Financial Planning Association of Australia Limited
Annual Report 06

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FPA

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FPA

The Financial Planning Association exists to provide the leadership and professional framework that enable its members to deliver quality financial advice to their clients.

Chairman's report

The growing importance of superannuation and pending retirement for many baby boomers has put financial planning firmly on the map for Australians. It also places the spotlight of the community, the regulator and the media on the financial planning sector, the FPA and our members.

This year, high profile examples where financial advisers and licensees (many who are not FPA members but some who are) failed to act in the interests of clients have tarnished the reputation of the whole profession.

The ASIC shadow shopping survey and the collapse of Westpoint, among other issues, have made it a challenging year for FPA members - the vast majority of whom deliver a highly professional and valuable service to clients - and for the FPA as a professional association.

A focused agenda

The FPA has managed the agenda by focusing on the value of advice, and lifting professional standards amongst members. Concerted efforts have been made, and will continue to be made, to improve the quality of advice available to Australians, giving people confidence to seek out a financial planner who is an FPA member and Certified Financial Planner™ practitioner.

FPA has introduced new codes and principles to guide best practice and ensure that the profession is recognised for these efforts.

We have seen an increasing number of practitioners aspiring to CFP® certification, evidenced by enrolments for the certification program. Additionally, more and more members are seeking continuing professional development through FPA programs.

FPA's opinions are sought out at senior levels in government and by the regulator. FPA members' views and experience have informed a series of well-argued submissions on key policy issues.

In a first of its kind, FPA launched a three-year campaign to promote the value of advice to Australians. The campaign catch-cry, "Don't ask Dazza! Ask a professional financial planner" made a marked impression on consumers in its first year, creating a heightened awareness of the importance of good advice.

The affordability and accessibility of advice continued to be a source of concern as the impact of regulatory obligations made itself felt in the operational costs of financial planners and their licensees. FPA has taken an active role in the FSR refinement process, putting the case to Government and ASIC for the need to establish a balance between compliance obligations on financial planners and the protection of consumer interests. This is a view supported by Parliamentary Secretary to the Treasurer, The Hon. Chris Pearce MP.

New Chair and directors

In November 2005, I was privileged to accept the Chairmanship of FPA, taking over the role so capably fulfilled by Kathryn Greiner AO, who also stepped down from the FPA Board. On behalf of the Board, I take this opportunity of publicly recognising Kathryn's commitment and contribution to financial planning, and its role in the community.

We welcomed to the Board three new directors, as representatives of Principal and Practitioner members. They are Bruce Beakey CFP®, Paul Gerrard CFP® and Matt Lawler. Julie Berry CFP® was reinstated as director. In January, we also welcomed Bruce Foy and Rob Gerrand as independent directors.

Strategic direction

In February, the Board met over two days for discussions on strategic issues which face the Association, including those which impact membership, professionalism in the financial planning sector, and a range of external issues which have implications for the future of the profession.

We reaffirmed the purpose of the FPA as a professional association which is the pre-eminent body representing the financial planning profession. Our five strategic objectives remained essentially unchanged.

FPA strategic objectives

- Commitment to assisting FPA members enhance and maintain their professionalism
- Increasing awareness of the value of financial planning and the CFP® mark
- Improving communications with members
- Strong engagement with membership, including chapters and committees
- Strong relationships with government, regulators and other key stakeholders

Good management

In yet another exceptionally busy year, the FPA staff and senior management team, led by Kerrie Kelly, showed unflagging commitment to supporting FPA members and the needs of your Association. It was with regret that I accepted Kerrie Kelly's resignation, effective March 2006, to take up the post of Chief Executive of the Insurance Council of Australia.

On behalf of members, staff and my Board colleagues, I express our appreciation of Kerrie's important contribution to the FPA and all members.

In mid June, we warmly welcomed Jo-Anne Bloch as Board director and Chief Executive Officer. We are confident in her ability to drive forward the Board's strategic priorities on behalf of all members and look forward to productive outcomes through the effective execution of the many initiatives underpinning our strategy.

Strong finances

The Association is in a strong financial position. FPA reported a surplus for year of $605,921 (after taxation). Taken together with the $1.2 million surplus reported for 2004/05, this result has returned members' reserves to their 2003 level, following the $2 million deficit reported in 2003/04. This significant achievement was the result of tighter management of expenditure combined with higher than budgeted revenues arising from the National Conference and education activities.

Constitutional change

At the Annual General Meeting in November 2005, members overwhelming voted in favour of important constitutional changes that respond to the changing needs of members and help us to strengthen FPA's governance and leadership. The tenure of directors was extended from two to three years, starting in 2006.

Additionally, members gave the Board authority to determine additional or alternative membership categories, and allowed for electronic voting and distribution of financial reports.

At the same time, they approved the use of retained surpluses for branding and advertising campaigns, and in doing so endorsed the Board's commitment to the Value of Advice campaign. While we did not need to draw on this facility in 2005/06, the Board may decide this is an appropriate step in future years.

Looking ahead

For all the challenges faced by our emerging profession, FPA remains committed to the path it has taken as the champion of higher professional standards in financial planning. We will support our members in this journey; protect their reputation; take action where behaviour falls short of required standards; represent members' interests to regulators, the community and media; and seek to increase awareness of the vital role of professional financial planning to Australians.

Corinna Dieters

Chairman

CEO's report

My tenure as chief executive officer began only in June 2006, so I want first to note that this report reflects Kerrie Kelly's substantial contribution as CEO until her departure in March 2006.

As a new pair of eyes on the association, I have had much to absorb in a short space of time. A number of very positive things struck me from the start.

Strong policy influence

First, is the high regard in which the FPA is held in government and parliamentary circles, and with departmental officials and ASIC as regulator.

That the FPA represents a body of almost 12,000 members, of which approaching 9,000 are practicing financial advisers, is a significant contributing factor to our influence in Canberra and state capitals. The FPA's policy positions and submissions come with the active participation and practical experience of members.

The scope and vibrancy of member involvement in FPA work, from policy formulation to practical application, is another remarkable fact. We have 31 active Chapter committees made up of members who volunteer their time and expertise to deliver networking, professional development and community activities at local level.

Well over 100 individual members sit on FPA committees covering policy, professional standards, education, membership, marketing and CFP® certification. Yet more are involved in ad hoc taskforces convened to focus on specific issues. There is not a single area of the FPA's work in which members do not have a voice and, more usually, active participation.

Sound financial position

Another area of achievement is the stability and prudent management of the FPA's financial resources. As noted by the Chair, the turnaround from the deficit reported two years ago is a major accomplishment and reflects concerted efforts to increase revenues combined with careful management of expenditure.

The reported surplus for 2005/06 comes after committing $270,000 out of operating revenues to the Value of Advice campaign, following a $400,000 commitment in the 2004/05 financial year.

Pivotal role in professional standards

Arguably, the most significant step forward for the FPA and all members came in the area of professional standards. Principles to Manage Conflicts of Interest were formally adopted on 2 March 2006. The Principles added to the FPA's efforts to improve remuneration practices and clarity of disclosure to consumers.

On 6 April ASIC released the Shadow Shopping Survey. In seeking to assess whether the advice given to consumers after the introduction of Super Choice (1 July 2005) complied with the law, the regulator found a wide range in the quality of advice.

Most encouraging was the finding that strategic advice provided by advisers was helpful to consumers. Moreover, there were clear signs that the overall quality of advice had improved markedly since the 2003 ASIC / ACA shadow shopping survey. Eighty eight per cent of clients were satisfied with the advice they received, and eighty per cent of super advice had a reasonable basis and was compliant.

At the same time, the reported clearly highlighted some issues. The FPA's Conflict of Interest Principles address some of these; others require the FPA's ongoing attention.

Westpoint

The collapse of Westpoint and the loss of an estimated $300 million by Australians who were advised to invest in Westpoint mezzanine funds goes to the heart of conflicts of interest. It is alleged that advice given by financial planners was influenced by the high commissions they stood to receive and that planners failed to act in the interests of their clients.

Whilst many of the so-called financial planners were unlicensed and others were not FPA practitioner members, it remains that a small proportion of FPA members did recommend Westpoint investments. In some cases the recommendations were undoubtedly made in good faith, with full disclosure of commissions and the level of risk involved. In others, the advice seems to have lacked a reasonable basis and full disclosure was lacking. By financial year end, the FPA was actively investigating 41 complaints against 20 individual FPA members who had given advice to investors. Every effort is being made to bring enquiries to a swift conclusion. Disciplinary action will be taken in those cases where members have acted unprofessionally.

Focus on the value of advice

Westpoint is not a reflection of the ethics and professionalism of financial planners generally. The FPA has urged Australians not to let the fallout from the Westpoint collapse put them off seeking professional advice. The importance of professional advice has been the central message of our Value of Advice campaign. It was spearheaded by national advertising and supported with a dedicated website, a Good Advice brochure, an extensive editorial campaign and our inaugural Value of Advice Awards.

The campaign has made its mark in its first year, with independent research showing that the advertising achieved 35% awareness among Australian consumers. More important, of those who saw the ads more than half said they were likely to see a financial planner. We look forward to building on the campaign's success over the next two years.

The Value of Advice Awards attracted quality entrants highlighting excellent examples of the range of advice provided by financial planners. The national and state winners across four categories of award were widely publicised. The case studies illustrate the important role of professional advice in enabling Australians to achieve their goal of a financially sustainable retirement.

Raising levels of financial literacy

Whilst FPA members take very seriously their obligation to put their clients' interests before their own, we are strongly of the view that better understanding of money matters is an essential skill for Australians. The FPA welcomed this year the initiative of the Financial Literacy Foundation which launched a major consumer campaign aimed at raising this awareness of money, to encourage Australians to use available resources and to work through schools to introduce money skills into the curriculum.

At the same time, FPA members continue to promote our financial 'toolkit' for young Australians, *Dollarsmart*, with schools in their local areas, as well as to engage in a range of activities at community level, especially in the context of Financial Planning Week which falls in the last week of May each year.

Membership value high on the agenda

As this report is written primarily for members, let me close on membership matters. It is our objective to see FPA membership widely recognised by practising financial planners as essential to their professional credentials. The FPA must offer a value proposition that makes membership strongly demanded by professionals.

Across the areas of policy, professional standards, CFP® certification, representation and education I believe that we are doing a good job. But - and this is what is important - members tell us that we do not always represent their interests well and we sometimes fail to communicate clearly what we are doing. As we move into the new year, with the benefit of detailed feedback provided by members through the survey conducted at the end of the financial year, these are issues we are addressing - recognising that not all members are looking for the same things from their professional association.

I extend my sincere thanks and appreciation to the very many people who have shared their views and experience so generously with me in these early months: Board colleagues, committee members, Chapter Chairs, members, staff, and many others with a link with and interest in the financial planning sector.

May I also pay tribute in particular to Andrew Miles, COO, who acted so diligently as CEO prior to my arrival, and the FPA staff who have soldiered on to deliver services to members. Their commitment and enthusiasm is a credit to their professionalism and the leadership provided by the Board.

I look forward, with your support, to taking forward our collective vision for financial planners to be recognised for their professionalism and the value of the advice they give to clients.

Jo-Anne Bloch

Chief Executive Officer

Year in review

In March 2006, FPA published a paper, *Improving the Quality of Advice* which outlines the progress made by FPA and its members over the last two to three years to improve the quality of financial planning advice in Australia.

"Another example that reflects industry initiative in raising standards is the Financial Planning Association's conflicts of interest principles… [ASIC] actively engaged with the FPA in the development of these principles … We applaud this approach."

Jeffery Lucy, Chairman, Australian Securities and Investments Commission, March 2006

Policy and government relations

FPA has been active in policy development and representation of member interests to government and the regulator across a wide range of areas such as financial services and corporate reform, anti-money laundering and the simplification of the superannuation regime.

Remuneration and conflicts of interest

The on-going program to improve clarity and transparency in financial planning remuneration achieved a major milestone at the end of the financial year with the adoption of FPA Principles to Manage Conflicts of Interest, effective 1 July 2006.

Developed by a taskforce of FPA Principal members, and following an extended period of consultation with all members concluding in October 2005, the Principles were finalised and formally adopted on 2 March 2006.

Ahead of their formal adoption, the Principles were strengthening and accelerating the process of change under way in financial planning. In June 2006, FPA issued implementation guidance for members, to assist them in complying with the obligations set out in the Principles.

In April 2006, ASIC released the report of a Shadow Shopping Survey on superannuation switching conducted in the second half of 2005.

While confirming that significant improvements have taken place in since the ASIC / ACA survey of 2003, the regulator pointed to the need to address a number of issues, including the high correlation between the presence of a conflict of interest and poor advice.The survey report served to bring remuneration and conflict of interest to the top of political, industry and media agendas.

The ASIC Survey also provided more evidence of the need for further refinements of Financial Services Reform (FSR) - see next section. In particular, it demonstrated the need to facilitate consolidation of superannuation funds.

It also reinforced the need for a clearer, more practical boundary between personal and general advice - because it is our view that not all situations require a Statement of Advice (SoA) to be prepared.

Through the year, a vigorous debate around remuneration and industry structure has evolved and is intertwined with conflicts of interest. There is a growing perception - erroneous in our view - that advisers receiving payment via the product cannot put their client's interests before their own and give appropriate advice.

FPA has taken the position - which is explicit in the first of the Conflict of Interest Principles - that the cost of financial planning advice should be separately identified as an advice fee in the Statement of Advice and total fees paid for ongoing advice must be disclosed regularly, preferably annually, to the client.

Clarity of fee disclosure is key, both to managing conflicts of interest and to enabling people to assess the value of advice. The amount and the means of payment is a matter for agreement between adviser and client.

It can be paid as a fee from client to adviser, through a product, or a combination of both of these. Payments received by the adviser from a product provider are generally referred to as commissions.

However, if a client pays for advice in this way, provided the amount can be varied or terminated as agreed between client and adviser, the FPA advocates the payment be described as an 'advice fee'. Any payment to the adviser which falls outside these requirements should be disclosed as a commission.

What matters is not how the adviser is paid but that the advice is appropriate to the individual client's circumstances.

