

The Portfolio Service Investment Essentials

ARSN: 126 223 470

The Portfolio Service

Annual financial report

For the financial year ended 30 June 2014

Part of the IOOF group

The Responsible Entity of The Portfolio Service Investment Essentials ARSN 126 223 470 is Questor Financial Services Limited
ABN 33 078 662 718 AFSL No 240829. Locked Bag 4004 Queen Victoria Building NSW 1230 Telephone 1800 221 151 Facsimile 1800 000 948

PLA-6841

THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
ARSN: 126 223 470
ANNUAL FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014

THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
ARSN: 126 223 470
ANNUAL FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014

TABLE OF CONTENTS

PAGE

3-4	Directors' Report
5	Lead Auditor's Independence Declaration
6-7	Independent Auditor's Report to the Investors
8	Directors' Declaration
9	Statement of Comprehensive Income
10	Statement of Financial Position
11	Statement of Changes in Equity
12	Statement of Cash Flows
13-18	Notes to the Financial Statements

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

The directors of Questor Financial Services Limited, the Responsible Entity of The Portfolio Service Investment Essentials, present this report together with the financial statements of the The Portfolio Service Investment Essentials ('the Scheme'), an investor directed portfolio service like ('IDPS-like') plan for the year ended 30 June 2014 and the auditor's report thereon.

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The Scheme's principal activity during the course of the financial year was to receive directions from members on the monies invested through the Scheme on their behalf by the Responsible Entity for the purchase of accessible investments such as listed equities, listed trusts, listed notes and managed investments set out in the Scheme's Product Disclosure Statement and in accordance with the provisions of the Scheme's constitution. Scheme's members may also receive capital and income distributions on accessible investments they purchase, hold or sell through the Scheme.

There were no significant changes in the nature of the Scheme's activities during the year.

The Scheme did not have any employees during the year.

Responsible Entity

The following persons held office as directors of Questor Financial Services Limited during the year and up to the date of this report:

Dr R. N. Sexton (Chairman)
Mr I. G. Griffiths
Ms J. Harvey
Mr C. F. Kelaher
Mr G. Venardos
Mr K. White (Resigned 2 May 2014)
Mr A. Griffiths (Appointed 14 July 2014)

Review of operations

During the year, the Scheme continued to invest funds as directed by the Scheme members and their financial planners.

Results

The results of the operations of the Scheme are disclosed in the Statement of Comprehensive Income of these financial statements. The profit from ordinary activities for the financial year ended 30 June 2014 was \$Nil (2013: \$Nil).

Distributions

The Scheme is an Investor Directed Portfolio Service-like (IDPS-like) scheme under Class Orders 02/296, 04/608 and 04/735 of the *Corporations Act 2001* (as amended). Members have a vested and indefeasible right to the net income arising from accessible investments within their investment portfolio.

Significant changes in state of affairs

In the opinion of the directors of the Responsible Entity, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Matters subsequent to the end of the financial year

Except as disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Scheme in future financial years.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the provisions of the Scheme's 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.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

There is a Directors' and Officers' insurance policy which indemnifies the directors and officers of Questor Financial Services Limited against liabilities to persons outside Questor Financial Services Limited that arise out of the performance of their normal duties. The premiums have not been paid for out of the assets of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its Related Parties

Details of fees paid to the Responsible Entity during the financial year are disclosed in Note 4 of the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the year.

The interests in the Scheme held by the Responsible Entity or its related parties as at the end of the financial year are disclosed in Note 4 of the financial statements.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Lead auditor's independence declaration

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5 and forms part of the directors' report for the year ended 30 June 2014.

Signed in accordance with a resolution of the directors of Questor Financial Services Limited.

On behalf of the directors,



Mr C. F. Kelaher
Director

Melbourne, 26 September 2014



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Questor Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Wooden
Partner

Melbourne

26 September 2014



Independent auditor's report to the members of The Portfolio Service Investment Essentials

Report on the financial report

We have audited the accompanying financial report of The Portfolio Service Investment Essentials (the Scheme), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of Questor Financial Services Limited (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 is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards and the provisions of the constitution, as amended, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of The Portfolio Service Investment Essentials is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

KPMG

KPMG

Chris Wooden
Partner

Melbourne

26 September 2014

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

The directors of Questor Financial Services Limited, the Responsible Entity of The Portfolio Service Investment Essentials ("the Scheme") declare that:

- (a) the financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of Questor Financial Services Limited.

