

FINSIA



ANNUAL REPORT 2017

IN 2017 FINSIA IDENTIFIED STRONG CONSUMER, INDUSTRY AND REGULATOR SUPPORT FOR PROFESSIONALISATION IN FINANCIAL SERVICES.

FINSIA IS TAKING ADVANTAGE OF INTERNATIONAL EXPERIENCE TO ADVOCATE FOR PROFESSIONALISATION AND DELIVER NEW PROFESSIONAL QUALIFICATIONS.

PRESIDENT'S REPORT

FINSIA 2017 ANNUAL REPORT

David Gall SF Fin
FINSIA President

If you're having trouble viewing the video in your browser, please [click here](#)

PRESIDENT'S REPORT



The Royal Commission, which began in February, has put the financial services industry under more intense scrutiny, particularly the major banks. We have seen misconduct that has further damaged the trust and confidence in our sector. There is no doubt the Royal Commission will be a burning catalyst for change and more reform.

THE FINANCIAL SERVICES INDUSTRY IS GOING THROUGH SIGNIFICANT TRANSFORMATION DRIVEN BY THE POWER OF CONSUMER DEMAND, TECHNOLOGICAL DISRUPTION AND MAJOR REGULATORY CHANGE.

This is also a time of opportunity. Now more than ever FINSIA's purpose of professionalising our industry is needed to restore trust so that Australians can feel confident in the institutions that manage their money, help them to buy a home and assist them secure their financial future in retirement.

This year we spent time really honing and defining our purpose of professionalisation.

FINSIA and its predecessors have a wonderful heritage going back 130 years and have always been there to help members become more professional.

But in this ever changing and fast-paced environment, we were interested in what our members thought and our key stakeholders.

The majority of you (70%) said through our survey that professionalisation was really important to our industry and that you wanted FINSIA to have a strong voice and be the standard bearer.

We took the findings of this research to our key stakeholders including banks, other financial institutions, regulators

and industry bodies and they have been very positive and supportive about the need for professionalisation and the role FINSIA can play in embedding this within the financial services industry.

I am really passionate about our purpose and feel we can make a real difference over time to an industry that is crucial to the heart beat of the Australian economy.

FINSIA has a very clear picture as to what professionalisation looks like. At the core, it involves strong ethics and integrity. It also means having a professional body, a code of conduct that builds on existing codes for finance professionals and a clear set of professional standards to raise the bar that we as members live and breathe. It also involves — and this is critical — professional qualifications.

FINSIA is in a fortunate position to have a sound balance sheet and the capability to really invest and bring professionalisation to life. We also have a strong team led by our CEO Chris Whitehead that is really focused on our strategy. We know what we stand for and how we can create better financial outcomes for all Australians.

It's so important that as members of the financial services industry we do something that helps to restore trust and confidence in our sector. To really make a difference we need you, our members, to really get behind and advocate strongly in your networks and organisations for professionalisation.

I would like to thank my fellow Board members for their hard work as well as the Regional and Industry Councils, the Young Finance Professionals and the Women in FINSIA for the significant contribution they make to FINSIA, through sharing their knowledge and mentoring and educating young professionals.

Finally thank you to our loyal members for your continuing support. 2018 is going to be a really interesting and formative year for FINSIA and I look forward to updating you throughout the year.

David Gall SF Fin
President

*Adapted from remarks in video on p3.

FINSIA 2017 ANNUAL REPORT

Chris Whitehead F Fin
FINSIA CEO

If you're having trouble viewing the video in your browser, please [click here](#)

CHIEF EXECUTIVE OFFICER'S REPORT*



TWELVE MONTHS AGO, FINSIA ANNOUNCED A STRATEGY TO FOCUS ON PROFESSIONALISATION OF FINANCIAL SERVICES. AND IT'S IMPORTANT THAT WE LOOK AT THE BUSINESS CASE THAT SITS BEHIND THAT STRATEGY.

Disappointingly, however, the level of trust is not at the level it needs to be. While 66% of consumers in FINSIA's survey said they have a high level of trust in the people they deal with, that still leaves a significant gap for us to close.

Consumer trust is an important part of our professionalisation strategy. That number does need to be higher, does need to better reflect confidence that people will always see the financial institutions and the people who represent those acting in their best interests.

It's often said that investing in skills may carry a first mover disadvantage; however, that is probably not the case. In the same survey 13% of all consumers and 19% of the critical under 45 segment said that they would move institutions to an organisation where the staff displayed high levels of professionalism.

So it really is quite straightforward that what consumers want is to know they're dealing with someone who has the highest levels of competency, and someone who will act in their best interests all the time.

Since the GFC there has been a huge focus on raising financial capital

requirements of the industry. However, what there hasn't been the same focus on — which is just as important — is investing in human capital.

FINSIA is taking advantage of international experience in its professionalisation initiative. We've formed two crucial partnerships. One is with the Chartered Banker Institute and the other is with the Chartered Institute for Securities & Investment (CISI).

We've been working very hard over the last twelve months to deliver the first of the new qualifications — Professional Banking Fundamentals. We've also been working with CISI to bring in the Integrity in Financial Services Workshop, which is now to be delivered by FINSIA.

An important international initiative, which FINSIA is supporting, is the establishment of a Global Banking Education Standards Board. With our assistance the first standard has just been released which focuses on ethics education.

While there are various industry codes of conduct, FINSIA is advocating for the establishment of a code of conduct to apply to individuals across financial

services. We believe this should be industry wide, via a council, and we've been working hard with organisations right across the industry to further this objective.

Over the next twelve months you will see the delivery of a lot more of our strategy with further qualifications to be released, and a significant enhancement to our continuous professional development capability.

I would like to thank you for your support of FINSIA over the last twelve months and hope that support will continue. Not just for FINSIA as a professional body, but that you will be an advocate for the goal of professionalisation and ensure that as an industry we deliver better outcomes for our customers.

Chris Whitehead F Fin
Chief Executive Officer

*Adapted from remarks in video on p5.

FINSIA'S MISSION IS TO MAKE FINANCIAL SERVICES ONE OF AUSTRALASIA'S MOST TRUSTED AND RESPECTED PROFESSIONS.

YEAR IN REVIEW

FINSIA'S PROFESSIONALISATION STRATEGY

Member workshops: FINSIA held workshops with members at all levels of seniority and across Australian states and New Zealand to take in-depth feedback on FINSIA's role and purpose, and how FINSIA can best support members in a changing industry. The need for professionalisation in financial services was a key theme raised by members, backed by FINSIA taking a leading role in raising standards of competence and conduct across the industry. FINSIA's professionalisation strategy was built on the feedback from these workshops.

Professionalisation strategy announced: FINSIA announced its strategy in early 2017 to deepen trust in financial services by raising professional standards of competence and conduct, forming key partnerships with the Chartered Banker Institute (CBI) and the Chartered Institute for Securities & Investment (CISI).

FINSIA accredited to offer Chartered Banker Institute programs: Giles Cuthbert, Managing Director of CBI, visited Sydney to meet with key industry stakeholders and accredit FINSIA to deliver the Chartered Banker qualifications pathway. The first program, Professional Banking Fundamentals, is piloted in February 2018 ahead of its public launch in May 2018.

Industry-wide code of professional conduct: A key element of FINSIA's professionalisation strategy is advocacy for the establishment of an industry-led Professional Banking Council to agree on an industry-wide code of professional conduct for individuals working across the industry. The code of professional conduct will emphasise individual accountability and standards, and provide mechanisms for independent monitoring, review, and discipline where provisions of the code are breached. It is to be supported by professional competency standards also set by the Professional Banking Council. FINSIA also endorses the Banking and Finance Oath to underpin the code of professional conduct.

Member survey: In August, over 800 members responded to our survey on the value of membership and the role of professional associations. Around 70% of respondents agree that industry wide professionalisation to raise standards of conduct will help restore consumer trust in financial services.

Global Banking Education Standards Board (GBESTB): FINSIA works with more than 20 banking institutes globally to develop education standards for banking professionals. The initial standard, Ethics Education and Training for Professional Bankers, was developed in 2017 and officially launched in April 2018. It will apply to all GBESTB member bodies from June 2018.