In April ASIC issued a discussion paper, *Managing conflicts of interest in the financial services industry*, to which FPA responded in June with a formal submission arguing the need to avoid prescription by increasing the number of examples of conflict situations in Policy Statement 181.

FPA shares ASIC's focus on a good outcome for the client but contends that in most cases this can be achieved by managing any real or potential conflict with disclosure rather than avoiding providing advice in that situation.

We also believe that the industry should manage conflicts within current legislative guidelines rather than add further compliance costs with additional requirements.

Corporate and financial services reform

FPA has consistently lobbied government, Treasury and ASIC that the Financial Services Reform Act had not achieved a balance between the compliance obligations on financial planners and the protection of consumers' interests.

A first round of refinements was announced in May 2005 by Parliamentary Secretary to the Treasurer, Hon Chris Pearce MP. FPA worked closely with the Government, Treasury and ASIC on developing the proposals.

The resulting package of regulatory changes was implemented in December and, significantly for the FPA, introduced the Record of Advice.

In April 2006, Chris Pearce released a further round of proposed refinements for industry consultation. With input from members and the FPA Regulations Committee, FPA responded to the proposals in May, drawing together a range of issues which had been on our agenda with Government for some time. These included appropriate boundaries for and between general and personal advice, repetition of information in Statements of Advice, situations where a SoA should not have to be prepared, incorporation by reference in documents, threshold requirements for SoAs and regulation of platforms.

FPA has been invited to participate in roundtable discussions on the consultation paper before the Government finalises its response and introduces the further refinements which are expected toward the end of 2006.

FPA also continues to lobby for a level playing field in regulation. It was pleasing to note the Government's indication in November 2005 that no extension of accountants' exemption from FSR when providing advice on self managed superannuation funds (SMSFs) would be forthcoming.

The difficulties of ensuring compliance with the exemption were demonstrated by the Shadow Shopping Survey which found that only four of the 18 accountants without a licence kept within the terms of the exemption. It is a cause of concern to FPA and to ASIC that some accountants are acting beyond their mandate and consumers are being left exposed.

Superannuation

Superannuation, which had been at the centre of the policy agenda in 2004/05, was again a focus for the FPA.

The year started with the introduction of Super Choice on 1 July 2005.

The widely anticipated mass switching of funds did not materialise. The FPA's initial policy focus was on a series of submissions to Government, which was looking into the potential for improving the super savings of the under 40s, drafting regulations on defined benefit pensions and small super funds, and on contributions splitting.

Current super fund checklist

Feedback from members during the year highlighted their difficulty with obtaining information on clients' current super funds. ASIC also expressed concerns about the adequacy of some investigations of clients' current funds.

Responding to a clear need, the Superannuation Committee developed a checklist of information needed when advising on a super switch. At year end, the checklist was being finalised, with the cooperation of ASIC, IFSA[1] and ASFA[2].

Consolidation of funds

The affordability of advice to clients who wish to consolidate super funds (especially those with small balances) is a concern for FPA members. The need to provide a thorough analysis of all funds involved makes the cost of advice prohibitive for those on low incomes, who are the people who need it most. FPA continues to work with ASIC and industry bodies to achieve an outcome which will make a real difference.

Simpler Super

In May, FPA welcomed the Federal Budget proposals to simplify super benefits, improve retirement incomes and increase incentives to work and save. The Government's reforms take up the FPA case for elimination of Reasonable Benefit Limits. The Superannuation Committee developed an early submission on those issues which demanded a speedy resolution in order to provide certainty to financial planners when advising clients.

Meetings with Treasury, to express transitional concerns and to discuss the entire Simpler Super package, informed a comprehensive submission to Government.

[1] Investment and Financial Services Association
[2] Association of Superannuation Funds of Australia

Year in review Policy and government relations

"We need to strike the right balance between reducing the regulatory burden and maintaining important consumer protections."

The Hon. Chris Pearce MP,
Parliamentary Secretary
to the Treasurer, May 2006

Anti-money laundering

Given the Government's commitment to implement the recommendations of the international Financial Action Taskforce on Money Laundering (FATF), a draft exposure Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) Bill was released in December 2005.

FPA has supported the legislation but consistently emphasised that financial planners should not bear the brunt of a regime which has the potential to further increase the cost of advice and engender client distrust of their financial planner.

After strong objections from FPA and other industry groups, the Government reworked the Bill and, shortly after the financial year end, the revised Bill was released for a short consultation period. It is a significant improvement on the original approach. The Government's intention is that the Bill is adopted in December 2006.

Taxation

Legislation passed in December 2005 gave the Australian Taxation Office the power to penalise the promoters of anti-tax exploitation schemes.

FPA's Taxation Committee developed a submission, made in April to the Assistant Treasurer, reiterating that no clear case had been given for the ATO's new powers and seeking assurances that the ATO would only act on clear examples of tax abuse.

The Government remains convinced of the need for legislation but has said that guidance on the use of the provision will be developed by the ATO. FPA is participating in the development of an ATO Practice Statement, seeking to ensure that member concerns are addressed.

Despite sustained lobbying by FPA, the Government has declined to re-examine the tax deductibility rules for financial planning fees. It believes the change would introduce further complexity and create pressure for deductibility of other private expenses. However, the varying tax treatment of different payment methods can distort consumers' choice and currently favours the payment of advice through commissions.

FPA believes strongly that allowing financial planning fees to be tax deductible would facilitate affordable financial planning advice and promote the long term economic welfare of Australians. This issue is a priority for 2006/07.

Other policy issues

It is a long-running issue for members that financial planners should be able to witness statutory declarations and certify copies, in line with other recognised professionals.

With the guidance of the Regulations Committee, FPA has sought to achieve authorisation of CFP® professionals, beginning with those jurisdictions with the broadest existing authorisations, the Commonwealth Government and Western Australia.

Despite well-argued FPA submissions and representations by FPA members to local MPs, the WA Attorney General has referred FPA to the Commonwealth because financial planners are authorised under Commonwealth legislation. The Commonwealth for its part has asked for evidence of the need to certify Commonwealth related documents but most need arises at the State level.

FPA has proposed that Australian Financial Services licensees and their representatives be authorised to certify copies of documents within the new Commonwealth Anti-Money Laundering and Counter Terrorism Financing regime. If this proposal is accepted, there will be scope for the broader acceptance by the Commonwealth and States for financial planners to witness statutory declarations and certify copies.

Relations with political parties, 2005/06

FPA only makes payments to political parties to enable participation in events which are relevant to the interests of FPA members.

Name of political party	Purpose	Value ($)
Australian Labor Party	Business Forum 27-28 Oct 05	4,000.00
The Nationals	Federal Council 2005 Corporate Observer	3,300.00
Deakin Electorate Council	Liberal Party function hosted by Mal Brough MP 23 Nov 2005	1,000.00
Liberal Party of Australia, NSW	Business Forum 3 Mar 06	1,800.00
Liberal Party of Australia, NSW	Millennium Forum Sponsor Business 2006	11,000.00
Progressive Business Association	Before the Games Cocktail Reception Mar 2006	300.00
Progressive Business Association	New individual membership 2006	295.00
Liberal Party of Australia, SA	Luncheon 18 May 06	300.00
Liberal Party of Australia, NSW	Budget Briefing 19 May 06	250.00

The above amounts are recorded on a cash basis as per the Donor to Political parties Annual Return 05/06

"I welcome the ASIC report, and the fact that it shows that over 80% of financial planners are doing the right thing by their clients… Good financial advice can make a big difference to the wealth of Australian households, and the Government won't tolerate planners who do not operate in the best interests of their clients."

Hon. Peter Dutton MP,
Minister for Revenue and Assistant Treasurer,
April 2006

Formal submissions made by FPA, 2005/06

Date	Submission issue	Recipient
15 Jul 05	CFP® practitioners to witness statutory declarations and certify documents	WA Attorney - General
23 Aug 05	Improving the super savings of the under 40s	House of Representatives Standing Committee on Economics, Finance and Public Administration
28 Sep 05	Workcover review of definition of worker	NSW Minister for Workplace Relations
17 Oct 05	Payroll tax exemption for financial planners in Victoria	Victorian Treasurer
25 Oct 05	Anti tax exploitation scheme legislation	Treasury
3 Nov 05	Principles for compliance in financial intermediaries	ASIC and International Organisation of Securities Commissions
4 Nov 05	Regulations to implement FSR refinement proposals	Treasury
16 Nov 05	Regulations on defined benefit pensions and small super funds	Treasury
17 Nov 05	Accountants Financial Services Reform carve-out	Parliamentary Secretary for Financial Services
30 Nov 05	Employer Eligible Termination Payments - inquiry into improving the super savings of the under 40s	House of Representatives Standing Committee on Economics, Finance and Public Administration
13 Dec 05	Regulations on contributions splitting	Treasury
22 Dec 05	Proposal to eliminate Reasonable Benefit Limits	Assistant Treasurer
22 Dec 05	Authorisation of CFP® practitioners to witness legal documents	Commonwealth Attorney General
22 Dec 05	Interaction of rules on bankruptcy and superannuation	Insolvency and Trustee Service Australia
22 Dec 05	Tax deductibility of fees for preparation of a financial plan	Treasury
16 Jan 06	Non preservation of employer Eligible Termination Payments	House of Representatives Standing Committee on Economics, Finance and Public Administration
16 Jan 06	Regulation as a barrier to take up of IT	Financial Services Advisory Council
23 Jan 06	Improving economic regulation	Business Regulation Taskforce
2 Feb 06	FPA's position on Westpoint	Joint Parliamentary Committee on Corporations and Financial services
1 Mar 06	CFP® practitioners to be authorised to witness statutory declarations	WA Attorney General
9 Mar 06	Draft Anti-Money Laundering and Counter Terrorist Financing regime	Senate Legislation and Constitutional Committee
12 Apr 06	Anti-tax exploitation legislation	Assistant Treasurer and Minister for Revenue
13 Apr 06	Draft Anti-Money Laundering and Counter Terrorist Financing regime	Commonwealth Attorney-General's Department
26 May 06	Consultation paper - corporate and financial services regulatory review	Treasury
9 Jun 06	Simpler superannuation proposals - transitional issues	Treasury
23 Jun 06	Managing conflicts of interest in the financial services industry	ASIC

Continuing Professional Development

Continuing Professional Development (CPD) is a vital strand of members' commitment to maintaining high standards of technical expertise and ethical practice.

In line with FPA's strategic priority of assisting members to enhance and maintain their professionalism, extending the CPD training opportunities for members has been an important focus in 2005/06.

Among new initiatives were:

- The introduction of CPD Professional Accredited Learning (PAL), a monthly series of online technical articles
- The launch of CPD Quarterly, a bound-in supplement to Financial Planning magazine, from early 2006
- A series of training DVDs, which have enabled us to deliver workshop and seminar content to regional members unable to attend face-to-face sessions.

Through these channels, members have been given wider options for CPD learning, enabling them to choose where, when and how they structure their training programs.

The nature and content of CPD offerings has been closely linked to policy and legislative issues. For example, workshops and seminars during 2005/06 have included:

- Super switching
- Super switching and the insurance considerations
- Taxation updates
- Anti-Money Laundering legislation
- Reverse mortgages

Both seminars and online learning activities have been well-received.

Member participation in Continuing Professional Development, 2005/06

Type of CPD activity	Member participation
Online learning enrolments	856
Workshop/seminar participation	325
DVD purchases	437
Total	1,618

Both Principal and practitioner members expressed a strong desire, in research FPA conducted during 2005, for CPD learning opportunities which do not carry the inevitable costs associated with conferences, seminars and online units of study. It was in response to this need that, in early 2006, FPA introduced the CPD Quarterly to Financial Planning magazine. Each quarterly issue carries three or four technical or professional articles on a single subject area, with associated questions which can be completed online to earn one quarter of a CPD point for each article. The first issues, in April and June 2006, were focused on taxation and superannuation.

Accredited CPD Register

The CPD Register for accredited courses has continued to gain acceptance and usage among members. During the year, the volume of enquiries increased and 357 courses were formally accredited, having met the high standards set under the FPA policy guidelines for accreditation of CPD.

Launched in early 2006, CPD Quarterly is a special education supplement in Financial Planning magazine accompanied by online questions allowing members to earn accredited points.

Year in review Professional standards

Professional standards

The professionalism of the financial planning sector has been a focus for debate and commentary this year, with the Westpoint collapse and the ASIC shadow shopping survey the main catalysts. In this climate FPA's role in setting and upholding professional standards amongst members has taken on even greater importance.

Australians depend on a financial planning profession that is skilled, ethical and committed to its clients. FPA members make a commitment to high professional standards and ethical behaviour and for this reason people often seek out a financial planner who is an FPA member or who is an accredited CERTIFIED FINANCIAL PLANNER™.

Monitoring and investigating compliance with professional standards has been a strong focus this year. Investigation of complaints against members who had advised clients on Westpoint have placed an unplanned demand on resources.

At the same time, much effort has been devoted to the implementation of new codes and principles. These new standards aim to increase the clarity and transparency of financial planning remuneration, and to manage conflicts of interest. At a time of transition, the Professional Standards unit has sought to give support to members through response to individual queries, guidance notes and practical business tools.

The Professional Standards and Ethics Committee, which like other FPA committees is made up of members who have volunteered their time and expertise, has provided guidance and advice to the executive team, in particular on complaints and disciplinary matters, and the management of conflicts of interest.

Supporting member compliance with professional standards

FPA uses its National Quality Assessment Program (NQAP) to help assess Principal members' adherence to professional standards and to identify any systemic issues and trends which may occur. A program of compliance visits is conducted through the year when Principal members' business operations are examined for compliance with professional standards, risk management plans and the financial planning process.

This year 92 such field visits have been conducted, 55 of which were among existing Principals and a further 37 formed part of the assessment for Principal membership. In the previous financial year, a total of 77 such visits were undertaken (37 existing; 40 prospective members).

All FPA Principal members are required to lodge a Self Assessment Questionnaire (SAQ) as part of the NQAP process. This year 97 of the 600-plus Principal members failed to lodge their 2005 SAQ by the due date. Most of these were submitted by the year end; those that did not were referred to the Investigations Manager.

