

# **FOLKESTONE MAXIM A-REIT SECURITIES FUND**

ARSN 116 193 563

**Annual report**

**For the year ended 30 June 2017**

**FOLKESTONE MAXIM A-REIT SECURITIES FUND  
(ARSN 116 193 563)**

**Annual report  
For the year ended 30 June 2017**

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**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
**(ARSN 116 193 563)**

**DIRECTORS' REPORT**  
**For the year ended 30 June 2017**

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987), ("OMIFL" or the "Responsible Entity") the responsible entity of Folkestone Maxim A-REIT Securities Fund (ARSN 116 193 563) (the "Fund") present their report, together with the financial report of the Fund for the year ended 30 June 2017 and the Independent Auditor's Report thereon.

**Responsible Entity**

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney, NSW 2000, Australia. The following persons held office as directors and company secretaries of the Responsible Entity from 1 July 2016 to 30 June 2017:

Frank Tearle - Executive Director and Company Secretary  
Justin Epstein - Executive Director  
Elizabeth Reddy - Non-executive Director  
Sarah Wiesener - Company Secretary

**Principal Activities**

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

The principal activity of the Fund is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement ("PDS") and in accordance with the provisions of the Constitution.

The Fund did not have any employees during the year, and there has been no significant change in its activities other than disclosed in this report.

**Review of Operations**

**Results**

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income in this report. The Fund's net loss from operations before finance costs attributable to unitholders for the current year was \$52,498 (2016: profit \$3,518,408).

Distributions paid or payable in respect of the financial year were:

	2017		2016	
	\$	cent/unit	\$	cent/unit
Distribution paid 30 September	336,762	1.39	95,713	0.59
Distribution paid 31 December	269,058	1.00	208,074	1.10
Distribution paid 31 March	268,705	0.93	82,791	0.43
Distribution payable 30 June	181,543	0.59	201,286	0.98
	<u>1,056,068</u>	<u>3.91</u>	<u>587,864</u>	<u>3.10</u>

**Net Value of the Fund's Assets**

The Fund's net assets were valued at \$25,459,886 as at 30 June 2017 (2016: \$17,668,970). The Fund calculates the net asset value of Fund units on a daily basis. The net asset value of the Fund is calculated by deducting from the value of the Fund's gross assets the value of the liabilities of the Fund excluding net assets attributable to unitholders.

The value of the Fund's assets as at the end of the financial year is disclosed in the Statement of Financial Position as total assets and the basis of valuation is included in Note 2 of the financial statements.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
**(ARSN 116 193 563)**

**DIRECTORS' REPORT**  
**For the year ended 30 June 2017**

**Review of Operations (continued)**

***Exit Price***

The unit exit price is calculated in accordance with the Constitution and is determined by the value of the assets of the Fund less its liabilities adjusted for estimated transaction costs, divided by the number of units on issue.

**Fees Paid to and Interests Held in the Fund by the Responsible Entity or its Associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 of the financial statements.

No fees were paid out of the Fund property to the directors of the Responsible Entity during the year (2016: \$Nil).

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the year are disclosed in Note 14 of the financial statements.

**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 Fund that occurred during the financial year under review.

**Likely Developments**

The Fund will continue to be managed in accordance with its investment objectives and guidelines as set out in the current PDS and in accordance with the provisions of the Constitution.

Further information about likely developments in the operation of the Fund and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Fund.

**Environmental Regulation**

The Fund's operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

**Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 6 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

**Events Subsequent to Balance Date**

Since 30 June 2017 there have been no matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Fund.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND  
(ARSN 116 193 563)**

**DIRECTORS' REPORT  
For the year ended 30 June 2017**

**Indemnification and insurance of officers and auditors**

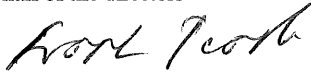
During or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or of any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is included at page 6.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s298(2) of the *Corporations Act 2001*.