KEY EVENTS

Economic indicators: Around 400 FINSIA members attended our popular, annual briefing in March by Westpac Chief Economist Bill Evans on the economic outlook for 2017 and the implications for the Queensland property market.

Future of Finance: Our exclusive member forum attracts more members this year, with 1150 members in Australia and New Zealand attending briefings on the forces reinventing the financial services industry. At the first round of events in April and May, Adrian Lovney, CEO of NPP and Rocky Scopelletti, Telstra, gave an overview of the New Payments Platform and changing consumer preferences. In November, Caitlin Iles, Capital xx, and Cindy Nicholson, Optus, spoke to members about venture capital, portfolio careers and the new economy.

Ethics and Integrity from the Inside Out: In August 2017, Simon Culhane, CEO of the Chartered Institute for Securities & Investment

(CISI), visited Australia to deliver interactive ethics and integrity workshops to FINSIA members in Sydney and Melbourne.

The Regulators: FINSIA's signature event was held in Sydney in September 2017, with 350 industry leaders gathering to hear from Wayne Byres SF Fin, Chair of APRA; Guy DeBelle, Deputy Governor of the RBA; and Greg Medcraft, Chair of ASIC. Australia's financial services regulators and reserve bank gave their insights on key issues such as LIBOR, bank culture, and the new Banking Executive Accountability Regime.

Restoring reputation and trust in banking: Robert Dickie, President of the CBI, and Karen Scott-Howman, CEO of the New Zealand Bankers Association, addressed member forums in Auckland and Wellington about how the industry can restore consumer trust.

RESEARCH AND REGULATION

Research sheds light on profit-based incentives: Approximately 300 FINSIA members participated in an experimental research study led by Associate Professor Elizabeth Sheedy from Macquarie Applied Finance Centre. The research, released in August, reveals the link between risk culture, incentives, and the behaviour of financial services employees.

Banking Executive Accountability Regime: FINSIA contributed to the consultation process in September and November which defines new laws to strengthen senior executive accountability in Australian banks.

FINSIA calls for industry wide professionalisation to take place alongside, and strengthen, regulatory approaches to improve industry culture.

Financial Services Royal Commission: The announcement of the Royal Commission underscores the critical need for the work FINSIA already has underway to professionalise the financial services industry. FINSIA supports professionalisation as the bedrock solution to deliver better outcomes to the community, improve the reputation of the industry and restore pride to industry employees.

THANK YOU TO OUR COUNCIL AND COMMITTEE MEMBERS FOR THEIR VALUABLE SUPPORT OF FINSIA AND ITS MEMBERS ACROSS AUSTRALASIA.

REGIONAL COUNCILS IN 2017

New Zealand National Council

Leon Grandy F Fin *(Chair)*

Phillip Meyer F Fin *(Deputy Chair)*

Shashi Kumar F Fin

David Mayes SF Fin*

Bernard McCrea SF Fin

Katherine Skinner SA Fin

Andrew Springgay SA Fin

David Tripe SF Fin

Louise Unger SA Fin

*FINSIA acknowledges the contribution of Professor David Mayes SF Fin (1946 to 2017) to FINSIA over many years, and to the New Zealand industry as an academic and former chief economist of the Reserve Bank of NZ.

New South Wales Regional Council

Robert Sinclair F Fin *(Chair)*

Kate McCallum F Fin *(Deputy Chair)*

Belinda Cooney F Fin

Giles Gunsekera SF Fin

Nathan Krieger F Fin

Linda Maniaci F Fin

Bettina Pidcock F Fin

Karolina Popic F Fin

Jasmine Tan SA Fin

Victoria Weekes SF Fin

Victoria Regional Council

Loretta Venten SF Fin *(Chair)*

Tania Hudson SF Fin *(Chair Tasmania)*

Chad Barendse A Fin

Paul Chin SF Fin

Phil Dolan SF Fin

Sara Harman SF Fin

Mark Topy SF Fin

Brad Upton SA Fin

Queensland Regional Council

Kerry McGowan SF Fin *(Chair)*

Michelle Bagnall SA Fin

Joanne Dwyer A Fin

Alasdair Jeffrey F Fin

Anne-Maree Keane F Fin

Noel Lord SF Fin

Peter Pontikis SF Fin

Richard Somerville F Fin

Peta Tilse SF Fin

Andrew Weeden SA Fin

Sean Trainor SA Fin

Phil Vickery F Fin

Gordon Wilkie A Fin

South Australia Regional Council

Bruno Bellon SF Fin *(Chair)*

Jane Dharam SF Fin

Joe Formichella F Fin

Nicholas Karagiannis SA Fin

Lan Lam A Fin

John Montague SF Fin

Benjamin Owen SA Fin

Phillip Roberts SF Fin

Stuart Symons SA Fin

Peter Tyson SA Fin

Ida Wong Taylor SA Fin

Western Australia Regional Council

Rohan Mishra SA Fin

Ian O'Brien A Fin

Wayde Keyser F Fin

Irshaad Songerwala F Fin

Tim Sullivan SA Fin

Justin Van Ast SA Fin

Emma Wright SA Fin

INDUSTRY COUNCILS IN 2017

Financial Advice and Services

Megan Aikman F Fin	<i>Hillross (Chair)</i>
Sandra Bowley SF Fin	<i>Sandra Bowley Financial Planning</i>
Professor Christine Brown SF Fin	<i>Monash University</i>
Diana Bugarcic SA Fin	<i>Sydney Institute of TAFE</i>
Diego del Rosso SA Fin	<i>Bendigo and Adelaide Bank</i>
Bruce Lanyon SF Fin	<i>Morgan Stanley</i>
Sarah Little	<i>CBA</i>
Gary Mitchell SF Fin	<i>Shadforth Financial Group Ltd</i>
Peter Pontikis SF Fin	<i>Westpac</i>
Susan Rallings F Fin	<i>RBS Morgans</i>
Mark Spiers SF Fin	<i>BT Financial Group Ltd</i>
Peta Tilse F Fin	<i>Levantine Wealth</i>

Funds and Asset Management

Keri Pratt SF Fin	<i>(Chair)</i>
Stewart Brentnall F Fin	<i>OnePath</i>
Paul Chin F Fin	<i>Jamieson Coote Bonds</i>
Jacki Chorazy SA Fin	<i>Mercer</i>
Sharon Davis	
Katrina Glendinning SF Fin	<i>Pengana Capital</i>
Susanna Gorogh SF Fin	<i>MTAA</i>
Giles Gunsekera SF Fin	<i>Global Impact Initiative</i>
Simon Hudson SF Fin	<i>UniSuper</i>
Camilla Love F Fin	<i>Perennial</i>
Justin McMinn	<i>HESTA</i>
Dr Carsten Murawski	<i>University of Melbourne</i>

Institutional Markets

Paul Travers SF Fin	<i>KPMG (Chair)</i>
Catherine Black F Fin	<i>Queensland Treasury Corporation</i>
Adrienne Bloom	<i>Bank of America Merrill Lynch</i>
Tony Carlton SA Fin	<i>Macquarie University</i>
Chris Dalton	<i>Australian Securitisation Forum</i>
Joanne Dawson SA Fin	<i>Westpac</i>
Anastasia Economou SF Fin	
Jaye Gardner SF Fin	<i>Grant Samuel Group</i>
Andrew Kinasch	<i>CBA</i>
Yura Mahindroo F Fin	<i>PwC</i>
Luke Marriott	<i>ANZ</i>
Associate Professor Jerry Parwada	<i>UNSW</i>
Clare Porta F Fin	<i>Consultant</i>
Liz Smith F Fin	<i>Grant Thornton Australia</i>
Connie Sokaris F Fin	<i>NAB</i>

Retail and Business Banking

Daniel Biondi F Fin	<i>Hewlett-Packard (Chair)</i>
Nicholle Lindner F Fin	<i>Unisys (Deputy Chair)</i>
David Boromeo	<i>Bendigo and Adelaide Bank</i>
Janine Copelin	<i>Citi</i>
Mike Currie F Fin	<i>QBank</i>
Cindy Hansen F Fin	<i>Qudos Bank</i>
Graham Heunis	<i>HSBC</i>
Professor Allan Hodgson	<i>University of QLD</i>
Jason Murray	<i>Credit Union Australia</i>
Paul Presland F Fin	<i>ANZ</i>
Monique Reynolds	<i>Westpac</i>
Dr Harry Scheule	<i>UTS</i>