Compliance with FPA codes formed a major part of the year's work program. In July/August 2005 members' compliance with the Code of Practice on Alternative Remuneration was assessed via survey. Thirty percent of members surveyed responded and, of these, approximately half did not receive alternative remuneration within the scope of the code. All members who do receive alternative remuneration had established a register which is available for public scrutiny. A further review of the effectiveness of this Code is planned for 2006/07.

Dealing with complaints

The review of the FPA Complaints and Disciplinary Scheme (CDS) was ongoing through the year. The review, which is due for completion in late 2006, includes a reassessment of sanctions applied to members; the creation of a strong link between Professional Standards and FPA's compliance, education and policy work; and streamlining of data analysis and reporting.

Westpoint

The collapse of Westpoint and the subsequent loss by some 4,000 investors of savings estimated at over $300 million represents Australia's biggest financial collapse since HIH and has attracted sustained, negative coverage about the role of financial planners. The contention is that advice by financial planners was corrupted by high commissions and failed to take account of clients' risk profiles or to put client interests before their own.

While media reports suggest some 200 advisers are involved, FPA received 41 written complaints, six of which have since been withdrawn and a further six require further documentation from clients in order to make an initial assessment of their validity. The complaints received are against 20 individual members who represent 14 Principal members. These numbers should be set against the fact that FPA has over 11,000 individual members and over 600 Principal members.

A further 11 written complaints were received against financial planners who were not FPA members and are outside the scope of FPA investigation.

FPA will take action against those members who have breached membership rules and obligations. At the financial year end, information gathering from complainants and members was largely complete and preparations were in hand to issue 'show cause' letters to a number of members. Members have 30 days to respond to these letters before matters are referred to the Complaints and Disciplinary Committee.

FPA has advised members with a Westpoint exposure to seek legal advice and to advise their professional indemnity insurer. Recommendation of a Westpoint investment product is not necessarily inappropriate or bad advice, providing it can be demonstrated that the investment was suited to the client's goals and circumstances, appropriate due diligence was conducted and clients were made aware of the costs and risks involved.

External complaints resolution

All FPA Principal members are required to be members of the Financial Industry Complaints Service (FICS), an industry-funded external complaints resolution body. The issues raised by proposed changes to the rules of FICS, initiated in 2004/05 moved towards resolution during this year.

As a member of the FICS Rules Committee, FPA has been able to bring up for discussion issues of concern to our members.

FPA Principal members had expressed concerns about a number of issues including that members be required to pay all costs incurred in a judicial review of a FICS determination, not just their own, regardless of the outcome.

Informed by a joint submission from FPA, IFSA[4] and SDIA[5] and a roundtable meeting, FICS incorporated many of the proposed enhancements to the rules.

Several outstanding issues remain to be discussed by the Rules Committee including procedural fairness between complainant and member, FICS's desire to maintain discretion in determining who is a 'retail client', and the constitution of a 'new panel'.

A proposal to double FICS' jurisdictional monetary limits for financial planners to $200,000 (which was unanimously opposed by members) was withdrawn by FICS. Members will be consulted separately once FICS has been able to increase professional indemnity cover to the required level.

Professional indemnity insurance

FPA observed a narrowing in the usual scope of professional indemnity cover during the year through a growing number of exclusions from cover. These include: products not on Approved Product Lists, liability for fraud and dishonesty, libel and slander, and run-off cover. Some insurers are pricing these types of exclusions separately and offering policies with extensions carrying additional premiums.

However, FPA's agreement with American Home Assurance Company (AHAC), a subsidiary of AIG, has not been affected. AIG has indicated that it is watching developments in the Westpoint case but has no current plans to reduce the coverage of the policy being offered to FPA members.

Plans were advanced during the year for the formation of a broker panel for the AHAC policy, and this is expected to be in place before December 2006. The panel will help members to obtain competitive quotes for professional indemnity cover in line with FPA requirements.

[1] FPA investigates complaints against non-member students undertaking FPA courses and records details of non-members who are banned by ASIC.
[2] Total complaints by member category differs from total complaints by type because more than one complaint has been received in the case of some members.
[3] Financial planners banned by ASIC.

[4] Investment and Financial Services Association
[5] Securities Dealers' Investment Association

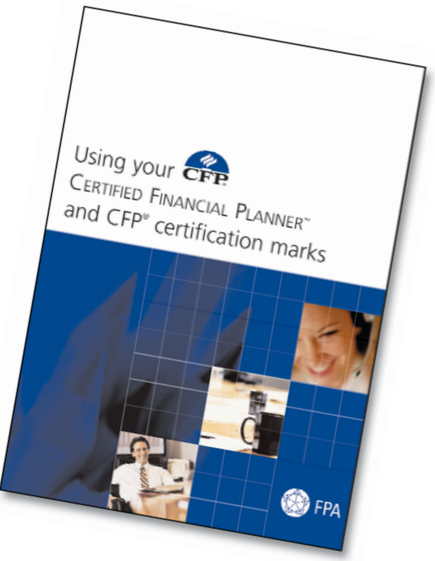
Complaints by member category and type, 2004-2006

Complaints by member category	2004	%	2005	%	2006	%
Non-member[1]	26	15	17	22	12	15
Affiliate/General	50	30	28	36	24	29
Associate/Snr Assoc.	9	5	7	9	6	7
CFP®	36	22	21	28	34	42
Principal	47	28	4	5	6	7
Total	168		77		82[2]	
Complaints by type						
Banning orders[3]	17	10	7	9	3	3
FPA non-compliance	46	28	6	8	6	6
Unsuitable advice	24	14	13	17	9	9
Non disclosure of fees or risk	18	11	9	12	11	11
Ethical breaches	57	34	29	37	18	17
Implementation	2	1	6	8	6	6
Misuse of membership status	4	2	7	9	8	8
Westpoint	0	0	0	0	41	40
Total	168		77		102	

Year in review CFP® marks

CFP® marks

The CFP® marks are owned by the Financial Planning Standards Board Ltd (FPSB). FPSB is a Delaware-based non-profit association that manages, develops and operates certification, education and related programs for financial planning organisations so that they may benefit and protect the global community by establishing, upholding and promoting worldwide professional standards in personal financial planning. FPSB's commitment to excellence is represented by the marks of professional distinction - CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP.



The three CFP® marks are designed to readily identify and distinguish CFP® practitioners to the public. This guide assists CFP® practitioners in using the certification marks correctly.

NSW CFP® annual graduation ceremony

FPA was the first international member of the International CFP Council and is the only association authorised to award CFP® status in Australia. CFP® certification is awarded only to individuals who have achieved the highest education qualifications, have extensive industry experience, complete an intense assessment and undertake ongoing professional development.

A measure of the high regard in which the FPSB holds FPA members is the appointment of FPA Fellow Ian Heraud CFP® to the Board of the FPSB. A recently convened FPSB Committee to develop an international competency profile for CFP® practitioners includes an FPA staff member. FPA's involvement at the forefront of the international financial planning community further confirms FPA's expertise and position as a global leader.

CFP® certification program

Practitioners seeking certification are required to successfully complete the CFP® certification program, which consists of an education component (a compulsory foundation unit in ethics, compliance and professionalism and three technical units) and a 'capstone' unit which holistically assesses the applied skills and knowledge of candidates.

CFP® certification program:	
CFP1	Ethics, compliance and professionalism
CFP2	Applied strategies 1
CFP3	Applied strategies 2
CFP4	Investment strategies
CFP5	CFP® certification assessment

Note: Exemptions from completing technical units CFP2 to CFP4 may be granted to graduates of FPA-approved post graduate qualifications in financial planning and those who hold the professional designations of CA and CPA with financial planning specialisation.

Enrolments

The certification program attracted record enrolments during 2005/06. The growing market recognition of the program together with the requirement for a bachelor degree to enter from 2007 has been instrumental in the growth of interest.

The decision to mandate bachelor degree entry is in line with FPA's strategic priority of increasing professionalism in financial planning. It is consistent with the minimum qualifications of other professions and conforms to the Financial Planning Standards Board education guidelines.

Enrolments to the CFP 1-4 Certification Program, 2004-06		
Unit	Enrolments 2004/05	Enrolments 2005/06
CFP1	447	818
CFP2	385	601
CFP3	288	436
CFP4	303	275
Total	**1,423**	**2,130**

The fact that the rigorous CFP® certification pathway is attracting substantial numbers of enrolments reflects the increasing professionalism of the financial planning sector.

To provide greater flexibility for students, four enrolment periods were introduced this year and more online learning resources were made available in the student subject rooms.

CFP® tutorials

Seventy per cent of students completing CFP® education units during 2005 expressed an interest in face-to-face tutorial support. In response, FPA introduced the first tutorial workshops for CFP2 in semester 1 2006, for students in Sydney and Melbourne. The positive response has led to further tutorials for other units in forthcoming semesters.

CFP® certification assessment

The increasing number of candidates successfully completing the education component of the certification (CFP1-4) has flowed through to enrolment for the certification assessment unit (CFP5).

During the year 246 candidates enrolled for certification assessment. The unit (made up of a financial plan case study, two three-hour multiple choice examinations and an oral presentation) assesses an individual's technical knowledge and skills in financial planning practice at a standard appropriate for an entry-level CFP® practitioner. Forty eight per cent of those who enrolled successfully completed the assessment.

CFP® preparation workshops

In semester 1 2006, candidates preparing for the certification assessment unit had access for the first time to a workshop designed with the requirements of the financial plan case study assessment in mind. A DVD was produced for candidates unable to attend the capital city workshops in person, and has had extensive take up by members in regional areas.

CFP® certification renewal

This was the first year in which CFP® professionals had to meet annual renewal requirements to continue to use the CFP® marks. Renewal papers were mailed to CFP® members at the beginning of the financial year and, on receipt of valid applications, eligible practitioners were sent a personalised Certificate of Practice for 2005/06

The renewal process allowed FPA to identify a number of certificants who no longer practice and others who were not authorised by a licensee who is an FPA Principal member, as is required. Importantly, the Certificate of Practice helps to differentiate to consumers CFP® professionals as those who have attained - and continue to maintain - the peak designation in financial planning.

Unlike an educational qualification which is awarded to those who reach a standard at a point in time, CFP® marks may only be used by those who have met initial certification requirements and who continue to abide by FPA professional standards, as well as to comply with continuing professional development requirements (120 CPD points per triennium).

CFP® Job Task analysis

Under the terms of the licence agreement with FPSB, which owns the CFP® marks outside of the United States, FPA must conduct a job task analysis every five years. An analysis was commissioned in late 2005 with two-fold aims: to identify knowledge and skills required by CFP® practitioners, and to validate FPA's technical topic list against local and global measures. This will ensure consistency with global standards and practice within the context of local practices and the Australian regulatory environment.

The project was completed in early 2006 and ratified by the FPA Board in June. The full report will be released in the second half of 2006.

Accredited Education Register

The FPA Accredited Education Register hosts all FPA-accredited education pathways to the CFP® Certification Program as well as the names of those institutions who have been confirmed by FPA as Quality Education Accredited Providers.

Entry pathways to the CFP® Certification Program

Universities listed on the register offer financial planning courses which FPA has recognised as entry pathways to the CFP® certification program. The growth over the year of universities offering bachelor degrees in financial planning is an encouraging sign of increasing acceptance of financial planning as a profession in its own right.

Advanced standing pathways to the CFP® Certification Program

The universities listed in the advanced standing pathway offer courses which, when successfully completed, exempt candidates from the technical CFP® units, requiring only the successful completion of the compulsory CFP1 (Ethics, compliance and professionalism) and CFP5 (CFP® Certification Assessment).

The Good Advice website **www.goodadvice.com.au** is a dedicated consumer site allowing visitors to download the Good Advice booklet, view the Dazza TV commercials, read case studies and use FPA's Find a Planner service.

An important element of the Value of Advice campaign, this consumer booklet includes case studies to show the value of professional advice. It is designed to assist in finding a financial planner, preparing the client for the first meeting and getting the most out of it.

Communications

In a major new initiative supported by 40 Principal members, FPA launched Value of Advice, a three year broadly-based marketing and information campaign to encourage more Australians to seek professional financial advice.

Of the $3 million budget for 2005/06, $670,000 was committed from FPA operating surplus and the remainder came from Principal members of all sizes.

The campaign's advertising - launched on free-to-air television in October 2005 - features a fictional character called 'Dazza' who personifies bad advice. It highlights the importance of seeking professional advice by comparing it to the absurdity of well-intentioned but bad advice.

The message was supported by a Good Advice website (www.goodadvice.com.au), where consumers could download a brochure, *Good Advice for Peace of Mind*, access case studies, a glossary of financial terms, and use the FPA's Find a Planner service.

Between October 2005 and June 2006 the Dazza campaign achieved some notable results.

By 30 June 2006:

- 5,168 consumers had requested Good Advice packs via online requests, coupons from advertisements and calls to a dedicated telephone number
- The Good Advice website received over 25,500 unique visitors
- 77% downloaded the Good Advice brochure from their computers
- Over 65,000 requests and searches were made on Find a Planner

Further, campaign materials were made available to FPA members, for use in their own businesses and when meeting clients and prospective clients. Articles and releases highlighting the value of advice were developed for the media.

Independent research told us:

- Advertising achieved 35% awareness among Australians (20-40% is normally expected)
- Of those who saw the advertisements, 52% said they were more likely to see a planner - the equivalent of 150,000 Australians.

Evening event held in Sydney to preview the Value of Advice campaign

Foundation Supporters of the Value of Advice Campaign, 2005/06

AMP Financial Planning
ANZ Financial Planning
Aon Financial Planning & Protection
Aon Wealth Management
Apogee Financial Planning
Avenue Capital Management
Bongiorno Financial Advisers
Centro Financial Synergy Group
Clearview Retirement Solutions
Commonwealth Financial Planning
De Run Financial Solutions
Financial Wisdom
Garvan Financial Planning
Genesys Wealth Advisers
Godfrey Pembroke
Henry Financial Group
Heraud Harrison
Hewison & Associates
Hillross Financial Services
HLB Mann Judd Financial Services
HN Financial Partners
ING Financial Planning
Lunawave
Macquarie Bank
Millenium 3
MLC Financial Planning
Moneytax Financial Planning
National Australia Bank
Perpetual Private Clients
Phillips Financial Services
Portfolio Lifestyle Partners
Professional Investment Services
Quadrant Securities
RetireInvest
Savings & Loans Credit Union
Securitor Financial Group
Sovereign Bridge
Tandem
The Money Managers
Westpac Financial Planning

FPA VALUE OF ADVICE AWARDS 2006

Inaugural Value of Advice Awards

An integral element in the campaign was the launch of new Value of Advice Awards which recognise members' work for clients and the value of advice they have given.