On behalf of the directors



Frank Tearle  
Director  
One Managed Investment Funds Limited  
Sydney

27 September 2017

# Bondy Mortimer & Co

CPA Practice

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M.A. Mortimer  
CPA

**The Directors**  
**One Funds Management Limited as Responsible Entity for**  
**Folkestone Maxim A-REIT Securities Fund**  
**(ARSN 116 193 563)**  
**Level 11**  
**20 Hunter Street**  
**Sydney NSW 2000**

27th September 2017

Dear Directors

**Auditor's Independence Declaration to One Funds Management Limited as**  
**Responsible Entity for Folkestone Maxim A-REIT Securities Fund**  
**(ARSN 116 193 563)**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of One Funds Management Limited as Responsible Entity for Folkestone Maxim A-REIT Securities Fund.

As lead auditor for the audit of the financial statements of Folkestone Maxim A-REIT Securities Fund for the financial year ended 30 June 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

A handwritten signature in black ink, appearing to be 'Mark Mortimer', written in a cursive style.

Mark Mortimer  
Bondy Mortimer & Co.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
Dividend and trust distribution income		1,333,509	718,383
Interest income		5,171	5,078
Net change in fair value of financial assets	3	(2,868,772)	2,147,570
Net realised gains on sale of financial assets	3	1,780,111	837,276
Other income		5,756	2,177
<b>Net income</b>		<u>255,775</u>	<u>3,710,484</u>
<b>Expenses</b>			
Management and administration fees	14	(210,385)	(134,133)
Transaction costs		(96,271)	(56,238)
Other operating expenses		(1,617)	(1,705)
<b>Operating expenses before finance costs</b>		<u>(308,273)</u>	<u>(192,076)</u>
<b>Net (loss)/profit from operating activities</b>		<u>(52,498)</u>	<u>3,518,408</u>
<b>Finance costs</b>			
Distribution attributable to unitholders	5	(1,056,068)	(587,864)
Change in net assets attributable to unitholders	6	1,108,566	(2,930,544)
<b>Net profit/(loss) for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>

*The Statement of Comprehensive Income should be read in conjunction with the notes to the Financial Statements.*

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 June 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
Cash and cash equivalents	12(a)	323,565	165,234
Financial assets held at fair value through profit or loss	7	25,109,388	17,406,838
Balance due from brokers	8	15,642	94,325
Receivables	9	339,924	241,647
<b>Total assets</b>		<b>25,788,519</b>	<b>17,908,044</b>
<b>Liabilities</b>			
Distributions payable	5	181,543	201,286
Balance due to brokers	10	126,794	24,297
Payables	11	20,296	13,491
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>328,633</b>	<b>239,074</b>
<b>Net assets attributable to unitholders' liability</b>	6	<b>25,459,886</b>	<b>17,668,970</b>

*The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.*



**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Dividends and trust distributions received		1,235,889	648,176
Interest received		5,171	5,078
Management and administration fees paid		(203,580)	(129,728)
RITC received		(657)	(1,088)
Transaction costs paid		(96,271)	(56,238)
Other expenses paid		(1,617)	(1,707)
Other income received		5,756	2,177
<b>Net cash inflow from operating activities</b>	12 (b)	<b>944,691</b>	<b>466,670</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(25,117,032)	(13,866,079)
Proceeds on sale of investments		16,507,001	10,511,082
<b>Net cash outflow from investing activities</b>		<b>(8,610,031)</b>	<b>(3,354,997)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		10,686,068	4,591,243
Payments for redemptions to unitholders		(1,826,601)	(1,186,562)
Distributions paid		(1,035,796)	(509,621)
<b>Net cash outflow from financing activities</b>		<b>7,823,671</b>	<b>2,895,060</b>
<b>Net increase in cash and cash equivalents</b>		<b>158,331</b>	<b>6,733</b>
Cash and cash equivalents at the beginning of the period		165,234	158,501
<b>Cash and cash equivalents at the end of the financial period</b>	12 (a)	<b>323,565</b>	<b>165,234</b>
<b>Non-cash financing activities</b>	12 (c)	<b>40,015</b>	<b>14,363</b>