COMMITTEES IN 2017

Women in FINSIA

Linda Maniaci F Fin *(Chair)*

Maebehe Garcia F Fin *(Deputy Chair)*

Belinda Cooney F Fin

Jacqui Henderson

Katherine Howard F Fin

Jessye Lin SA Fin

Malini Raj F Fin

Maria Trinci

Loretta Venten F Fin

Anne Voursoukis F Fin

Victoria Weekes SF Fin

Natalie Yan-Chatonsky

JASSA Editorial Board

Aaron Minney F Fin *(Chair)*

Professor Kevin Davis SF Fin
(Managing Editor)

Marion Fahrer F Fin *(Editor)*

Dr Bruce Arnold

Dr Anthony Brassil

Dr Jean Canil

Associate Professor Anthony Carlton

Professor Carole Comerton-Forde

Professor Steve Easton

Dr Kim Hawtrey SF Fin

Professor Elaine Hutson

Dr Frank Liu

Professor Fariboz Moshirian

Associate Professor Maurice Peat F Fin

Professor Alireza Tourani-Rad F Fin

YFP COMMITTEES IN 2017

New South Wales YFP

Jasmine Tan *(Chair)*

Megan Lee *(Deputy Chair)*

Oluwafisayo Awosemo

Katherine Chen

Sam Koch

Elizabeth Mcguirk

Michael Romano

Queensland YFP

Sean Trainor SA Fin *(Chair)*

Adam Crombie SA Fin *(Deputy Chair)*

Naomi Benton A Fin

Angus Goodyear

Benjamin Milton A Fin

Western Australia YFP

Ian O'Brien F Fin *(Chair)*

Damien Cribben A Fin *(Deputy Chair)*

Sebastian Bednarczyk SA Fin

Olivia Cole A Fin

Cale Dewar A Fin

Rachael Le Tessier A Fin

South Australia YFP

Peter Tyson SA Fin *(Chair)*

Timothy Young A Fin *(Deputy Chair)*

Oliver Ciancio

Jenna Dikih

Andrew Giuliano

Aditya Harsh A Fin

Victoria YFP

Chad Barendse A Fin *(Chair)*

Alex Lord SA Fin *(Deputy Chair)*

Dean Holloway

Arron Lane

Coral Lou

Jayden Muscat

Thuy Ngo

Steve Wang

Eddy Yoo

CORPORATE GOVERNANCE

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FINSIA is a founding member of the ASX Corporate Governance Council and FINSIA's Chief Executive Officer is a member of the council.

FINSIA's Board has endorsed the Corporate Governance Council Principles and Recommendations Third Edition.

The Board is focused on ensuring stakeholders are informed of our activities and that the confidence of our members is preserved.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

» The Board is responsible for the overall corporate governance of FINSIA, including its corporate planning.

» The Board has a management framework, including a system of internal control, a business risk management process and established ethical standards.

PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

» The FINSIA Constitution determines the composition of the Board, with directors subject to election by a direct national vote by members.

» The Chief Executive Officer and Managing Director is the only director who is a member of management. The Chair and Board members are independent directors.

» As a membership organisation, we derive strength from the involvement of the directors as members committed to the enhancement of FINSIA's objectives.

Selection of directors

» The directors in office at the date of this statement are set out in the directors' report on page 20.

» Biographical details outlining skills, experience and expertise relevant to the position of the director are provided in the Board profile on pages 16-18. Other directorships are also included.

» FINSIA is committed to ensuring gender diversity in the composition of its Board of directors in accordance with Principle 3 of the ASX Corporate Governance Principles and Recommendations. Four of eight elected directors in 2017 are women. The Board has an induction program in place for new directors.

Nominations committee

» The Nominations and Remuneration Committee comprises the President, Vice President, Managing Director and two other directors or as otherwise determined by the Board from time to time.

» The composition and attendance at meetings of the Nominations and Remuneration Committee are shown in the directors' report on page 23.

» The constitution provides for a maximum of nine directors and a minimum of seven. No director may serve more than three three-year terms.

» In its consideration of candidates for the Board, the Nominations and Remuneration Committee seeks continuity of expertise and representation of regions and industry sectors, as serving directors conclude their tenure on the Board. This committee utilises a skills matrix to identify potential directors with diverse skills.

» The Board-endorsed guidelines for attributes required of directors are outlined in the Board Charter, which is available at Finsia.com/about.

» The Board has established a Directors Nominations Committee as a sub-committee of the Nominations and Remuneration Committee to assist the selection and election of Directors to the Board. Details of the terms of reference and the members of the committee are available on our website at Finsia.com/about.

CORPORATE GOVERNANCE

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Board performance

» The Board regularly undertakes board performance reviews.

Regional representation

» The Board appoints Regional Councils, which include representatives from various business sectors. Members of Regional Councils are FINSIA members.

Independent professional advice

» Each director has the right to seek independent professional advice at FINSIA's expense. The President's prior approval is required, which is not to be withheld unreasonably.

PRINCIPLE 3 ACT ETHICALLY AND RESPONSIBLY

» The Board acts ethically and responsibly in its decision-making and the Code of Conduct is available at finsia.com/about.

» Directors are required to disclose transactions between themselves, their firms or associated entities and FINSIA, including payment for services.

» The Board takes seriously its legal obligations and has regard to the reasonable expectations of all stakeholders.

Conflicts of interest

» Board policy requires that if there is, or could be, a conflict of interest for directors, then those directors do not receive relevant board papers, do not participate in those discussions or vote, and absent themselves from the meeting room when those discussions are held.

» The policy provides for a register of interests and directors are required to notify any changes to their register of interests at each board meeting.

Diversity policy

» Although not a listed entity covered by the ASX Corporate Governance Principles and Recommendations, discloses the proportion of women in the whole organisation, at senior executive and board levels in accordance with the recommendations in Principle 3.

Measurable objectives

The FINSIA Board has adopted the following measurable objectives for achieving gender diversity across the organisation's business.

The objectives were to be met by December 2017.

Proportion of women in FINSIA as at December 2017

FINSIA employees.....	54%
Senior executive positions.....	57%
On the Board.....	44%
.....

Objective	Measurement
<i>as at December 2017</i>	

Membership.....	29%
new members recruited in 2017 are female	

Professional development.....	28%
and events	
33% of speakers at all FINSIA events are female	

Publication.....	18%
40% of all authors in JASSA: The FINSIA Journal of Applied Finance are women	

Career programs.....	22%
50% of mentees in FINSIA mentoring programs are female.	

PRINCIPLE 4 SAFEGUARD INTEGRITY IN CORPORATE REPORTING

» In accordance with the ASX principle, the Chief Executive Officer and the Chief Financial Officer have provided signed statements to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial position and operational results and are in accordance with relevant accounting standards.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

» To provide rigour and accountability, declarations are made by each of the operational managers that all material liabilities have been identified and communicated to the finance department as part of the year end accounting process.

» Members of the Audit, Finance, Risk Management and Compliance Committee (Audit Committee) are all non-executive directors, and the chair of the committee is not the chair of the Board.

» Membership of the committee during 2017 is set out in the directors' report on page 23.

PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

» FINSIA discloses to members and other key stakeholders material information that may affect the organisation from time to time.

» Our website, Finsia.com, provides comprehensive and up-to-date information about member benefits

and services, professional development events, careers information, FINSIA news and media releases, advocacy initiatives and corporate governance.

PRINCIPLE 6 RESPECT THE RIGHTS OF SECURITY HOLDERS

» The Board carefully considers the rights of all members of FINSIA and provides members with information about FINSIA's financial situation, performance and governance, major initiatives and future strategy, alliances and partnerships, and policy and advocacy by a range of methods.

» Communications include the annual report, *JASSA* and *InFinance*, the FINSIA website and the annual general meeting (AGM).

» The external auditor is invited to attend the AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

» The Board has established policies on risk oversight and management. In addition, the Chief Executive Officer and the Chief Financial Officer have stated to the Board in writing that:

- the integrity of financial statements is founded on a system of risk management and internal compliance and control that implements the policies adopted by the Board.
- the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- » FINSIA has adequate risk management and compliance controls in place.
- » The Board also, on a regular basis, receives reports about the strength of the risk management framework and processes.

