

**MANAGED INVESTMENT ACCOUNT SERVICE**  
ARSN 164 487 389

**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Managed Investment Account Service ARSN 164 487 389**

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## Managed Investment Account Service ARSN 164 487 389

### Directors' Report

The directors of Primary Securities Ltd, the Responsible Entity of Managed Investment Account Service, present their report together with the financial statements of Managed Investment Account Service ('the Scheme') for the year ended 30 June 2017.

#### Directors

The names of the directors of the Responsible Entity, Primary Securities Ltd, who held office during the year or since the end of the year and up to the date of this report are:

*David Butterfield*  
*Robert Garton Smith*  
*Ian Murchison*  
*Anthony Wamsteker (appointed 1 January 2017)*

#### Review of operations

Net loss attributable to Scheme investors for the year ended 30 June 2017 was \$669,296 (2016: \$902,265 loss).

#### Principal activities

The principal activity of the Scheme during the year was the investment and management of securities in accordance with its Investment objectives and guidelines as set out in the Product Disclosure Statement and in accordance with the provisions of the Scheme Constitution.

The Scheme did not have any employees during the year (2016: none).

No significant change in the nature of these activities occurred during the year.

#### Events subsequent to the balance date

A Product Disclosure Statement Part B for Summit Wealth Growth Model Portfolio was issued on 29 June 2017. Investments were not accepted until after 1 July 2017.

The Investment Manager is Summit Wealth Management Pty Ltd which is a Corporate Authorised Representative of Primary Securities Ltd. The Model Portfolio aims to allocate up to 30% in income equity based assets and 70% in growth assets. Securities will be predominately large cap stocks with a capitalisation in excess of \$1 billion and therefore should have a high degree of market liquidity. Investors will gain exposure to both Australian and U.S. equities and derivative products.

Primary is in the process of preparing a Part B Product Disclosure for the Primary Growth Model Portfolio.

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Scheme's operations in future financial years, the results of those operations or the Scheme's state of affairs in future financial years.

#### Likely developments

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## **Managed Investment Account Service ARSN 164 487 389**

### **Directors' Report**

Likely developments in the operations of the Scheme and the expected results of those operations in future years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Scheme.

#### **Interests of the Responsible Entity**

Fees paid to the Responsible Entity out of Scheme property during the year are disclosed in note 12 to the financial statements.

The numbers of interests in the Scheme held by the responsible entity as at the end of the year are nil. No fees were paid out of Scheme property to the directors of the responsible entity during the year.

#### **Environmental regulation**

The Scheme's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### **Options**

No options over interests in the Scheme were granted during or since the end of the year and there were no options granted to the Responsible Entity.

#### **Indemnities and insurance premiums for officers or auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the Scheme.

To the extent permitted by law, the Scheme has agreed to indemnify its auditors, Lachlan Nielson Partners, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Lachlan Nielson Partners during or since the financial year.

#### **Proceedings on behalf of the Scheme**

No person has applied for leave of Court to bring proceedings on behalf of the Scheme or intervene in any proceedings to which the Scheme is a party for the purpose of taking responsibility on behalf of the Scheme for all or any part of those proceedings.

The Scheme was not a party to any such proceedings during the year.

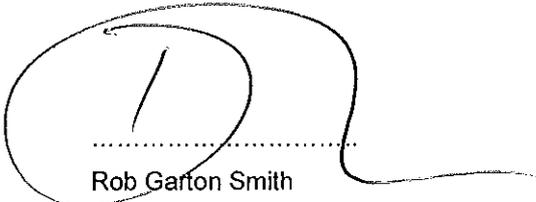
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**Directors' Report**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a vertical line and a horizontal stroke, all enclosed within a large, irregular oval shape.

