

FOLKESTONE MAXIM A-REIT SECURITIES FUND

ARSN 116 193 563

Annual financial report for the year ended 30 June 2018

Index to the Financial Statements

Contents	Page
Directors' Report	2
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Cash Flows	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10
Directors' Declaration	27
Independent Auditor's Report	28

Directors' Report

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 2018 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 2017 to 30 June 2018:

Name	Title
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.

There has been no significant change in its activities other than disclosed in this report.

Review and Results 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 operating profit/(loss) for the current year was \$4,551,879 (2017: (\$52,498)).

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

	2018		2017	
	\$	cent/unit	\$	cent/unit
Distribution paid 30 September	263,167	0.77	336,762	1.39
Distribution paid 31 December	344,356	0.79	269,058	1.00
Distribution paid 31 March	334,383	0.63	268,705	0.93
Distribution payable 30 June	683,509	0.98	181,543	0.59
	1,625,415	3.17	1,056,068	3.91

The Fund's Investment Cost Ratio ("ICR") was 0.90% (2017: 0.93%).

Directors' Report (continued)

Review of Operations (continued)

Net Value of the Fund's Assets

The Fund's net assets were valued at \$62,862,487 as at 30 June 2018 (2017: \$25,459,886). 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 the value of the liabilities of the Fund excluding net assets attributable to unitholders from the value of the Fund's gross assets.

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.

Management Fees Paid and Payable

As stated in the PDS, the Responsible Entity charges a management fee of 0.95% of the gross asset value of the Fund up to and including \$50 million plus 0.85% of the gross asset value of the Fund in excess of \$50 million (inclusive of GST and net of any RITC). The fee accrues daily and is payable monthly in arrears out of the assets of the Fund to the investment manager of the Fund, Folkestone Maxim Asset Management Limited ("Investment Manager").

The following management fees were paid or payable out of the Fund's assets during the year ended 30 June 2018:

- Management fees of \$365,816 (30 June 2017: \$210,385) were incurred during the year;
- Management fees of \$45,131 (30 June 2017: \$20,296) were payable as at 30 June 2018.

The costs of providing responsible entity, investment management, custodian, administration and registry services to the Fund are paid out of the management fees referred to above.

Interests Held in the Fund by the Responsible Entity or its Associates

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.

Changes in State of Affairs

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime, applying to Managed Investment Trusts was introduced under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Fund's Constitution has been amended to change the obligation to distribute trust income to unitholders. Effective 1 July 2017 the Fund elected into the new AMIT regime.

In the opinion of the directors of the Responsible Entity there were no other 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.

Directors' Report (continued)

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

On 22 August 2018, the Responsible Entity was notified that Charter Hall Group (ASX:CHC) ("Charter Hall") and Folkestone Limited (ASX:FLK) ("Folkestone") announced that a scheme implementation agreement had been entered into for Charter Hall to acquire Folkestone (Scheme) which in addition to other assets, would include the manager of the Fund.

The Scheme Implementation Agreement and Scheme are subject to conditions precedent including all necessary regulatory and court approvals.

If approved, the transaction is expected to complete in early November 2018.

Other than the above, there have been no matters or circumstances that have significantly affected or may significantly affect the Fund.

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 5.

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

19 September 2018

Bondy Mortimer & Co

CPA Practice

SUITE 20, 809-811 PACIFIC HIGHWAY, CHATSWOOD, NSW 2067
P.O Box 5358, CHATSWOOD 2067
TELEPHONE: 9419 8155 FACSIMILIE: 9419 8625
EMAIL: markmortimer@bondymortimer.com.au
susanhuang@bondymortimer.com.au



M.A. Mortimer
CPA
Y. Huang
CPA

The Directors
One Managed Investment Funds Limited (ABN 47 117 400 987)
as Responsible Entity for
Folkestone Maxim A-REIT Securities Fund
(ARSN 116 193 563)
Level 11
20 Hunter Street
Sydney NSW 2000

14th September 2018

Dear Directors

Auditor's Declaration of Independence to One Managed Investment Funds 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 Managed Investment Funds 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 30th June 2018, 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 read 'Mark Mortimer', written over a horizontal line.