The awards promote the value of professional advice and encourage more Australians to seek it by publicly acknowledging those FPA members who demonstrate 'best practice' financial advice, both for their clients and in the community.

Entries were received in five categories, with national and state award winners announced in June.

2006 Value of Advice Awards National winners:

Wealth accumulation
Philippa Elliott CFP®,
Epic Adviser Solutions

Post-retirement planning and management
Ben Hatcher CFP®,
Hillross Financial Services

Low income planning
Neil Kendall CFP®,
Charter Financial Planning

Pre-retirement planning
Rod Scurrah CFP®,
Garvan Financial Planning

Each national award winner was selected from a shortlist of state award winners. No award was made for 2006 in the Community Contribution category.

State and national judging panels assessed the entries on a number of criteria including how well the planner understood their client's needs and goals, how clearly they explained the available options, the difference in the client's situation as a result of the advice compared to receiving no advice, and whether the planner followed up and reviewed the financial plan with the client.

FPA CEO Jo-Anne Bloch with Philippa Elliott CFP®, national and WA state Value of Advice Award Winner.

"Australians are getting the message that their financial security is too valuable to entrust to someone like Dazza - that is, a person who doesn't understand them or their needs."

The Hon. Chris Pearce MP, referring to FPA's Value of Advice campaign, 15 May 2006

Flags promoting FPA's Financial Planning Week were displayed prominently in the Sydney CBD.

As part of Financial Planning Week, the SA Chapter hosted an investor evening with guest speaker Phil Smyth, Head coach of the Adelaide 36ers basket ball team.

Street banner in Hobart to promote Financial Planning Week and a series of free consumer seminars run by the local Chapter.

Financial Planning Week

Once again, FPA's Financial Planning Week, 22-28 May 2006, provided the focus for nationwide activity by FPA Chapters, which organised activities to encourage Australians to improve their financial knowledge and seek professional advice.

On 15 May, The Hon. Chris Pearce MP, Parliamentary Secretary to the Treasurer, addressed an FPA lunch to mark the upcoming Financial Planning Week. Noting that Australians increasingly want professional, objective advice to achieve their goals now and into the future, he said that the theme for Financial Planning Week - Good Advice for Peace of Mind - is particularly appropriate.

Some Financial Planning Week activities:

- Financial Planning Careers Expo, Sydney
- Financial Planning Week street banners, Sydney
- Community breakfast at Central Railway Station, Brisbane
- Planner / client breakfast on Budget proposals, Toowoomba
- 'Dollarsmart' presentations to schools, Mackay
- Investor evening, Adelaide
- Three consumer seminars, Hobart
- Presentation on careers in financial planning, Curtin University Student Expo
- Phone a financial planner hotline, Perth
- Consumer investment seminar, Albury Wodonga

FPA website redevelopment

In April 2006 the FPA website was launched with a new design, greater ease of use and accessibility. This represented the first phase in an ongoing development program.

FPA website: new design, greater ease of use and accessibility.

Financial Planning magazine

The contract for the publication of FPA's monthly magazine, *Financial Planning*, went out to tender and proposals were received from four bidders, all experienced publishers. The tenders were reviewed and the FPA Board approved a bid from the incumbent contractor, Reed Business Information, for a further two year period from January 2006.

In April 2006, the magazine was expanded to include a quarterly supplement, CPD Quarterly, which provides practitioner members the opportunity to earn continuing professional development points based on a series of technical articles. The first issue took the theme of taxation.

Media relations

Contacts with national, metropolitan, regional and trade press, as well as with electronic media, were sustained and developed during the year. Active engagement with the media provides an important vehicle for communication within the financial planning sector, to the wider community and to other stakeholders. FPA seeks to increase constructive interaction with the media, making the most of opportunities to build the reputation of the FPA and financial planning profession, as well as providing fast, information-rich responses to enquiries.

This year, we have been faced with particular challenges to the reputation of professional financial planners, among them the collapse of Westpoint and the ongoing plight of many investors who have lost their savings, and ASIC's shadow shopping report. Both of these high-profile developments have cast doubt, in the minds of many consumers, on the professionalism of practitioners as a whole. Our challenge has been to safeguard the reputation of the majority of financial planners who adhere to high professional standards and ethics and at the same time being seen to be taking appropriate action against those who are proven to have acted inappropriately.

During the year, FPA continued to facilitate comment in the media by CERTIFIED FINANCIAL PLANNER™ professionals. We have regularly put journalists in touch with CFP® members for comment on a wide range of issues related to their professional experience. In addition, FPA continues to facilitate the contribution of regular Q&A columns in six major metropolitan newspapers. A large number of CFP® members have volunteered their time to provide general advice in response to readers' questions. Their columns individually and collectively demonstrate the value of financial advice and the importance of seeking professional help.

Getting Advice provides essential facts about financial advice, choosing an adviser, working with an adviser and assessing whether advice meets consumer needs. The ASIC booklet was prepared with the FPA and published in November 2005.

This consumer booklet introduces the concept of risk and explains differing types of risk. Revised edition published in September 2005.

The member interface

FPA is a strong member-focused body which seeks to deliver valuable services to meet the professional needs of members. A priority for FPA is to enable a free flow of information and ideas between members and the FPA executive and the Board. A number of structures are in place to allow that to happen.

Chapters

FPA members sustain a network of 31 Chapters around Australia. The Chapters provide the framework through which members can:

- engage with their professional association
- network with fellow members
- further their professional development
- contribute to community understanding about financial matters.

Chapter committees, made up of elected members who volunteer their time, are an essential part of this living network. Through the year, the committees actively contribute to the thinking, planning, organisation and implementation of FPA events, special working groups, and other member initiatives.

Depending on location, each FPA member is assigned to a Chapter and may choose to be involved in local events and activities. Through their Chapters and directly to the executive, members can contribute to FPA policy development and other issues of importance to them by sharing their personal experience and expertise.

During the year, an area of focus for the FPA National Chapter Manager and State Executive Officers (SEOs) has been building contacts among Chapters, and between the Chapters and the FPA executive and Board. An SEO workshop was held to assist exchange of ideas, and to enable up-skilling of processes and procedures. Consistent branding has been introduced across Chapter materials, increasing professionalism and building the FPA brand nationally.

Chapter chairpersons met monthly via teleconference and as a group at the FPA National Conference on the Gold Coast in November 2005.

A wide range of professional development, business networking and community activities took place under the auspices of Chapters.

At the February SA Chapter Inspirational Womens' Breakfast, guest speaker Rachael Sporn, Olympic medallist and former captain of the Australian Opals basketball team with Tony Skinner of FPA Principal Member, Advance Funds Management.

Speakers and event supporters of the Melbourne Chapter AFL Grand Final lunch: Robert "Dipper DiPierdomenico, David Denby of Merrill Lynch Investment Managers, Michael Malthouse - Collingwood AFL Coach, Merril Lynch CEO Maurice O'Shannassy, Shane Crawford - Hawthorn AFL Player

FPA Chapters

New South Wales/ACT

Sydney
Mid North Coast
Newcastle
New England
Riverina
Western Division
Wollongong
ACT

Northern Territory

Darwin

Queensland

Brisbane
Cairns
Far North Coast
Gold Coast
Mackay
Rockhampton / Central
Sunshine Coast
Toowoomba / Darling Downs
Wide Bay

South Australia

Adelaide
Sunraysia

Tasmania

Hobart
Northern Tasmania

Victoria

Melbourne
Albury / Wodonga
Ballarat
Bendigo
Geelong
Gippsland
Goulburn Valley
SE Melbourne

Western Australia

Perth

Total member events by type, 2005/06

Professional development	191
Business networking	62
Community activities	19

State Planners' Forums

The organisation of state conferences, renamed State Planners' Forums, has been brought in-house for greater consistency, quality control and economies of scale. In March and early April 2006, forums were held in Brisbane, Perth and Melbourne, giving members opportunities both to gain CPD points and to network. With strong, locally-planned programs, these events were well attended and welcomed by members in each state.

Attendance at the FPA State Planners' Forums, 2005/06

	Total attendees	Exhibitors
Queensland	283	19
Victoria	180	12
Western Australia	144	11

Jim Taggart CFP®, Mark Greaves CFP®, Rob Pedersen CFP® and Merton Miles at the launch of the Western Sydney Committee of the Sydney Chapter.

Winning team at the Adelaide Chapter Golf Day, David Trevaskis, Justin Venning, Chris Everett CFP® and Sab Troncone from Colonial First State

Principal member interaction

The Principals' Representative Forum (PRF) continued to meet through the year. In early 2006 Principal members in each state elected two new representatives. The refreshed committee has focussed its attention on several issues identified as being most important to Principal members (AFS licensees), establishing small sub committees on communications, mentoring and industry funds. Principal members in the each state are encouraged to put forward issues for discussion at PRF meetings, and their representatives are responsible for informing and consulting with their members following meetings.

The annual National Principals' Forum was held over two days (29-30 May) in Sydney, with CFP® members joining Principals for the second day before moving into the CFP® Retreat on 31 May. With 160 paying delegates, the event attracted limited support from the 600-plus Principal members.

Attendance at FPA National Conferences, 2001-2005	
FPA National Conference	Attendance
2001 Brisbane	2,500
2002 Sydney	2,400
2003 Adelaide	2,280
2004 Sydney	2,550
2005 Gold Coast	2,050

FPA national and state events, 2005/06		
Event	Location	Date
FPA 2005 National Conference	Gold Coast	16-18 Nov 05
Queensland Planners' Forum	Brisbane	9-10 Mar 06
Western Australia Planners' Forum	Perth	23-24 Mar 06
Victoria Planners' Forum	Melbourne	7 Apr 06
National Principals' Forum and CFP® Retreat	Sydney	29-31 May 06

FPA 2005 National Conference

Around 2,050 members and others associated with the financial planning sector gathered at the Gold Coast Conference & Exhibition Centre for a conference which was rated highly both by practitioners and by those businesses who had a presence at the exhibition. The conference program of workstreams and plenary sessions provided delegates the opportunity to hear quality speakers and to earn continuing professional development points.

65% of delegates were financial planners. More than 90 financial services providers and business suppliers participated in the exhibition.

The survey of delegates, in electronic form for the first time, received the highest response rate ever achieved and feedback was overwhelmingly positive. The conference brought in a surplus of over $850,000 to the FPA, an essential contribution to operating funds for the year.

Before the close of the financial year, plans were well developed for the 2006 National Conference in Melbourne. Registrations were launched in late April with a fully operational conference website offering online registration, regular electronic newsletters for FPA members and sponsors, and confirmed bookings for a large proportion of exhibition space.

The FPA National Conferences have been held annually since 1992, with an average delegate attendance of 2,300 over that past 10 years.

FPA 2005 National Conference

Membership

During the year, some 700 new membership applications were accepted and 370 existing members upgraded their membership.

Overall, FPA membership numbers fell to 11,752 at 30 June 2006, from 12,230 a year earlier (see table) largely because of the withdrawal of FPA from entry level education, with fewer students now seeking membership.

Practitioner members in the four membership categories of CFP®, Senior Associate, Associate and Affiliate remained static, with a total of 7,284 in 2006 compared with 7,283 in 2005. In addition, the General category of membership includes a large number of practitioners.

The number of Certified Financial Planner™ certificants fell marginally. The introduction of a more rigorous annual renewal of certification was the main influence on numbers. Some members were no longer eligible to hold certification because they were not authorised by FPA Principal members; others sought leave of absence. The two other practitioner categories, Affiliate and Associate together had a net rise of 69 members.

Principal member numbers continued to edge upward, rising from 513 in 2000 to 612 at 30 June 2006. During the year 40 new Principal members were accepted while 32 ceased membership, some of these resigning and others having been suspended.

The main decline in membership was in the General category, which is comprised of non-practitioners who are closely associated with the financial planning sector and practitioners who have not applied (or are not yet eligible) for practitioner membership.

FPA membership by category, 2000-2006							
Category	2000	2001	2002	2003	2004	2005	2006
Affiliate	7,097	-	362	1,166	1,074	927	936
Associate	1,551	1,410	1,170	1,016	881	806	891
Senior Associate	169	140	121	106	95	78	73
CFP®	2,670	3,527	4,311	4,970	5,413	5,472	5,414
Principal	513	534	554	569	584	605	614
General		7,554	7,958	6,509	5,571	4,199	3,761
Student	30	45	62	85	124	113	94
Retired	-	-	-	11	19	24	20
Associate Academic		-	-	3	4	6	6
TOTAL	12,030	13,210	14,538	14,435	13,765	12,230	11,809

FPA Fellows 2005/06

The prestigious membership designation of Fellow of the FPA was awarded by the Board to:

Paul Brady CFP® FPA Fellow (NSW)
Michael Summers CFP® FPA Fellow (QLD)

Only members of at least eight years' standing and 10 years' experience in a senior position in the financial planning community are eligible.

Distinguished Service Awards 2005/06

This award is for service by a member who has made a long-term commitment to leadership within the FPA and or the development of the financial planning profession. Awards were presented to:

Louise Biti CFP® (NSW)
Gwen Fletcher (NSW)
Kym Harris CFP® (SA)
Geoff Morris CFP® (NSW)
Peter Roan CFP® (NSW)

Louise Woodger CFP®, Louise Biti CFP®, Gwen Fletcher FPA Life Member and Chris McMillan FPA Education

FPA Plus - member benefits scheme

In May 2006, FPA finalised negotiations with the Ambassador Card Group for the delivery of a member benefits scheme, FPA Plus. The scheme, effective from the 2006/07 membership year, is based on a benefits card to be provided to all practitioner members free of charge, and to General members and clients of practitioner members at a nominal rate of $22 (inc. GST). FPA Plus offers members and clients savings on a range of everyday and luxury purchases such as petrol, groceries, entertainment and accommodation.