Rob Garfon Smith

Managing Director

Dated 28<sup>th</sup> September 2017

# LNP Audit and Assurance

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**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PRIMARY SECURITIES LTD AS THE RESPONSIBLE ENTITY FOR  
MANAGED INVESTMENT ACCOUNT SERVICE**

I declare that to the best of my knowledge and belief, during the financial year ended 30 June 2017, there have been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

LNP Audit and Assurance



**Anthony Rose**  
Director

Sydney, 28 September 2017

Managed Investment Account Service ARSN 164 487 389

Statement of Comprehensive Income  
For the year ended 30 June 2017

	Notes	30 June 2017 \$	30 June 2016 \$
<b>Investment income</b>			
Dividend income		88,708	131,285
Interest income		16,471	47,575
Net loss on financial instruments held at fair value through profit or loss	4	(602,343)	(1,027,257)
<b>Total investment loss</b>		<u>(497,164)</u>	<u>(848,397)</u>
<b>Expenses</b>			
Advisor fees		138,559	72,487
Foreign exchange (gains) / losses		30,948	(22,279)
Other expenses		2,625	3,660
<b>Total expenses</b>		<u>172,132</u>	<u>53,868</u>
<b>Profit/(loss) before finance costs attributable to Scheme investors</b>		<u>(669,296)</u>	<u>(902,265)</u>
<b>Finance costs attributable to Scheme investors</b>			
Decrease in net assets attributable to Scheme investors	3	<u>(669,296)</u>	<u>(902,265)</u>
<b>Total finance costs attributable to Scheme investors</b>		<u>(669,296)</u>	<u>(902,265)</u>
<b>Profit / (loss) attributable to Scheme investors</b>		-	-
<b>Other comprehensive income attributable to Scheme investors</b>		-	-
<b>Total comprehensive income attributable to Scheme investors</b>		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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Statement of Financial Position  
As at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Assets</b>			
Cash and cash equivalents	5	2,333,381	2,971,827
Financial assets held at fair value through profit or loss	6	2,545,338	3,906,568
Receivables	7	20,843	108,936
<b>Total Assets</b>		<u>4,899,562</u>	<u>6,987,331</u>
<b>Liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets attributable to Scheme Investors</b>	3	<u>4,899,562</u>	<u>6,987,331</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

**Managed Investment Account Service ARSN 164 487 389**

**Statement of Changes in Equity  
For the year ended 30 June 2017**

Under Australian Accounting Standards, net assets attributable to Scheme investors are classified as a liability rather than equity. As a result there was no equity at the start or end of the year, and there were no changes to equity in the period.

The statement of changes in equity should be read in conjunction with Note 3.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Statement of Cash Flows  
For the year ended 30 June 2017

	Notes	30 June 2017 \$	30 June 2016 \$
<b>Cash flows from operating activities</b>			
Receipts relating to financial instruments		16,308,035	14,173,829
Payments relating to financial instruments		(15,487,729)	(15,436,827)
Operating expenses paid		(139,950)	(138,799)
Interest received		16,915	49,629
Dividends received		113,704	134,829
<b>Net cash provided by/(used in) operating activities</b>	9 (b)	<u>810,975</u>	<u>(1,217,339)</u>
<b>Cash flows from investing activities</b>			
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Applications received		1,404,242	1,302,314
Withdrawals paid		(2,822,715)	(2,256,286)
<b>Net cash flows from financing activities</b>		<u>(1,418,473)</u>	<u>(953,972)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(607,498)	(2,171,311)
<b>Cash and cash equivalents at beginning of year</b>		2,971,827	5,120,859
Effect of foreign currency exchange rate changes on cash and cash equivalent		(30,948)	22,279
<b>Cash and cash equivalents at end of year</b>	5	<u>2,333,381</u>	<u>2,971,827</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements  
For the year ended 30 June 2017

**NOTE 1: General Information**

Managed Investment Account Service (the "Scheme") is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Scheme is for the year ended 30 June 2017.

The Scheme was constituted and registered as a managed investment scheme on 10 July 2013 with the Australian Securities & Investments Commission ("ASIC"). The responsible entity is Primary Securities Ltd. The registered office of the responsible entity is 3 Shuffrey Street, Fremantle WA 6160, Australia.

