valley Chapter
21 September	Brisbane Principal members' meeting
22 September	Gold Coast Chapter
20 October	Wollongong Chapter
8 November	Sydney Chapter
9 November	ACT Chapter
10 November	SA Chapter
19 November	Cairns Chapter
17 January 2005	Sydney Chapter
16 February	Newcastle Chapter
17 February	Mid North Coast Chapter Port Macquarie
17 February	Mid North Coast Chapter Coffs Harbour
18 February	Far North Coast Chapter
24 February	Ballarat Chapter
24 February	Bendigo Chapter
28 February	Sydney Chapter
11 March	Brisbane Chapter Committee
11 March	Queensland State Conference
16 March	South East Melbourne Chapter
19 April	SA Principals' Meeting
19 April	SA Graduation Ceremony

The format for the National Principals' Forums (which had been introduced in November 2003) is now well established. Given the large proportion of Principal member delegates who are CFP® practitioners, the second day of the two day event in May was opened up to those attending the CFP Conference.

Both the October and May Forums attracted a broad cross section of Principal members, both major institutionally-owned AFS licensees, and small independently-owned ones. A mix of technical and practice management sessions were offered, combined with open forum discussion of a range of issues relevant to the successful operation and growth of advisory businesses.

The Principals' Representative Forum, which had met for the first time in April 2004, gathered momentum. With each State's Principal members represented by two elected representatives, the Forum met regularly by teleconference, and in person during the National Principals' Forum conferences.

The exchange of views between Principal members and with the FPA executive has been welcomed, and State representatives have subsequently reported back to their local membership, providing an important communication channel for all.

## CFP® practitioners

The successful CFP Retreat, first held in Adelaide in November 2003, was held once more alongside the FPA Annual Convention & Expo - this time in early December 2004 in Sydney. Delegates have responded positively to the opportunity to meet in a more intimate and focused environment than that which is offered by the Convention itself.

# Year in review

## The member interface

### National & State events 2004 / 2005

National and State events	Location	Date
National Principals' Forum	Sydney	6-7 October 2004
Annual Convention & Expo	Sydney	1-3 December 2004
Queensland State Conference	Brisbane	10-11 March 2005
National Principals' Forum & CFP® Retreat	Canberra	18-20 May 2005

In Sydney they benefited from in-depth sessions with several of the Convention's prominent plenary speakers.

At the same time, they were able to update and supplement their professional learning with a range of technical sessions.

A second CFP Conference was held in May, back-to-back with the National Principals' Forum in Canberra, when a highlight was the dinner at Old Parliament House when Hon Mal Brough, Assistant Treasurer and Minister for Revenue, made a compelling address to over 140 delegates.

### FPA Annual Convention & Expo 2004

The Annual Convention returned to the Sydney Exhibition and Convention Centre, where over 2,000 delegates joined for what is the established financial planning gathering of the year in Australia.

Three pre-Convention workshops focused on Compliance and the special interests of Paraplanners and Salaried Planners, in addition to the CFP Retreat mentioned above, and were rated highly by delegates.

The Expo attracted support in excess of budgeted revenues, including 18 first time exhibitors and five Gold sponsors. Overall, the Convention and Expo was a financial success, contributing substantially to FPA's operational surplus for the year.

Importantly, concerted efforts to maximise the number of practitioner delegates helped us achieve 59% of total delegates, compared with 53% in 2003. Fifty eight per cent of delegates were from New South Wales, 23% from Victoria, and 10% from Queensland, with the remaining 9% accounted for by other states. Seventy six per cent had attended earlier FPA Conventions, while 24% were there for the first time.

# Year in review

## Membership

### "FPA membership is a badge both of good intention and good practice"

*Kerrie Kelly  
December 2004*

Total membership for the 2004/05 financial year was 12,230 compared with 13,765 in 2003/04. The total continued to reflect the adjustment which has taken place in the financial planning sector with the introduction of Financial Services Reform (FSR), together with the FPA's strategic direction.

The most significant change was a decline in General members to 4,199 from 5,571 in the previous year. This is largely accounted for by the FPA's withdrawal from entry level financial planning education with fewer students now seeking membership. At the same time, those General members who are financial planners are moving across to FPA's practitioner member categories.

The number of new CERTIFIED FINANCIAL PLANNER members increased by 326 in 2004/05. Some CFP practitioners did not renew their membership for a variety of reasons including taking retirement, temporary leave of absence and the sale of financial planning businesses. Consequently, the net increase in CFP members during the year was 59, to 5,472.

Principal members continue to track upwards, reaching 605 during the year, compared with 584 in the previous year. Thirty seven new Principal members were accepted while 16 ceased membership.

During the year, FPA welcomed 495 new individual members and effected 422 membership upgrades from one category of membership to another with higher requirements.

#### FPA Fellows

In 2004/05 the FPA Board awarded the prestigious designation of Fellow to eight FPA members. Each recipient has been a FPA member for a minimum of 8 years and has at least 10 years' experience in a senior position in the financial planning community.

NSW	Julie Berry CFP® Sarah Brennan Surendra Pather CFP® Nigel Stewart AFPA (Snr)
VIC	Kevin Bailey CFP® Christine Davie CFP® Corinna Dieters
QLD	Dean Stokes

### Categories of FPA practitioner membership

#### Principal

Open to individuals and companies who hold an AFS licence to give personal financial planning advice to retail clients. Principal members are considered leaders in the financial planning sector in terms of ethical standards and compliance best practice.

#### CFP®

CFP practitioner membership is reserved for those professionals who have achieved CFP accreditation through a combination of educational qualification, industry experience and ethical practice. The CFP mark is an internationally recognised practitioner certification and a symbol of the premier level of professionalism in financial planning. A CFP member must be an Authorised Representative or a representative of a Principal member.

#### Associate

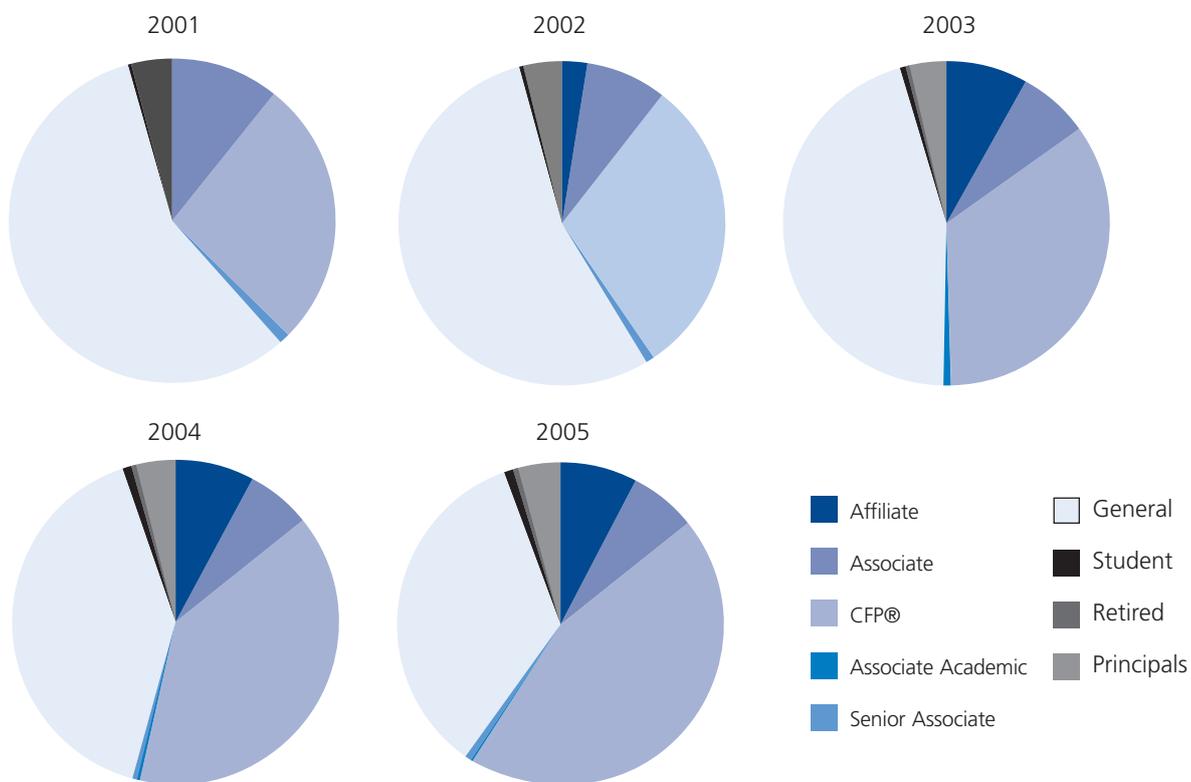
Open to practitioners who hold a Diploma of Financial Planning (or equivalent) and have two years' experience in the provision of comprehensive financial advice.

