

# AIMS PROPERTY SECURITIES FUND

(ARSN 111 442 150)

## Appendix 4E – Preliminary Final Report For the year ended 30 June 2016

(The previous corresponding period is the financial year ended 30 June 2015)

### Results for Announcement to the Market

		Movement (\$'000)	Movement (%)	2016 (\$'000)	2015 (\$'000)
Revenue from ordinary activities*	Up	205	4.55%	4,713	4,508
Income from ordinary activities attributable to unitholders	Down	(7,238)	(51.05%)	6,939	14,177
Net income for the period attributable to unitholders	Down	(7,238)	(51.05%)	6,939	14,177
Net tangible assets (NTA) per unit (\$)**	Up	0.01	5.14%	\$0.2045	\$0.1945

\* Revenue from ordinary activities comprises investment distribution income and interest income.

\*\* NTA per unit is based on the number of ordinary units on issue prior to the unit consolidation which was announced and completed in July 2016.

Distributions	Cents Per Unit	Paid/Payable
September Quarter	0.1221	18 December 2015
December Quarter	0.1472	18 March 2016
March Quarter	0.1333	17 June 2016
June Quarter	0.1829	16 September 2016
<b>Total</b>	<b>0.5855</b>	

This Appendix 4E should be read in conjunction with the Annual Financial Report of AIMS Property Securities Fund for the financial year ended 30 June 2016 (in the attachment which forms part of Appendix 4E) and any public announcements made during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

This Appendix 4E is based on the Annual Financial Report of AIMS Property Securities Fund for the financial year ended 30 June 2016 which has been audited by KPMG.



Michael Goldman  
Company Secretary and Head of Property Funds  
31 August 2016



**AIMS**

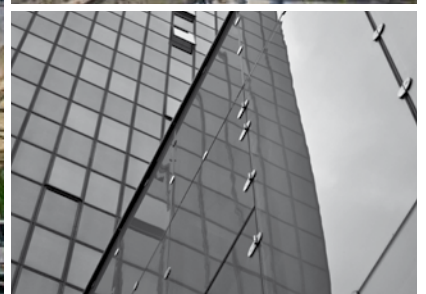
**AIMS Funds Management**  
A Member of AIMS Financial Group

# AIMS PROPERTY SECURITIES FUND

ASX Code: APW SGX Code: AIMS Property  
Annual Report 2016

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**AIMS**

# About the Fund

The AIMS Property Securities Fund (“the Fund”) is a diversified real estate securities fund, investing across a diverse range of unlisted and listed property trusts. It has exposure to domestic and overseas commercial real estate through specialist property investment managers.

The Fund is listed on the Australian Securities Exchange (ASX code: APW) and the Singapore Stock Exchange (SGX code: AIMS Property).

## Financial Results Summary

Financial results summary for the year ended 30 June 2016

<b>Income Statement</b> Year to 30 June 2016	<b>\$million</b>
Distribution and interest income	4.71
Net gain on sale of investments	1.21
Total expenses	(0.90)
Net profit before unrealised change in value of investments and derivatives	5.03
Unrealised gain in fair value of investments and derivatives	1.91
Net gain	6.94

<b>Balance Sheet</b> 30 June 2016	<b>\$million</b>
Total assets	93.12
Net assets	92.19

<b>Summary Statistics</b> Year to 30 June 2016	
Ordinary units on issue (million)	450.91
Earning per unit: (cents)	1.53
Earning per unit before unrealised change in fair value of investments and derivatives (cents)	1.11
Distribution per unit (cents)	0.5855
NTA per unit	\$0.205
Unit price (last trade price)	A\$0.13 S\$0.13

# Chairman's Report



Mr George Wang  
Executive Chairman

## Overview

The second half of the financial year ended 30 June 2016 has seen a drive in business confidence as a result of lower interest rates and the Australian Dollar, strong housing prices, especially in Sydney and Melbourne, and a post-budget boost in confidence.