The financial statements were approved by the Board of Directors of the Responsible Entity on 28<sup>th</sup> September 2017.

**NOTE 2: Summary of Significant Accounting Policy**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

**a. Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the Corporations Act 2001 in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to Scheme investors. The amount expected to be recorded or settled within 12 months in relation to these balances cannot be reliably determined.

*(i) Compliance with International Financial Reporting Standards (IFRS)*

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

*(ii) Reporting basis and conventions*

The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial report is presented in Australian currency, which is also the functional currency.

*(iii) Use of estimates and judgments*

In the application of accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are continually evaluated. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The significant accounting policies have been consistently applied in the current financial year unless otherwise stated.

Notes to the Financial Statements  
For the year ended 30 June 2017

**NOTE 2: Statement of Significant Accounting Policies (continued)**

**b. Financial Instruments**

The Scheme may invest in listed equities, fixed interest securities, unlisted unit Scheme and derivative financial instruments. The Scheme's financial instruments mainly fall into the following categories: financial assets at fair value through profit or loss, loans and receivables.

The Scheme recognizes financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognizes changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership. The carrying amounts of the Scheme's assets and liabilities at the end of each reporting period approximate their fair values.

*(i) Financial assets and liabilities held at fair value through profit or loss*

At initial recognition, the Scheme measures a financial asset at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, the fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Scheme is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such Schemes.

*(ii) Loans and receivables*

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any.

Subsequent to initial recognition, loans and receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If evidence of impairment exists, an impairment loss is recognised in Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts.

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**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 2: Statement of Significant Accounting Policies (continued)**

**c. Impairment of Financial Assets**

Financial assets, other than those classified as held at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**d. Net assets attributable to Scheme investors**

Scheme Investors' portfolios are classified as financial liabilities as the Scheme investors can withdraw their assets from the Scheme at any time.

**e. Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows, comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short term investments which are not held for the purpose of meeting short-term cash commitments as well as restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the Statement of Cash Flows, payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Schemes main income generating activity.

**f. Investment income**

Interest income is recognised in the Statement of Comprehensive Income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income over the relevant period.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss. Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Trust distributions are recognized on an entitlement basis.

**g. Expenses**

All expenses including responsible entity fees and custodian fees are recognized in the Statement of Comprehensive Income on an accrual basis.

**h. Income tax**

Under current legislation the Scheme is not subject to income tax as Scheme investors are the legal and beneficial owners of the assets comprising their portfolio.

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**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 2: Statement of Significant Accounting Policies (continued)**

**i. Increase/decrease in net assets attributable to Scheme investors**

Movements in net assets attributable to Scheme investors are recognized in Statement of Comprehensive Income as finance costs.

**j. Due from/to brokers**

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Scheme will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

**k. Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables. Given the short term nature of receivables, the nominal amount approximates fair value.

**l. Payables**

Payables are recognised when the Scheme becomes obliged to make future payments resulting from the purchase of goods and services and include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

**m. Applications and Withdrawals**

Applications to the Scheme are recorded net of any entry fees payable. Redemptions from the Scheme are recorded gross of any exit fees payable.

**n. Goods and services tax (GST)**

The GST incurred on the costs of various services provided to the Scheme by third parties such as investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash Flows relating to GST are included in the Statement of Cash Flows on a gross basis.

**o. Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 2: Statement of Significant Accounting Policies (continued)**

**p. Foreign currency transactions**

The financial statements of the Scheme are presented in Australian dollars which is the currency of the primary economic environment in which the Scheme operates (its functional currency). Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions gains and losses on financial instruments classified as at fair value through profit or loss are included in the Statement of Comprehensive Income as part of the 'Changes in net fair value of financial assets and liabilities at fair value through profit or loss'. Exchange differences on other financial instruments are included in the Statement of Comprehensive Income as 'Foreign exchange gains (losses)'.