Mark Mortimer
Bondy Mortimer & Co.

Folkestone Maxim A-REIT Securities Fund
Statement of Comprehensive Income
for the year ended 30 June 2018

Statement of Comprehensive Income

		Year ended	
	Note	30 June 2018 \$	30 June 2017 \$
Income			
Dividend and trust distribution income		2,026,870	1,333,509
Interest income		18,650	5,171
Net change in fair value of financial assets	3	3,377,408	(2,868,772)
Net realised gains/(losses) on sale of financial assets	3	(332,209)	1,780,111
Other income		34	5,756
Net income		5,090,753	255,775
Expenses			
Management and administration fees	14	(365,816)	(210,385)
Transaction costs		(171,323)	(96,271)
Other operating expenses		(1,735)	(1,617)
Operating expenses before finance costs		(538,874)	(308,273)
Net profit/(loss) from operating activities		4,551,879	(52,498)
Finance costs			
Distribution attributable to unitholders	5	-	(1,056,068)
Change in net assets attributable to unitholders	6	-	1,108,566
Net profit for the year		4,551,879	-
Other comprehensive income		-	-
Total comprehensive income *		4,551,879	-

* Net assets attributable to unitholders are reclassified from liabilities to equity from 1 July 2017. As a result, the Fund's distributions are no longer classified as finance costs in the Statement of Comprehensive Income, but rather as distributions paid and payable in the statement of changes in equity. Refer to Note 1 and Note 6 for further detail.

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

Folkestone Maxim A-REIT Securities Fund
Statement of Financial Position
As at 30 June 2018

Statement of Financial Position

	Note	30 June 2018 \$	30 June 2017 \$
Assets			
Cash and cash equivalents	12(a)	2,363,816	323,565
Financial assets held at fair value through profit or loss	7	60,850,898	25,109,388
Balance due from brokers	8	-	15,642
Receivables	9	904,195	339,924
Total assets		64,118,909	25,788,519
Liabilities			
Distributions payable	5	683,509	181,543
Balance due to brokers	10	527,782	126,794
Payables	11	45,131	20,296
Total liabilities (30 June 2017: excluding net assets attributable to unitholders)		1,256,422	328,633
Net assets attributable to unitholders - liability *	6	-	25,459,886
Net assets attributable to unitholders - equity*	6	62,862,487	-

* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

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

Folkestone Maxim A-REIT Securities Fund
Statement of Cash Flows
for the year ended 30 June 2018

Statement of Cash Flows

		Year ended	
	Note	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Dividends and trust distributions received		1,470,743	1,235,889
Interest received		18,553	5,171
Management and administration fees paid		(340,981)	(203,580)
RITC received		(8,047)	(657)
Transaction costs paid		(171,323)	(96,271)
Other expenses paid		(1,735)	(1,617)
Other income received		34	5,756
Net cash inflow from operating activities	12 (b)	<u>967,244</u>	<u>944,691</u>
Cash flows from investing activities			
Purchase of investments		(54,364,844)	(25,117,032)
Proceeds on sale of investments		22,085,163	16,507,001
Net cash outflow from investing activities		<u>(32,279,681)</u>	<u>(8,610,031)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		38,329,534	10,686,068
Payments for redemptions to unitholders		(3,902,376)	(1,826,601)
Distributions paid		(1,074,470)	(1,035,796)
Net cash inflow from financing activities		<u>33,352,688</u>	<u>7,823,671</u>
Net increase in cash and cash equivalents		<u>2,040,251</u>	<u>158,331</u>
Cash and cash equivalents at the beginning of the year		<u>323,565</u>	<u>165,234</u>
Cash and cash equivalents at the end of the financial year	12 (a)	<u>2,363,816</u>	<u>323,565</u>
Non-cash financing activities	12 (c)	<u>48,979</u>	<u>40,015</u>