#### Affiliate

Open to practitioners who satisfy the requirements of ASIC Policy Statement 146 and have one years' experience.

## Year in review

### Composition of membership base



Trend for membership categories of FPA					
Category	2001	2002	2003	2004	2005
Affiliate	–	362	1,166	1,074	927
Associate	1,410	1,170	1,016	881	806
CFP®	3,527	4,311	4,970	5,413	5,472
Associate Academic	–	–	3	4	6
Senior Associate	140	121	106	95	78
General	7,554	7,958	6,509	5,571	4,199
Student	45	62	85	124	113
Retired	–	–	11	19	24
Principals	534	554	569	584	605
<b>Total</b>	<b>13,210</b>	<b>14,538</b>	<b>14,438</b>	<b>13,765</b>	<b>12,230</b>



*Committees  
and task forces*

# Committees and task forces

## The work achieved in the 2003/04 financial year by FPA committees and task forces was further built on in 2004/05.

The membership of the technical advisory committees was refreshed early in 2005, giving some members the opportunity to stand down and others the chance to become involved.

Importantly, two committees were established, reflecting the growing contribution of FPA members to the policy development and work of the Association. These were:

- Professional Standards & Ethics Committee, chaired by Ian Heraud CFP®
- Strategic Marketing Committee, chaired by George Haramis

In addition, the specialised Quality Education Accreditation Committee, chaired by Dr John Teale was also established as a sub committee of the Professional Standards & Ethics Committee. The five-member Committee is made up of senior academics and financial planning practitioners and is responsible for the accreditation process and assessment.

A number of task forces, set up by the principal technical committees, continued to make an active contribution to policy development. Notable among these were taskforces looking at Statements of Advice and the development of draft Principles on Conflicts of Interest.