*The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements.*

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2017

	2017	2016
	\$	\$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total recognised income and expense for the financial year</b>	<hr/> -	<hr/> -
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	<hr/> <hr/> -	<hr/> <hr/> -

In accordance with AASB 132 'Financial Instruments: Presentation', net assets attributable to unitholders is classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

*The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.*

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**1 General Information**

The financial report covers Folkestone Maxim A-REIT Securities Fund (ARSN 116 193 563) (the "Fund") as an individual entity. The Fund is a registered managed investment scheme, constituted on 23 September 2005.

The financial report is presented in the Australian currency.

The financial statements were authorised for issue by the directors on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial report.

**2 Summary of Significant Accounting Policies**

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**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

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

*Compliance with International Financial Reporting Standards*

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

**(b) Foreign Currency Translation**

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate ruling at the Statement of Financial Position date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on financial assets. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the Statement of Comprehensive Income.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**2 Summary of Significant Accounting Policies (continued)**

**(c) Financial Instruments**

**(i) Classification**

The Fund designated all its debt and equity investments into the “fair value through profit and loss” category.

The category of financial assets and financial liabilities at fair value through profit and loss comprises:

- Financial instruments held-for-trading. These include futures, forward contracts, options, interest rate swaps and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.
- Financial instruments designated at fair value through profit and loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These include investments in listed and unlisted property securities. The fair value through profit and loss classification is available for the majority of the financial assets and financial liabilities held by the Fund as the Fund’s performance is evaluated on a fair value basis and information about the Fund is provided on that basis to the directors of the Responsible Entity.
- Financial instruments designated at fair value through the profit and loss are not reclassified.

Financial assets that are classified as loans and receivables include balances due from brokers and accounts receivable.

Financial liabilities that are not at fair value through profit and loss include balances due to deferred trade settlement and payables.

**(ii) Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139.

**(iii) Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all instruments classified at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Financial assets and liabilities, other than those at fair value through profit and loss, are measured at amortised cost using the effective interest rate.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
**(ARSN 116 193 563)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**2 Summary of Significant Accounting Policies (continued)**

**(c) Financial Instruments (continued)**

**(iv) Fair Value Measurement Principles**

The Fund values listed investments at the last bid (ask) share price.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the Statement of Financial Position date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the Statement of Financial Position date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

**(v) Derecognition**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Fund uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(vi) Specific Instruments**

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, current deposits with banks and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts 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 for investment or other purposes.

**Derivative Financial Instruments**

In accordance with its investment strategy, the Fund may enter into transactions using derivatives for hedging, tactical, transactional and/or cost reasons to reduce risk when it is appropriate.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**2 Summary of Significant Accounting Policies (continued)**

**(d) Income and Expenses**

**Revenue**

Revenue is brought to account on an accruals basis except where stated.

**Distribution and Dividend Income**

For all listed and some unlisted securities, distribution and dividend income are recognised as at the date the securities are quoted ex-distribution. For other unlisted securities, where income is earned based on the number of days invested, distribution and dividend income is recognised on an accruals basis.

**Interest Income**

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method and if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

**Expenses**

All expenses including management fees and administration fees are brought to account on an accruals basis.

**(e) Receivables**

Receivables include accrued distribution income, interest income and placement fee income. Sales of securities are recorded at trade date and normally settle within three business days.

**(f) 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 period.

**(g) Payables**

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

The distribution amount payable to investors as at year end is recognised separately in the Statement of Financial Position. Purchases of securities are recorded on trade date and normally settle within three business days. Purchases of securities that are unsettled at reporting date are included in payables.

**(h) Distributions and Taxation**

Under current legislation the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Fund will fully distribute its distributable income, calculated in accordance with the Fund's Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any current or future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

**(i) Unit Prices**

The unit price is based on unit price accounting outlined in the Fund's Constitution and Product Disclosure Statement.