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

Folkestone Maxim A-REIT Securities Fund
Statement of Changes in Equity
for the year ended 30 June 2018

Statement of Changes in Equity

	Note	Year ended	
		30 June 2018 \$	30 June 2017 \$
Total equity at the beginning of the financial year			
Reclassification due to AMIT tax regime implementation*		25,459,886	-
Comprehensive income for the year			
Net profit for the year	6	4,551,879	-
Total comprehensive income		<u>4,551,879</u>	-
Transactions with unitholders			
Applications	6	38,329,534	-
Redemptions	6	(3,902,376)	-
Reinvestment of distributions	6	48,979	-
Distributions paid and payable	6	(1,625,415)	-
Total transactions with unitholders		<u>32,850,722</u>	-
Total equity at the end of the financial year*		<u>62,862,487</u>	-

*Effective from 1 July 2017, the Fund's units have been reclassified from a financial liability to equity. Refer to Note 1 and Note 6 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

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

1 General Information

These financial statements cover 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 5 August 2005.

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street, Sydney.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the period from 1 July 2017 to 30 June 2018 (the "reporting period"). The comparative information period encompasses the period from 1 July 2016 to 30 June 2017.

The financial report is presented in the Australian currency.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable election to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been reclassified from a financial liability to equity on 1 July 2017, see Note 6 for further information.

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

These general purpose financial statements have 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 Fund is a for-profit entity for the purposes of preparing the financial statements.

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.

2 Summary of Significant Accounting Policies (continued)

(b) 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 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.

2 Summary of Significant Accounting Policies (continued)

(b) 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.

2 Summary of Significant Accounting Policies (continued)

(c) 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.

(d) 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.

(e) 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.

(f) Payables

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

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.

(g) Distributions and Taxation

Under current legislation the Fund is not subject to income tax provided it attributes the entirety of its taxable income (including assessable realised capital gains) to its 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.

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity.

2 Summary of Significant Accounting Policies (continued)

(g) Distributions and Taxation (continued)

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.

(h) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price. The redemption price is based on unit price accounting outlined in the Fund's Constitution and Product Disclosure Statement.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(i) Finance Costs

Finance changes are not applicable to the Fund from 1 July 2017, as units on issue have been re-classified as "equity". (Refer page 3 Directors Report "Change in State of Affairs"). Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

(j) Change in Net Assets Attributable to Unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

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

2 Summary of Significant Accounting Policies (continued)

(k) 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.

(l) 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 2017 that have a material impact on the Fund.

(m) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 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.

- 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.

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.

(n) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Net unrealised gain/(loss) on financial instruments designated as at fair value through profit or loss	3,377,408	(2,868,772)
Net realised (loss)/gain on financial instruments designated as at fair value through profit or loss	(332,209)	1,780,111
	3,045,199	(1,088,661)

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 Auditors Remuneration

During the year the following fees were paid or payable for services provided by the auditors of the Fund. These fees were paid by Folkestone Maxim Asset Management Limited and were not paid by the Fund:

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Assurance services	3,300	2,040
Audit services	10,800	8,000
	14,100	10,040

5 Distributions Paid and Payable

	Year ended			
	30 June 2018 \$	30 June 2018 CPU	30 June 2017 \$	30 June 2017 CPU
Distribution paid 30 September	263,167	0.77	336,762	1.39
Distribution paid 31 December	344,356	0.79	269,058	1.00
Distribution paid 31 March	334,383	0.63	268,705	0.93
Distribution payable 30 June	683,509	0.98	181,543	0.59
	1,625,415	3.17	1,056,068	3.91

6 Net Assets Attributable to Unitholders

Under AASB 132 Financial Instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the Statement of Comprehensive Income, but rather as distributions paid in the Statement of Changes in Equity.