On behalf of the directors,



Mr C. F. Kelaher
Director

Melbourne, 26 September 2014

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Revenue from continuing operations	414,432	286,114
Expenses - fees	414,432	286,114
Net Income	<u>-</u>	<u>-</u>
Other comprehensive income	-	-
Total Comprehensive Income	<u><u>-</u></u>	<u><u>-</u></u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<u>Assets</u>		
Receivables	120,121	76,464
Total assets	<u>120,121</u>	<u>76,464</u>
<u>Liabilities</u>		
Other payables	120,121	76,464
Total liabilities	<u>120,121</u>	<u>76,464</u>
Net assets	<u>-</u>	<u>-</u>
Total Equity	<u><u>-</u></u>	<u><u>-</u></u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Under AASB 132 Financial Instruments: Presentation, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year and no items of changes in equity have been presented for the current or comparative year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	Year ended	
		30 June 2014	30 June 2013
		\$	\$
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Fees received		370,775	265,789
Responsible entity fees paid		(370,775)	(265,789)
Net cash inflow/(outflow) from operating activities	5	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at the end of the financial year	5	<u><u>-</u></u>	<u><u>-</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: General information

This financial report covers The Portfolio Service Investment Essentials (the "Scheme") as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001* and an investor directed portfolio service like scheme ('IDPS-like') under Class Order 02/296, 04/608 and 04/735 of the *Corporations Act 2001* (as amended). The Scheme commenced on 1 July 1998. The Scheme will terminate on 30 June 2078 unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Questor Financial Services Limited. The Responsible Entity's registered office is Level 22, 207 Kent Street, Sydney, NSW, 2000. The Responsible Entity's ABN number is 33 072 662 718.

The financial statements were authorised for issue by the directors on 26 September 2014. The directors of the Responsible Entity have the power to amend and reissue the financial report as considered necessary under the Scheme's Constitution.

Note 2: Summary of significant accounting policies

The principal accounting policies applied in the preparation of this financial report 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

The financial report is a general purpose financial report for the year ended 30 June 2014 which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Scheme complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standard Board (IASB).

(b) Cash and cash equivalents

Cash comprises current deposit with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than investment or other purposes. Bank overdrafts are shown in current liabilities on the Statement of Financial Position.

(c) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received and receivable. Revenue and expenses are recognised in the Statement of Comprehensive Income on an accrual basis of accounting.

(d) Income tax

Under current legislation, the Scheme is not subject to income tax as it is an IDPS operating through bare trust.

(e) Receivables

Receivables may include amounts for fee income and other amounts not received and are recognised initially at fair value. Fee income is recognised on an accrual basis.

(f) Payables

Payables includes liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date. Payables are typically settled within 30 days.

(g) Functional and presentation currency

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

(h) Goods and services tax (GST)

Expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included. 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.

(i) Changes in accounting policies

The Scheme has adopted the following standards and amendments for the 30 June 2014 reporting period:

AASB 13 Fair Value Measurement

AASB 13 Fair Value Measurement and *AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective for accounting periods beginning on or after 1 January 2013) AASB 13 improves the consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. If a financial asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

As the Scheme is an IDPS-Like Scheme the adoption of the standard has no impact on the financial assets or liabilities of the Scheme.

Except for the above, there were no changes to accounting policies for the 30 June 2014 year.

(i) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not been early adopted by the Scheme. The assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

AASB 9 Financial Instrument

AASB 9 Financial Instruments (2009 or 2010 version), *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*, *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), *AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* and *AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017) *AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. This standard is available for early adoption. Management have not yet assessed the impact of adopting this standard.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 3: Financial risk management

Strategy in using financial instruments

The Scheme's activities exposed it to a variety of financial risks: credit risk, liquidity risk, market risk (including price risk and interest rate risk).

