

FINANCIAL PLANNING INSTITUTE OF SOUTHERN AFRICA

ANNUAL REPORT 2007



FPI

Financial Planning
Institute of Southern Africa
SETTING THE STANDARD



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During the year under review, the FPI made significant strides on its journey in becoming ***the recognised and respected professional body for the financial planning profession in South Africa***. The journey towards professionalism was a cornerstone of our 2007 Annual Convention and we heard clearly the call to professionalise, were given excellent insight into global trends towards professionalisation and learnt "how to embrace it" from successful Financial Planners from the US, UK, Australia and South Africa.



Building on the momentum created at, and learnings from, this convention we compiled our submission to the South African Qualifications Authority (SAQA) to have the three FPI professional designation marks CFP[®], AFP[™] and RFP[™] registered on the National Qualifications Framework (NQF). We were thrilled when we received the official notification at the end of 2007 that the CFP professional designation was registered at NQF Level 7, AFP at NQF Level 6 and RFP at NQF Level 5. The current six FPI strategic focus areas, as agreed by the Board in 2005, are;

- Delivering a world class value proposition to members and stakeholders,
- Maintaining world class standards,
- Providing a comprehensive learning pathway to professionalism,
- Encouraging and facilitating transformation,
- Enforcement of our ethics and practice standards and
- Advocating the profession to stakeholders and the public at large,

These six strategic focus areas remained the foundation on which we directed the Institute through 2006 and during 2007. In this regard, we are proud to report that as a founder member of the international Financial Planning Standards Board, we are now one of 23 countries where the CFP professional designation is supported and promoted. We have no doubt that this growing community of well over 110 000 CFP professionals worldwide has created an unstoppable global movement towards professionalism which we are very proud to be a part of. In South Africa we have gone one step further to have three distinct levels of Financial Planners namely, CFP, AFP and RFP professionals with clear pathways for progression and articulation. During the year we continued to run the print campaign promoting FPI Financial Planners and were very successful in securing extensive media coverage for the FPI, the three FPI designations and the profession of Financial Planning.

We understand becoming a highly respected profession is a journey. We are committed to this journey and we will continue to build on the outstanding efforts and contributions of past FPI leaders at national and committee level and the tremendous support of all our past and current FPI members.

During 2008, and beyond, we will continue to build a comprehensive body of knowledge and deliver leading edge learning to support the FPI Financial Planner; set, monitor and enforce ethics and practice standards as defined for FPI Financial Planners and advocate the vital importance of professional Financial Planning to the industry, policy makers and the public at large.

In addition, in 2008 and beyond, we will give special focus to the role we must play in the ongoing process of transformation as we join all other committed organisations in building our great country.

In closing, I would like to extend my sincere appreciation to the FPI Directors, the FPI Committee members and the FPI staff for their dedication and commitment to the FPI, the three professional designation marks CFP[®], AFP[™] and RFP[™] and the Financial Planning profession.

A handwritten signature in black ink, appearing to read 'Prem Govender'.

PREM GOVENDER
FPI CHAIRPERSON

2007 was another great year for the FPI. Internationally, we are now 1 of 23 countries that certify CFP® professionals and there are now over 110 000 CFP professionals worldwide. In SA as at 31 December 2007 we have 3 421 CFP® Professionals as well as 2 421 AFP™ practitioners and 5 352 RFP™ practitioners.

During 2007 we established even stronger relationships with our key stakeholders; Financial Services Board (FSB), National Treasury (NT), FAIS Ombud, INSETA, South African Qualifications Authority (SAQA), South African Revenue Services (SARS), Council for Medical Schemes (CMS) and the Pension Fund Adjudicator (PFA). The FPI was also formally accepted as a member of Business Unity South Africa (BUSAs) and will be represented on the BUSA Council and participate in appropriate task teams and standing committees. We continue to establish our role as the recognised and respected Professional Body for Financial Planners in Southern Africa.



The FPI, as the professional body for the profession of financial planning in southern Africa, is built on three pillars; Standards, Learning and Marketing.