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended			
	30 June 2018 No.	30 June 2018 \$	30 June 2017 No.	30 June 2017 \$
Opening balance	30,753,038	25,459,886	20,448,640	17,668,970
Applications	43,851,307	38,329,534	12,450,602	10,686,068
Units issued upon reinvestment of distribution	56,749	48,979	47,050	40,015
Redemptions	(4,595,775)	(3,902,376)	(2,193,254)	(1,826,601)
Change in net assets attributable to unitholders	-	-	-	(1,108,566)
Distributions paid and payable	-	(1,625,415)	-	-
Profit for the year	-	4,551,879	-	-
Closing balance	70,065,319	62,862,487	30,753,038	25,459,886

Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on request at the unitholder's option. However, it is recommended that holders of these instruments retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders were classified as a liability until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

6 Net Assets Attributable to Unitholders (continued)

Capital risk management (continued)

The Fund monitors the level of daily 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 2018 and 30 June 2017 were as follows:

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Liquid assets of the Fund	62,004,714	25,399,245
Net assets attributable to unitholders	<u>62,862,487</u>	<u>25,459,886</u>
Ratio of liquid assets to net assets attributable to unitholders	<u>98.64%</u>	<u>99.76%</u>

7 Investments

	30 June 2018	30 June 2017
	\$	\$
Financial Assets Held at Fair Value through Profit or Loss:		
<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	59,640,898	25,075,680
<i>(ii) Unlisted securities:</i>		
Shares in international real estate investment platform	<u>1,210,000</u>	<u>33,708</u>
Total financial assets designated at fair value through profit or loss upon initial recognition	<u>60,850,898</u>	<u>25,109,388</u>
Total financial assets held at fair value through profit or loss	<u>60,850,898</u>	<u>25,109,388</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.

8 Due from Brokers – Receivable for Securities Sold

	30 June 2018	30 June 2017
	\$	\$
Investments receivable (sales)	-	15,642
	<u>-</u>	<u>15,642</u>

9 Receivables

	30 June 2018	30 June 2017
	\$	\$
Interest receivable	97	-
Dividends and trust distributions receivable	892,340	336,213
GST receivable	11,758	3,711
	904,195	339,924

10 Due to Brokers – Payable for Securities Purchased

	30 June 2018	30 June 2017
	\$	\$
Investments payable (purchases)	527,782	126,794
	527,782	126,794

11 Payables

	30 June 2018	30 June 2017
	\$	\$
Management and administration fees payable	45,131	20,296
	45,131	20,296

12 Notes to the Statement of Cash Flows

(a) Cash and Cash Equivalents

	30 June 2018	30 June 2017
	\$	\$
Current deposits with banks	2,363,816	323,565
	2,363,816	323,565

12 Notes to the Statement of Cash Flows (continued)

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Net profit/(loss) for year	4,551,879	(52,498)
Add/(deduct) non-cash items:		
Changes in net fair value of investments	(3,377,408)	2,868,772
Net gain/(loss) on sale of investments	332,209	(1,780,111)
Changes in assets and liabilities during the financial year		
(Increase) in receivables	(564,271)	(98,277)
Increase in payables	24,835	6,805
Net cash provided by operating activities	967,244	944,691

(c) Non-Cash Financing Activities

	30 June 2018 \$	30 June 2017 \$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	48,979	40,015

13 Commitments and Contingent Assets and Liabilities

There were no commitments and contingent assets and liabilities as at 30 June 2018 and 30 June 2017.

14 Related Parties

Responsible Entity

Transactions with entities related to the Responsible Entity 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 2017 to 30 June 2018 are as follows:

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

14 Related Parties (continued)

Key Management Personnel (continued)

(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 Unit Holdings

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

	Year ended June 2018				
	Number of units held	Interest held	Number of units acquired	Number of units disposed	Distributions paid/ payable by the Fund
Unitholder	units	%	units	units	\$
Larnpace Pty Ltd *	303,629	0.43%	37,166	-	10,183
Winston Sammut and Margaret Sammut OAO Aidan Sammut	-	0.00%	298	(9,417)	349

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

	Year ended June 2017				
	Number of units held	Interest held	Number of units acquired	Number of units disposed	Distributions paid/ payable by the Fund
Unitholder	units	%	units	units	\$
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.