FPA membership categories

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 commitment to 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. Currently, a CFP® member must be an authorised representative or a representative of a FPA Principal member (this requirement will cease with effect from 1 July 2007).

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

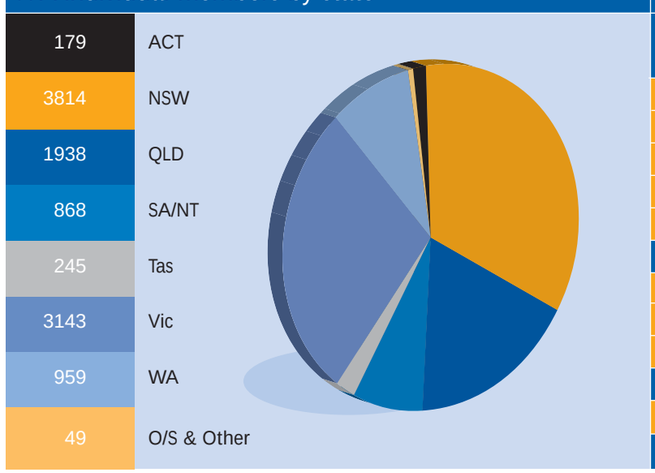
Open to practitioners who hold a Diploma of Financial Planning (or equivalent) and have one years' experience in the provision of comprehensive financial advice.

General members

Open to those in the financial services industry who agree to abide by the FPA Code of Ethics, Rules of Professional Conduct and bylaws, and are compliant with all local, state and federal laws. This category includes non practitioners.

Other membership categories include: Associate Academic, Senior Associate, Student and Retired.

FPA individual members by state



FPA total membership analysis, 2005/06

Category	2005/06		% change
	1/07/05	30/06/06	
Affiliate	927	936	0.97
Associate	806	891	10.55
CFP®	5472	5414	-1.06
Associate Academic	6	6	0.00
Senior Associate	78	73	-6.41
Total practitioners	**7289**	**7320**	**0.43**
General	4199	3761	-10.43
Student	113	94	-16.81
Retired	24	20	-16.67
Total individual members	**11625**	**11195**	**-3.70**
Principals	605	613	1.32
Total members	**12230**	**11808**	**-3.45**

Committees and taskforces

The members listed represent those who served on a committee or taskforce for all or part of 2005/06.

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
Hillross Financial Services
Ian Donaldson CFP®
Donaldson Financial Planning
Chris Drummer
MBF Australia
Tim Gunning
Commonwealth Financial Planning
David Middleton CFP®
Prescott Securities Ltd
Peter O'Toole CFP®
Godfrey Pembroke
Jo Tuck CFP®
Menico Tuck Financial Services
Dane Waldron CFP®
Investor Financial Planning

Regulations Committee

Seng Wing Chong, Chair
Hillross Financial Services
Corinna Dieters
HLB Mann Judd Financial Services
David Holloway CFP®
Wize Investment
Sean Graham
Commonwealth Financial Planning
Julie Matheson CFP®
Sovereign Bridge
David Squire
MLC
Michael Summers CFP®
Australian Investment & Financial Planners
Oriella Tomassini
ING Australia
Germana Venturini
WHK Group
Brett Walker
FSI Consulting

Taxation Committee

Chris Drummer, Chair
MBF Australia
Peter Bobbin
The Argyle Partnership
Allan Butson
Financial Wisdom
Lisa Cardiff
ING, then Macquarie Bank
Nidal Danoun CFP®
Prosperity Financial Services
Terry Dwyer
Margie Lemon CFP®
LBW Financial Services
Jeremy Rankin
Commonwealth Bank
Stephanie Tee
AMP

Superannuation Committee

Louise Biti CFP®, Chair
Asteron
Peggy Barker CFP®
Barker Wealth Management Group
Jennifer Brookhouse CFP®
ING Australia
Lyn Heaysman
Financial Wisdom
Sean Fannin
Westpac Financial Services
Shumita Gujral
AMP Financial Planning
Glenese Keavney CFP®
Centrestone Wealth Advisers
Michael Langtry CFP®
M J Langtry & Associates
Wayne Lear CFP®
Guardian Financial Planning
Mark Lowe CFP®
Tandem Financial Advice
Carly O'Keefe
TOWER Australia
Keith Powell CFP®
Capel & Associates
Ken Robinson
Primary Superannuation Services
Paul Sarkis
MLC

Professional Standards and Ethics Committee

Ian Heraud CFP® FPA Fellow, Chair
Heraud Harrison
Julie Berry CFP®
Bridges Financial Services
Sean Graham
Commonwealth Financial Planning
David Haintz CFP® FPA Fellow
Haintz Financial Services
Andrew Heaven CFP®
WealthPartners Financial Solutions
Steve Helmich, Chair
AMP Financial Planning
John Hendrie CFP®
Hendrie Financial Planning
Leonie Henry CFP® FPA Fellow
Henry Financial Group
Dan Hogan
Westpac Banking Corporation
Adrian Hondros
National Australia Bank
Sally Manion CFP®
ipac financial planning
Chris Morcom CFP®
Hewison & Associates
Colin Scully FPA Fellow
Michel Scutts
Aon

Complaints and Disciplinary Committee

David Haintz CFP® FPA Fellow
Haintz Financial Services
Neil McKissock CFP®
Godfrey Pembroke
Bernie Walshe CFP®
Cameron Walshe Financial Planning
John Puls
Barrister

Strategic Marketing Committee

George Haramis, Chair
RetireInvest
Julie Berry CFP®
Bridges Financial Services
Nick Bruining CFP®
N C Bruining & Associates
Rob Gerrand
Marketing consultant
Steve Helmich
AMP Financial Planning
Alan Merten
ClearView Retirement Solutions
Jim Pritchitt
Business Publicity

CFP Certification Committee

Ian Gillies CFP®, Chair
UBS Wealth Management 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

Job Task Analysis Advisory Committee

Andrew Heaven CFP®, Chair
Wealthpartners Financial Solutions
Kym Harris CFP®
Macquarie Equities
Margaret Klova CFP®
Heraud Harrison
Julie Matheson CFP®
Sovereign Bridge
Deen Sanders
Financial Services Education Agency Australia

Quality Education Accreditation Committee

This committee did not convene during the year.

Conflict of Interest Taskforce

Mark Ballantyne
ING Australia
Sarah Brennan
Brennan Partners
Guyon Cates
Associated Planners Financial Services
Rob Coombe
BT Financial Group
Paul Cullen CFP®
St George Bank Limited
Chris Davies
BT Financial Group
Ian Donaldson CFP®
Donaldson Financial Planning
Vicki Doyle
Suncorp
Paul Forbes
Professional Investment Services
Mike Goodall
ANZ Bank
Brad Green
AMP Financial Planning
Tim Gunning
Commonwealth Financial Planning
John Hewison CFP®
Hewison & Associates
Kate Humphries
FS Partners, then DKN Financial Group
Barry Lambert
Count
Matt Lawler
MLC
Paul Manka
Avenue Capital Management
Ray Miles CFP®
Genesys Wealth Advisers
Geoff Rimmer
Financial Services Partners
Andrew Waddell
AXA Australia
Sean West
Sealcorp

CFP1 - Ethics, Professionalism & Compliance Taskforce

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-Lovery CFP®
Unified Financial Services
Chandar Varadhan CFP®
Financial Wisdom
Germana Venturini
WHK Group

CFP2 - Applied Strategies 1 Taskforce

Nidal Danoun CFP® Chair
Prosperity Financial Services
Damian Cullen CFP®
Cullen Financial Planning
Andrew Jones CFP®
Watson Wyatt Australia
John McNeil
Pinnacle Wealth Management
Mark Robinson CFP®
Retireinvest
Peter Van West CFP® FPA Fellow
Investment Initiative

CFP3 - Applied Strategies 2 Taskforce

Alex Wong Chair
McGregor West Wong FS
Jason Andriessen CFP®
State Super Financial Services Australia
John Buttfield CFP®
Proctor Willaws
Mirko Cugura CFP®
RetireCare
Cara Edwards CFP®
Pinnacle Financial Services Academy
Luke Eres CFP®
RetireCare
Frank McCall CFP®
HN Financial Services
Carolynne Wawrzyniak CFP®
Mercer Human Resource Consulting

CFP4 - Investment Strategies Taskforce

Surendra Pather CFP®, Chair
Masu Financial Management
Craig Aspinall CFP®
Grange Securities
Graeme Colley
ING Advice
Greg Cunningham CFP®
Cunningham Financial Services
Nidal Danoun CFP®
Prosperity Financial Services

Financial statements for the year ended 30 June 2006

Directors' report for the year ended 30th June 2006

Left: Bruce Foy, Jo-Anne Bloch, Matt Lawler, Julie Berry CFP® and Paul Gerrard CFP®

Right: Chris Craggs CFP®, Leonie Henry CFP®, Rob Gerrand, Corinna Dieters and Bruce Beakey CFP®

Directors

The names and short biographies of the company's directors during the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

Corinna Dieters

B.Ed, PDM, FFPA, GAICD (Chair)
Appointed 18 November 2005

Corinna is a director of HLB Mann Judd Financial Services, a financial planning licensee and Principal Member of the FPA. She has been involved in financial services since 1989, occupying a range of positions in management, compliance, business advisory and practice management.

Kathryn Greiner AO

BWS (NSW), (Chair)
Retired as Chair on 18 November 2005 and Director on 31 December 2005

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.

Kerrie Kelly

CLE, MAICD,
(Director and Chief Executive Officer)
Resigned 3 March 2006

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.

Jo-Anne Bloch

B.Comm (Marketing),
(Director and Chief Executive Officer)
Appointed 13 June 2006

Jo-Anne has extensive experience in the financial services sector in Australia, having worked in the areas of superannuation, financial planning, funds management and life insurance. Previously, she was a Principal with Mercer HR Services in the UK and Deputy Chief Executive of the Investment and Financial Services Association in Australia. Earlier her career included employment with NSP Buck/Mellon, Macquarie Bank, Sedgwick Noble Lowndes and Mercer, National Mutual and the NSW Government.

Dominic Alafaci

CFP®, B.Ec., B.Bus (Acc.), CPA, FFPA, (Director)
Retired 18 November 2005

Dominic has held many senior roles as a practitioner and financial planning manager for Bain & Co, Detusche Bank, and HSBC and more recently as Managing Director of Collins House Financial Services Pty Ltd. He 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 Councils and FPA committees. He represents the FPA in his role as a director of FICS.

Bruce Beakey

CFP®, FFin ANZIIF (Fellow) CIP, (Director)
Appointed 18 November 2005

Bruce has been employed within the financial services industry since 1987. He is currently a self-employed practitioner and is licensed through AON Wealth Management Limited. Bruce serves on the FPA Audit and Risk Management Committee.

Julie Berry

CFP®, DipFp, FFPA, DipML, JP (Director)

Julie has been a financial adviser for over 17 years and a director of the FPA since November 2003. She is currently the Managing Director of Berry Stacks Financial Services Pty Ltd in Port Macquarie, NSW. She sits on the Professional Standards and Ethics Committee and Strategic Marketing Committee. Julie was Chapter Chair of the Mid North Coast Chapter for 8 years and in 2006 a national judge for the inaugural Value of Advice Awards.

Sarah Brennan

BA, FFPA, (Appointed to Deputy Chair on 18 November 2005) Resigned 10 March 2006

Sarah is Managing Partner of Brennan Partners and has worked in the financial services industry for over 15 years. Sarah played a leading role in the development of the FPA Rebates and Related Payments policy and the FPA draft Conflict of Interest Principles. She is a long term participant in numerous FPA committees and was elected a director in November 2002.

Chris Craggs

CFP®, FINSIA (SA Fin), MBA, Grad. Dip.Bus., B.App.Sc., DFP

Chris is the Director of Maxim Finance Group, a holistic provider of financial solutions including financial planning, mortgage broking and taxation. He has over 11 years experience in the Financial Services Industry. Chris has been an active member in the WA Chapter where he has held various committee positions. He currently sits on the FPA Audit and Risk Management Committee.

David L Elsum AM

B.E.E (Hons), B.Comm., MSc., FCPA,
(Non-Executive Director)
Retired 31 December 2005

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. David was made Member of the Order of Australia in 1989 Queen's Birthday Honours for services to business and commerce

Bruce Foy

B.Com LL.B FAICD, (Additional Director)
Appointed 1 January 2006

Bruce is a professional non-executive director on a number of public and private boards including; First State Superannuation Corporation, Transgrid Corporation, Citic Australia Trading Ltd, AFMA Services Ltd, and The Doctors' Health Fund Ltd. Previously Bruce was managing director and country manager for Australia of ING Bank N.V., and over 25 years held a number of chief executive roles in wholesale and investment banking, and stockbroking. He was admitted as a barrister to the Supreme Court of New South Wales in 1989, and he is a fellow of the Institute of Company Directors.

Rob Gerrand

BA, FAMI, (Additional Director)
Appointed 1 January 2006

Rob is Principal of the marketing and communications consultancy Gerrand & Associates, Chairman of Parks Victoria and a Director of the Mental Health Research Institute. He has wide business experience in finance, transport, agriculture and telecommunications, and is a former head of Group Public Affairs at ANZ. He has been a member of the Koorie Heritage Trust, Chair of Theatreworks and founding President of the Monash Alumni Association. He was appointed Adjunct Professor at Deakin University in 1994 and is a published author.

Paul Gerrard

CFP®, B.Ec, MBA, Dip Fin Advising, FAICD,
(Director) Appointed 18 November 2005

Paul has been a financial planner since 1986, in 1992 establishing APT Strategy Pty Ltd. which holds an AFS Licence and is a member of the Boutique Financial Planning Principals Group. He is the elected representative on the FPA Board of Principal members with less than 50 authorised representatives.

Andrew Heaven

CFP®, BA, DFP, (Director)
Retired 18 November 2005

Andrew is a director and co-principal of WealthPartners Financial Solutions Pty Ltd a financial planning firm in Sydney. He has been a practitioner member of the FPA since 1991. Andrew served as a director of the FPA from November 2003 to November 2005. During his time as a director he sat on the FPA Audit and Risk Management Committee and various other FPA committees.