Standards



The Standards, Technical and Industry Sector Group (ISG) Committees were all very active during the year ensuring that the profession remains at the cutting edge. Increased communication about the activities of these committees is planned during 2008 to ensure FPI members are kept fully informed of the excellent work of these committees. During the year we have been very active in supporting the FSB as they determine the revised FAIS Fit & Proper licensing requirements for financial service providers, key individuals and representatives post 2010.

During the year under review, the FPSB published the globally accepted Financial Planner Competency Profile which will be used for setting of practice standards, future curricula and assessments for CFP® professionals worldwide.

As a result of this, we have been actively involved in the FPSB's international Education Advisory Panel who are developing a common global curriculum and assessment methods as well as the FPSB's Ethics and Standards working group developing an international code of ethics and practice standards.

The plans for the first compliance audit of FPI members' ethics and practice standards (to take place during 2008) were finalised during the year and communicated to members. In 2008 we will continue to uphold the internationally adopted 8 ethics principles; client first, integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence which are the foundation of our CFP®, AFP™ and RFP™ professional members' interactions with their clients. We also aim to continue to raise awareness during the 2008 audits of the importance of the correct use of the FPI professional designation marks, maintenance of CPD points and the FPI's Code of Ethics and Practice.

Learning

On the education front, we will always look back on 2007 as a watershed year. It was the year in which we started running six RFP examinations (old and new qualifications) plus a Health Care Examination (i.e. 7 examinations) on a quarterly basis. It was also the year during which our three designations (CFP®, AFP™ and RFP™) were registered on the National Qualifications Framework (NQF) by SAQA.

In 2007 we welcomed the first CFP professionals who completed the Stellenbosch University programme into the FPI. We were also very pleased to welcome the first intake of students at the University of Johannesburg studying towards the CFP certification. These two prestigious Institutes of learning join the University of Free State, which has supported the CFP certification for 5 years, as FPI strategic learning partner organisations. We hope that in 2008 we will be able to include the Nelson Mandela Metropolitan University in this prestigious group.



2007 saw the launch of our first AFP™ Board Examination set at NQF Level 6 as an entry to AFP™ Level. In this regard, we are very pleased that all the tertiary institutions that offer an appropriate qualification in Financial Planning (at NQF Level 6) have embraced the FPI AFP™ Board Assessment and are embedding it into their learning programme.

2007 was also the last year during which anyone could obtain RFP™ membership status by passing a single RFP™ 1 or RFP™ 2 examination (i.e. without a FULL NQF Level 5 qualification). As from 2008, all new members will need to complete RFP™ 1, RFP™ 2 and RFP™ 3 through the FPI, or if they obtain an appropriate NQF Level 5 qualification from another institution, they will have to pass the FPI's Professional Board Assessment before they will be granted RFP™ status. In future, all candidates wanting to enter into the FPI membership "fraternity" will be granted the opportunity to accept the status of a TFP™ (Trainee Financial Planner) until such time that they meet all the requirements of a specific FPI membership level.

Throughout the year we offered high quality Continued Professional Development (CPD) programmes around the country on the most important Financial Planning disciplines. The feedback that we have had from delegates attending these programmes has been mostly positive and we are continuously striving to improve the quality of the offerings (and thus the experience of the delegates attending) in order to achieve the highest satisfaction rating from attendees.

Marketing



The 2007 FPI Annual Convention was a tremendous success. Held at the Sandton Convention Centre with an attendance of 1 200 (the highest number of delegates to date), the convention focused on the journey toward professionalism. The 2008 convention will build on this and embraces the theme "Global Excellence in Financial Planning".