Other Transactions with the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous year and there were no contracts involving any director's interests subsisting at year end.

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.

14 Related Parties (continued)

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Management fees and administration costs paid by the Fund (including fees paid to OMIFL for the provision of responsible entity and custodian services)	365,816	210,385
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)	45,131	20,296

At balance date an amount of \$45,131 (2017: \$20,296) 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 the Investment Manager.

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 entity during the financial year:

	Year ended June 2018			
	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	400,000	600,000	-	1,000,000
Total	400,000	600,000	-	1,000,000

	Year ended June 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
Total	370,000	30,000	-	400,000

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.

(a) Market Risk

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.

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.

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/(loss) attributable to unitholders \$
2018	+10% / -10%	6,085,090 / (6,085,090)
2017	+10% / -10%	2,510,939 / (2,510,939)

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.

15 Financial Risk Management (continued)

(a) Market Risk (continued)

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 are repriced in the short-term, for no longer than twelve 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 below.

At 30 June 2018	Note	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
Financial assets					
Cash and cash equivalents	12(a)	2,363,816	-	-	2,363,816
Investments	7	-	-	60,850,898	60,850,898
Receivables	9	-	-	904,195	904,195
		2,363,816	-	61,755,093	64,118,909
Financial liabilities					
Distributions payable	5	-	-	683,509	683,509
Balance due to brokers	10	-	-	527,782	527,782
Payables	11	-	-	45,131	45,131
		-	-	1,256,422	1,256,422

Interest Rate Risk (continued)

At 30 June 2017	Note	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
Financial assets					
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
Financial liabilities					
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

Cash and cash equivalents had a weighted average interest rate of 1.23 % as at 30 June 2018 (30 June 2017: 0.73 %).

15 Financial Risk Management (continued)

(a) Market Risk (continued)

The following table illustrates the effect on operating profit/(loss) before finance costs attributable to unitholders and assets/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 percentage	Effect on net profit/(loss) attributable to unitholders \$
2018	+10% / -10%	1,865 / (1,865)
2017	+10% / -10%	517 / (517)

(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.

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.

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 2018 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 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
<i>Designated at fair value through profit or loss</i>				
Listed Australian securities on a prescribed stock exchange	59,640,898	-	-	59,640,898
Unlisted securities - shares in an international real estate investment platform	1,210,000	-	-	1,210,000
Total financial assets	60,850,898	-	-	60,850,898

At 30 June 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
<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
Total financial assets	25,109,388	-	-	25,109,388

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 2018 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.

Directors' Declaration

1. In the opinion of the directors of the Responsible Entity of Folkestone Maxim A-REIT Securities Fund (the "Fund"):
 - (a) the financial statements and notes set out on pages 6 to 26 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 2018 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.



Frank Tearle
Director
One Managed Investment Funds Limited

Sydney
19 September 2018

Bondy Mortimer & Co

CPA Practice

SUITE 20, 809-811 PACIFIC HIGHWAY, CHATSWOOD, NSW 2067
P.O BOX 5358, CHATSWOOD 2067
TELEPHONE: 9419 8155 FACSIMILIE: 9419 8625
EMAIL: markmortimer@bondymortimer.com.au
susanhuang@bondymortimer.com.au



M.A. Mortimer
CPA
Y. Huang
CPA

Independent Auditor's Report **to the Unitholders 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 annual Statements of Comprehensive Income, and Cash Flow, and the Statement of Financial Position and Statement of Changes in Equity applicable as at 30 June 2018, Notes comprising a Summary of Significant Accounting Policies and events, as well as 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 30 June 2018, and of its performance for the year ended on that date; and
 - b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Mark Mortimer 
BONDY MORTIMER & CO
Dated this 19 September 2018