## Legislation and Regulation Committee

Mark Spiers CFP Chair  
BT Financial Group

Louise Biti CFP  
Asteron

Sarah Brennan  
Brennan Partners

Stephen Bruce  
AMP Financial Planning

Seng Wing Chong  
AMP

Ian Donaldson CFP  
Donaldson Financial Planning

Chris Drummer  
MLC, then MBF

David Goodliffe  
AMP Financial Planning

Tim Gunning  
Commonwealth Financial Planning

Alison Henderson CFP  
Symes Warne & Associates

David Middleton CFP  
Prescott Consultants

Peter O'Toole CFP  
Godfrey Pembroke

Deborah Potts  
Westpac

Colin Scully CFP

Dane Waldron CFP  
Investor Financial Planning

## Regulations Committee

Seng Wing Chong Chair  
AMP

Corinna Dieters  
HLB Mann Judd Consulting

David Holloway CFP  
Wize Investment

Sean Graham  
CBA



Julie Matheson CFP  
Sovereign Bridge

Tony Rush CFP  
Balance Financial Planning

David Squire  
MLC

Michael Summers CFP  
Australian Investment & Financial Planners

Brett Walker  
FSI Consulting

Jenifer Wells  
ING

## Taxation Committee

Chris Drummer Chair  
MLC, then MBF

Peter Bobbin  
Argyle Lawyers

Allan Butson  
Financial Wisdom

Seng Wing Chong  
AMP

Jeremy Rankin  
CBA

Colin Scully CFP

Stephanie Tee  
AMP

## Superannuation Committee

Louise Biti CFP Chair  
Asteron

Peggy Barker CFP  
Barker Wealth Management Group

Jennifer Brookhouse CFP  
ING

Paul Brown  
Professional Investment Services

Todd Burrows CFP  
AMP Financial Planning

Chris Davies  
CBA, then BT



Lyn Heaysman  
Financial Wisdom

Glenese Keavney CFP  
Centrestone

Nathan Krieg CFP  
AMP Financial Planning

Michael Langtry CFP  
AMP Financial Planning

Wayne Lear CFP  
Guardian Financial Planning

Mark Lowe CFP  
Tandem Financial Advice

Warren McKeown CFP  
RMIT Education

Carly O'Keefe  
Tower

Adam Patching CFP  
UBS

Keith Powell CFP  
Powell Capel

Ken Robinson  
Primary

Paul Sarkis  
MLC

### Professional Standards & Ethics Committee

Ian Heraud CFP Chair  
Heraud Harrison

Julie Berry CFP  
Bridges Financial Services

Sean Graham  
CBA

David Haintz CFP  
Haintz Financial Services

Andrew Heaven CFP  
WealthPartners Financial Solutions

John Hendrie CFP  
Hendrie Financial Planning

Leonie Henry CFP  
Henry Financial Group

Dan Hogan  
Westpac



Adrian Hondros  
MLC

Sally Manion CFP  
ipac securities

Chris Morcom CFP  
Hewison & Associates

Colin Scully CFP  
Aon

### Strategic Marketing Committee

George Haramis Chair  
RetireInvest

Julie Berry CFP  
Bridges Financial Services

Nick Bruining CFP  
N C Bruining & Associates

Steven Helmich  
AMP Financial Planning

Alan Merten  
ClearView Retirement Solutions

Jim Pritchitt  
Business Publicity



### CFP® Certification Committee

Ian Gillies CFP Chair  
UBS Private  
Clients Australia

John Jefferies CFP  
AXA Financial Planning

Margaret Klova CFP  
Heraud Harrison

Angela Manning CFP  
Goldman Sachs JB Were

Neil McMillan CFP  
Prime Time Financial Counsellors



### Quality Education Accreditation Committee

Dr John Teale Chair  
University of  
Sunshine Coast

George Flack CFP  
RetireInvest

Neil McMillan CFP  
Prime Time Financial Counsellors

Jenny Rolfe CFP  
University of Canberra

Sharon Taylor  
University of Western Sydney



### Statement of Advice Taskforce

Corinna Dieters Chair  
HLB Mann Consulting

Annette Donselaar  
National Australia Bank

Rick Huxtable CFP  
Investment Planning Services

Adrian Judd  
Australian Investment  
and Financial Planners

Margaret Mote  
Bongiorno

### Conflict of Interest Taskforce

Sarah Brennan  
Brennan Partners

Guyon Cates  
ANZ

Rob Coombe  
BT Financial Group

Paul Cullen CFP  
St George

Ian Donaldson CFP  
Boutique Dealers Group

Grahame Evans  
Professional Investment

Mike Goodall  
ANZ

# Year in review

## Committees and task forces

Justin Greiner  
BT Financial Group

Tim Gunning  
Commonwealth Financial Planning

John Hewison CFP  
Hewison & Associates

Kate Humphries  
FS Partners

Barry Lambert  
Count Wealth

Matt Lawler  
MLC

Matt Lobdell  
Suncorp

Ray Miles CFP  
Associated Planners Financial Services

Robert Organ  
AMP

Grant Potter  
ANZ

Geoff Rimmer  
Financial Services Partners

Steve Thomson  
ING

Andrew Waddell  
AXA Financial Planning

Sean West  
Sealcorp

### DFP 8/FPA 8 Taskforce

Phillip Osborne CFP Chair  
Raine and Horne Financial Planning

Keat Chew  
AXA Financial Planning

Angela Manning CFP  
Goldman Sachs JB Were

Scott McKenzie CFP  
Dunn McKenzie & Associates

Carolyn Mooney  
Taxpayers Australia

David Murray CFP  
FMD Financial

Lenore Plummer CFP  
RetireInvest

### CFP1 – Ethics, Professionalism & Compliance

Julian Battistella CFP Chair  
Wilson HTM

Brendan Grabau  
Brendan J Grabau and Associates

Prue Pierce-Howard CFP  
Trust Company of Australia

Ivan Rados CFP  
FMD Financial

Ragnhild Sky CFP  
Sealcorp Holdings

Michelle Tate-Lovely CFP  
Unified Financial Services

Chandar Varadhan CFP  
CBA

Germana Venturini  
Investor Group

### CFP2 – Applied Strategies 1

Nidal Danoun CFP Chair  
Prosperity Financial Services

Damian Cullen CFP  
Cullen Financial Planning

Andrew Jones CFP  
Watson Wyatt Australia

John McNeil  
Pinnacle Wealth Management

### CFP3 – Applied Strategies 2

Alex Wong CFP Chair  
Alex Wong and Associates

John Buttfield CFP  
Proctor Willaws

Mirko Cugura CFP  
RetireCare

Luke Eres CFP  
RetireCare

Grace Gao CFP  
Macquarie Bank

Frank McCall CFP  
HN Financial Services

Carolynne Wawrzyniak CFP  
Mercer Wealth Solutions

### CFP4 – Investment Strategies

Surendra Pather CFP Chair  
Masu Financial Management

Craig Aspinall CFP  
Grange Securities

Graeme Colley  
ING

Nidal Danoun CFP  
Prosperity Financial Services

Nerida Law  
ipac securities



# *Financial statements*

*Year ended 30 June 2005*

# Directors' report

Your directors submit their report for the year ended 30 June 2005. The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Leonie Henry, David Elsum AM (behind), Ray Miles (in front) and Kerrie Kelly

## Directors

### Kathryn Greiner AO

BSW (NSW) (Non-Executive Chairman)

Kathryn was an elected Councillor to the City of Sydney Council from 1995 until her retirement in March 2004. Her current advisory positions include Chair of Velocity Pty Limited, Advisory Council Member, LEK Consulting; and Council Member, Bond University. She has wide experience as a board member of both public and private companies. Her non-profit board positions include Chair, Salvation Army 1998-2001 Sydney Red Shield Appeals; former Chair of Sydney Peace Prize Foundation; and a Member of the International Council of The Asia Society.

### Steven Helmich

Dip FP, SIA (Aff), ANZIF (Non Executive Chairman - retired 30 November 2004, not photographed)

Steve has had over 30 years experience in the Financial Services industry. He is currently a Director of the Advice Based Distribution at the AMP.

### Kerrie Kelly

CLE, MAICD (Director and Chief Executive Officer)

Kerrie is a lawyer who has held senior positions in the public and private sectors working in the fields of banking and finance, manufacturing and transport. Positions previously held include General Counsel, ANZ Trustees; Senior Manager Strategic Planning, ANZ Retail Banking Group; Director Corporate Secretariat, NSW Roads and Traffic Authority; National Director Trustee Corporations Association of Australia; and, Executive National Corporate Actions, ASX Perpetual Registrars.

### Dominic Alafaci

CFP, B.Ec., B.Bus (Acc.), CPA, FPPA

Dominic was a member of the Australian Society of Investment and Financial Advisors, a predecessor to the FPA. He has sat on the FPA Audit Committee as well as other State Council and FPA committees. He represents the FPA in his role as a director of FICS. Dominic has held many senior roles as a practitioner and financial planning manager for Bain & Co, Deutsche Bank, and HSBC and more recently as

Managing Director of Collins House Financial Services Pty Ltd.

### Julie Berry

CFP, DipFp, FPPA, DipML, JP

Julie has been a Financial Advisor for over 16 years. She has been a director of the FPA since November 2003. She is currently the General Manager of Bridges Personal Investment Services in Port Macquarie, NSW. She has sat on the Professional Standards Committee and the NSW State Council as well as many other FPA Committees. Julie was Chapter Chair of the Mid North Coast Chapter for 8 years.

### Sarah Brennan

BA, SAB, FPPA

Sarah is the Managing Partner of Brennan Partners and has worked in the Financial Services industry for over 15 years. Sarah is currently Chairman of the FPA Investment Committee.

### Corinna Dieters

B.Ed, PDM, FPPA (Chair-elect)

Corinna is a director of HLB Mann Judd Financial Services, a boutique financial

Chris Craggs, Sarah Brennan and Kathryn Greiner AO



planning licensee and Principal Member of the FPA. She has been involved in the Financial Services industry since 1989, occupying a range of positions in management, compliance, business advisory and practice management.

### David L Elsum AM

B.E.E (Hons), B.Comm., MSc., FCPA

After reaching high office in the Commonwealth public service, David was founding Managing Director of Capel Court Merchant Bank and subsequently Chief Executive of MLC Limited. He now has a portfolio of board positions in financial and industrial enterprises in Australia and the US, including Chairman, Queen Victoria Market and Melbourne Wholesale Fish Market. Previous appointments include Board member, Australian Dairy Corporation; Vice Chairman, Australian Management College at Mount Eliza; and Assistant Director General, Postmaster General's Department. David was made Member of the Order of Australia in 1989 Queen's Birthday Honours for services to business and commerce.



Julie Berry, Corinna Dieters, Andrew Heaven and Dominic Alafaci

### Andrew Heaven

CFP, B.A., DFP

Andrew is a director and co-principal of Wealth Partners Financial Solutions Pty Ltd a Financial Planning firm based in Milsons Point Sydney. He has been a practitioner member of the FPA since 1991 and a director of the FPA since November 2003. Andrew has sat on various committees of the FPA and currently sits on the Audit Committee.

### Leonie Henry

CFP, B.Com, FCPA (FPS), FPPA

Leonie is director of Henry Financial Group a financial planning business located in Brisbane, QLD. Henry Financial Group has been in existence for 20 years. Leonie has been a director since November 2002, and is the Chairman of the FPA 2005 National Conference.

### Ray Miles

CFP, DFP, DAII, QPIB

Ray is the managing director of Genesys Wealth Advisers Limited. He has over 30 years experience in the Financial Services industry. He has held senior positions in a number of life insurance, superannuation

and related businesses. Ray is the current Chairman of the Audit Committee.

### Colin Scully

CFP, FPPA, FAICD, SFCDA, FAIM.  
(retired 30 November 2004,  
not photographed)

Colin is a former co-founder and Managing Director of Bridges Financial Services Group, which is a national financial planning and stockbroking firm

### Chris Craggs

CFP, DFP, Grad. Dip.Bus., B.App.Sc., SIA  
(Aff) (commenced 30 November 2004)

Chris started his career in the financial planning industry in 1995. Chris has been an active member in the Perth/WA Chapter, and has held various committee positions. In addition to running his own practice he holds the position of Lead Lecturer with the SIA in Western Australia.

### Company Secretary

#### Andrew Miles

B.Acc.Sc., MBA, Grad. Dip Treasury  
Management, Grad. Dip CSP, GAICD,  
ACA (not photographed)

## Corporate information

### Corporate Structure

The Financial Planning Association of Australia Limited ("FPA") is a company limited by guarantee and does not have a share capital.

### Nature of operations and principal activities

The FPA is a not-for-profit membership entity. The principal activities of the FPA during the year were to;

- actively undertake advocacy work on behalf of members, lobbying Government and Government Departments on new legislation or requesting changes to existing legislation, as well as industry reports that misrepresent the financial planning profession,
- provide services to professional members in the financial services industry and those members who work with clients in personal and corporate financial planning, and
- deliver training and educational courses to members and students of the financial services industry

Other than the withdrawal from the provision of entry-level education, there have been no significant changes in the services provided to members during the year.