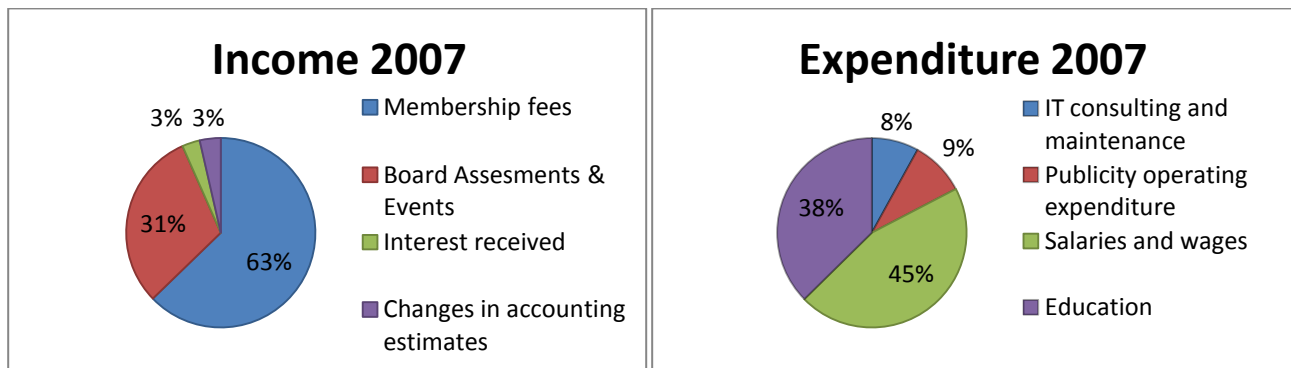
Congratulations to Ian Beere who was judged the 2007 Financial Planner of the Year, receiving his award at the Convention Gala Dinner. The other finalists in the competition were Arno Burger, Spalding Fourie, Leon Ferreira, John Campbell and Dawie Klopper. Riette Brune was adjudged to be the overall top student for 2007 award in the Post Graduate Diploma in Financial Planning.

During the year, we launched our new website, introduced the new global quarterly electronic financial planning magazine, *FP Connections* and continued to ensure maximum exposure for the FPI and the three professional marks in all media.

In 2008 we will focus strongly on promoting the profession and the three FPI marks CFP®, AFP™ and RFP™ to the public. In addition, the FPI will be supporting a global CFP® Professional awareness campaign. We will also concentrate on communicating to FPI members and industry stakeholders about developments in the profession and industry. We will also continue to; provide quality service to our members with the introduction of a new web-based member management system, seek to understand our industry and the needs of our members by undertaking member surveys and market research, hold the 14th Annual FPI Convention, run the Financial Planner of the Year Competition, and significantly increase advocacy and communication in respect of industry issues.

Operations

In 2007 we grew our strategic cash reserves by a further R1 million, bringing the Institute's reserves to R3.1 million (R2.1 million in 2006). The adequacy of the reserves is reviewed periodically by the Board of Directors, depending on the risks facing the Institute. Net surplus for the Institute increased from R637 000 in 2006 to R3 million in the year under review while the Group realised a surplus of R2.8 million (R743 000 in 2006). The graphs below illustrate the sources of funds and the proportion in which the funds were expended.



In 2008 we will continue to build the reserves to ensure that the FPI remains financially sound and able to withstand any risks as they may arise.

During the year we made the decision to invest in additional IT infrastructure to support the significant growth of our member base. We also continued to build and develop the staff complement to match the needs of the market and most significantly made the decision to introduce in 2008 a new association management system to ensure we offer the highest level of service to our members.

I would like to extend my appreciation to the FPI Board, the FPI volunteer committees, the FPI staff and our strategic services partners for their support and dedication during 2008. In a service industry, success depends almost entirely on the human element. The combined efforts of all these people, is the reason we had a great year. I look forward to another excellent year in 2008, knowing that the volunteers, staff and service partners will again give of their best to ensure we as a community, continue to promote the crucial importance of an integrated, holistic and long term financial plan, to serve as the blue print enabling the client to successfully navigate the complexities and risks and to ultimately ensure the successful attainment of the goals and objectives as compiled by and agreed to in the plan.

A handwritten signature in black ink, appearing to read "John Arnesen", with a horizontal line underneath.

JOHN ARNESEN
CEO

The directors have pleasure in submitting their report together with the audited annual consolidated financial statements for the year ended 31 December 2007.

General review of business and operations

The company continued to operate as the professional body for the financial planning industry

Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of these financial statements and related information.

The auditors are responsible to report on the fair presentation of these financial statements. These financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

The directors are also responsible for the company's system of internal financial controls. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

These financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Financial results

The company retained a surplus of R 3, 047, 256 (2006 : R 637, 421). The group retained a surplus of R 2, 844, 524 (2006 : R743,508).

Post balance sheet events

No material fact or circumstance, which requires comment, has occurred between the accounting date and the date of this report.