» IT infrastructure and services are outsourced to an external hosting facility. In the event of a significant business disruption the outsourced provider has a Business Continuity Plan (BCP) in place for effective recovery procedures that are reviewed on an annual basis.

» The Audit, Finance, Risk Management and Compliance Committee reviews the status of risk and compliance. The risk register, which is used to identify, assess, monitor and manage material risk throughout the organisation, is considered by management on a monthly basis and reported to each meeting of the Audit, Finance, Risk Management and Compliance Committee and the Board.

» A fraud control plan and a whistleblower policy are also in place.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

**PRINCIPLE 8
REMUNERATE FAIRLY
AND RESPONSIBLY****Remuneration Committee**

» The Remuneration Committee is combined with the Nominations Committee and comprises the President, Vice President, Managing Director and two other directors, or as determined by the Board from time to time.

» Attendance at meetings of the committee is shown in the directors' report on page 23.

» We have an annual salary and bonus review process for all staff. Payments of any salary and bonus amounts are market-driven, performance-based and discretionary.

» We operate a variable incentive program, which has delivered an enhanced capability to drive individual employee performance and to reward high performance and further support FINSIA's performance culture.

» The constitution prohibits remuneration of any director in his or her capacity as a member of the Board, other than any salary payment due to the director as a FINSIA employee.

» The non-executive directors act in an honorary role and no board fees nor remuneration have been paid to the directors.

DIRECTORS OF THE BOARD AND CEO

DIRECTORS OF THE BOARD AND CEO

**David Gall**

BSc BBus (Banking and Finance) MBA (Exec) SF Fin

President

appointed May 2015

Board member

appointed January 2010

Region: Victoria and Tasmania

Mr Gall, 50, is Group Chief Risk Officer, National Australia Bank.

Previous roles at National Australia Bank include executive general manager, working capital services, and executive general manager corporate banking and specialised businesses. He worked at St George Bank (including five years with Barclays Bank Australia) between 1989 and 2008. During that time he held various senior roles including group executive strategy, group executive retail business and general manager corporate and business banking.

Mr Gall joined the Australasian Institute of Banking & Finance in 1991 and was named its Young Banker of the Year in 1995.

Chair, Nominations and Remuneration Committee

**Victoria Weekes**

BComm LLB FAICD SF Fin

Vice President

appointed May 2015

Board member

appointed March 2013

Region: New South Wales and Australian Capital Territory

Victoria Weekes, 56, is a professional non-executive director with more than 25 years' experience as a senior executive in the financial services sector.

Currently Victoria is the Independent Chair of OnePath Custodians, the ANZ Bank's public offer retail superannuation fund and is a non-executive director of ASX-listed URB Investments. Victoria is also the Chair of NSW Treasury and a member of the ASIC Markets Disciplinary Panel.

Victoria has been a member of FINSIA and its predecessor organisation the Securities Institute since 1996.

Member, Audit, Finance, Risk Management and Compliance Committee

Member, Nominations and Remuneration Committee

Member, NSW Regional Council

Member, Women in FINSIA Committee

**Chris Whitehead**

BSc F Fin FAICD

CEO and Managing Director

appointed September 2016

Chris, 57, has been associated with the Australasian financial services industry for nearly 30 years.

Previously, he was CEO of CUA, Australia's largest customer-owned financial institution, Regional Director, Bank of Scotland and CEO, BankWest Retail Bank.

He has extensive experience as a non-executive director including in the payments, wealth management and insurance sectors.

Commencing his career in IT, Chris maintains a keen interest in the ongoing impact of technology on financial services.

DIRECTORS OF THE BOARD AND CEO

**Cathy Aston**

BEC MComm (UNSW)
GAICD TFASFA F Fin

Director

appointed in
August 2015

Ms Aston, 54, is an experienced executive and non-executive director of digital and telecommunications businesses across the Asia-Pacific.

Cathy is currently a non-executive director of IMB Bank Ltd, Southern Phone Ltd and is a Director of Macquarie Investment Management Limited. She is an Advisory Board member of Avanseus Holdings Ltd (Singapore) and former Chair of Pillar Administration.

Ms Aston has a broad commercial background with senior roles in finance, marketing, strategy and business transformation. Previous positions include Executive Director, Digital Business at Telstra Corporation, Finance Director, Telstra International (Hong Kong) and Managing Director, Mobitel Pvt Ltd (Sri Lanka).

Chair, Audit, Finance, Risk Management

**Ian Pollari**

BComm MBA
F Fin

Director

appointed October 2017

Region: New South Wales
and Australian Capital
Territory

Mr Pollari, 42, is a partner at KPMG and is currently the Head of KPMG's Banking Sector in Australia.

He is also the Global Co-Lead of KPMG's Fintech practice, and is on the board of Stone & Chalk.

Ian has over 17 years' experience servicing clients in the financial services industry and brings deep knowledge and insights into the experiences of local and international banks, payment providers and fintech companies in areas such as strategy development, market entry, digital innovation, regulation and risk management practices.

Ian frequently interacts with the government and regulators on emerging policy developments, such as the introduction of new regulatory obligations and prudential standards.

**Member, Nominations and Remuneration
Committee**

**Mark Spiers**

BA CFP Dip All CIP
F Fin

Director

appointed March 2013

Region: New South Wales
and Australian Capital
Territory

Mr Spiers, 58, is Director, Wealth Strategy at BT Financial Group. Prior to this, as General Manager of Advice at BT Financial Group, Mark was responsible for all of the employed and self-employed financial advisers in the Westpac Group. Previously, Mark held various executive advice-related roles at ING and AMP.

Mark is actively involved in the development and raising of standards in the financial planning profession through board, and industry committee positions.

He has served as Director and Deputy Chair of the Financial Planning Association.

**Member, Audit, Finance, Risk Management
and Compliance Committee**

**Member, Financial Advice and Services
Industry Council**

DIRECTORS OF THE BOARD AND CEO

**Loretta Venten**

BEc GDip (Banking & Finance) SF Fin MAICD MFTA

Director

appointed June 2005

Region: Victoria and Tasmania

Ms Venten, 54, is an Executive Director, Loan Markets & Syndications at Commonwealth Bank of Australia.

She has had various roles at the bank since 1984 in loan markets/syndicated lending, debt capital markets, corporate banking, branch lending and branch banking.

She is a director of MIS Funding No 1 Pty Ltd and a past member of the management committee of the Asia Pacific Loan Market Association (APLMA) Australian Branch (2000–2010).

Member, Audit, Finance, Risk Management and Compliance Committee

Member, Nominations and Remuneration Committee

Member, Victorian Regional Council

Member, Women in FINSIA Committee

**Robina Xavier**

MBus(Res) PhD
SF Fin GAICD FPRIA

Director

appointed June 2017

Region: Queensland

Professor Xavier, 51, is Executive Dean of the QUT Business School. She has more than 25 years' experience in corporate consulting and education with specialist expertise in investor relations and crisis management.

Robina has worked as a consultant to both the private and public sectors in Australia, specialising in corporate and financial relations.

Robina has sat on several association/government/NGO advisory groups and has significant membership body experience as a former National President of the Australian peak industry body, the Public Relations Institute of Australia. She sits on the EQUIS Committee of the European Foundation for Management Development in Brussels. Robina is a director of Creative Enterprise Australia, Australia's only dedicated creative industries accelerator.

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ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of the Financial Services Institute of Australasia (the "group"), being the company and its controlled entities for the financial year ended 31 December 2017 and the lead auditor's report thereon.