The Scheme's overall risk management program focuses on ensuring compliance with the governing documents of the Scheme. Financial risk management is carried out by the investment managers of the various unitised trusts offered by the Scheme.

The Scheme is an investor Directed Portfolio Service-like ('IDPS-like') scheme. Members make individual selections of investments into various unlisted unit trust investments, listed equities, term deposits and listed trusts which are available through the Scheme. Each unlisted unit trust has its own investment objective. Periodically management reviews the performance of the investments offered by the Scheme.

More details about risk management policies employed by the Scheme to manage financial risks are discussed below:

Credit risk

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

Credit risk primarily arises from investment in debt securities. Other credit risk arises from cash and cash equivalents, deposit with banks and other financial institutions and amounts due from brokers.

The Scheme has no significant direct concentrations of credit risk exposure to counterparties at 30 June 2014 and 30 June 2013.

As at 30 June 2014 and 30 June 2013, there are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk in the Scheme is managed by the individual investors. In the event that a counterparty defaults on their obligation, the loss is borne by the individual investors.

Liquidity and cash flow risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Scheme. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

The liquidity and cash flow risk is borne directly by the members not the Scheme.

Market price risk

Market price risk is the risk that changes in market prices such as foreign exchange rates, interest rate and equity prices will affect the Scheme's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The market risk is borne directly by the members not the Scheme.

Interest rate risk

Interest rate risk is the risk that the returns on investments and investment value will fluctuate due to changes in interest rates.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's overall interest sensitivity position on a daily basis.

The interest rate risk is borne directly by the members not the Scheme.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 4: Related party transactions

Responsible Entity

The Responsible Entity of The Portfolio Service Investment Essentials is Questor Financial Services Limited.

The immediate parent entity and the ultimate controlling entity of Questor Financial Services Limited is IOOF Holdings Ltd.

Key management personnel

Key management personnel includes persons who are directors of Questor Financial Services Limited during this reporting period and up to the date of this report:

Dr R. N. Sexton (Chairman)

Mr I. G. Griffiths

Ms J. Harvey

Mr C. F. Kelaher

Mr G. Venardos

Mr K. White (Resigned 2 May 2014)

Mr A. Griffiths (Appointed 14 July 2014)

Responsible Entity fees and other transactions

	30 June 2014	30 June 2013
	\$	\$
Responsible Entity fees:	380,441	253,822
Investment fees:	33,991	32,292
Responsible Entity fee payable:	120,121	76,464

Under the terms of the Scheme's constitution, the Responsible Entity, Questor Financial Services Limited, is entitled to receive management fees comprised of Administration fees, Expense Recovery fees, Transaction fees, Account Keeping fees and Advice fees.

Under the terms of the Scheme's Constitution, the Responsible Entity, Questor Financial Services Limited, is entitled to receive maximum management fees of 5.00% per annum. The management fee charged for the financial year was \$414,432 (2013: \$286,114).

All related party transactions are conducted on normal commercial terms and conditions.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 4: Related party transactions (continued)

Key management personnel compensation

Key management personnel are remunerated by Questor Financial Services Limited. Payments made from the Scheme to Questor Financial Services Limited do not include any amount that is directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related parties at any time during the reporting period.

Other transactions within the Scheme

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving directors interests subsisting at year end.

Key management personnel investments

At 30 June 2014 and 30 June 2013, no directors of the Responsible Entity held units in the Scheme.

Note 5: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Profit/(loss) for the year	-	-
Changes in operating assets and liabilities	-	-
Net cash inflow/(outflow) from operating activities	-	-

Note 6: Auditor's remuneration

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Audit services		
Audit and review of financial reports	5,610	5,340
Other regulatory audit services	10,339	9,781
Total remuneration for audit services	15,949	15,121

Auditor's remuneration is paid by the Responsible Entity.

Note 7: Events subsequent to reporting date

No significant events have occurred after the reporting date that affect the interpretation of the financial information contained within this report.

**THE PORTFOLIO SERVICE INVESTMENT ESSENTIALS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 8: Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2014 and 30 June 2013.