Property, plant and equipment

The company acquired assets to the value of R401,065 (2006: R256,881).

Dividends

No dividends were declared or proposed during the year under review.

Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

Director	Nationality	Date appointed	Date resigned
P Nieuwoudt	South Africa	01/12/2004	-
LT Janse van Vuren	South Africa	01/12/2004	-
RG Govender	South Africa	01/12/2004	-
GE Meyer	South Africa	01/12/2004	-
WD Jonker	South Africa	01/12/2004	-
CCP Hartmann	South Africa	01/12/2004	-
H O vZ du Plessis	South Africa	01/12/2004	-
MS Keetse	South Africa	07/01/2005	-

Director	Nationality	Date appointed	Date resigned
WM Oosthuizen	South Africa	08/10/2005	-
BL Gillespie	Dutch	12/02/2005	-
RG Whitlock	British	12/02/2005	-
AA McCulloch	British	21/02/2006	-
JL Arnesen	South Africa	26/07/2006	-
MS Abel	South Africa	17/11/2006	-
DM McGowan	South Africa	14/02/2007	-
RP King	South Africa	03/04/2007	-
AS Crawford	South Africa	30/05/2007	-
JB Palframan	South Africa	30/05/2007	-
R Vink	South Africa	04/06/2007	-
HS Ebrahim	South Africa	15/08/2007	-
MM Ginsburg	South Africa	27/06/2007	-
AJG Bradley	South Africa	01/12/2004	01/10/2007
B Williams	South Africa	01/12/2004	26/05/2007
PJ van der Walt	South Africa	01/07/2005	29/05/2007
LJ Botha	South Africa	01/06/2006	27/06/2007

Consolidation

FPI Ventures (Pty) Ltd, a 100% subsidiary of the company, were consolidated into the accounts for the year under review.

TO THE MEMBERS OF FINANCIAL PLANNING INSTITUTE OF SOUTHERN AFRICA
(ASSOCIATION INCORPORATED UNDER SECTION 21)

Report on the financial statements

We have audited the annual financial statements of Financial Planning Institute of Southern Africa (Association Incorporated under Section 21), which comprise the directors' report, the balance sheet and consolidated balance sheet as at 31 December 2007, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of change in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 16.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of these financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion these financial statements fairly present, in all material aspects, the financial position of the company and its subsidiary as at 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.



Registered Auditors
Florida Park
22 April 2008

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2007

Balance Sheet

	Notes	Company		Consolidated	
		2007 R	2006 R	2007 R	2006 R
ASSETS					
Non-current assets		1,044,971	539,637	1,044,871	494,302
Property, plant and equipment	2	984,871	350,649	984,871	350,649
Founding contribution - FPSB	3	60,000	143,653	60,000	143,653
Investment in subsidiary	4	100	45,335	-	-
Current assets		6,089,627	3,881,950	6,157,894	4,098,045
Trade and other receivables		131,345	1,613,467	162,491	1,005,264
Cash and cash equivalents		5,958,282	2,268,483	5,995,403	3,092,781
TOTAL ASSETS		7,134,598	4,421,587	7,202,765	4,592,347
EQUITY AND LIABILITIES					
Equity		6,364,218	3,362,197	6,206,821	3,362,297
General reserves	5	5,000,000	2,500,000	5,000,000	2,500,000
Retained surpluses		1,364,218	816,962	1,206,821	862,297
Other reserves		-	45,235	-	-
Current liabilities		770,380	1,059,390	995,944	1,230,050
Trade and other payables		553,200	1,059,390	767,885	1,219,171
Taxation payable	6	-	-	10,879	10,879
Bank overdraft	7	217,180	-	217,180	-
TOTAL EQUITY AND LIABILITIES		7,134,598	4,421,587	7,202,765	4,592,347