DIRECTORS

The names of the group's directors in office during the financial year and until the date of this report are:

DIRECTOR	APPOINTED	RETIRED
David Gall BSc, BBus (Banking and Finance), MBA (Exec), SF Fin President	29 January 2010	
Victoria Weekes BComm, LLB, FAICD, SF Fin Vice President	4 March 2013	
Catherine Aston BEc, MComm, GAICD, TF ASFA, F Fin	18 August 2015	
Bruno Bellon BEcon, GDipAppFin (SecInst), GAICD, SF Fin	13 February 2015	16 March 2018
Alasdair Jeffrey BBus, MBA, BA, F Fin	26 October 2010	31 May 2017
Warwick Negus BBus, MCom, SF Fin	8 March 2010	22 September 2017
Ian Pollari BComm, MBA, F Fin	13 October 2017	
Mark Spiers BA, CFP, Dip All, CIP, F Fin	21 March 2013	
Loretta Venten BEc, GDip (Banking & Finance), MAICD, MFTA, SF Fin	29 June 2005	
Robina Xavier FPRIA, GAICD, SF Fin	12 June 2017	
Christopher Whitehead BSc, FAICD, F Fin Chief Executive Officer and Managing Director	30 November 2016	

COMPANY SECRETARY

The Company Secretary, Mr Glenn Meekin CA BEc (Acc) was appointed on 20 June 2016. He is also the Chief Financial Officer for the group. He is an experienced executive having held senior positions with a number of listed public and private equity backed companies over the past 25 years.

PRINCIPAL ACTIVITIES

The principal activity of the group during the course of the financial year was supporting the professionalisation of the financial services industry through professional development, networking events, information services, mentoring, and policy research.

DIRECTORS' REPORT

(CONTINUED)

REVIEW OF FINANCIAL RESULT

The total comprehensive loss before tax for the year was a loss of \$1,548,859 (2016: loss of \$2,504,674).

The objective of the group is to be self-financing and to ensure the maintenance of its high standards of service and professionalism.

The group is a company limited by guarantee and no dividends are payable.

REVIEW OF OPERATIONS

Group revenue was generated primarily from member subscription fees of \$2,985,999 (2016: \$3,313,761) reflecting a decline in total membership numbers during the year. Membership services, professional development (PD) and conference income of \$152,623 was slightly up this year (2016: \$138,495), with more PD events being held compared with the previous year. Income from other services of \$300,111 (2016: \$261,491) comprises of income from sub-leasing office space and mentoring services. The improvement was due to better utilisation of office space through sub-licence arrangements. Investments generated an income of \$689,425 (2016: \$788,146), being down due mainly to a lower return on the term deposits held by the group. The Perpetual Credit Income Fund performed well during the year. When taking into account both trust distributions and unit price movements, as reported in Unrealised Gains on Investments in Other Comprehensive Income, the investment returned \$886,575 (2016: \$775,775).

Total expenses were down \$1,187,244 or 16.7% on the previous year due to cost containment measures. This significant improvement was despite expenditure being incurred for the development and execution of the new education strategy amounting to \$730,443 during the year. Staff expenses of \$2,879,269 (2016: \$3,326,475) reduced by 13.4%. Full time equivalent (FTE) employee numbers

lifted in the second half of the year to 22 (2016: 16 FTE) to support execution of the new education strategy. Generally other costs declined, most notably Premises Expenses down \$244,193 or 30.8%, associated with an office move in Sydney, Promotion and Advertising Expenses down \$159,217 or 61% due to less marketing expenditure, IT and Telecommunication costs (reduction of \$108,201 or 15.5%) and Digital Media Content (down \$83,165 or 30.9%) due to negotiation of more favourable supplier terms.

The net loss for the year was \$1,802,669, being \$813,509 or 31% better than the prior year comparative (2016: loss of \$2,616,178). This was the best result for the group for many years. The improvement was due to the cost containment measures as highlighted above. Excluding the expenses incurred to support the new business strategy, the underlying loss for the year was \$1,072,226.

The group measures its performance in relation to a wide range of quantitative and qualitative key performance indicators (KPIs) including but not limited to net profit/(loss), various revenue, cost and margin KPIs, the number, retention and acquisition of members, member satisfaction, engagement, and participation rates, the number of attendees at professional development programs and satisfaction outcomes, the quality of the group publications and policy campaign outcomes.

DIRECTORS' REPORT

(CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The group embarked on executing a new strategy to professionalise the financial services industry by advocating the development of standards and providing education courses in financial services during the year. There was no other significant change in the state of affairs of the group during the financial year.

SIGNIFICANT EVENTS AFTER YEAR END

On 12 February 2018, funds amounting to \$13,241,243 were redeemed from the Perpetual Credit Income Fund and reinvested in the Aquasia Enhanced Credit, Smarter Money Higher Yield, PIMCO Global Credit managed funds and term deposits. This improved diversification of investments ensures alignment with the new Investment Policy Statement approved by the Board in 2017. The effect of this change on the Statement of Financial Position is to reduce Financial Assets Available for Sale in Non Current Assets by \$3,000,000 with a corresponding increase in Interest Bearing Deposits in Current Assets.

There were no other subsequent events after year end which in the directors' opinion would affect the operations of the company, the results of those operations, or the state of affairs of the group in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Apart from the execution of the new education strategy, there are no other likely developments in the operations of the group which would affect the results of future operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the group paid a premium in respect of a contract insuring the directors, company secretary and executive officers of the group and of any related body corporate against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the group or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT

(CONTINUED)

MEETING ATTENDANCES

The meeting attendance of directors during the year is set out below.

DIRECTOR	BOARD	AUDIT, FINANCE, RISK MANAGEMENT & COMPLIANCE COMMITTEE	NOMINATIONS & REMUNERATION COMMITTEE
David Gall	8 of 8		3 of 4
Victoria Weekes	8 of 8	5 of 5	4 of 4
Catherine Aston	8 of 8	5 of 5	
Bruno Bellon	7 of 8	3 of 5	
Alasdair Jeffrey	4 of 4		0 of 1
Warwick Negus	3 of 6		2 of 2
Ian Pollari	2 of 2		1 of 1
Mark Spiers	6 of 8	3 of 5	
Loretta Venten	8 of 8	4 of 5	2 of 2
Robina Xavier	4 of 4		
Christopher Whitehead	8 of 8	5 of 5	4 of 4

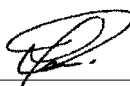
LIABILITIES OF MEMBERS

The liability of the members of the company is limited. Every member undertakes to contribute to the assets in the event of it being wound up whilst they are a member or within one year after they cease to be a member. The contribution is for payment of the debts and liabilities contracted before the time at which they cease to be a member, and the costs, charges and expenses of winding up and for an adjustment to the rights of contributories among themselves. The amount of contribution is limited to a maximum of two dollars per member.

LEAD AUDITOR'S INDEPENDENCE DECLARATION.

A copy of the lead auditor's independence declaration is set out on page 27.

Signed in accordance with the resolution of the directors by:



David Gall SF Fin
President

Dated: 21 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
FINANCIAL SERVICES
INSTITUTE OF AUSTRALASIA.

Deloitte.

Deloitte Touche Tohmatsu
ACN 092 223 240
Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

OPINION

We have audited the financial report of Financial Services Institute of Australasia and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of their financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Regime and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of Financial Services Institute of Australasia, would be in the same terms if given to directors as at the time of this auditor's report.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
FINANCIAL SERVICES
INSTITUTE OF AUSTRALASIA.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Group's Directors' Report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
FINANCIAL SERVICES
INSTITUTE OF AUSTRALASIA.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Gaile Timperley
Partner
Chartered Accountants
Sydney, 21 March 2018

Deloitte.

The Board of Directors
 Financial Services Institute of Australasia
 Level 18, 1 Bligh Street
 Sydney NSW 2000
 21 March 2018

Deloitte Touche Tohmatsu
 ACN 092 223 240
 Grosvenor Place
 225 George Street
 Sydney NSW 2000
 Tel: +61 2 9322 7000
 Fax: +61 2 9322 7001
 www.deloitte.com.au

Dear Board Members

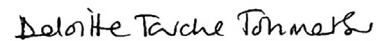
Financial Services Institute of Australasia

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Financial Services Institute of Australasia.

As lead audit partner for the audit of the financial statements of Financial Services Institute of Australasia for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Gaile Timperley
 Partner
 Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.
 Member of Deloitte Touche Tohmatsu Limited

AUDITOR'S INDEPENDENCE DECLARATION

DIRECTORS' DECLARATION

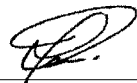
The directors of Financial Services Institute of Australasia (the "company") declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s. 295(5) of the *Corporations Act 2001*.