Leonie Henry

CFP®, B.Com, FCPA (FPS), FFPA, (Director)

Leonie is director of Henry Financial Group, a financial planning business established in Brisbane more than 20 years ago. Leonie has been a director of the FPA since November 2002, and is Chair of the Board Audit and Risk Management Committee.

Matt Lawler

DFP, SIA (Dip Grad), (Director)
Appointed 18 November 2005

Matt is the Regional General Manager for Financial Planning and Third Party at MLC. He has over 20 years experience in the financial services industry and is currently Director and Responsible Officer for Global Wealth Management Adviser Services (MLC and Garvan Financial Planning), Apogee and Godfrey Pembroke Financial Planning. Matt served on the IFSA/FPA Alternative Remuneration and FPA Conflicts of Interest taskforces.

Ray Miles

CFP®, DFP, FAICD, QPIB, (Director)
Retired 18 November 2005

Ray is the former Managing Director of Genesys Wealth Advisers Limited. He has over 30 years' experience in the financial services industry during which time he has held senior positions in a number of life insurance, superannuation and related businesses.

Company Secretary

Andrew Miles

MBA, ACA, GAICD, ACIS.

Directors' report
for the year ended 30 June 2006

Corporate information

Corporate structure

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

- represent members' views to Government, regulators, media and other stakeholders, contributing to public policy and legislative decision making which affects the financial planning profession
- establish, monitor and enforce high professional and ethical standards
- provide appropriate education and continuing professional development for practitioner members
- deliver the CERTIFIED FINANCIAL PLANNER™ certification program, certification renewals and promotion of the CFP brand in Australia
- raise the awareness of Australians of the need for, and value of, professional financial advice

There have been no significant changes in the services provided to professional members during the year.

Employees

The FPA employed 42 full time equivalent staff at 30 June 2006 (2005: 41).

Review and results of operations

The FPA recorded a surplus of $605,921 (after taxation) for the year ending 30 June 2006 (2005: $1,258,049 after AIFRS adjustments). Accumulated members' funds were $5,592,870 at 30 June 2006 (2005: $4,986,949 after AIFRS adjustments).

Revenues for the year increased $1,336,285 (9.9%) on 2005 to $14,821,472. Revenue increases were attributable to:

- an increase of $2,179,439 (545%) in contributions made by FPA Principal members and FPA to the Value of Advice Campaign (FPA contributions; $270,000 in 2006 and $400,000 in 2005)
- an increase of $412,366 (32%) in CFP enrolment revenues from 2005, reflecting an urgency by members to enrol in the CFP certification program before the degree entry requirement for CFP becomes effective on 1 January 2007
- an increase in CFP Certification and continuing education revenues over 2005 due to increased offerings
- higher Interest income on short term money market instruments: up $49,042 (16.7%) on 2005 as a result of the liquidation of financial assets in March 2006 and the reinvestment of these funds into short term money market instruments.

Revenues from several sources declined:

- FPA announced in 2005 that it had transitioned DFS/ADFS educational courses to a third party provider, resulting in a decrease in 2006 DFS/ADFS enrolment revenues of $1,037,113 (90%).
- membership subscription revenues declined by $88,948 (1.6%), caused by an anticipated reduction in General members following the FPA's decision to withdraw from DFS/ADFS educational courses and the removal of discounts on these educational courses.
- Revenues from the 2005 National Conference on the Gold Coast were down $228,369 (7.0%) on the previous year.
- Dividends and distributions on funds under management and equity holdings declined $152,248 (55.6%) due to the liquidation of financial assets mentioned above.

Other Income for 2006 declined $209,513 (39%) to $324,484, due to a change in accounting policies for the treatment of financial assets. Historically, financial assets were valued at cost, but were re-valued 'to market' in 2005 to comply with AIFRS. The revaluation resulted in a cumulative $531,463 unrealised gain from financial assets in 2005. In March 2006, the FPA Board acted to crystallise the gains on financial assets and liquidated all funds under management and equity holdings, preferring to invest in short term money market instruments for the foreseeable future. Liquidating the financial assets resulted in $855,947 of realised gains on financial assets, of which $531,463 had been reported as unrealised gains in 2005.

Total expenditure increased $1,139,088 (8.7%) from 2005, to $14,297,676. The increase in expenditure was attributable to:

- an increase of $499,634 (14.7%) for employee benefits expenses due to the costs associated with restructuring senior management, coupled with the costs of finding and employing a new chief executive officer
- CFP course expenses increased by $184,868 (19.9%), a corollary of the increase in CFP enrolment revenues mentioned above
- expenditure on the Value of Advice campaign increased by $2,157,531 (516%) the first year of a three year marketing campaign spearheaded by national advertising on television
- DFS/ADFS course expenditure reduced $600,714 (93.8%) from the previous year as the FPA exited from entry level educational courses
- an increase in lease expenses of $113,880 (28.9%) reflected the cost of complying with AIFRS which requires rental holidays and lease incentives to be expensed over the life of the leases and not when the incentive or rental holiday was provided or enjoyed.
- expenditure on Value of Advice sponsorship reflects the FPA's contribution to the Value of Advice campaign.

Advertising and marketing expenses declined by $588,157 (68.3%) as the FPA focused energies on the separately funded Value of Advice campaign.

Directors' and senior executives' emoluments:

Directors' and senior executives' emoluments for the year are included in note 21 to these accounts.

Indemnification and insurance of directors and officers

The company has an insurance policy that indemnifies all the directors and officers of the company for any breaches in law or claims brought against them in their capacity as directors and officers of the company, except as proscribed by the Corporations Act. 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, except as proscribed by the Corporations Act.

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 (excluding indirect taxes) paid for director and officers in 2006 was $26,426 (2005: $33,550). This policy is renewed annually and the current policy expires on 31 March 2007.

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 good corporate governance.

Directors' Meetings 2005/06

The number of meetings of the directors held during the year and those attended by each director was as follows:

	Eligible to attend	Number attended
Dominic Alafaci (retired 18 November 2005)	2	1
Bruce Beakey	3	3
Julie Berry	5	5
Jo-Anne Bloch (CEO - appointed 13 June 2006)	1	1
Sarah Brennan (retired 10 March 2006)	3	3
Chris Craggs	5	4
Corinna Dieters (Chair)	5	5
David L Elsum AM (retired 31 December 2005)	2	2
Bruce Foy	3	3
Robert Gerrand	3	3
Paul Gerrard	3	3
Kathryn Greiner AO (retired 31 December 2005)	2	2
Andrew Heaven (retired 18 November 2005)	2	2
Leonie Henry	5	5
Kerrie Kelly (CEO - resigned 3 March 2006)	3	3
Matthew Lawler	3	2
Ray Miles (retired 18 November 2005)	2	2

Board Committee Membership

Members acting on these committees of the board during the year were:

Audit & Risk Management Committee

Leonie Henry (Chair), Bruce Beakey, Chris Craggs, Rob Gerrand, Ray Miles (prior Chair) and Andrew Heaven.

Investment Committee (disbanded 8 August 2006)

Sarah Brennan (Chair), Ray Miles, Julie Berry, and Leonie Henry.

Remuneration and Succession Planning Committee

Corinna Dieters (Chair), Julie Berry, Bruce Foy, Matthew Lawler, Kathryn Greiner (prior Chair), Sarah Brennan, and David L Elsum.

The Audit and Risk Management Committee met bi-monthly during the period under review, generally two weeks before each full Board meeting. The Remuneration and Succession Planning Committee met on an 'as needs' basis.

Auditor independence and non-audit services

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

Auditor's Independence Declaration to the Directors of Financial Planning Association of Australia Limited

In relation to our audit of the financial report of Financial Planning Association of Australia Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

D. J. Thorn
Partner

Melbourne, Victoria
28 September 2006

Signed in accordance with a resolution of the directors.

Corrina Dieters

Director

28 September, 2006
Melbourne, Victoria

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 2006 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

Corrina Dieters

Director

28 September, 2006
Melbourne, Victoria

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

ERNST & YOUNG

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

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, 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 2006.

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 2006 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. J. Thorn
Partner
Melbourne, Victoria
28 September 2006

Income statement
for the year ended 30 June 2006

	Note	2006 $	2005 $
Revenue	3(a)	14,821,472	13,485,187
Other income	3(b)	324,485	533,997
Employee benefits expenses	4(c)	(3,891,848)	(3,392,214)
Depreciation and amortisation expenses	4(a)	(332,145)	(505,242)
Legal and consultant expenses		(278,877)	(311,250)
Conferences and seminars expenses		(2,245,977)	(2,122,734)
DFS/ADFS course expenses		(39,443)	(640,157)
CFP course expenses		(1,113,307)	(928,439)
Continuing education expenses		(83,113)	(46,970)
CFP certification expenses		(163,644)	(168,362)
Postage, printing and stationery expenses		(341,082)	(364,948)
Telecommunications and computer expenses		(341,208)	(349,585)
Travel and accommodation expenses		(340,716)	(315,698)
Lease expenses	4(b)	(508,623)	(394,743)
Meeting expenses		(100,401)	(53,033)
Advertising and marketing		(258,966)	(817,123)
Value of advice Sponsorship		(270,000)	(400,000)
Value of advice campaign expenses		(2,575,456)	(417,925)
Social functions		(427,536)	(601,837)
Staff training and recruitment		(151,237)	(301,295)
Finance cost		(4,993)	(3,484)
Other expenses		(829,104)	(1,023,549)
Surplus before income tax		848,281	860,596
Income tax (expense)/ benefit	6	(242,360)	397,453
Surplus for the year		605,921	1,258,049
Total change in members' funds of the Financial Planning Association	10	605,921	1,258,049

Balance sheet
as at 30 June 2006

	Note	2006 $	2005 $
Current assets			
Cash and cash equivalents	19	9,474,336	4,122,078
Trade and other receivables	7	173,692	340,410
Other financial assets	8	-	3,436,827
Other	9	365,412	502,853
Total current assets		10,013,440	8,402,168
Non-current assets			
Plant & equipment	11	733,929	519,904
Intangible assets	12	129,140	34,718
Deferred tax assets	6	547,222	637,673
Other	9	24,546	49,091
Total non-current assets		1,434,837	1,241,386
Total assets		11,448,277	9,643,554
Current liabilities			
Trade and other payables	13	1,319,451	1,767,677
Provisions	14	143,804	172,451
Current tax liabilities	6	309,375	-
Other	15	3,697,474	2,388,117
Total current liabilities		5,470,104	4,328,245
Non-current liabilities			
Provisions	14	219,248	143,477
Other	15	125,375	-
Deferred tax liabilities	6	40,680	184,883
Total non-current liabilities		385,303	328,360
Total liabilities		5,855,407	4,656,605
Net assets		5,592,870	4,986,949
Members' funds			
Retained earnings	10	5,592,870	4,986,949
Total members' funds		5,592,870	4,986,949

Statement of changes in equity
for the year ended 30 June 2006

	Note	Retained Earnings $	Total Equity $
At 1 July 2004		3,728,900	3,728,900
Surplus for the year		1,258,049	1,258,049
At 30 June 2005		4,986,949	4,986,949
Surplus for the year		605,921	605,921
At 30 June 2006	10	5,592,870	5,592,870

Cash flow statement
for the year ended 30 June 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Receipts from members and non-members		14,324,399	12,767,871
Payments to suppliers and employees		(12,619,620)	(13,013,965)
Interest received		264,203	295,430
Dividends & distributions received		270,434	194,377
Income taxes refunded		13,263	672
Net cash flows from operating activities	19	2,252,679	244,385
Cash flows from investing activities			
Purchase of plant & equipment		(485,492)	(80,779)
Purchase of intangible assets		(176,240)	(67,223)
Proceeds from disposal of plant & equipment		-	7,301
Proceeds from sale of financial assets		3,761,311	-
Net cash flows from/(used in) investing activities		3,099,579	(140,701)
Net increase in cash and cash equivalents		5,352,258	103,684
Cash and cash equivalents at beginning of the financial year		4,122,078	4,018,394
Cash and cash equivalents at the end of the financial year	19	9,474,336	4,122,078

Notes to and forming part of the financial statements

for the year ended 30 June 2006

1. Summary of significant accounting policies

(a) Basis of preparation

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 report has been prepared on the basis of historical costs and does not take into account changing money values, except for certain financial instruments measured at fair value through the profit and loss. The concept of accrual accounting has been adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Association as a not for profit entity is not required to make a statement of compliance with International Financial Reporting Standards if applying the not for profit sector requirements contained in AIFRS. This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Association has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliation of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 2.

The financial statements were authorised by the board of Directors on the 28th day of September 2006.

(c) Accounting judgements, estimates and assumptions

In the process of applying the Association's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumption are based on information available and variable factors that are believed to be the best judgements under the circumstance in which a decision is made on. The estimates and assumptions are reviewed on an ongoing basis to ensure the resulting financial information meets the concepts of relevance and reliability. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods in the revision effects both current and future periods.

The management do not believe that there are key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period.

(d) Plant and equipment

Cost and valuation

Plant and equipment are measured at cost less accumulated depreciation and any impairment in value.

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 as follows:

Information technology assets:	2 - 5 years
Plant & equipment:	3 - 8 years
Leasehold improvements:	The lease term
Furniture & fittings:	5 - 10 years

Impairment and recoverable amount of assets

At each reporting date, the Association assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the management makes an estimate of recoverable amount. Where the carrying values exceed the estimated recoverable amount, the asset is written down to their recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. As a not for profit entity whose future economic benefits of an asset (or class of asset) are not primarily dependent on the assets ability to generate cash flows and it would be replaced if the Association was deprived of it, value in use is the depreciated replacement cost.

Impairment losses are recognised in the income statement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(e) 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.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax amounts are recognised for all taxable and/or deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

(f) Cash and cash equivalent

Cash and cash equivalent comprise cash at bank and in hand, short term deposits and bank bills with maturity of three month or less.

(g) 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. The following specific recognition criteria must also be met before revenue is recognised.

Subscriptions and education fees

The subscription year runs from 1 July to 30 June. Education fees are payable each semester in advance.

Subscriptions are payable annually in advance. Only those fees that are attributable to the current financial year are recognised as revenue.

Forums and workshops

Revenue is recognised when the events take place.