Income Statement

	Notes	Company		Consolidated	
		2007 R	2006 R	2007 R	2006 R
Revenue		9,914,635	8,024,087	14,753,671	12,203,812
Cost of sales		-	-	3,100,322	2,175,412
Surplus before other income		9,914,635	8,024,087	11,653,349	10,028,400
Other Income		450,185	190,038	479,882	225,708
Interest received		450,185	190,038	479,882	225,708
Operating surplus before other expenses		3,903,805	1,541,000	4,399,101	2,084,492
Expenses		856,549	903,579	1,554,578	1,409,559
Amortisation of FPSB contribution	8	83,653	48,000	83,653	48,000
Auditors remuneration	8	80,000	61,922	120,000	80,755
Depreciation	8	373,991	291,990	373,991	291,990
Directors remuneration	8	318,905	501,667	976,934	988,814
Surplus before taxation		3,047,256	637,421	2,844,524	674,933
Taxation	9	-	-	-	(68,575)
Net surplus after taxation		3,047,256	637,421	2,844,524	743,508

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2007

Statement of Changes in Equity

Company	General reserves	Retained surpluses	Other reserves	Total
	R	R	R	R
Balance at 31 December 2005	2,500,000	179,541	18,702	2,698,243
Net surplus for the year	-	637,421	-	637,421
Fair value adjustment on investment	-	-	26,533	26,533
Balance at 31 December 2006	2,500,000	816,962	45,235	3,362,197
Net surplus for the year	-	3,047,256	-	3,047,256
Fair value adjustment on investment reversed	-	-	(45,235)	(45,235)
Transfer directly to reserve	2,500,000	(2,500,000)	-	-
Balance at 31 December 2007	5,000,000	1,364,218	-	6,364,218
Consolidated	General reserves	Retained surpluses	Other reserves	Total
	R	R	R	R
Balance at 31 December 2005	2,500,000	118,789	-	2,618,789
Net surplus for the year	-	743,508	-	743,508
Balance at 31 December 2006	2,500,000	862,297	-	3,362,297
Net surplus for the year	-	2,844,524	-	2,844,524
Transfer directly to reserve	2,500,000	(2,500,000)	-	-
Balance at 31 December 2007	5,000,000	1,206,821	-	6,206,821

Cash Flow Statement

Notes	Company		Consolidated	
	2007	2006	2007	2006
	R	R	R	R
Net cash retained in operating activities	3,915,168	19,557	3,127,991	1,222,553
Cash receipts from customers	11,396,757	7,009,341	15,596,444	12,029,953
Cash paid to suppliers and employees	(7,931,775)	(7,179,822)	(12,948,335)	(11,025,461)
Cash generated from /(utilized by) operating activities	3,464,983	(170,481)	2,648,109	1,004,492
Interest received	450,185	190,038	479,882	225,708
Taxation paid	-	-	-	(7,647)
Cash flows from investing activities	(442,549)	(256,881)	(442,549)	(256,881)
Purchase of property, plant and equipment	(442,549)	(256,881)	(442,549)	(256,881)
To increase operating capacity	(442,549)	-	(442,549)	-
To maintain operating capacity	-	(256,881)	-	(256,881)
Cash flows from financing activities	-	653,398	-	-
Proceeds from members loans	-	653,398	-	-
Net increase in cash and cash equivalents	3,472,619	416,074	2,685,442	965,672
Cash and cash equivalents at beginning of the year	2,268,483	1,852,409	3,092,781	2,127,109
Cash and cash equivalents at end of the year	5,741,102	2,268,483	5,778,223	3,092,781

1. Accounting policies

The following are the principal accounting policies of the company and its subsidiary, which are consistent in all material respects with those applied in the previous year, except as otherwise indicated, and comply with South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa.

1.1 Basis of preparation

These financial statements have been prepared on the historical cost basis.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation. Other than freehold land and buildings on which depreciation is not provided, depreciation is recorded by a charge to income computed on the straight line basis so as to write off the cost of the assets over their expected useful lives. Freehold land and buildings are not depreciated.

Expenditure on additions and improvements to property, plant and equipment including the cost of related interest is capitalised as the expenditure is incurred.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as a difference between the net disposal proceeds, if any and the carrying amount of the item.

1.3 Investment in subsidiary

Investments in subsidiaries are recognised at cost.

1.4 Leased assets

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligations incurred under operating leases are charged to the income statement in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

Where assets are acquired under finance lease agreements that transfer to the corporation substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitment is disclosed under long-term liabilities. Lease rentals are apportioned between capital and interest elements, using the effective interest rate method.