On behalf of the directors



David Gall SF Fin
President

Dated: 21 March 2018

ANNUAL FINANCIAL REPORT > CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2017

	2017	2016
Note	\$	\$
REVENUE		
Member fees	2,985,999	3,313,761
Membership services	152,623	138,495
Other services	300,111	261,491
Total revenue from operating activities	3,438,733	3,713,747
EXPENSES		
Staff expenses	2,879,269	3,326,475
Consultants and contractor expenses	326,983	357,660
Premises expenses	549,852	794,045
Course and conference expenses	254,330	174,201
Promotion and advertising expenses	101,777	260,994
Digital media content	186,115	269,280
Policy and publication expenses	37,023	91,691
IT and telecommunication expenses	591,478	699,679
Travel and accommodation expenses	169,099	144,131
Printing, postage and stationery	71,325	134,294
Other expenses	204,089	322,991
Depreciation and amortisation	559,487	542,630
Total expenses from operating activities	5,930,827	7,118,071
Results from operating activities	(2,492,094)	(3,404,324)
FINANCE INCOME		
Interest income	61,033	122,518
Trust distribution	628,392	665,628
Net finance income	689,425	788,146
Loss before tax	(1,802,669)	(2,616,178)
Income tax	6	-
Loss for the year	(1,802,669)	(2,616,178)
ITEMS THAT MAY BE RECLASSIFIED TO THE PROFIT AND LOSS		
Foreign currency translation differences	(4,373)	1,357
Unrealised gains on investments	258,183	110,147
Other comprehensive income, net of tax	253,810	111,504
Total comprehensive loss for the year	(1,548,859)	(2,504,674)

The notes on pages 33 to 53 are an integral part of these consolidated financial statements

ANNUAL FINANCIAL REPORT > CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		2017	2016
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	1,510,621	3,342,006
Interest bearing deposits		760,784	-
Trade and other receivables	8	39,560	35,520
Prepayments		427,393	203,806
Total Current Assets		2,738,358	3,581,332
Non Current Assets			
Other deposits		231,594	617,110
Plant and equipment	9	241,899	281,643
Intangible assets	10	1,152,351	1,542,497
Financial assets - available for sale	11	17,375,797	17,117,614
Total Non Current Assets		19,001,641	19,558,864
Total Assets		21,739,999	23,140,196
CURRENT LIABILITIES			
Trade and other payables	12	701,885	359,954
Members' subscriptions received in advance		1,408,479	1,557,460
Employee provisions	13	89,072	57,775
Other liabilities		51,184	76,445
Total Current Liabilities		2,250,620	2,051,634
NON CURRENT LIABILITIES			
Employee provisions	13	36,824	23,650
Provision for restoration of leased premises	14	60,000	35,000
Other liabilities		180,946	269,444
Total Non Current Liabilities		277,770	328,094
Total Liabilities		2,528,390	2,379,728
Net Assets		19,211,609	20,760,468
MEMBERS' FUNDS			
Retained earnings		18,613,824	20,416,493
Foreign currency translation reserve		(28,568)	(24,195)
Other reserves - OCI unrealised gain		626,353	368,170
Total Members' Funds		19,211,609	20,760,468

The notes on pages 33 to 53 are an integral part of these consolidated financial statements

ANNUAL FINANCIAL REPORT > CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2017

	Retained Earnings	Foreign Currency Translation Reserve	Unrealised Gains on Investments	Total Equity
	\$	\$	\$	\$
Opening balance 1 January 2016	23,032,671	(25,552)	258,023	23,265,142
Loss for the year	(2,616,178)	-	-	(2,616,178)
Total other comprehensive income for the year	-	1,357	110,147	111,504
Total comprehensive (loss)/income for the year	(2,616,178)	1,357	110,147	(2,504,674)
Closing balance 31 December 2016	20,416,493	(24,195)	368,170	20,760,468
Opening balance 1 January 2017	20,416,493	(24,195)	368,170	20,760,468
Loss for the year	(1,802,669)	-	-	(1,802,669)
Total other comprehensive (loss)/income for the year	-	(4,373)	258,183	253,810
Total comprehensive (loss)/income for the year	(1,802,669)	(4,373)	258,183	(1,548,859)
Closing balance 31 December 2017	18,613,824	(28,568)	626,353	19,211,609

The notes on pages 33 to 53 are an integral part of these consolidated financial statements.

The entity has no share capital, hence the consolidated statement of changes in equity only contains retained earnings and other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		3,615,349	3,877,772
Cash payments in the course of operations		(5,627,851)	(7,140,346)
Interest received		61,033	122,518
Trust distribution paid		628,392	228,409
Net cash flows used in operating activities	19	(1,323,077)	(2,911,647)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment and intangible assets		(129,747)	(7,251)
Proceeds from the disposal of plant and equipment		1,741	-
Placement of an interest bearing deposit		(760,784)	-
Proceeds from interest bearing deposits		-	3,174,337
Placement of other deposits		-	(11,136)
Proceeds from other deposits		384,855	-
Net cash flows (used in) from investing activities		(503,935)	3,155,950
Net (decrease)/increase in cash and cash equivalents		(1,827,012)	244,303
Cash and cash equivalents at beginning of the financial year		3,342,006	3,096,346
Effect of exchange rate fluctuations		(4,373)	1,357
Cash and cash equivalents at end of the financial year	7	1,510,621	3,342,006

The notes on pages 33 to 53 are an integral part of these consolidated financial statements

NOTES TO ANNUAL FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2017 comprise the accounts of Financial Services Institute of Australasia, Finsia Education, Finsia NZ Limited and Securities Institute of Australia Pty Ltd (together referred to as the "group").

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group, as well as other requirements of the law.

For the purposes of preparing the financial statements, the economic entity is a not-for-profit group.

The consolidated financial statements were authorised for issue in accordance with a resolution of directors on 14 March 2018.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

(C) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the group's functional currency.

(E) GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business for a period of at least twelve months from the date these consolidated financial statements are approved.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

The directors note the following conditions which they have considered in assessing the appropriateness of the going concern assumption:

- The group reported a loss before income tax of \$1,802,669 for the year ended 31 December 2017 (2016: \$2,616,178), generated net cash outflows from operations of \$1,323,077 (2016: \$2,911,647) and had net current assets of \$487,738 (2016: \$1,529,698) and net assets of \$19,211,609 (2016: \$20,760,468) at year end.
- Financial Services Institute of Australasia (the company) incurred a loss before income tax for the year ended 31 December 2017 of \$373,130 (2016: \$2,498,964), had a deficiency in current liabilities over current assets at 31 December 2017 of \$20,434,808 (2016: \$20,343,695) and a deficiency in net assets of \$19,247,094 (2016: \$18,844,101).

The continuation of the company as a going concern is dependent on Finsia Education, a controlled entity of the Financial Services Institute of Australasia, providing continued financial support to the company.

Finsia Education has issued a letter of support to the company, Financial Services Institute of Australasia, committing to provide continued financial support to enable it to continue to operate and meet its obligations as and when they fall due. This letter of support will remain in place until the later of, a minimum of twelve months from the date of the letter, or twelve months from the date of signing the consolidated financial statements for the year ended 31 December 2017. As a result, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(A) BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

The consolidated financial statements comprise the aggregated accounts of Financial Services Institute of Australasia and its subsidiaries, Finsia Education, Finsia NZ Limited and Securities Institute of Australia Pty Ltd. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

(B) FOREIGN CURRENCY

(I) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated to the functional currencies at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(II) FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated discounts or similar allowances. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(I) MEMBERSHIP FEES

Annual membership subscriptions are recognised as revenue pro rata over the period of the membership. The date of payment of the initial annual membership subscriptions runs from the date of joining for twelve months and is not refundable. Subscriptions relating to periods beyond the current financial year are shown in the statement of financial position as members' subscriptions in advance.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

(II) MEMBERSHIP SERVICES AND OTHER SERVICES

Revenue from rendering of a service is recognised upon delivery of the service to the members.

(III) FINANCE INCOME

Finance income comprises interest income on funds invested with financial institutions that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(D) LEASE PAYMENTS

Operating lease payments are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease and such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction in rental expense on a straight-line basis.

(E) EMPLOYEE BENEFITS

(I) WAGES, SALARIES, ANNUAL LEAVE

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in employee provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(II) LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of 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. Expected future payments are discounted using publicly available, standardised set of discount rates for the purpose of discounting employee benefits liabilities under Australian Accounting Standards (AASB 119).