Interest

Interest is recognised as revenue on an accrual basis using the effective interest method.

Rental income

Rental income from sublet properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

The rental expenditure that is reimbursed under such subletting agreement is netted against the related reimbursement or income.

(h) Payables

The Association has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. The comparison of the relevant accounting policies applicable for the years ending 30 June 2005 and 30 June 2006 is set out below:

Accounting policies applicable for the year ending 30 June 2006

Trade payable and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Association prior to the end of the financial year that are unpaid and arise when Association becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounting policies applicable for the year ending 30 June 2005

Liabilities for trade creditors and other payables 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.

(i) Receivables

The Association has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. The comparison of the relevant accounting policies applicable for the years ending 30 June 2005 and 30 June 2006 is set out in below:

Accounting policies applicable for the year ending 30 June 2006

Trade receivables which generally have 30-90 day terms are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Association will not be able to collect the debts. Bad debts are written off when identified.

Accounting policies applicable for the year ending 30 June 2005

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.

(j) Provisions

Provisions are recognised when the Association has a preset obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) 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.

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 amounts which are expected to be paid when the liability is settled.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. 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.

(l) Members' funds

The Association is limited by guarantee and does not have share capital (refer note 22).

1. Summary of significant accounting policies (continued)

(m) 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.

Association as a lessee

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 in the income statement on a straight line basis. Lease incentives are recognised in the income statement as an integral part of the total lease expenses.

Association as a lessor

Leases in which the Association retains all of the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental payments received.

(n) Investments

The Association has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outline below are the relevant accounting policies for investments applicable for the year ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Investments are classified into the following specific category: financial assets 'at fair value through profit and loss', 'held to maturity' investments, 'available for sale' financial assets, and 'loans and receivables'. Currently the Association holds only 'loans and receivables'.

Accounting policies applicable for the year ending 30 June 2005

Investments are carried at net market value. Changes in the net market value are recognised as a revenue or expense in 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.

(o) Intangible Assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amorisation period and the amortisation method for an intangible asset is reviewed at least at each financial year-end.

Impairment and recoverable amount of assets

At each reporting date, the Association assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the management makes an estimate of recoverable amount. Where the carrying values exceed the estimated recoverable amount, the asset is written down to their recoverable amount.

The Association has made an assessment that the recoverable amount is the fair value less costs to sell. As a not for profit entity whose future economic benefits of an asset (or class of asset) are not primarily dependent on the assets ability to generate cash flows and it would be replaced if the Association was deprived of it, value in use is the depreciated replacement cost. Impairment losses are recognised in the income statement.

Website development costs

An intangible asset arising from development expenditure on the FPA web site is recognised only when the Association can demonstrate the technical feasibility of completing the web site so that it will be available for use, the intention to complete and the ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the web site during its development.

Following the initial recognition of the development expenditure, the asset is to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related development.

All development, maintenance and operational expenditure that do not meet the criteria set out in AASB 138 Intangible Assets and UIG 132 Intangible Assets - Website Costs have been treated as expenses incurred in the period.

Computer software

Computer software is classified as an intangible asset when the criteria set out in AASB 138 Intangible Assets are met.

2. Impacts of the adoption of Australian equivalent to international financial reporting standards

For all periods up to and including the year ended 30 June 2005, the Association prepared its financial reports in accordance with Australian generally accepted accounting practice (AGAAP). The financial report for the year ended 30 June 2006 is the first the Association is required to prepare in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Association has prepared the financial report that complies with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 1.

In preparing this financial report, the Association has started from an opening balance sheet as at 1 July 2004, the Association's date of transition to AIFRS, and made changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS.*

This note explains the principal adjustments made by the Association in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial report for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The group has taken the following exemption:

Comparative information for financial instruments is prepared in accordance with AGAAP and the Association has adopted AASB 132: Financial Instruments: disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

2. Impacts of the adoption of Australian equivalent to international financial reporting standards (continued)

AIFRS Transition Balance sheet as at 1 July 2004

	Note	AGAAP $	Transition effects $	AIFRS $
Current assets				
Cash and cash equivalents	2(a)	1,234,306	2,784,088	4,018,394
Trade and other receivables		425,250	-	425,250
Other financial assets	2(a)	5,689,452	(2,784,088)	2,905,364
Other		456,972	-	456,972
Total current assets		7,805,980	-	7,805,980
Non-current assets				
Plant & equipment	2(b,c)	1,017,076	(190,586)	826,490
Intangible assets	2(b)	-	307,149	307,149
Deferred tax assets	2(f)	147,460	(87,646)	59,814
Total non-current assets		1,164,536	28,917	1,193,453
Total assets		8,970,516	28,917	8,999,433
Current liabilities				
Trade and other payables		1,768,577		1,768,577
Provisions	2(c)	127,133	44,700	171,833
Other		3,181,520		3,181,520
Total current liabilities		5,077,230	44,700	5,121,930
Non-current liabilities				
Provisions	2(c)	10,808	133,990	144,798
Deferred tax liabilities	2(f)	22,210	(18,405)	3,805
Total non-current liabilities		33,018	115,585	148,603
Total liabilities		5,110,248	160,285	5,270,533
Net assets		3,860,268	(131,368)	3,728,900
Members' funds				
Retained earnings	2(e)	3,860,268	(131,368)	3,728,900
Total members' funds		3,860,268	(131,368)	3,728,900

AIFRS Transition Balance sheet as at 30 June 2005

	Note	AGAAP $	Transition effects $	AIFRS $
Current assets				
Cash and cash equivalents	2(a)	3,720,608	401,470	4,122,078
Trade and other receivables		340,410	-	340,410
Other financial assets	2(a)	3,838,297	(401,470)	3,436,827
Other	2(d)	478,308	24,545	502,853
Total current assets		8,377,623	24,545	8,402,168
Non-current assets				
Plant & equipment	2(c,d)	521,598	(1,694)	519,904
Intangible assets	2(b)	-	34,718	34,718
Deferred tax assets	2(f)	675,779	(38,106)	637,673
Other	2(d)	-	49,091	49,091
Total non-current assets		1,197,377	44,009	1,241,386
Total assets		9,575,000	68,554	9,643,554
Current liabilities				
Trade and other payables	2(j)	1,834,877	(67,200)	1,767,677
Provisions	2(c)	127,751	44,700	172,451
Other		2,388,117	-	2,388,117
Total current liabilities		4,350,745	(22,500)	4,328,245
Non-current liabilities				
Provisions	2(c)	6,003	137,474	143,477
Deferred tax liabilities	2(f)	170,938	13,945	184,883
Total non-current liabilities		176,941	151,419	328,360
Total liabilities		4,527,686	128,919	4,656,605
Net assets		5,047,314	(60,365)	4,986,949
Members' funds				
Retained earnings	2(e)	5,047,314	(60,365)	4,986,949
Total members' funds		5,047,314	(60,365)	4,986,949

2. Impacts of the adoption of Australian equivalent to international financial reporting standards (continued)

AIFRS Transition Income Statement for the year ended 30 June 2005

	Note	AGAAP $	Transition effects $	AIFRS $
Revenue	2(g,k)	14,079,791	(594,604)	13,485,187
Other income	2(g)	-	533,995	533,997
Employee expenses		(3,392,214)	-	(3,392,214)
Depreciation and amortisation expenses	2(i)	(478,199)	(27,043)	(505,242)
Legal and consultant expenses		(311,250)	-	(311,250)
Conferences and seminars		(2,122,734)	-	(2,122,734)
DFS/ADFS course expenses		(640,157)	-	(640,157)
CFP course expenses		(928,439)	-	(928,439)
Continuing education expenses		(46,970)	-	(46,970)
CFP certification expenses		(168,362)	-	(168,362)
Postage, printing and stationery expenses		(364,948)	-	(364,948)
Telecommunications and computer expenses		(349,585)	-	(349,585)
Travel and accommodation		(315,698)	-	(315,698)
Lease expenses	2(h,j,k)	(512,425)	117,682	(394,743)
Meeting expenses		(53,033)	-	(53,033)
Advertising and marketing		(817,123)	-	(817,123)
Value of advice Sponsorship		(400,000)		(400,000)
Value of advice campaign expenses		(417,925)		(417,925)
Social functions		(601,837)	-	(601,837)
Staff training and recruitment		(301,295)	-	(301,295)
Finance cost	2(i)	-	(3,484)	(3,484)
Other expenses	2(g,j)	(1,050,816)	27,267	(1,023,549)
Profit before income tax		806,783	53,813	860,596
Income tax benefit		380,263	17,190	397,453
Profit for the year		1,187,046	71,003	1,258,049

2(a) A reclassification of short-term money market deposits to reflect the definition of 'Cash & cash equivalents' under AASB 107 Cash Flow Statement.

	1 July 2004 $	30 June 2005 $
Short term money market deposits	2,784,088	401,470

2(b) Under AASB 138 Intangible Assets and UIG 132 Intangible Assets and Web Site costs, website development costs and computer software are classified as Intangible assets. Therefore, these costs have been reclassified from Property, Plant and Equipment to Intangible assets.

	1 July 2004 $	30 June 2005 $
Website Development Costs	172,449	-
Computer Software	134,701	34,718
	307,150	34,718

2(c) As per AASB 116 Property, Plant and Equipment and AASB 137 Provisions, Contingent Assets and Contingent Liabilities a provision was established for restoration of property condition to what when leases were commenced. This estimation of restoration cost must be included in the cost base of the leasehold improvement and depreciated over the lease term. 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. A liability exists on leases for the Sydney and Melbourne properties.

Such costs were not previously recognised at the inception of lease term and those provisions which were taken up under the old requirement of AGAAP have been reversed to reflect the changes.

Adjustments taken to retained earnings

1 July 2004	Property, plant & equipment $	Lease restoration $	Retained earnings $
Sydney	9,686	(44,700)	(35,014)
Melbourne	106,877	(133,990)	(27,113)
	116,563	(178,690)	(62,127)
30 June 2005			
Sydney	746	(44,700)	(43,954)
Melbourne	80,703	(137,474)	(56,771)
	81,449	(182,174)	(100,725)

2. Impacts of the adoption of Australian equivalent to international financial reporting standards (continued)

2(d) As per AASB 117 Leases and UIG Interpretation 115 Operating Leases - Incentives requires 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. A current asset of $24,545 and a non current asset of $49,091 have been taken up to reflect this new requirement.

Those incentives which were taken up under the old requirement of AGAAP have been reversed to reflect the changes. The reversal totalling $48,425 is adjusted from Property, Plant and Equipment.

2(e) The net AIFRS transitional adjustments taken to the retained surplus are listed below:

1 July 2004	Retained Earnings $
Opening Balance as at 1 July 2004	3,860,268
Depreciation expenses of lease restoration cost	(59,008)
Finance charges associated with lease restoration cost	(3,119)
Change in deferred tax balances	(69,241)
Adjusted balance as at 1 July 2004	3,728,900
30 June 2005	
Opening Balance as at 30 June 2005	5,047,314
Depreciation expenses of lease restoration costs	(94,122)
Finance charges associated with lease restoration costs	(6,603)
The reversal of lease restoration costs under old AGAAP	67,200
The reduction of lease incentives over the lease term	25,211
Change in deferred tax balances	(52,051)
Adjusted balance as at 30 June 2005	4,986,949

2(f) As per AASB 112 Income Taxes requires the balance sheet method to be used, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.

As a result of the above adjustments, the deferred tax liabilities and deferred tax assets increased/(decreased) as follows:

Details	1 July 2004 $	30 June 2005 $
Trust distribution receivable	(18,828)	(7,770)
Lease incentives	-	22,090
Other - prepayments	423	(375)
(Decrease)/Increase in Deferred tax liabilities	(18,405)	13,945
Property, plant & equipment	14,031	(48,347)
Provision for lease restoration costs	14,168	10,241
Other provisions	(115,846)	-
Decrease in Deferred tax assets	(87,646)	(38,106)

2(g) Reclassification of the following gains to other income on a net basis under AASB 118 Revenue

Details	$
Increment in the net market value of financial assets	531,463
Proceeds from disposal of plant and equipment	7,301
Other expenses -cost of disposal of plant and equipment	(4,769)
Total	533,995

2(h) Adjustments to rental income, and depreciation charges on leasehold improvements totalling $17,141 to reflect the reduction of rental incentives over the lease term on a straight line basis.

2(i) The associated adjustments to finance charge as a result of the recognition of lease restoration provision under the AIFRS.

	1 July 2004 $	30 June 2005 $
Finance charge	3,119	3,484

2(j) The reversal of lease restoration cost recognised under old AGGAP from the following expenses.

Details	$
Leases expenses	44,700
Other expenses	22,500
Total	67,200

2(k) Reclassification of sublease income $55,841 from revenue. The rental expenditure that is reimbursed under a subletting agreement is netted against the related reimbursement under AASB 101 Presentation of Financial statements.