**q. New accounting standards and interpretations**

The Scheme has adopted all mandatory standards and amendments for the year beginning 1 July 2016. Adoption of these standards and amendments has not had a material impact on the financial position or performance of the Scheme.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the reporting year ended 30 June 2017. The impact of these statements and interpretations has been assessed, to the extent applicable to the Scheme and are discussed below. Standards and Interpretations that are not applicable to the Scheme have not been included.

**AASB 9 – Financial Instruments and applicable amendments**

AASB 9 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Scheme from 1 July 2018. The Scheme does not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments. However, it may impact the presentation and disclosures in the "Financial Statements".

**AASB 15 – Revenue from Contracts with Customers**

AASB 15 applies to annual reporting periods beginning on or after 1 January 2018. The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Scheme's main source of income is interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Scheme's accounting policies or the amounts recognised in the financial statements.

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**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 3. Net assets attributable to Scheme investors**

	2017	2016
	\$	\$
Opening balance	6,987,331	8,843,568
Applications	1,404,242	1,302,314
Withdrawals	(2,822,715)	(2,256,286)
Increase/(decrease) in net assets attributable to Scheme investors	<u>(669,296)</u>	<u>(902,265)</u>
Closing balance	<u>4,899,562</u>	<u>6,987,331</u>

**Capital risk management**

The Scheme manages its net assets attributable to Scheme investors as capital, notwithstanding net assets attributable to Scheme investors are classified as a liability. The amount of net assets attributable to Scheme investors can change significantly on a daily basis.

Under the terms of the Scheme's constitution, the Responsible Entity has the discretion to reject an application to the Scheme, if the exercise of such discretion is in the best interests of Scheme investors.

**NOTE 4. Net gains/(losses) on financial instruments**

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss were as follows:

	2017	2016
	\$	\$
<b>Net unrealised gains/(losses) on financial instruments</b>		
- designated as fair value through profit or loss	213,704	(223,264)
- designated as held for trading	<u>(6,815)</u>	<u>(47,374)</u>
<b>Total net unrealised losses on financial instruments</b>	<u>206,889</u>	<u>(270,638)</u>
<b>Net realised gains/(losses) on financial instruments</b>		
- designated as fair value through profit or loss	(641,128)	(637,600)
- designated as held for trading	<u>(168,104)</u>	<u>(119,019)</u>
<b>Total net realised gains/(losses) on financial instruments</b>	<u>(809,232)</u>	<u>(756,619)</u>
	<u>(602,343)</u>	<u>(1,027,257)</u>

**NOTE 5. Cash and cash equivalents**

	2017	2016
	\$	\$
Cash at bank	<u>2,333,381</u>	<u>2,971,827</u>

Managed Investment Account Service ARSN 164 487 389

Notes to the Financial Statements  
For the year ended 30 June 2017

**NOTE 6. Financial assets held at fair value through profit or loss**

	2017	2016
	\$	\$
<i>Financial assets designated at fair value through profit or loss</i>		
Listed equities	<u>2,545,338</u>	<u>3,906,568</u>
<i>Financial assets held for trading</i>		
Futures	7,875	-
Less: Collateral provided	<u>(7,875)</u>	<u>-</u>
Total financial assets held for trading	<u>-</u>	<u>-</u>
Total financial assets held at fair value through profit or loss	<u>2,545,338</u>	<u>3,906,568</u>

**NOTE 7. Receivables**

	2017	2016
	\$	\$
Accrued income	20,843	46,284
HWM fee refund	-	62,652
Total Receivables	<u>20,843</u>	<u>108,936</u>

**NOTE 8. Financial liabilities held at fair value through profit or loss**

	2017	2016
	\$	\$
<i>Financial liabilities held for trading</i>		
Futures	-	14,690
Less: Collateral provided	<u>-</u>	<u>(14,690)</u>
Total financial liabilities held at fair value through profit or loss	<u>-</u>	<u>-</u>