**(j) Finance Costs**

Distributions paid and payable on units are recognised in the Statement of Comprehensive Income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**2 Summary of Significant Accounting Policies (continued)**

**(k) Change in Net Assets Attributable to Unitholders**

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the Statement of Comprehensive Income as change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

**(l) Goods and Services Tax**

Management fees and other expenses are recognised net of the amount of goods and services tax ("GST") recoverable from the Australian Taxation Office ("ATO") as a reduced input tax credit ("RITC").

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 an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

**(m) New and amended standards adopted by the Fund**

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Fund.

**(n) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Fund. The Fund has not yet decided when to adopt AASB 9.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 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 Fund's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements. The Fund has not yet decided when to adopt AASB 15.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**3 Changes in the Fair Value/Net Market Value of Investments**

	2017	2016
	\$	\$
Net unrealised (loss)/gain on financial instruments designated as at fair value through profit or loss	(2,868,772)	2,147,570
Net realised gain on financial instruments designated as at fair value through profit or loss	1,780,111	837,276
	(1,088,661)	2,984,846

Due to a historical costing issue, the realised gains have been overstated in the financial statements for 30 June 2016. As at 30 June 2017 there has been an adjustment decreasing the net realised gains by \$7,140 to correct this.

**4 Auditor's Remuneration**

During the period the following fees were paid or payable for service provided by the auditor of the Fund. These fees were paid by Folkestone Maxim Asset Management Limited and were not paid by the Fund:

	2017	2016
	\$	\$
Audit services	8,000	6,250
	8,000	6,250

**5 Distributions Paid and Payable**

	2017	2017	2016	2016
	\$	CPU	\$	CPU
Distribution paid 30 September	336,762	1.39	95,713	0.59
Distribution paid 31 December	269,058	1.00	208,074	1.10
Distribution paid 31 March	268,705	0.93	82,791	0.43
Distribution payable 30 June	181,543	0.59	201,286	0.98
	1,056,068	3.91	587,864	3.10



**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**6 Net Assets Attributable to Unitholders**

	2017 No.	2017 \$	2016 No.	2016 \$
Opening balance	20,448,640	17,668,970	15,930,054	11,319,381
Applications	12,450,602	10,686,068	6,017,826	4,591,243
Units issued upon reinvestment of distribution	47,050	40,015	18,990	14,363
Redemptions	(2,193,254)	(1,826,601)	(1,518,230)	(1,186,561)
Change in net assets attributable to unitholders	-	(1,108,566)	-	2,930,544
Closing balance	<u>30,753,038</u>	<u>25,459,886</u>	20,448,640	17,668,970

*Capital risk management*

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders.

The Fund monitors the level of monthly applications and redemptions relative to the liquid assets in the Fund. The ratio of liquid assets to net assets attributable to unitholders at 30 June 2017 and 30 June 2016 were as follows:

	2017 \$	2016 \$
Liquid assets of the Fund	25,399,245	17,460,172
Net assets attributable to unitholders	<u>25,459,886</u>	<u>17,668,970</u>
Ratio of liquid assets to net assets attributable to unitholders	<u>99.76%</u>	<u>98.82%</u>

**7 Investments**

	2017 \$	2016 \$
<b>Financial Assets Held at Fair Value through Profit or Loss:</b>		
<i>Designated at fair value through profit or loss upon initial recognition:</i>		
<i>(i) Equity securities:</i>		
Australian equity securities listed on a prescribed stock exchange	25,075,680	17,294,938
<i>(ii) Unlisted securities:</i>		
Shares in international real estate investment platform	<u>33,708</u>	<u>111,900</u>
<b>Total financial assets designated at fair value through profit or loss upon initial recognition</b>	<u>25,109,388</u>	<u>17,406,838</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>25,109,388</u>	<u>17,406,838</u>

The Fund aims to generate income returns and capital growth over the long term, as per the objectives stated in the Product Disclosure Statement by investing primarily in listed Australian property securities.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**8 Due from Brokers – Receivable for Securities Sold**