### Employees

The FPA employed 41 full time employees at 30 June 2005 (2004: 46 employees)

## Review and results of operations

The FPA recorded a surplus of \$1,187,046 (after taxation) for the year ending 30 June 2005 (2004: deficit \$1,997,958) and reported accumulated members funds of \$5,047,314 at 30 June 2005 (2004: \$3,860,268).

Total Revenues from Ordinary Activities for the year decreased \$3,231,124 (or 19.1%) from the previous year, to \$13,679,793. This reduction in Total Revenues from Ordinary Activities was mainly in the category of Operating Activities, where in 2005, the FPA only offered students one semester, Semester 2, 2004 of DFS/ADFS educational courses, whereupon the DFS/ADFS educational courses were transitioned to a third party provider. DFS/ADFS revenues dropped \$3,198,170 (or 73.4%) from the previous year, to \$1,157,081. Membership subscriptions reduced by \$452,981 (or 7.7%) from the previous year, to \$5,448,820. This reduction in membership subscriptions was caused by a reduction of General members and can be explained by the decision of the FPA to withdraw offering DFS/ADFS educational courses, combined with the flow on effects of no longer offering discounts on DFS/ADFS educational courses to General members.

Revenues from Non-Operating Activities increased by \$381,839 (or 36.4%), to \$1,431,439. Due to the transition to Australian Equivalents to IFRS, management has decided to change accounting policy from valuing financial assets at cost to market value. This has resulted in the financial assets held by the FPA being revalued to net market value with resulting revaluation revenues of \$531,463 being recognised in the

statement of Financial Performance in 2005. Royalties from the use of DFS/ADFS educational materials decreased \$75,611 (or 67.5%), to \$36,387. There were no proceeds from the sale of financial assets during the current financial year, as opposed to \$101,000 in the prior year.

Total expenditure decreased \$6,027,292 (or 32%) from the previous year, to \$12,873,010. Employee related expenses decreased \$2,136,635 (or 38.7%) as staff numbers reduced from a high of 86 in October 2003 to 41 full time staff at June 2005. DFS/ADFS educational course expenditure reduced \$2,364,267 (or 78.7%) from the previous year, to \$640,157. This reduction in DFS/ADFS expenses is explained above. Rent and Electricity expense reduced \$296,970 (or 36.7%) mainly as a result of 40% of the Melbourne premises being sublet during 2005. Postage, printing and stationery expenses reduced \$391,924 (or 51.8%) as cost rationalisation procedures were implemented during 2005. Finally, advertising and marketing costs increased \$613,505 (or 98.7%) as the FPA committed advertising dollars to the Financial Planning week in April 2005; advertising dollars to CFP® Branding and Promotion in May / June 2005; and committing to \$800,000 for the Value of Advice Campaign in June 2005; \$400,000 which was expensed in 2005; with the balance to be expensed in 2006.

## Directors' and senior executives emoluments

Directors' emoluments for the year are included in note 21. Senior executive emoluments are reflected in note 22 to these accounts.

## Directors' meetings

The number of meetings attended by each director was as follows:

	Eligible to Attend	Attended
Dominic Alafaci	6	6
Julie Berry	6	6
Sarah Brennan	6	6
Chris Craggs (commenced 30 November 2004)	3	2
Corinna Dieters	6	6
David L Elsum AM	6	6
Kathryn Greiner AO (Chairman)	6	6*
Andrew Heaven	6	6*
Steven Helmich (retired 30 November 2004)	3	3
Leonie Henry	6	6
Kerrie Kelly (CEO)	6	6
Ray Miles	6	4
Colin Scully (retired 30 November 2004)	3	3

\* 1 meeting by teleconference

## Committee membership

At the date of this Report, the FPA board had an Audit and Risk Committee, a Remuneration Committee and an Investment Committee. The Audit and Risk Committee, as well as the Investment Committee generally meet two weeks before each meeting of the full Board. The Remuneration Committee meets on an as needs basis. Members acting on these committees of the board during the year were;

### Audit Committee

Ray Miles (Chairman), Leonie Henry, Andrew Heaven, Corinna Dieters, and Colin Scully

### Investment Committee

Sarah Brennan (Chairman), Ray Miles, Julie Berry

## Remuneration Committee

Kathryn Greiner AO (Chairman), Sarah Brennan, David L Elsum AM, Steve Helmich and Colin Scully

## Indemnification and insurance of directors and officers

The directors and officers of the FPA were covered by an insurance policy for any breaches of law, for which they may be held personally liable. The liabilities insured against include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors or officers in their capacity as officers of the Association.

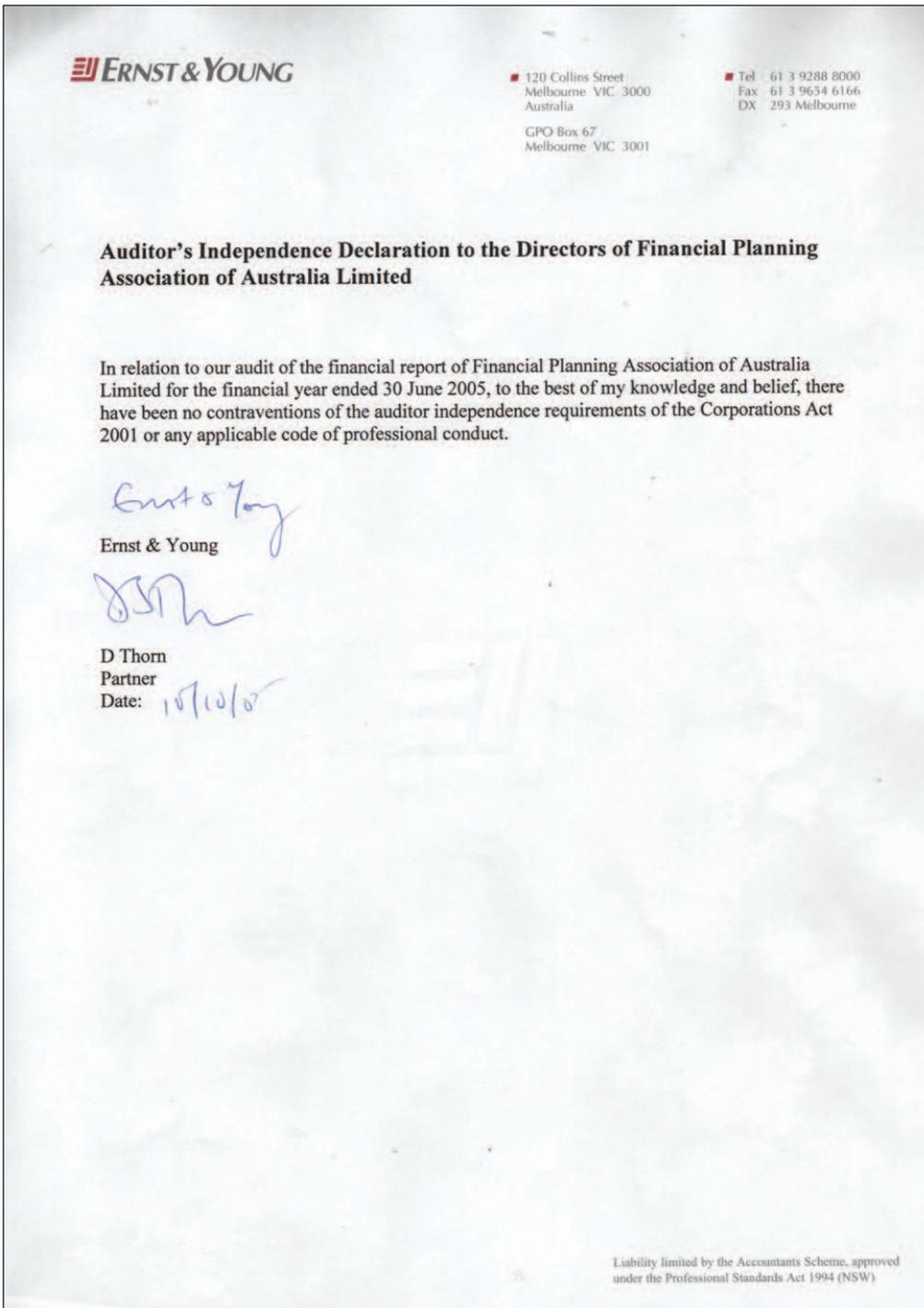
The insurance policy provides for the Association to pay an amount not exceeding \$10,000,000 in any claim, or \$10,000,000 in the aggregate.