**NOTE 9. Cash flow information**

**a) Reconciliation of cash and cash equivalents**

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

	2017	2016
	\$	\$
Cash and cash equivalents	<u>2,333,381</u>	<u>2,971,827</u>

**b) Reconciliation of profit/(loss) to cash flows from operating activities**

Profit / (loss) attributable to Scheme investors	(669,296)	(902,265)
Receipts relating to financial instruments	16,308,035	14,173,829
Payments relating to financial instruments	(15,487,729)	(15,436,827)
Net (gains) / losses on financial instruments	602,343	1,027,257
Net (gains) / losses on financial instruments (prior year adjustment)	(61,419)	-
Net foreign exchange (gains) / losses	30,948	(22,279)
(Increase)/decrease in trade and other receivables	<u>88,093</u>	<u>(57,054)</u>
Net cash (used in)/provided by operating activities	<u>810,975</u>	<u>(1,217,339)</u>

**Managed Investment Account Service ARSN 164 487 389**

**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 10. Derivative Financial Instruments**

In the normal course of business the Scheme may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index, or other variable.

Derivative financial instruments require no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- Hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility
- A substitution for the trading of physical securities
- Adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios

While derivatives are used for trading purposes, they are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

Derivative financial instruments held by the Scheme are futures. Refer to the table below for fair values.

Futures are contractual obligations to buy or sell an asset on a future date at specified price established in an organized market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contract values are usually settled net daily with the relevant exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organized financial market.

The Scheme's derivative financial instruments at the end of the financial year were as follows:

	Contractual / notional \$	Fair Values	
		Assets \$	Liabilities \$
<b>2017</b>			
Futures*	706,125	7,875	-
<b>2016</b>			
Futures*	1,698,125	-	14,690

\* Fair value of futures contracts represented above are prior to the offset of cash lodged as collateral

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Notes to the Financial Statements  
For the year ended 30 June 2017

NOTE 11. Financial Risk Management

a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks such as: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity ('the Board').

b) Market risk

i) Price risk

Price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting some or all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as other financial assets. All securities investments present a risk of loss of capital.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's investment manager.

At the end of the financial year, had the underlying market value of the investments moved, as illustrated in the table below, with all other variables held constant, the profit from operating activities and net assets attributable to Scheme investors would have been affected as follows.

	2017		2016	
	Increased by 15% \$	Decreased by 15% \$	Increased by 15% \$	Decreased by 15% \$
Increase/(decrease) in net assets attributable to Scheme investors	275,882	(275,882)	331,269	(331,269)
Profit/(loss) before finance costs attributable to Scheme investors	(393,414)	(945,178)	(570,996)	(1,233,534)

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Notes to the Financial Statements  
For the year ended 30 June 2017

NOTE 11. Financial Risk Management (continued)

*ii) Foreign exchange risk*

Foreign exchange risk arises when the value of assets and liabilities denominated in other currencies fluctuate due to changes in exchange rates.

The Scheme holds listed international equity securities (and derivative instruments based on these securities), and is exposed to foreign exchange risk as these securities are denominated in foreign currencies.

Generally the Scheme's international asset exposure will not be hedged, but the investment manager may do so from time to time.

The tables below summarise the Scheme's assets and liabilities that are denominated in a currency other than the Australian dollar.

	2017	2016
	\$	\$
Cash and cash equivalents:		
United States Dollars	503,190	184,650
Great British Pound	-	80,388
Financial assets held at fair value through profit or loss		
Listed equities:		
United States Dollars	<u>1,188,333</u>	<u>1,868,615</u>
	<u>1,691,523</u>	<u>2,133,653</u>

*iii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Scheme does not have any significant direct exposure to interest rate risk.

**c) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk primarily arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

There were no significant direct concentrations of credit risk in the Scheme as at 30 June 2017.

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Notes to the Financial Statements  
For the year ended 30 June 2017

NOTE 11. Financial Risk Management (continued)

d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, activities in the same geographical location, or have similar economic conditions. These similarities could cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits for reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments, and by counterparty for debt instruments and selected derivatives.