	2017	2016
	\$	\$
Investments receivable (sales)	15,642	94,325
	15,642	94,325

**9 Receivables**

	2017	2016
	\$	\$
Dividends and Trust distributions receivable	336,213	238,593
GST receivable	3,711	3,054
	339,924	241,647

**10 Due to Brokers – Payable for Securities Purchased**

	2017	2016
	\$	\$
Investments payable (purchases)	126,794	24,297
	126,794	24,297

**11 Payables**

	2017	2016
	\$	\$
Management and administration fees payable	20,296	13,491
	20,296	13,491

**12 Notes to the Statement of Cash Flows**

**(a) Cash and Cash Equivalents**

	2017	2016
	\$	\$
Current deposits with banks	323,565	165,234
	323,565	165,234

**(b) Reconciliation of Net Cash Provided from Operating Activities to Net Profit**

	2017	2016
	\$	\$
Net (loss)/profit for year	(52,498)	3,518,408
Add/(less) non-cash items:		
Changes in net fair value of investments	2,868,772	(2,147,570)
Loss on sale of investments	(1,780,111)	(837,276)
Changes in assets and liabilities during the financial year/period		
Decrease in receivables	(98,277)	(71,297)
Increase in payables	6,805	4,405
Net cash provided by operating activities	944,691	466,670

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**12 Notes to the Statement of Cash Flows (continued)**

<b>(c) Non-Cash Financing Activities</b>	<b>2017</b>	<b>2016</b>
	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	<b>40,015</b>	<b>14,363</b>

**13 Commitments and Contingent Assets and Liabilities**

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

**14 Related Parties**

**Responsible Entity**

The responsible entity of the Fund is One Managed Investment Funds Limited ABN 47 117 400 987 ("Responsible Entity" or "OMIFL"). Accordingly, transactions with entities related to OMIFL are disclosed below.

The Responsible Entity has contracted services to Folkestone Maxim Asset Management Limited to act as investment manager for the Fund ("Investment Manager"). The contract is on normal commercial terms and conditions.

**Key Management Personnel**

**(a) Directors and Company Secretaries**

Key management personnel who were directors and company secretaries of the Responsible Entity from 1 July 2016 to 30 June 2017 are as follows:

Frank Tearle - Executive Director and Company Secretary  
Justin Epstein - Executive Director  
Elizabeth Reddy - Non-executive Director  
Sarah Wiesener - Company Secretary

**(b) Other Key Management Personnel**

Winston Sammut is a director of the Investment Manager. He is considered key management personnel through authorities given in the investment management agreement.

**Key Management Personnel Compensation**

No key management personnel receive any remuneration from the Fund.

**Key Management Personnel Loan Disclosures**

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

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**14 Related Parties (continued)**

**Responsible Entity's/Investment Manager's Fees and Other Transactions**

	2017	2016
	\$	\$
Management fees and administration costs paid by the Fund (including fees paid to OMIFL for the provision of responsible entity and custodian services)	<b>210,385</b>	134,133
Management fees and administration costs payable by the Fund at the end of the reporting period (including fees paid to OMIFL for the provision of responsible entity and custodian services)	<b>20,296</b>	13,491

At balance date an amount of \$20,296 (2016: \$13,491) owing to the Investment Manager was included in accounts payable.

**Related Party Transactions**

All transactions with related parties are conducted on normal commercial terms and conditions. These transactions are subject to the same terms and conditions as those entered into by other Fund investors and are subject to corporate governance policies of the Responsible Entity and Folkestone Maxim Asset Management Limited.