3. Revenues and other income

	2006 $	2005 $
(a) Revenues		
Membership subscriptions	5,359,872	5,448,820
Meeting receipts	42,666	39,670
Conferences and seminars	3,025,897	3,254,266
DFS/ADFS course	119,968	1,157,081
Value of Advice Campaign sponsorship	2,579,439	400,000
Other sponsorship, chapter grants and social functions	749,366	718,961
CFP course	1,701,365	1,288,999
CFP Certification	250,182	171,705
Continuing education	289,509	168,852
Interest received - non related persons/corporations	342,019	292,977
Dividends/Distributions - non related persons/corporations	121,427	273,675
Royalties	25,821	36,387
Other revenue	213,941	233,794
Total revenues	14,821,472	13,485,187
(b) Other Income		
Net gain from sale of financial assets	324,484	531,463
Net gain from disposal of plant & equipment	-	2,534
Total other income	324,484	533,997

4. Expenses

(a) Depreciation and amortisation expense		
Depreciation and amortisation of non-current assets		
Computer equipment	75,474	99,119
Furniture and fittings	28,608	26,466
Plant and equipment	39,436	40,693
Leasehold improvements	106,809	133,571
Intangible assets	81,818	205,393
Total depreciation of non-current assets	332,145	505,242
(b) Lease expense		
Minimum lease payments - operating lease	620,448	467,725
Lease income - sublease agreement	(111,825)	(72,982)
Total lease expense	508,623	394,743
(c) Employee benefits expense		
Wages and Salaries	3,536,654	3,062,475
Workers' compensation costs	18,468	19,785
Superannuation costs	294,180	252,086
Termination benefits	42,546	57,868
Total employee benefits	3,891,848	3,392,214
(d) Other expenses		
Included in other expenses:		
Impairment of plant & equipment	21,140	82,747
Impairment of intangible assets	-	134,262
	21,140	217,009
(e) Finance Costs		
Provision discount adjustment - restoration of leased properties	4,993	3,484

5. Auditors' remuneration

Amounts received, or due and receivable, by Ernst & Young for:		
-an audit of the financial report of the Association	44,600	32,000
-other services - taxation	18,000	15,500
	62,600	47,500

6. Income Tax

	2006 $	2005 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	309,375	(91,412)
Adjustments in respect of current income tax of previous years	83,171	-
Benefit arising from a previously unrecognised tax loss	-	(497,464)
Deferred income tax		
Relating to origination and reversal of temporary differences	(150,186)	191,423
Income tax expense/(benefit) reported in the income statement	242,360	(397,453)
A reconciliation between tax expense and the product of the accounting surplus before income tax multiplied by the Association's applicable income tax rate is as follows:		
Accounting surplus before tax from ordinary activities	848,281	860,596
At statutory income tax rate of 30 per cent	254,484	258,179
Net income derived from members not assessable	(99,906)	(217,759)
Expenditure not allowable for income tax purposes	12,091	57,070
Adjustments in respect of current income tax of previous years	83,171	-
Capital allowances	4,004	2,521
Tax offsets and credits	(11,485)	-
Previously unrecognised tax loss	-	(497,464)
Income tax expense/(benefit) attributable to operating surplus	242,360	(397,453)
Deferred tax assets and liabilities		
Deferred tax liabilities	40,680	184,883
Gross deferred income tax assets	547,222	637,673

Tax losses

Deferred tax assets of $492,285 (2005: $588,779) arising from tax losses of the Association has been recognised at reporting date as realisation of the benefit is 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.

7. Trade and other receivables

	2006 $	2005 $
Trade Debtors (i)	55,554	131,787
Less: Provision for doubtful debts	(8,500)	(25,000)
	47,054	106,787
Sundry Debtors (ii)	126,639	233,623
	173,693	340,410

Terms and conditions

Terms and conditions relating to the above financial instruments

(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.

8. Other financial assets (current)

Financial assets at fair value through profit or loss comprise:		
Shares listed on a prescribed stock exchange	-	5,646
Other investments	-	3,431,181
	-	3,436,827
Financial assets at cost comprises:		
Shares listed on a prescribed stock exchange	-	5,249
Other investments	-	2,900,115
Debentures	-	2,905,364
Aggregate carrying amount at the reporting date	-	3,436,827

The Association has applied the exemptions set out in AASB 1First-Time Adoption Of Australian Equivalents To International Financial Reporting Standards, which permit the Association 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 are applied from 1 July 2005.

9. Other assets

	2006 $	2005 $
Prepaid conference expenditure	273,880	378,785
Other prepayments	66,987	99,523
Lease incentive	24,545	24,545
	365,412	502,853
Non-Current		
Lease incentive	24,545	49,091
	24,545	49,091

10. Retained earnings

Balance at the beginning of the financial year	4,986,949	3,728,900
Total change in members' funds recognised in the Income Statement	605,921	1,258,049
Balance at the end of the financial year	5,592,870	4,986,949

11. Plant & equipment

	Computer Equipment at cost $	Furniture and Fitting at cost $	Plant and Equipment at cost $	Leasehold Improvement at cost $	Total $
Gross carrying amount					
Balance at 1 July 2004	699,963	474,937	313,870	752,148	2,240,918
Additions	24,439	25,763	7,432	23,143	80,777
Disposals	(21,517)	-	(13,355)	-	(34,872)
Balance at 30 June 2005	702,885	500,700	307,947	775,291	2,286,823
Additions	41,995	11,526	6,281	425,690	485,492
Balance at 30 June 2006	744,880	512,226	314,228	1,200,981	2,772,315
Accumulated depreciation, amortisation & impairment					
Balance at 1 July 2004	(525,829)	(345,906)	(122,727)	(419,965)	(1,414,427)
Disposals	20,480	-	9,625	-	30,105
Depreciation	(99,119)	(26,466)	(40,693)	(133,571)	(299,849)
Impairment	(4,936)	(15,827)	(7,316)	(54,668)	(82,747)
Balance at 30 June 2005	(609,404)	(388,199)	(161,111)	(608,204)	(1,766,919)
Depreciation	(75,474)	(28,608)	(39,436)	(106,809)	(250,327)
Impairment	(1,515)	(14,135)	(3,401)	(2,090)	(21,140)
Net book value					
As at 30 June 2006	58,487	81,284	110,280	483,878	733,929
As at 30 June 2005	93,481	112,501	146,836	167,087	519,904

12. Intangible assets

	Website Development at cost $	Computer Software at cost $	Total $
Gross carrying amount			
Balance at 1 July 2004	373,365	538,636	912,001
Additions	67,223	-	67,223
Balance at 30 June 2005	440,588	538,636	979,224
Additions	60,400	115,840	176,240
Balance at 30 June 2006	500,988	654,476	1,155,464
Accumulated depreciation, amortisation & impairment			
Balance at 1 July 2004	(200,916)	(403,935)	(604,851)
Depreciation	(112,210)	(93,183)	(205,393)
Impairment	(127,462)	(6,800)	(134,262)
Balance at 30 June 2005	(440,588)	(503,918)	(944,506)
Depreciation	(5,893)	(75,925)	(81,818)
Net book value			
As at 30 June 2006	54,507	74,633	129,140
As at 30 June 2005	-	34,718	34,718

13. Trade and other payables

	2006 $	2005 $
Trade creditors and accruals (i)	1,110,387	1,766,544
Goods and Services Tax	209,064	1,133
	1,319,451	1,767,677

(i) Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms.

14. Provisions

	Restoration of leased properties $	Annual leave $	Long service leave $	Total $
Balance at 1 July 2005	82,174	121,917	11,837	315,928
Arising during the year	67,555	257,301	5,290	330,146
Utilised	(44,700)	(241,974)	-	(286,674)
Unused amounts reversed			(1,744)	(1,744)
Discount rate adjustment	4,993	-	403	5,396
Balance at 30 June 2006	210,022	137,244	15,786	363,052
Current 2006	-	137,244	6,560	143,804
Non-Current 2006	210,022	-	9,226	219,248
	210,022	137,244	15,786	363,052
Current 2005	44,700	121,917	5,834	172,451
Non-Current 2005	137,474	-	6,003	143,477
	182,174	121,917	11,837	315,928

15. Other liabilities

	2006 $	2005 $
Current		
Income in advance:		
- conference income	681,738	749,808
- education income	248,432	192,157
- membership income	2,737,804	1,446,152
	3,667,974	2,388,117
Lease incentive	29,500	-
	3,697,474	2,388,117
Non-Current		
Lease incentive	125,375	-
	125,375	-
	3,822,849	2,388,117

16. Commitments for expenditure

Operating lease commitments - Association as lessee Future minimum rentals payable under non-cancellable operating leases at balance date but not recognised as liabilities are:	2006 $	2005 $
No later than one year	607,761	484,967
Later than one year but not later than five years	1,265,932	1,870,076
Later than five years	-	68,153
Aggregated lease expenditure contracted for at balance date	1,873,693	2,423,196
In respect of non cancellable operating leases the following liabilities have been recognised:		
Current:		
Restoration of leased properties	-	44,700
Lease incentive	29,500	-
Non Current:		
Restoration of leased properties	210,022	137,474
Lease incentive	125,375	-
	364,897	182,174
Notes		
These non-cancellable property leases have remaining terms of between 1 and 5 years.		
Operating lease commitments - Association as lessor Certain properties under operating lease have been sublet to third parties. The future minimum rental payments expected to be received at reporting date but not recognised as assets are:		
No later than one year	144,277	141,404
Later than one year but not later than five years	147,150	291,427
	291,426	432,831
In respect of non cancellable operating leases the following assets have been recognised:		
Current:		
Lease incentive	24,545	24,545
Non-Current		
Lease incentive	24,545	49,091
	49,090	73,636

17. Employee benefits and superannuation contributions

Employee benefits		
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on costs	237,378	232,163
Provisions (current)	143,804	127,751
Provisions (non current)	9,226	6,003
Accrued superannuation	38,218	32,450
	428,626	398,367

Superannuation Commitments

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.

18. Contingent liabilities/assets

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.

19. Cash and cash equivalents

	2006 $	2005 $
Reconciliation of surplus after income tax to net cash flows from operations		
Surplus from ordinary activities after income tax	605,921	1,258,049
Non-cash items		
Depreciation	332,145	505,242
Net gain on disposal of plant and equipment	-	(2,534)
Impairment of plant and equipment	21,140	82,74
Impairment of intangible assets	-	134,262
Net gain from sale of financial assets	(324,484)	(531,463)
Change in operating assets and liabilities		
Decrease in trade and other receivables	166,718	85,973
Decrease/(Increase) in other current assets	137,441	(49,091)
Decrease/(Increase) in deferred tax assets	90,451	(577,859)
Decrease/(Increase) in other non-current assets	24,545	(45,881)
Decrease in trade and other payables	(448,226)	(2,033)
(Decrease)/Increase in current provisions	(28,647)	618
Increase in current tax liabilities	309,375	-
Increase/(Decrease) in other current liabilities	1,309,357	(793,403)
Increase/(Decrease) in non current provisions	75,771	(1,321)
Increase in other non-current liabilities	125,375	-
(Decrease)/Increase in deferred tax liabilities	(144,203)	181,079
Net cash from operating activities	2,252,679	244,385
Reconciliation to Cash Flow Statement		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	2,623,124	3,720,608
Short-term money market deposits	6,851,212	401,470
Closing balance as per the cash flow statement	9,474,336	4,122,078

The Association does not have any bank overdraft or loan facilities available.

- term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Association, and earn interest at the respective short-term deposit rates.

Assets pledged as security

Included in the balance of short-term deposits comprises $280,726 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 moneys owed under the lease.

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 (retired 31/12/2005)	J Berry	B Foy (appointed 1/1/2006)
L Henry	A Heaven (retired 18/11/2005)	R Gerrand (appointed 1/1/2006)
K Greiner (retired 18/11/2005)	D Alafaci (retired 18/11/2005)	B Beakey (appointed 18/11/2005)
R Miles (retired 18/11/2005)	S Brennan (appointed deputy	M Lawler (appointed 18/11/2005)
C Dieters (appointed chair 18/11/2005)	-chair 18/11/2005 -resigned 10/3/2006)	P Gerrard (appointed 18/11/2005)
K Kelly (resigned 3/3/2006)	C Craggs	J Bloch (appointed 13/6/2006)

Information on compensation of directors is disclosed in note 21.

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

21. Compensation of key management personnel

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

	Directors		Executives	
	2006	2005	2006	2005
	$	$	$	$
Short-Term	409,478	453,176	824,137	630,112
Post Employment	26,543	34,261	74,172	54,074
Total	436,021	487,437	898,309	684,186

Directors Compensation

Short Term Directors Compensation consists of a fee paid and payable to each director for being a director of the Association.

* M Lawler waived his directors fees in 2006

* R Miles partially waived his directors fees in 2005

Post Employment Directors Compensation consists of the component of directors fee paid and payable as superannuation.

Executive Compensation

Short term Executive Compensation consists of salaries, annual leave paid within the 12 months period, non cash benefits and bonuses paid and payable.

Post Employment Executive Compensation consists of the component of salaries paid and payable as superannuation.

22. 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 similar to the 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.

23. Financial instruments

(a) Financial Risk Management Objectives and Policies

The Association's principal financial instruments comprise cash and short term deposits.

The main purpose of these financial instruments is to generate a return on members' funds. The Association has various other financial instruments such as trade receivables and trade creditors, which arises directly from its operations. The Association does not enter into or trade financial instruments for speculative purposes. The main risks arising from the Association's financial instruments are interest rate risk and credit risk. The Board and the Responsible Entity reviews and agrees policies for managing each of these risks.

(b) 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: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the Balance Sheet		Weighted average effective interest rate	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$	$	$	%	%
(i) Financial assets														
Cash and cash equivalents	2,623,124	3,720,608	-	-	-	-	-	-	-	-	2,623,124	3,720,608	5.40	3.91
Bank Bills	-	-	6,851,212	401,470	-	-	-	-	-	-	6,851,212	401,470	4.42	5.81
Receivables - trade	-	-	-	-	-	-	-	-	47,054	106,787	47,054	106,787	N/A	N/A
Other financial assets	-	-	-	-	-	-	-	-	-	3,431,181	-	3,431,181	N/A	N/A
Listed shares	-	-	-	-	-	-	-	-	-	5,646	-	5,646	N/A	N/A
Total financial assets	2,623,124	3,720,608	6,851,212	401,470	-	-	-	-	47,054	3,543,614	9,521,390	7,665,692	N/A	N/A
(ii) Financial liabilities														
Trade creditors and accruals	-	-	-	-	-	-	-	-	1,110,387	1,766,544	1,110,387	1,766,544	N/A	N/A
Total financial liabilities	-	-	-	-	-	-	-	-	1,110,387	1,766,544	1,110,387	1,766,544	N/A	N/A

N/A - not applicable for non-interest bearing financial instruments

(c) Net Fair Values

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 balance sheet 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 arises in the following states:

	Carrying amount of total trade receivables		Percentage of total trade receivables	
	2006	2005	2006	2005
	$	$	%	%
New South Wales	2,173	91,303	5%	86%
Victoria	17,165	8,242	36%	8%
Australian Capital Territory	-	267	0%	0%
Tasmania	1,640	1,253	3%	1%
South Australia	162	1,315	1%	1%
Western Australia	304	1,322	1%	1%
Queensland	25,608	3,007	54%	3%
Northern Territory	-	78	0%	0%
	47,054	106,787	100%	100%

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.

24. Subsequent events

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

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.