At the end of the financial year the risk concentrations of the Scheme, measured by industry sector, were as follows

	2017	2016
	\$	\$
<b>Industry sector</b>		
Financials	1,162,722	1,521,187
Diversified	728,505	562,972
Industrials	-	349,181
Materials	-	578,470
Information technology	128,119	193,035
Consumer goods	357,292	336,962
Healthcare	168,670	364,761
<b>Total</b>	<u>2,545,338</u>	<u>3,906,568</u>

e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investments in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in unlisted managed investment Schemes that expose the Scheme to the risk that the Scheme or Investment Manager of those Scheme's may be unwilling or unable to fulfill the redemption requests within the timeframe required by the Scheme.

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the financial year.

## Managed Investment Account Service ARSN 164 487 389

### Notes to the Financial Statements For the year ended 30 June 2017

#### NOTE 11. Financial Risk Management (continued)

##### Liquidity risk (continued)

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

The table analyses the Scheme's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the contracted maturity date, as at the end of the financial year. The amounts in the table are the contractual cashflows, and are not discounted.

	Months			
	< 1	1-3	3-12	>12
2017	\$	\$	\$	\$
Net assets attributable to Scheme investors	4,899,562	-	-	-
2016				
Net assets attributable to Scheme investors	6,987,331	-	-	-

No inflows/outflows are currently required on the Scheme's futures positions, as cash equal to the fair value of the futures has been lodged as collateral.

As disclosed in the preceding table, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents and listed equities.

##### f) Estimation of fair values of financial assets and financial liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities approximate their fair values.

The Scheme values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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Notes to the Financial Statements  
For the year ended 30 June 2017

NOTE 11. Financial Risk Management (continued)

Estimation of fair values of financial assets and financial liabilities (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at the end of the financial year.

	Level 1	Level 2	Level 3
2017	\$	\$	\$
<b>Financial Assets</b>			
<i>Financial assets designated at fair value through profit or loss</i>			
Listed equities	2,545,338	-	-
<i>Financial assets held for trading</i>			
Derivatives*	7,875	-	-
	<u>2,553,213</u>	-	-
<b>Financial Liabilities</b>			
<i>Financial liabilities held for trading</i>			
Derivatives*	-	-	-
	<u>-</u>	-	-
	Level 1	Level 2	Level 3
2016	\$	\$	\$
<b>Financial Assets</b>			
<i>Financial assets designated at fair value through profit or loss</i>			
Listed equities	3,906,568	-	-
<i>Financial assets held for trading</i>			
Derivatives*	-	-	-
	<u>3,906,568</u>	-	-
<b>Financial Liabilities</b>			
<i>Financial liabilities held for trading</i>			
Derivatives*	14,690	-	-
	<u>14,690</u>	-	-

\* Fair value of derivatives represented above is prior to the offset of cash lodged as collateral

**Managed Investment Account Service ARSN 164 487 389**

**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 11. Financial Risk Management (continued)**

**Estimation of fair values of financial assets and financial liabilities (continued)**

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant investment managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets (ie recognised stock exchanges) and therefore classified within level 1, include active listed securities and exchange listed derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds, and over-the-counter derivatives. As level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments included certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Scheme has used other valuation techniques to derive fair value.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary.

**NOTE 12. Related Party Transactions**

**Responsible Entity**

Primary Securities Ltd (ACN 089 812 635) replaced Avestra Asset Management Limited (ACN 119 227 440) as Responsible Entity of the Scheme effective from 17 December 2015. Transactions with the Responsible Entity have taken place on normal commercial terms and conditions.

**Key management personnel**

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage its activities and this is considered the Key Management Personnel.

The names of the directors of the Responsible Entity, Primary Securities Ltd, who held office during the year or since the end of the year and up to the date of this report are:

*David Butterfield  
Robert Garton Smith  
Ian Murchison  
Anthony Wamsteker (appointed 1 January 2017)*

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Notes to the Financial Statements  
For the year ended 30 June 2017

NOTE 12. Related Party Transactions (continued)

Transactions with related parties

*Responsible entity fees*

For the year ended 30 June 2017, in accordance with the Scheme's constitution, the Responsible Entity received fees as follows:

	2017	2016
	\$	\$
Advisor fees for the year	138,559	72,487

*Related parties – Investments in the Scheme*

No parties related to the Scheme (including the Responsible Entity, its related parties or any other Scheme's managed by the Responsible Entity) were Scheme Investors at the end of the financial year.