The total amount of insurance premiums paid for director and officers was \$33,550. This policy is renewed annually and the current policy expires on 31 March 2006.

## Corporate governance

The FPA is a non-disclosing entity and is therefore not required to meet all the reporting and corporate governance requirements of a disclosing or listed entity.

In recognising the need for the high standards of corporate behaviour and accountability, the directors of the FPA support and adhere to the principles of corporate governance.



### Auditor independence and non-audit services

The directors received the following declaration from the auditors of Financial Planning Association of Australia Limited.

Signed in accordance with a resolution of the directors.

Kathryn Greiner AO  
Director

Dated this 10th day October,  
2005  
Sydney, New South Wales

# Directors' declaration

In accordance with a resolution of the directors of the Financial Planning Association of Australia Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Association are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Association's financial position as at 30 June 2005 and of its performance for the year ended on that date: and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

On behalf of the Board



---

Kathryn Greiner AO

Director

Sydney, New South Wales  
10 October, 2005

# Auditor's independent report

to the members of Financial Planning Association of Australia Limited



120 Collins Street  
Melbourne VIC 3000  
Australia

Tel 61 3 9288 8000  
Fax 61 3 9654 6166  
DX 293 Melbourne

GPO Box 67  
Melbourne VIC 3001

## Independent audit report to members of Financial Planning Association of Australia Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Financial Planning Association of Australia Limited (the company), for the year ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report and the additional disclosures.

#### *Audit approach*

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or

judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

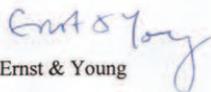
**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the directors' report.

**Audit opinion**

In our opinion, the financial report and the additional disclosures included in the directors' report designated as audited of Financial Planning Association of Australia Limited are in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Financial Planning Association of Australia Limited at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



D Thorn  
Partner  
Melbourne

Date: 10/10/05

# Statement of financial performance

For the year ended 30 June 2005

		2005	2004
	Note	\$	\$
<b>Revenues from ordinary activities</b>	2	<b>13,679,793</b>	<b>16,910,917</b>
Employee expenses		(3,392,214)	(5,528,849)
Depreciation expenses	3	(478,199)	(548,886)
Legal and consultant expenses		(311,250)	(516,575)
Conferences and seminars		(2,122,734)	(2,636,623)
DFS/ADFS course expenses		(640,157)	(3,004,424)
CFP course expenses		(928,439)	(1,259,695)
Continuing education expenses		(46,970)	(32,914)
CFP certification expenses		(168,362)	(127,524)
Postage, printing and stationery expenses		(364,948)	(756,872)
Telecommunications and computer expenses		(349,585)	(378,055)
Travel and accommodation		(315,698)	(571,511)
Rent and electricity	3	(512,425)	(809,395)
Meeting expenses		(53,033)	(153,357)
Advertising and marketing		(1,235,048)	(621,543)
Social functions		(601,837)	(476,075)
Staff training and recruitment		(301,295)	(435,075)
Cost of sale of financial assets		–	(100,057)
Other expenses from ordinary activities		(1,050,816)	(942,872)
<b>Surplus / (deficit) from ordinary activities before income tax expense</b>		<b>806,783</b>	<b>(1,989,385)</b>
Income tax benefit/ (expense) relating to ordinary activities	5	380,263	(8,573)
<b>Net surplus / (deficit)</b>		<b>1,187,046</b>	<b>(1,997,958)</b>
<b>Total changes in members funds of Financial Planning Association</b>	<b>9</b>	<b>1,187,046</b>	<b>(1,997,958)</b>

# Statement of financial position

As at 30 June 2005

	Note	2005 \$	2004 \$
<b>Current assets</b>			
Cash assets	19	3,720,608	1,234,306
Receivables	6	339,277	425,250
Other financial assets	7	3,838,297	5,689,452
Other	8	478,308	456,972
<b>Total current assets</b>		<b>8,376,490</b>	<b>7,805,980</b>
<b>Non-current assets</b>			
Plant and equipment	10	521,598	1,017,076
Deferred tax assets	5	675,779	147,460
<b>Total non-current assets</b>		<b>1,197,377</b>	<b>1,164,536</b>
<b>Total assets</b>		<b>9,573,867</b>	<b>8,970,516</b>
<b>Current liabilities</b>			
Accounts payable	11	1,833,744	1,768,577
Provisions	12	127,751	127,133
Current tax liabilities	5	170,938	22,210
Other	13	2,388,117	3,181,520
<b>Total current liabilities</b>		<b>4,520,550</b>	<b>5,099,440</b>
<b>Non-current liabilities</b>			
Provisions	14	6,003	10,808
<b>Total non-current liabilities</b>		<b>6,003</b>	<b>10,808</b>
<b>Total liabilities</b>		<b>4,526,553</b>	<b>5,110,248</b>
<b>Net assets</b>		<b>5,047,314</b>	<b>3,860,268</b>
<b>Members' funds</b>			
Retained surplus	9	5,047,314	3,860,268
<b>Total members' funds</b>		<b>5,047,314</b>	<b>3,860,268</b>

# Statement of cash flows

For the year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>Cash flows from operating activities</b>			
Receipts from members and non-members		12,723,159	16,637,641
Payments to suppliers and employees		(12,912,757)	(17,812,373)
Interest received		295,430	322,219
Dividends and distributions received		194,377	154,202
Income taxes refunded		672	17,018
<b>Net cash inflow from operating activities</b>	<b>18</b>	<b>300,881</b>	<b>(681,293)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(204,498)	(519,871)
Proceeds from disposal of plant and equipment		7,301	15,782
Purchase of listed shares		–	(158)
Proceeds from sale of financial assets		–	101,000
<b>Net cash used in investing activities</b>		<b>(197,197)</b>	<b>(403,247)</b>
<b>Net increase / (decrease) in cash held</b>		<b>103,684</b>	<b>(1,084,540)</b>
Cash at beginning of the financial year		4,018,394	5,102,934
<b>Cash at the end of the financial year</b>	<b>19</b>	<b>4,122,078</b>	<b>4,018,394</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

## 1. Summary of significant accounting policies

### (a) Basis of accounting

The financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The Association, which is a non-profit organisation, is limited by guarantee.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accrual accounting has been adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### (b) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down.

### (c) Plant and equipment

#### *Cost and valuation*

Plant and equipment are measured at cost.

#### *Depreciation*

Depreciation is calculated on a straight line basis so as to write off the net cost of each depreciable non-current asset 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.

### Major depreciation periods are:

	2005	2004
Computer equipment & software	2 to 5 years	2 to 5 years
Plant & equipment	3 to 8 years	3 to 8 years
Leasehold improvements	The lease term	The lease term
Furniture & fittings	5 to 10 years	5 to 10 years

### (d) Taxes

#### *Income Taxes*

The Association applies the principle of mutuality to its revenue and expenses in assessing its income tax liability. Under such principle, income derived from members of the Association represents mutual income and is not subject to income tax. Accordingly, expenses in association with mutual activities are not deductible for taxation purposes. All other receipts and payments are classified in accordance with taxation legislation.

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

#### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the

cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

### (e) Cash and cash equivalent

Cash on hand and in banks and short-term deposits are stated at nominal value.

For purposes of the statement of cashflows, cash includes deposits at call which are readily convertible to cash on hand within two working days and are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

### (f) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

Liabilities arising in respect to wages and salaries, annual leave and any other benefit expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities are used.