**Related Party Investments Held by the Fund**

The Fund made no investments in the Responsible Entity or the Investment Manager, but did acquire units in the following related party entities during the financial year:

	2017			
	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)
Folkestone Education Trust	370,000	30,000	-	400,000
<b>Total</b>	<b>370,000</b>	<b>30,000</b>	-	<b>400,000</b>
	2016			
	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)
Folkestone Education Trust	320,000	50,000	-	370,000
<b>Total</b>	<b>320,000</b>	<b>50,000</b>	-	<b>370,000</b>

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**14 Related Parties (continued)**

*Units in the Fund Held by Key Management Personnel*

Key management personnel and their associates have held units in the Fund during the financial year as follows:

Unitholder	2017				
	Number of units held  units	Interest held  %	Number of units acquired  units	Number of units disposed  units	Distribution paid/payable by the Trust  \$
Larnpace Pty Ltd *	266,463	0.87%	13,045	-	10,183
Winston Sammut and Margaret Sammut OAO Aidan Sammut	9,119	0.03%	446	-	349

\* Larnpace Pty Ltd is a related entity of Winston Sammut.

Unitholder	2016				
	Number of units held  units	Interest held  %	Number of units acquired  units	Number of units disposed  units	Distribution paid/payable by the Trust  \$
Larnpace Pty Ltd*	253,418	1.24%	9,873	-	6,321
Winston Sammut and Margaret Sammut OAO Aidan Sammut	8,673	0.04%	338	-	216

\* Larnpace Pty Ltd is a related entity of Winston Sammut.

**15 Financial Risk Management**

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings. The Fund's investment portfolio comprises deposits with banks, long-term investments, accounts receivable and payable, and derivatives.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk. The main purpose of non-derivative financial instruments is to generate returns on investments through distributions and changes in fair value. While derivative financial instruments are used to either reduce the market risk associated with the Fund's investment portfolio or to provide the Fund with its required exposure to investments without the need to purchase or sell those investments. Accordingly, derivative instruments are used as part of the Fund's overall investment strategy.

**(a) Market Risk**

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective.

*Equity Price Risk*

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**15 Financial Risk Management (continued)**

**(a) Market Risk (continued)**

*Price Risk*

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the construction of a diversified portfolio of investments by the underlying fund manager, real estate sector and geographically.

*Price Sensitivity Analysis*

The following table illustrates the effect on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably possible based on the risk that the Fund was exposed to at reporting date:

	Change in equity price	Effect on net profit attributable to unitholders \$
2017	+10% / -10%	2,510,939 / (2,510,939)
2016	+10% / -10%	1,740,684 / (1,740,684)

*Currency Risk*

Whilst the Fund only invests in Australia, a number of the listed securities in which the Fund has an investment may hold direct securities outside Australia.

*Interest Rate Risk*

The majority of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. Any excess cash and cash equivalents of the Fund are invested in short-term commercial paper or reverse repurchase agreements with the term to maturity of up to three or six months.

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out on pages 23 and 24.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**15 Financial Risk Management (continued)**

**(a) Market Risk (continued)**

*Interest Rate Risk (continued)*

2017	Note	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	12(a)	323,565	-	-	323,565
Investments	7	-	-	25,109,388	25,109,388
Balance due from brokers	8	-	-	15,642	15,642
Receivables	9	-	-	339,924	339,924
		323,565	-	25,464,954	25,788,519
<b>Financial liabilities</b>					
Distributions payable	5	-	-	181,543	181,543
Balance due to brokers	10	-	-	126,794	126,794
Payables	11	-	-	20,296	20,296
		-	-	328,633	328,633
2016	Note	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	12(a)	165,234	-	-	165,234
Investments	7	-	-	17,406,838	17,406,838
Balance due from brokers	8	-	-	94,325	94,325
Receivables	9	-	-	241,647	241,647
		165,234	-	17,742,810	17,908,044
<b>Financial liabilities</b>					
Distributions payable	5	-	-	201,286	201,286
Balance due to brokers	10	-	-	24,297	24,297
Payables	11	-	-	13,491	13,491
		-	-	239,074	239,074

Cash and cash equivalents had a weighted average interest rate of 0.73 % as at 30 June 2017 (30 June 2016: 1.31%).