*Key Management Personnel – Investments in the Scheme*

No Key Management Personnel were Scheme Investors at the end of the financial year.

*Key Management Personnel – Compensation*

Key Management Personnel are paid by the Responsible Entity, or an associate of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to the compensation of Key Management Personnel.

*Key management personnel – Loan disclosures*

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the Key Management Personnel or the personally related entities at any time during the reporting period.

*Investments in related parties*

The Scheme did not hold any investments in the Responsible Entity, or its related parties or any other Scheme's managed by the Responsible Entity, during the year.

NOTE 13. Auditor's remuneration

	2017	2016
	\$	\$
Amounts received or due and receivable by Lachlan Nielson Partners for:		
Audit and review of the financial reports	7,250	9,000
Audit of compliance plan	2,500	2,500
	<u>9,750</u>	<u>11,500</u>

**Managed Investment Account Service ARSN 164 487 389**

**Notes to the Financial Statements  
For the year ended 30 June 2017**

**NOTE 14. Contingencies**

There were no contingent liabilities or assets or commitments at 30 June 2017 and 30 June 2016.

**NOTE 15. Events subsequent to balance date**

A Product Disclosure Statement Part B for Summit Wealth Growth Model Portfolio was issued on 29 June 2017. Investments were not accepted until after 1 July 2017.

The Investment Manager is Summit Wealth Management Pty Ltd which is a Corporate Authorised Representative of Primary Securities Ltd. The Model Portfolio aims to allocate up to 30% in income equity based assets and 70% in growth assets. Securities will be predominately large cap stocks with a capitalisation in excess of \$1 billion and therefore should have a high degree of market liquidity. Investors will gain exposure to both Australian and U.S. equities and derivative products.

Primary is in the process of preparing a Part B Product Disclosure for the Primary Growth Model Portfolio.

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Scheme's operations in future financial years, the results of those operations or the Scheme's state of affairs in future financial years.

There were no events after the balance sheet date which would have an impact on the financial position of the Scheme as at 30 June 2017.

**Managed Investment Account Service ARSN 164 487 389**

**Directors' Declaration**

In accordance with the resolution of the Directors of Primary Securities Ltd, the responsible entity of the Scheme:

- (i) The financial statements and notes, as set out in pages 7 to 26 are in accordance with the Corporations Act 2001, including:
  - a) giving a true and fair view of the Scheme's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - b) complying with Accounting Standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements.
- (ii) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
- (iii) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

On behalf of the Board



.....  
Rob Garton Smith  
Managing Director

Dated 28th September 2017

## Managed Investment Account Service

ARSN 164 487 389

## Independent Auditor's Report to the members of Managed Investment Account Service

### Report on the Audit of the Financial Report

We have audited the financial report of Managed Investment Account Service ('the Scheme'), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the Directors' declaration of the scheme.

In our opinion,

- a) the accompanying financial report of Managed Investment Account Service, is in accordance with *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Scheme's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### 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 Scheme in accordance with the ethical requirements of the Australian 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Directors for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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. The Directors of the Responsible Entity also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

# LNP Audit and Assurance

## Independent Auditor's Report (continued)

In preparing the financial report, Directors of the Responsible Entity are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the Responsible Entity either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Directors of the Responsible Entity are responsible for overseeing the Scheme's financial reporting process.

### *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 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 the financial report.

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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- 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 Scheme'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 Scheme 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.

# *LNP Audit and Assurance*

## Independent Auditor's Report (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the Scheme to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Scheme audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Responsible Entity 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.

We are also required to provide the Directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anthony Rose.

LNP Audit and Assurance



**Anthony Rose**

**Director**

**Sydney, 28 September 2017**