## (g) Members' funds

The Association is limited by guarantee and does not have share capital (refer note 23).

## (h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Under a non-cancellable operating lease and future payments thereunder are for surplus space, a liability and an expense is recognised in the reporting period in which it is first determined that it is probable that the space will be of no substantive future benefit to the Association and any rental revenue from a sub-lease of the space will be lower than the rental the entity is presently obliged to pay under the original lease.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

## (i) Investments

Investments are carried at net market value. Changes in the net market value are recognised as a revenue or expense in the determining the net profit for the period. Where there has been a permanent diminution the value of an investment a provision for diminution is made.

Where investments have been revalued, any capital gains tax which may become payable has not been taken into account in determining the revalued carrying amount. Where it is expected that a liability for capital gains tax exists, this amount is recognised in the net profit for the reporting period.

## (j) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

## (k) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Association.

## (l) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Interest is taken up as income on an accrual basis.

## (m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

## (n) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year, except for the following:

The Association has changed its accounting policy from measuring investments at cost to valuing these investments at market value.

The adoption of the new accounting policy will result in an overall improvement in the relevance and reliability of financial information about the financial performance, financial position and cash flows of the Association.

The financial effect of the change in accounting policy is disclosed in note 24(b).

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>2. Revenues from ordinary activities</b>		
<b>Revenues from operating activities</b>		
Membership subscriptions	5,448,820	5,901,801
Meeting receipts	39,670	59,207
Conferences and seminars	3,254,266	3,005,490
DFS / ADFS course	1,157,081	4,355,251
Sponsorship, chapter grants and social functions	718,961	786,533
CFP course	1,288,999	1,425,776
CFP certification	171,705	192,114
Continuing education	168,852	135,145
<b>Total revenues from operating activities</b>	<b>12,248,354</b>	<b>15,861,317</b>
<b>Revenues from non-operating activities</b>		
Interest received - non related persons / corporations	292,977	318,967
Dividends / distributions - non related persons / corporations	273,675	161,918
Increment in the net market value of financial assets	531,463	-
Rental income - sub lease	55,841	-
Royalties	36,387	111,998
Proceeds from disposal of plant & equipment	7,301	15,781
Proceeds from sale of financial assets	-	101,000
Other revenue	233,795	339,936
<b>Total revenues from non operating activities</b>	<b>1,431,439</b>	<b>1,049,600</b>
<b>Total revenues from ordinary activities</b>	<b>13,679,793</b>	<b>16,910,917</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>3. Expenses and losses / (gains)</b>		
(a) Expenses		
Depreciation of non-current assets		
Computer equipment and software	304,512	352,055
Furniture and fittings	26,466	41,378
Plant and equipment	40,693	46,227
Leasehold improvements	106,528	109,226
<b>Total depreciation of non-current assets</b>	<b>478,199</b>	<b>548,886</b>
Operating lease rental		
• minimum lease payments	512,425	642,880
• expense for surplus lease space	–	166,515
<b>Total operating lease rental</b>	<b>512,425</b>	<b>809,395</b>
Employee benefits	(4,187)	(167,474)
Provision for doubtful debts	–	(75,000)
(b) Losses / (gains)		
Net gain on disposal of plant and equipment	(2,534)	(9,036)
Net gain from sale of financial assets	–	(943)
Plant & equipment written down to recoverable amount	217,010	5,847
(c) Specific items		
Surplus / (deficit) from ordinary activities before income tax expense includes the following specific expenses whose disclosure is relevant in explaining the financial performance of the Association:		
Restructuring costs	–	578,866
Restructuring costs are included in 'employee expenses from ordinary activities'		
<b>4. Auditors remuneration</b>		
Amounts received, or due and receivable, by Ernst & Young for:		
• An audit of the financial report of the Association	32,000	29,500
• Other services	15,500	18,600
	<b>47,500</b>	<b>48,100</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>5. Income tax</b>		
The prima facie tax (credit) / expense on the operating surplus differs from the income tax provided in the financial statement and is reconciled as follows:		
Surplus / (deficit) from ordinary activities before income tax expenses	806,783	1,989,385
Prima facie tax at 30 per cent	242,035	(596,815)
<i>Tax effect of permanent differences:</i>		
• net (Income) / expenses derived from members	(151,028)	281,972
• non-deductible entertainment	48,611	6,436
• non-deductible donations	2,088	–
(Over)/under provision of previous year	(24,505)	8,573
Tax losses not recognised		308,407
Tax losses recognised not previously brought to account	(497,464)	
Income tax (benefit) / expense attributable to operating surplus	<b>(380,263)</b>	<b>8,573</b>
<b>Deferred tax assets and liabilities</b>		
Current tax payable	–	–
Provision for deferred income tax - current	170,938	22,210
Future income tax benefit - non current	675,779	147,460
<b>Income tax losses</b>		
Future income tax benefit of \$588,779 arising from tax losses of the Association has been recognised at reporting date as realisation of the benefit is now regarded as probable. This is as a result of ;		
(i) The Australian Taxation Office issuing a ruling in favour of the Association allowing the utilisation of carried forward tax losses;		
(ii) The Association deriving future assessable income of a nature and an amount sufficient to enable the benefit to be realised;		
(iii) The Association having sufficient assessable temporary differences that will result in the increase of taxable amounts against which the unused tax losses can be utilised;		
(iv) The Association continuing to comply with the conditions for deductibility imposed by tax legislation; and		
(v) There being no known changes in tax legislation adversely affect the Association in realising the benefit.		
	2005 \$	2004 \$
<b>6. Receivables (current)</b>		
Fees receivable	131,787	36,259
Less: Provision for doubtful debts	(25,000)	(25,000)
	<b>106,787</b>	<b>11,259</b>
Sundry debtors	233,623	426,393
Goods and Services Tax	(1,133)	(12,402)
	<b>339,277</b>	<b>425,250</b>
<b>Terms and conditions relating to the above financial instruments</b>		
(i) Trade debtors are non-interest bearing and generally on 30 day terms		
(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.		

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>7. Other financial assets (current)</b>		
Short-term money market deposits		
• National office	401,470	2,784,088
<i>Investment at revalued amount:</i>		
Shares listed on a prescribed stock exchange	5,646	5,283
Other investments	3,431,181	3,293,757
	<b>3,436,827</b>	<b>3,299,040</b>
<i>Investment at cost comprise:</i>		
Shares listed on a prescribed stock exchange	5,249	5,249
Other investments	2,900,115	2,900,115
	<b>2,905,364</b>	<b>2,905,364</b>
Aggregate carrying amount at the reporting date	<b>3,838,297</b>	<b>5,689,452</b>
<b>Assets pledged as security</b>		
Included in the balance of short-term money market deposits comprises \$401,470 of which has been granted as security under the lease of premises. If the FPA breaches the lease the landlord may request payment of an amount from the security and apply it to money owed under the lease.		
	2005 \$	2004 \$
<b>8. Other current assets</b>		
Prepaid convention expenditure	378,785	320,404
Other prepayments	99,523	136,568
	<b>478,308</b>	<b>456,972</b>
<b>9. Retained surplus</b>		
Balance at the beginning of the year	3,860,268	5,858,226
Total change in members' funds recognised in the Statement of Financial Performance	1,187,046	(1,997,958)
<b>Balance at the end of the year</b>	<b>5,047,314</b>	<b>3,860,268</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>10. Plant &amp; equipment</b>		
Computer equipment and software at cost	1,250,521	1,611,962
Accumulated depreciation	(1,122,326)	(1,130,680)
	<b>128,195</b>	<b>481,282</b>
Furniture and fittings at cost	350,219	474,937
Accumulated depreciation	(237,718)	(345,906)
	<b>112,501</b>	<b>129,031</b>
Plant and equipment at cost	243,925	313,870
Accumulated depreciation	(97,089)	(122,727)
	<b>146,836</b>	<b>191,143</b>
Leasehold improvements at cost	275,291	576,577
Accumulated depreciation	(141,225)	(360,957)
	134,066	215,620
<b>Total plant and equipment</b>	<b>521,598</b>	<b>1,017,076</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year.		
<i>Computer equipment and software</i>		
Carrying amount at beginning	481,282	567,225
Additions	91,662	273,549
Depreciation expense	(304,512)	(352,055)
Disposal	(1,037)	(5,800)
Recoverable amount written down	(139,200)	(1,507)
	<b>128,195</b>	<b>481,282</b>
<i>Furniture and fittings</i>		
Carrying amount at beginning	129,031	106,643
Additions	25,763	64,737
Depreciation expense	(26,466)	(41,378)
Disposal	–	(906)
Recoverable amount written down	(15,827)	(64)
	<b>112,501</b>	<b>129,031</b>
<i>Plant and equipment</i>		
Carrying amount at beginning	191,143	155,933
Additions	7,432	85,712
Depreciation expense	(40,093)	(46,227)
Disposal	(3,730)	–
Recoverable amount written down	(7,316)	(4,276)
	<b>146,836</b>	<b>191,143</b>
<i>Leasehold improvements</i>		
Carrying amount at beginning	215,620	106,643
Additions	79,641	95,963
Depreciation expense	(106,528)	(109,226)
Recoverable amount written down	(54,667)	–
	<b>134,066</b>	<b>215,620</b>