(III) SHORT TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are recognised in the provision for employee benefits and measured as the present value of expected future payments and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

(IV) POST EMPLOYMENT BENEFITS

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plans that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(F) TAXES

(I) INCOME TAXES

The company applies the principle of mutuality to its revenue and expenses in assessing its income tax liability. Under this principle, income derived from members of the group 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 statement of financial position 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 statement of financial position 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.

(II) GOODS AND SERVICES TAX (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

(G) FINANCIAL INSTRUMENTS

(I) NON-DERIVATIVE FINANCIAL ASSETS

The group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has the following non-derivative financial assets:

LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognised at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, interest-bearing deposits and trade and other receivables.

An allowance for doubtful debts is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances held by financial institutions which are regulated. Cash and cash equivalents in the consolidated statement of financial position comprises of cash at banks and on hand and short term deposits with maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

INTEREST BEARING DEPOSITS

Interest bearing deposits comprise fixed term deposits with original maturities of twelve months or less that are not otherwise classified as cash or cash equivalents. Interest bearing deposits are held by financial institutions which are regulated.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

AVAILABLE FOR SALE FINANCIAL ASSETS (AFS FINANCIAL ASSETS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS investment funds held by the company are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS investment funds are recognised in other comprehensive income and accumulated under the heading of unrealised gains on investments. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the unrealised gains on investments is reclassified to profit or loss.

Distributions on AFS investment funds are recognised in profit or loss when the company's right to receive the distributions is established.

(II) NON-DERIVATIVE FINANCIAL LIABILITIES

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(H) PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life as follows

- Plant and equipment: 3 years
- Leasehold fixtures and fittings: 1-6 years

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

The asset's residual values and useful life are reviewed at the end of each financial year-end and adjusted if appropriate. Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within expenses from operating activities.

(I) INTANGIBLE ASSETS

(I) INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the asset's estimated useful life of 5 years commencing from the time the asset is ready for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(II) INTERNALLY-GENERATED INTANGIBLE ASSETS

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(III) DERECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

(J) IMPAIRMENT

(I) NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, and indications that a debtor will enter bankruptcy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The group considers evidence of impairment for receivables at a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(II) NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. The group is considered one CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(K) PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation 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.

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 the risks specific to the liability. The unwinding of a discount is recognised as a finance cost.

(L) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(M) STANDARDS AND INTERPRETATIONS ISSUED NOT YET ADOPTED

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet adopted.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the company:

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments</i> , and the relevant accounting standards	1 January 2018	31 December 2018
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB15</i> , AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> , and AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i>	1 January 2019	31 December 2019
AASB 16 <i>Leases</i>	1 January 2019	31 December 2019
AASB 1058 <i>Income of Not-For-Profit Entities</i> , AASB 1058 <i>Income for Not-For-Profit Entities (Appendix D)</i> , AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-For-Profit Entities</i>	1 January 2019	31 December 2019
AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2019	31 December 2019
AASB Interpretation 23 <i>Uncertainty Over Income Tax Treatments</i> , AASB 2017-4 <i>Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments</i>	1 January 2019	31 December 2019
<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>	1 January 2019	31 December 2019

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in note 3, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions 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 the revision and future periods if the revision affects both current and future periods.

(A) KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Recoverability of intangible asset

During the year, the directors have considered the recoverability of the company's intangible asset which comprise of development costs relating to the company's customer relationship management system, content management system as well as member portal. This intangible asset is included in the consolidated statement of financial position at 31 December 2017 with a carrying amount of \$1.1 million (31 December 2016: \$1.5 million).

The intangible asset is expected to continue to provide economic benefits to the company through ongoing cost savings as well as various efforts aimed at developing and tailoring new membership offering to attract new members while retaining existing members. The directors are confident that the carrying amount of the asset will be recovered in full.

5. LIABILITIES OF MEMBERS

The liability of the members of the group is limited. Every member undertakes to contribute to the assets in the event of it being wound up whilst they are a member or within one year after they cease to be a member. The contribution is for payment of the debts and liabilities contracted before the time at which they cease to be a member, and the costs, charges and expenses of winding up and for an adjustment to the rights of contributories among themselves. The amount of contribution is limited to a maximum of two dollars per member.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

6. INCOME TAX

The group adopts the liability method of tax effect accounting. The group had no liability for tax at 31 December 2017 (2016: Nil).

In assessing its potential income tax liability, the company applies the principle of mutuality to its revenue and expenses. Revenue in the form of receipts from members represents mutual receipts and is not subject to income tax. Expenses associated with mutual activities are not deductible by the company for income tax purposes. All other receipts and payments of the company are classified for income tax purposes in accordance with income tax legislation.

The deferred tax assets relating to timing differences and any deferred tax assets relating to tax losses are not carried forward unless it is probable there will be future taxable profit, against which the unused tax losses can be utilised. Potential deferred tax assets not brought to account at 31 December 2017 amounted to \$706,158 (2016: \$818,116). This includes tax losses attributable to a controlled entity domiciled in New Zealand of \$150,251 (2016: \$159,448).

The corporate tax rate in Australia has changed from 30% to 27.5% with effect from 1 January 2017. This revised rate has impacted the current tax liability and the change of tax rate has been taken into account in the measurement of deferred taxes not brought to account at the end of the reporting period.

The potential deferred tax assets will only be obtained if taxable income is derived in future periods, relevant taxation laws remain unchanged and the conditions for deductibility imposed by law continue to be met.

Finsia Education, a subsidiary entity, is a charitable institution and is income tax exempt under Subdivision 50-B of the *Income Tax Assessment Act 1997*. As a result, tax effect accounting is not required for Finsia Education.

	2017	2016
	\$	\$
Prima facie income tax benefit calculated at 27.5% (2016: 30%) on the loss	(495,734)	(784,853)
Increase in income tax expense due to:		
Tax loss attributable to tax exempt controlled entity	415,177	61,897
Other non-assessable items	69,314	619,906
	(11,243)	(103,050)
Income tax benefit attributable to loss is made up of:		
Current income tax benefit	(11,243)	(103,050)
Current year tax benefit not recognised	11,243	103,050
Income tax expense/(benefit)	-	-

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

7. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Cash on hand	500	500
Cash at bank	1,510,121	1,341,506
Term deposits with less than 3 months maturities	-	2,000,000
Total	1,510,621	3,342,006

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Trade receivables	9,898	1,036
Other receivables	25,638	31,121
Accrued income - interest receivable	4,024	3,363
Total trade and other receivables	39,560	35,520

Trade receivables are non-interest bearing and are generally on seven day (2016: seven day) terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

9. PLANT AND EQUIPMENT

	Office Equipment	Leasehold Furniture and Fittings	Total
	\$	\$	\$
COST			
Balance at 1 January 2017	936,287	700,540	1,636,827
Additions	10,692	46,452	57,144
Write-off	(9,648)	-	(9,648)
Balance at 31 December 2017	937,331	746,992	1,684,323
ACCUMULATED DEPRECIATION			
Balance at 1 January 2017	923,682	431,502	1,355,184
Depreciation for the year	9,340	87,398	96,738
Write-off	(9,498)	-	(9,498)
Balance at 31 December 2017	923,524	518,900	1,442,424
CARRYING AMOUNT			
As at 31 December 2016	12,605	269,038	281,643
As at 31 December 2017	13,807	228,092	241,899

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

10. INTANGIBLE ASSETS

	Software	Educational Course Content	Total
	\$	\$	\$
COST			
Balance at 1 January 2017	2,313,745	-	2,313,745
Additions	-	72,603	72,603
Balance at 31 December 2017	2,313,745	72,603	2,386,348
ACCUMULATED AMORTISATION			
Balance at 1 January 2017	771,248	-	771,248
Amortisation for the year	462,749	-	462,749
Balance at 31 December 2017	1,233,997	-	1,233,997
CARRYING AMOUNT			
As at 31 December 2016	1,542,497	-	1,542,497
As at 31 December 2017	1,079,748	72,603	1,152,351

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. The group carries out an impairment review of its intangible assets when a change in circumstances or situation indicates that those assets may have suffered an impairment loss.