1.4 Impairments

The carrying value of the assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their estimated recoverable amount.

1.6 Revenue

Revenue comprises the invoiced value of membership fees received, recorded in the financial statements at the date services provided to customers. Revenue, which excludes Value Added Tax, comprises of the rendering of services and interest received. Revenue from the rendering of services is recognised on an accrual basis in accordance with the substance of the agreement. Interest received is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

1.7 Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange ruling on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising from the settlement of such transactions are recognised in the income statement in the period in which they occur.

1.8 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added to the fair value.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- Financial assets classified as available-for-sale or at fair value through profit or loss, including derivatives, are measured at fair values. Fair value, for this purpose, is market value if listed, or a value arrived at by using appropriate valuation models, if unlisted.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.
- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The particular recognition methods adopted are disclosed in the individual policies stated below:

Loans to/ from group companies

These include loans to and from subsidiaries.

Trade and other receivables

Trade and other receivables originated by the enterprise are classified at cost less impairment.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

Cash and cash equivalents are measured at fair value.

Trade and other payables

Trade and other payables are recognised at their original debt value less principal payments.

Risks

In the normal course of its operations, the company is exposed to currency and credit risk. The company manages these risks as follows:

- **Foreign currency risk**

Foreign currency risk is created due to the influence of exchange rate fluctuations. The company has a policy not to take out cover on outstanding foreign currency transactions due to the fact that these take place on an ad hoc basis.

- **Credit risk**

The company has no significant concentrations of credit risk. Cash is placed with substantial financial institutions. Trade receivables are regularly monitored and assessed and, where necessary, an adequate level of provision is maintained.

- **Fair value**

The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Cash flows

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments, and bank overdrafts.

1.9 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or different period, directly in equity, or
- a business combination

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.10 Consolidations

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Property, plant and equipment

Company and consolidated

	2007			2006		
	Cost/Valuation	Accum. Depr.	Carrying Value	Cost/Valuation	Accum. Depr.	Carrying Value
	R	R	R	R	R	R
Leasehold Improvements	56,685	44,486	12,199	56,685	56,683	2
Computer Equipment	745,976	408,258	337,718	543,767	385,611	158,156
Computer Software	637,022	219,186	417,836	648,016	525,263	122,753
Furniture and Fittings	418,117	200,999	217,118	219,261	149,523	69,738
	1,857,800	872,929	984,871	1,467,729	1,117,080	350,649

The carrying amounts can be reconciled as follows:

	Carrying value at beginning of year	Additions	Changes in accounting estimate	Deprec.	Carrying value at end of year
	R	R	R	R	R
Leasehold Improvements	2	-	24,396	(12,199)	12,199
Computer Equipment	158,156	213,717	80,107	(114,262)	337,718
Computer Software	122,753	19,287	439,393	(163,597)	417,836
Furniture and Fittings	69,738	209,545	21,768	(83,932)	217,118
	350,649	442,549	565,664	(373,991)	984,871