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

		2005 \$	2004 \$
<b>11. Accounts payable (current)</b>			
Other creditors and accruals		<b>1,833,744</b>	<b>1,768,577</b>
<b>Terms and conditions</b>			
Terms and conditions relating to the above financial instruments Other creditors and accruals are non-interest bearing and are normally settled on 30 day terms.			
<b>12. Provisions (current)</b>			
Employee benefits	16	<b>127,751</b>	<b>127,133</b>
<b>13. Other current liabilities</b>			
Income in advance:			
• Conventions income		749,808	1,124,902
• Education income		192,157	93,615
• Membership income		1,446,152	1,963,003
		<b>2,388,117</b>	<b>3,181,520</b>
<b>14. Provisions (non-current)</b>			
Employee benefits	16	<b>6,003</b>	<b>10,808</b>
<b>15. Commitments for expenditure</b>			
<b>Operating lease expenditure commitments (non-cancellable)</b>			
Total lease expenditure contracted for at balance date but not provided for in the financial statements, payable:			
<i>Minimum lease payments</i>			
No later than one year		484,967	579,041
Later than one year but not later than five years		1,870,076	1,269,339
Later than five years		68,153	–
Aggregated lease expenditure contracted for at balance date		<b>2,423,196</b>	<b>1,848,380</b>
Aggregate expenditure commitments comprise:			
Amount provided for surplus lease space		–	166,515
<b>Operating lease receivable</b>			
Certain properties under operating lease have been sublet to third parties. The future lease payments expected to be received at reporting date are:			
No later than one year		141,404	–
Later than one year but not later than five years		291,427	–
		<b>432,831</b>	<b>–</b>
<b>Notes</b>			
These lease commitments are mainly for non-cancellable property leases only for the period 1/7/2005 to 30/9/2011.			
Other operating leases have an average lease term of one year. Assets which are the subject of operating leases include items of small machinery and office equipment.			
The amount provided for surplus lease space is recognised to the extent that it is probable that the space will be of no substantive future benefit to the Association in the following financial year.			

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

	2005 \$	2004 \$
<b>16. Employee benefits and superannuation contributions</b>		
<b>Employee benefits</b>		
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on costs	232,163	157,743
Provisions (current) 12	127,751	127,133
Provisions (non-current) 14	6,003	10,808
Accrued superannuation	32,450	46,972
	<b>398,367</b>	<b>342,656</b>
<b>Superannuation commitments</b>		
All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentage of their wages and salaries. Contributions by the Financial Planning Association of up to 9% of employees' wages and salaries are legally enforceable.		
<b>17. Contingent liabilities / assets</b>		
There are no contingent liabilities / assets that exist at reporting date that have a financial effect on this financial report, other than those disclosed in the financial statements.		
	2005 \$	2004 \$
<b>18. Statement of cash flows</b>		
Surplus / (deficit) from ordinary activities after income tax	1,187,046	(1,997,958)
<i>Non-cash items</i>		
Depreciation	478,199	548,886
Net gain on disposal of plant and equipment	(2,534)	(9,036)
Provision for doubtful debts	–	(75,000)
Plant and equipment written down	217,010	5,847
Net gain from sale of financial assets	–	(943)
Increment in net market value of financial assets	(531,463)	–
<i>Change in operating assets and liabilities</i>		
Decrease in receivables	85,973	350,882
(Increase) / Decrease in other current assets	(21,336)	44,043
(Increase) / Decrease in tax assets	(528,319)	25,591
Increase in accounts payable	65,167	80,461
(Decrease) / Increase in income advance	(793,403)	513,408
Increase/(Decrease) in current provisions	618	(114,890)
Increase/(Decrease) in current tax liabilities	148,728	–
(Decrease) in non current provisions	(4,805)	(52,584)
Net cash flow from operating activities	<b>300,881</b>	<b>(681,293)</b>
<b>19. Reconciliation of cash</b>		
Cash	3,720,608	1,234,306
Short-term money market deposits 7	401,470	2,784,088
<b>Closing balance as per statement of cash flows</b>	<b>4,122,078</b>	<b>4,018,394</b>
The Association does not have any bank overdraft or loan facilities available.		

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

## 20. Related party disclosures

### Directors

The names of persons who were directors of the Financial Planning Association of Australia Limited at any time during the year are as follows:

D Elsum	J Berry	C Craggs (commenced 30/11/2004)
L Henry	A Heaven	C Scully (retired 30/11/2004)
K Greiner	K Kelly	S Helmich (retired 30/11/2004)
R Miles	D Alafaci	
C Dieters	S Brennan	

Information on remuneration of directors is disclosed in note 21.

There were no transactions with any related parties, directors or director related entities during the year.

## 21. Remuneration of directors

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the Financial Planning Association of Australia Limited, directly or indirectly, from the entity or any related party:

**2005**  
**\$**

**2004**  
**\$**

**487,437**

**637,289\***

The number of directors of the company whose income (including superannuation contributions) falls within the following bands is:

\$0 - \$9,999	4	9
\$10,000 - \$19,999	6	4
\$20,000 - \$29,999	-	1
\$40,000 - \$49,999	1	1
\$60,000 - \$69,999	1	-
\$160,000 - \$169,999	-	1
\$300,000 - \$309,999	1	-
\$320,000 - \$329,999	-	1*

The following directors have elected not to receive or have part waived their remuneration during the financial year, Steve Helmich and Ray Miles (2004: Steven Helmich, Steve Tucker and Ray Miles).

\* This includes gross salary and lump sum termination payments.

## 22. Remuneration of executives

Income paid or payable, or otherwise made available, in respect of the financial year, to the top five executives of the Financial Planning Association of Australia Limited, in connection with the management of the affairs of the Association, not including the directors:

**684,186**

**827,900\*\***

The number of executives of the Association whose income (including superannuation contributions) falls within the following bands is:

\$80,000 - \$90,000	1	-
\$110,000 - \$119,999	1	1**
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	2**
\$200,000 - \$209,999	-	1**

\*\* This includes gross salary and lump sum termination payments.

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

## 23. Members' Funds

The Association is limited by guarantee, and is prohibited by the Constitution from making distributions to its members. In the event of winding up, the assets of the Association shall be applied in satisfaction of its debts and liabilities and any surplus after such application shall be given or transferred to some other institution or institutions having objects or activities of the Association and whose Constitution prohibits the distribution of its or their income and property among its or their members to an extent at least as great as is imposed on the Association. The recipient institution or institutions are to be determined by the members of the Association at or before the time of dissolution. Each member is liable to a maximum of \$100 in the event of the Association being wound up whilst they are a member and within one year after they cease to be a member.