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**15 Financial Risk Management (continued)**

**(a) Market Risk (continued)**

*Interest Rate Risk (continued)*

The following table illustrates the effect on operating loss before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in interest rates that were reasonably possible based on the risk that the Fund was exposed to at reporting date:

	Change in basis points	Effect on net profit attributable to unitholders \$
2017	+10% / -10%	517 / (517)
2016	+10% / -10%	508 / (508)

**(b) Liquidity Risk**

The Fund's Constitution provides for the daily application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

The Fund's financial instruments include investments in equity investments and exchange traded derivative contracts.

The Fund's listed securities are considered to be readily realisable as they are mostly listed on major Australian stock exchanges.

*Maturity Analysis for Financial Liabilities*

Financial liabilities of the Fund comprise trade and other payables, distributions payable, and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are entirely payable on demand.

**(c) Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Fund holds no collateral as security or any other credit enhancements. 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 re-negotiated. The Fund minimises its exposure to credit risk on derivatives by only trading with top-tier financial institutions and has limits on the level of instruments that it holds with each counterparty.

Credit risk is not considered to be significant to the Fund.



**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
(ARSN 116 193 563)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**16 Fair Value of Financial Assets and Liabilities**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The table below presents the Fund's assets measured and recognised at fair value at 30 June 2017 by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
<i>Designated at fair value through profit or loss</i>				
Listed Australian securities on a prescribed stock exchange	25,075,680	-	-	25,075,680
Unlisted securities - shares in an international real estate investment platform	33,708	-	-	33,708
<b>Total financial assets</b>	<b>25,109,388</b>	<b>-</b>	<b>-</b>	<b>25,109,388</b>
At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
<i>Designated at fair value through profit or loss</i>				
Listed Australian securities on a prescribed stock exchange	17,294,938	-	-	17,294,938
Unlisted securities - shares in an international real estate investment platform	111,900	-	-	111,900
<b>Total financial assets</b>	<b>17,406,838</b>	<b>-</b>	<b>-</b>	<b>17,406,838</b>

**17 Events Subsequent to Reporting Date**

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

**18 Changes in accounting policies**

As explained in Note 2(m), the Fund has not adopted new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

**FOLKESTONE MAXIM A-REIT SECURITIES FUND**  
**(ARSN 116 193 563)**

**DIRECTORS' DECLARATION**  
**For the year ended 30 June 2017**

1. In the opinion of the directors of One Managed Investment Funds Limited, the responsible entity of Folkestone Maxim A-REIT Securities Fund (the "Fund"):
  - (a) the financial statements and notes set out on pages 7 to 25 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* ; and
  - (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of the responsible entity, One Managed Investment Funds Limited.



Frank Tearle  
Director  
One Managed Investment Funds Limited

Sydney  
27 September 2017

# Bondy Mortimer & Co

## CPA Practice

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M.A. Mortimer  
CPA

### **Independent Auditor's Report to the Unit Holders of FOLKESTONE MAXIM A-REIT SECURITIES FUND ARSN 116 193 563**

We have audited the accompanying financial report of the Folkestone Maxim A-Reit Securities Fund, which comprises the statement of financial position as at 30<sup>th</sup> June 2017, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out in the attached Report.

#### *Directors' Responsibility for the Financial Report*

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987) as Responsible Entity of the fund, 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. In Notes to the attached Report, the directors also state, that the financial report has been prepared in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, and that they also 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of One Managed Investment Funds Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of the Folkestone Maxim A-Reit Securities Fund, is in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the fund's financial position as at 30th June 2017 and of its performance for the year ended on that date; and
  - b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  
- (b) Finally, as also noted by directors in the Financial Report, a number of newly released standards including *AASB 9*, and *AASB 15* (*which are intended to replace AASB 15*), have not been adopted at balance date, as they are either not mandatory, or are not considered to have a material impact on the recognition and measurement of the Fund's financial instruments, as fair value has been included in the Statement of Profit and Loss.



Mark Mortimer  
BONDY MORTIMER & CO  
Dated this 27th September 2017