Amortisation is recognised in profit or loss on a straight-line basis over the asset's estimated useful life of 5 years commencing from the time the asset is held ready for use. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being accounted for on a prospective basis.

11. OTHER FINANCIAL ASSETS

The Perpetual Credit Income Fund (The fund) invests in a diversified range of income generating assets and aims to provide the group with regular income, consistent above benchmark returns, and with low volatility. The fund's approach to delivering returns and managing risk is through an active and risk-aware investment process which invests in a diversified core portfolio of liquid investment grade securities. The fund can also invest in other fixed income securities such as mortgages, infrastructure debt and private debt. The Fund aims to outperform the UBS Bank Bill Index by 2% (before fees) over rolling three year periods.

The group holds units in the fund which change in price based on the unpaid distribution income and movement in asset value. The multiplication of the unit price by the number of units held is deemed to be the fair value of the fund at the reporting date. Unrealised movement in the fund's unit price is recognised by the group in other comprehensive income, whilst distributions are taken as income by the group quarterly.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

	2017	2016
	\$	\$
Unit purchased initial investment	15,000,000	15,000,000
Unrealised gains on investment	626,353	368,170
Trust distribution reinvested (accumulative)	1,749,444	1,749,444
Perpetual Credit Income Fund	17,375,797	17,117,614

12. TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
Trade payables	415,322	116,414
Accruals	286,563	243,540
Total	701,885	359,954

13. EMPLOYEE PROVISIONS

	2017	2016
	\$	\$
Current		
Annual leave	75,561	45,639
Long service leave	13,511	12,136
	89,072	57,775
Non-current		
Long service leave	36,824	23,650
Total	125,896	81,425
Number of employees at 31 December (FTE)	22	16

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

14. PROVISION FOR RESTORATION OF LEASED PREMISES

In accordance with the provisions of its lease agreements, the group must restore leased premises to their original condition at the termination of the leases.

	2017	2016
	\$	\$
Provision for restoration of leased premises	60,000	35,000

15. OPERATING LEASES

	2017	2016
	\$	\$
Payments recognised as an expense		
Lease and sub-lease payments recognised as an expense	554,424	804,229
Non-cancellable operating lease commitments		
Within one year	500,149	884,062
Between one and five years	822,455	1,518,808
Total	1,322,604	2,402,870

The group leases all its offices and printers under operating leases. These leases run for periods up to five years. The group does not have any option to purchase the leased assets at the expiry of the lease period.

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

16. KEY MANAGEMENT PERSONNEL

DIRECTORS

The directors of Financial Services Institute of Australasia during the year were:

David Gall	Victoria Weekes
Catherine Aston	Bruno Bellon (resigned 16 March 2018)
Alasdair Jeffrey (resigned 31 May 2017)	Warwick Negus (resigned 22 September 2017)
Ian Pollari (appointed 13 October 2017)	Mark Spiers
Loretta Venten	Robina Xavier (appointed 12 June 2017)
Christopher Whitehead	

The non-executive directors of the company are appointed on an honorary basis and as result do not receive remuneration directly or indirectly in their capacity as directors from the company or any related party. The CEO was appointed by the Board as an executive director and is remunerated as an employee of the company. The CEO remuneration is considered by the Nominations and Remuneration Committee with a recommendation put forward for Board approval.

KEY MANAGEMENT PERSONNEL

Christopher Whitehead	Chief Executive Officer & Managing Director (appointed 26 September 2016)
Glenn Meekin	Chief Financial Officer & Company Secretary (appointed 15 June 2016)
Kylie Blundell	Head of Standards and Education (appointed 1 May 2017)
Anita Poppi	Head of Corporate Affairs & Marketing (appointed 30 January 2017)
John Jeffery	Head of BD & Membership Services (appointed 18 September 2017)
Caroline Falshaw	Head of Industry Affairs and Policy (appointed to position 28 February 2017)
Rachael Corby	Head of Events and CPD (appointed to position 28 February 2017)
Russell Thomas	Chief Executive Officer & Managing Director (resigned 18 January 2016)
Jane Endacott	Acting Chief Executive Officer (resigned 16 December 2016)
David O'Kane	Chief Operating Officer & Company Secretary (resigned 30 June 2016)
Angie Corkhill	Director, Member Relations (resigned 11 March 2016)

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

KEY MANAGEMENT PERSONNEL COMPENSATION

	2017	2016
	\$	\$
Total compensation	1,271,412	1,127,434

LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans between key management personnel and the group.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There are no other transactions conducted between the group and key management personnel or their related parties, apart from those disclosed above relating to compensation, that were conducted other than in accordance with normal employee relationship on terms more favourable than those reasonably expected under arm's length dealing with an unrelated person.

17. SUBSIDIARIES

Details of the group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Ownership interest	
			2017	2016
Finsia Education	Supporting the professionalisation of the financial services industry through professional development, information services, policy research & publications	Australia	100%	100%
Finsia NZ Ltd	Membership services	New Zealand	100%	100%
Securities Institute of Australia Pty Ltd	Dormant company	Australia	100%	-

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

18. CONTROLLING ENTITY DISCLOSURE

As at, and throughout the financial year ended 31 December 2017 the parent entity of the group was Financial Services Institute of Australasia.

	2017	2016
	\$	\$
Results of controlling entity		
Loss for the year	(373,130)	(2,498,964)
Other comprehensive profit (loss) for the year	(29,863)	16,201
Total comprehensive loss for the year	(402,993)	(2,482,763)
Current Assets	844,843	1,176,193
Total Assets	2,166,491	3,000,335
Current Liabilities	21,279,651	21,519,888
Total Liabilities	21,413,585	21,844,436
Members' funds (deficiency of funds)	(19,247,094)	(18,844,101)
Total Assets include:		
- Loan to Finsia NZ Limited	562,611	637,009
Current liabilities include:		
- Loan from Finsia Education	19,412,903	19,581,748
Net current liabilities	(20,434,808)	(20,343,695)

NOTES TO ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

19. RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	2017	2016
	\$	\$
Loss for the year	(1,802,669)	(2,616,178)
Add non-cash items:		
Depreciation and amortisation	559,487	542,630
(Gain) on disposal of plant and equipment	(1,591)	-
	(1,244,773)	(2,073,548)
Movements in working capital:		
(Increase)/decrease in receivables	(3,380)	12,415
(Increase)/decrease in prepayments	(223,587)	6,446
Increase in trade payables and accruals	341,931	3,930
(Decrease) in membership subscriptions in advance	(148,981)	(199,787)
(Decrease) in provisions	(44,287)	(223,884)
(Increase) in other financial assets	-	(437,219)
Net cash flows used in operating activities	(1,323,077)	(2,911,647)

20. CONTINGENT LIABILITIES

The group has issued bank guarantees amounting to \$217,199 (2016: \$601,278) in favour of landlords as security for office leases in Sydney and Melbourne. Apart from this, there are no other contingent liabilities that have been incurred by the group in relation to the 2017 and 2016 years.

21. EVENTS SUBSEQUENT TO BALANCE DATE

On 12 February 2018, funds amounting to \$13,241,243 were redeemed from the Perpetual Credit Income Fund and reinvested in the Aquasia Enhanced Credit, Smarter Money Higher Yield, PIMCO Global Credit managed funds and term deposits. This improved diversification of investments ensures alignment with the new Investment Policy Statement approved by the Board in 2017. The effect of this change on the Statement of Financial Position is to reduce Financial Assets Available for Sale in Non Current Assets by \$3,000,000 with a corresponding increase in Interest Bearing Deposits in Current Assets.

There were no other subsequent events after year end which in the directors' opinion would affect the operations of the group.



CONTACT DETAILS

AUSTRALIA

National Office
Level 18, 1 Bligh Street
Sydney NSW 2000

T 61 2 9275 7900
1300 346 742

F 61 2 9275 7999

VICTORIA AND TASMANIA

Level 46,
525 Collins Street
Melbourne VIC 3000

T 61 3 9666 1000

F 61 3 9666 1099

INTERNATIONAL

PO Box H99
Australia Square
NSW 1215 Australia

T 61 2 9275 7900

F 61 2 9275 7999

finsia.com

Finsia – Financial Services Institute of Australasia
ABN 96 066 027 389 ACN 066 027 389
Finsia NZ Ltd GST 96 458 150