## 24. Financial instruments

### (a) Interest rate risk

The Association's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Floating interest rate		Fixed interest rate maturing in:						Non interest bearing		Total carrying amount as per the Statement of Financial position		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
<i>(i) Financial assets</i>														
Cash	3,720,608	1,234,306	-	-	-	-	-	-	-	-	3,720,608	1,234,306	3.91	4.68
Receivables - trade	-	-	-	-	-	-	-	-	106,787	11,259	106,787	11,259	n/a	n/a
Short term deposits	-	-	401,470	2,784,088	-	-	-	-	-	-	401,470	2,784,088	5.81	4.97
Other investments	-	-	-	-	-	-	-	-	3,431,181	2,900,115	3,431,181	2,900,115	n/a	n/a
Listed shares	-	-	-	-	-	-	-	-	5,646	5,249	5,646	5,249	n/a	n/a
<b>Total financial assets</b>	<b>3,720,608</b>	<b>1,234,306</b>	<b>401,470</b>	<b>2,784,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,543,614</b>	<b>2,916,623</b>	<b>7,665,692</b>	<b>6,935,017</b>	<b>n/a</b>	<b>n/a</b>
<i>(ii) Financial liabilities</i>														
Trade creditors and accruals	-	-	-	-	-	-	-	-	1,833,744	1,768,577	1,833,744	1,768,577	n/a	n/a
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,833,744</b>	<b>1,768,577</b>	<b>1,833,744</b>	<b>1,768,577</b>	<b>n/a</b>	<b>n/a</b>

n/a - not applicable for non-interest bearing financial instruments

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

## 24. Financial instruments (cont'd)

### (b) Net fair values

Financial assets and liabilities have been recognised at the balance date at their net fair values. As a result of the change in accounting policy from measuring investments at cost to valuing these at market values equivalent to their net fair values, an adjustment of \$531,463 has been made in the Statement of Financial Performance for 2005. This is a cumulative adjustment which represents the net increment in the market value of the investments from its cost which is calculated as if the new accounting policy had always been applied.

The new accounting policy had been applied from the beginning of the current financial year. The restatement of retained profits is not practicable to be disclosed. The following illustrates the comparative information.

	Total carrying amount as per statement of financial position		Aggregate net fair value	
	2005 (At market value)	2004 (At cost)	2005	2004
Financial assets	\$	\$	\$	\$
Listed shares	5,646	5,249	5,646	5,283
Other investments	3,431,181	2,900,115	3,431,181	3,293,757
Debentures	–	–	–	–

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

#### Credit risk exposure

The credit risk on financial assets of the Association which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

The Association does not have a significant exposure to any individual counterparty.

Trade receivables are concentrated in Australia and the concentration of credit risk arose in the following states:

	Carrying amount of total trade receivables		Percentage of total trade receivables	
	2005 \$	2004 \$	2005 %	2004 %
New South Wales	91,303	3,768	86%	34%
Victoria	8,242	3,087	8%	27%
ACT	267	76	0%	1%
Tasmania	1,253	140	1%	1%
South Australia	1,315	1,368	1%	12%
Western Australia	1,322	596	1%	5%
Queensland	3,007	2,224	3%	20%
Northern Territory	77	–	0%	0%
	<b>106,786</b>	<b>11,259</b>	<b>100%</b>	<b>100%</b>

#### Interest rate risk exposure

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Association intends to hold fixed rate assets and liabilities until maturity. Trade account receivables and payables are interest free.

#### Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and monetary financial assets and financial liabilities approximate their carrying value.

# Notes to and forming part of the financial statements

For the year ended 30 June 2005

## 25. Subsequent events

There are no subsequent events that have occurred after reporting date that has a financial effect on this financial report.

## 26. Impact of adopting AASB equivalents to IASB standards

The Association will be required to comply with the Australian equivalents of the International Financial Reporting Standards (AIFRS), as issued by the Australian Accounting Standards Board, for the reporting year ending 30 June 2006.

In 2004, we have identified and allocated internal resources to perform the planning and technical evaluation of the convergence to AIFRS. As a result, the impact assessment to identify key areas was conducted in 2005 by our project team. The Audit committee has also been following the developments in AIFRS and the potential impact for our transition to AIFRS. The impact assessment is substantially complete. The project is achieving its scheduled progress and we expect to be in a position to fully comply with the requirements of AIFRS for the 2006 financial year.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our known estimable transitional differences. These disclosures are based on the work-in-progress of our project team, and are our best judgements as at reporting date. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing review and potential amendments by the AASB or by interpretative guidance from the IASB.

### Operating leases - incentives

The new UIG Interpretation 115 supersedes UIG Abstract 3 *Lessee Accounting for Lease Incentives Under a Non-Cancellable Operating Lease*, which addressed only the accounting for lessees. The new requirement addresses the accounting for lease incentives by both lessor and lessees. UIG Interpretation 115 treats the incentives as an integral part of the net consideration for the use of the leased asset. Therefore, lessors and lessees are required to recognise lease incentives under operating lease as a reduction of rental income or rental expenses over the lease term on a straight line basis unless another systematic basis is representative

of the pattern of benefits. The Association has provided lease incentives to a third party in securing a sub lease contract during 2005. The Association as a lessor under the sub lease agreement is captured under the new requirement, therefore transitional adjustment arises for the accounting of the lease incentives provided. The net transitional adjustment that is expected to have an impact on the Income statement for 2005 is estimated to increase the Retained Earnings by \$27,413.

### Recognition of decommissioning provision

Under AASB 116 *Property, Plant and Equipment*, the Association would depreciate any capitalised decommissioning costs relating to its leasehold improvements, resulting in a charge to the Income Statement.

In addition, under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, discounting and the effect of the passage of time must be taken into consideration when recognising a provision for decommissioning costs. The discounting is to be recognised as a finance expense in the Income Statement.

The cumulative transitional adjustment relating to the recognition of decommissioning provision is estimated to increase the Retained Earnings by \$2,980.

### Income taxes

The Australian equivalent of IFRS, AASB 112, *Income taxes* requires all reporting entities to use a balance sheet liability method to calculate deferred tax balances. This approach will be replacing the 'tax effect income statement' approach currently used by the Association. Under the new method we will recognise the deferred tax balance in the Balance Sheet when there is a difference between the carrying value of an asset or liability and its tax base. We are still in the process of finalising the tax impact of the transitional adjustments, and consequently we are unable to disclose any reliable estimates.

### Classification of financial instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which

has a different accounting treatment attached to each category. The five classifications are namely, loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Management has decided to apply the exemption provided in AASB 1 *First time Adoption of Australian*

Equivalent to IFRS which permits entities not to apply the requirement of AASB 132 *Financial Instruments*:

Presentation Disclosures and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005.

### Impairment of Assets

Under the AASB 136 *Impairment of assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use.

An asset is impaired if its carrying amount exceeds its recoverable amount. Assessment of whether an indication of impairment exist must be performed at each reporting date. The new standard represents a more rigorous and prescriptive approach than the current AASB 1010, which it is possible that the carrying amounts of assets not considered impaired under existing accounting policy could be impaired under the new AIFRS standard. Thus, it is likely that impairment of assets will be recognised sooner and that the amount of write-down will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

The Association as a not-for-profit entity, with certain assets might be exempt from the requirement to write down to their recoverable amount to the extent that they are not held for the primary purpose of generating net cash inflows.

Financial Planning Association of Australia Limited  
ABN 62 054 174 453

Level 8, Marland House,  
570 Bourke Street, Melbourne 3000

PO Box 109,  
Collins Street West, Melbourne 8007

Member freecall 1800 337 301  
Consumer freecall 1800 626 393

Telephone 03 9627 5200  
Facsimile 03 9627 5280  
Email [fpa@fpa.asn.au](mailto:fpa@fpa.asn.au)  
Website [www.fpa.asn.au](http://www.fpa.asn.au)



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