NOTES TO THE FINANCIAL STATEMENTS

	Company		Consolidated	
	2007	2006	2007	2006
	R	R	R	R
3. Founding contribution - FPSB				
The Financial Planning Institute of South Africa paid a founding contribution of \$50,000 to the FPSB, which is non recoverable.				
The Company took over this contribution, which will be amortized over the lifetime of the benefit of the contribution, being 5 years, as determined by management.				
Remaining portion of the contribution	143,653	191,653	143,653	191,653
Amortisation	(83,653)	(48,000)	(83,653)	(48,000)
Carrying value of the FPSB Contributions	60,000	143,653	60,000	143,653
4. Investment in subsidiary				
FPI Ventures (Pty) Ltd - 100 Ordinary shares of R1 each				
Caring amount - beginning of the year	45,335	100	-	-
Fair value (reversal)/adjustment	(45,235)	45,235	-	-
Caring amount - end of the year	100	45,335	-	-
5. General Reserves				
Transfer from retained surplus during the year	2,500,000	2,500,000	2,500,000	2,500,000
6. Taxation Payable				
Taxation – current year	-	-	-	10,879
Taxation – prior year	-	-	10,879	-
			10,879	10,879
7. Bank overdraft				
Bank overdrafts at year end	217,180	-	222,071	-
8. Profit before taxation				
Profit from operations is arrived at after taking into account the following:				
Amortisation of the FPSB contributions	83,653	48,000	83,653	48,000
Auditors remuneration	80,000	41,877	120,000	80,755
Audit fees	80,000	52,500	120,000	92,545
Overprovision	-	(10,623)	-	(11,790)
Depreciation	373,991	291,993	373,991	291,993
Leasehold improvements	12,199	104,773	12,199	104,773
Computer equipment	114,262	115,638	114,262	115,638
Computer software	163,597	49,813	163,597	49,813
Furniture and fittings	83,932	21,769	83,932	21,769
Directors remuneration	318,905	501,667	976,934	988,814
9. Taxation				
The company's activities are exempt from Income Tax in accordance with section 10(1)(d)(iii) / (iv)(aa) / (iv)(bb) of the Income Tax Act.				
Net (loss)/ income before taxation	-	-	(173,219)	37,512
Normal taxation charged at 29%	-	-	-	10,879
Prior year adjustment	-	-	-	(79,454)
	-	-	-	(68,575)

NOTES TO THE FINANCIAL STATEMENTS

	Company		Consolidated	
	2007	2006	2007	2006
	R	R	R	R
10. Notes to the cash flow				
10.1 Reconciliation of net (deficit) / surplus before taxation to cash flows from operations				
Net surplus before taxation	3,047,256	637,421	2,844,524	674,933
Adjustments for :				
Amortisation of intangible asset	83,654	48,000	83,653	48,000
Depreciation	373,991	291,990	373,991	291,990
Change in accounting estimate	(565,665)	-	(565,665)	-
Interest received	(450,185)	(190,038)	(479,882)	(225,708)
Operating profit before working capital changes	2,489,051	787,373	2,256,620	789,215
Working capital changes				
Decrease/(increase) in trade and other receivables	1,482,123	(1,014,746)	842,775	425,480
(Decrease)/increase in trade and other payables	(506,191)	56,892	(451,286)	(210,203)
Cash generated from operations	3,464,983	(170,481)	2,648,109	1,004,492

10.2 Property, plant and equipment

During the period, the company acquired property, plant and equipment with a cost of R 442,529. Cash payments for the whole amount were made to purchase property, plant and equipment.

10.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash on hand and balances with banks	5,958,282	2,268,483	5,995,403	3,092,781
Bank overdraft	(217,180)	-	(217,180)	-
	5,741,102	2,268,483	5,778,223	3,092,781

11. Related parties

The following parties are related to the company:

As a section 21 company, the ownership vests in the fully paid members of the company.

Subsidiary	FPI Ventures (Pty) Ltd
Directors	As disclosed on the directors report

11.1 The following transactions were carried out with related parties:

Management fees received

FPI Ventures (Pty) Ltd	-	120,000	-	-
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NOTES TO THE FINANCIAL STATEMENTS

	Company		Consolidated	
	2007	2006	2007	2006
	R	R	R	R
11.2 Outstanding balances arising from related party transactions included in trade and other receivables:				
FPI Ventures (Pty) Ltd	56,282	1,353,660	-	-

11.3 Directors remuneration

For management services:

IDJ van der Merwe	-	315,000	-	350,000
JL Arnesen	318,905	186,667	455,579	233,334
CD Anschutz	-	-	405,990	354,375
GN Nti	-	-	115,366	51,105

12. Functional and presentation currency

Functional and presentation currencies are both stated in South African Rand unless otherwise indicated. Functional currency is the currency of the primary economic environment in which the company operates. Presentation currency represents the currency in which the financial statements are presented.

13. Change in accounting estimates

During the year the useful life of the property, plant and equipment was reassessed to give a better indication of the economic benefit that will flow to the company due to the usage of the specific property, plant and equipment.

14. Future restructure of the group

The board of directors of the company appointed a committee to consider the transfer of the business of its subsidiary, FPI Ventures (Pty) Ltd, into the company. Should it be decided that the business be transferred, the subsidiary would probably have no further business, may be deregistered, and may then not be recognised as a going concern.

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