These factors have produced a diversity of conditions by industries and regions. However, from a property market perspective, the improvement in business conditions in segments such as finance, property and retail are encouraging and are reflected in an increase in the value of AIMS Property Securities Fund's (the Fund) investment portfolio.

## Fund Updates

All in all, I am delighted to announce some of the key highlights that the Fund has achieved during the financial year ended 30 June 2016 include:

- The Fund paid or announced quarterly income distributions totalling 0.5855 cents per unit for the year;
- The Fund completed transactions of selling approximately 3.1 million units in Arena REIT and received approximately \$6.0 million in cash;

- The Fund has received approximately \$6.4 million in cash from the sale or redemption of its investment in Australian Unity Office Fund;
- The Fund has bought back and cancelled 4,751,646 units when the 12 months on-market buy-back of units expired as at 4 February 2016; and
- The Fund completed a unit consolidation on a 1 for 10 basis as at 20 July 2016 which resulted in the total units on issue decreasing from 450,906,537 to 45,091,007.

The Fund received income distributions of \$4.671 million which is sustainably higher than last year (2015: \$3.799 million) as a result of the distribution payments from new investments. The Fund's fees and expenses continually decreased for the financial year ended 30 June 2016 to approximately \$898,000 compared to \$920,000 for the previous financial year.

I am pleased to advise that the Fund paid a regular distribution payment every quarter for the financial year ended 30 June 2016, totalling 0.5855 cents per unit. This represents an annualised yield and total return of approximately 4.81%.

The Fund's Net Tangible Asset (NTA) per unit increased by 5.14% from 19.45 cents per unit as at 30 June 2015 to 20.45 cents per unit as at 30 June 2016 as a result of valuation increases for the underlying assets in the investee funds.

Despite the lower interest rate environment and flow of capital from overseas for prime assets and conversion sites, which has been one of the primary drivers for higher property valuations, the Fund continues to be affected by the fundamental real estate challenges in the commercial property market. These issues continue to create some risks for the Fund, however the Board is pleased with a number of outcomes it has been able to achieve this financial year. AIMS remains committed to the Fund and dealing with challenges it faces and it remains committed to delivering the best outcome for all of its unitholders.

## MacarthurCook Turnaround Story

Since AIMS Financial Group (AIMS) acquired MacarthurCook Limited in August 2009, AIMS has focused on maximising the value of each fund in the group while protecting unitholder interests. Since the takeover, AIMS is proud of the value it has been able to deliver to investors in a number of its funds including the MacarthurCook Industrial Property Fund and the Singapore listed MacarthurCook Industrial REIT.

### MacarthurCook Industrial Property Fund

From the time AIMS took control of MacarthurCook, the ASX listed MacarthurCook Industrial Property Fund improved significantly. Since the acquisition, AIMS successfully reduced the fund's gearing, the NTA per unit increased, distributions were reinstated and the unit price almost doubled from \$0.17 per unit to \$0.31 per unit. These improvements attracted offers from large institutional investors. On 3 May 2010, a large public traded US real estate investment trust made a \$0.41 per unit cash offer to unitholders, which subsequently increased to \$0.44 per unit, a 42% premium to the pre-offer closing price. In June 2010, investors voted overwhelmingly in favour to accept the final cash offer of \$0.44 and the fund was later delisted from the ASX.

### MacarthurCook Industrial REIT

At the time AIMS acquired MacarthurCook, the MacarthurCook Industrial REIT listed on the Singapore Exchange was experiencing significant distress with 3 months to refinance SGD\$203 million in debt and meet an unfunded SGD\$90 million property purchase obligation. To overcome these obstacles, AIMS partnered with AMP Capital Investors to successfully raise SGD\$217.1 million in equity enabling the trust to be recapitalised and refinanced. The trust's market capitalisation has now increased from SGD\$60 million to SGD\$941.8 million, the portfolio has grown from 21 to 26 assets at a value of over SGD\$1.425 billion whilst the leverage has decreased to around 33%. This makes the AIMS AMP Capital Industrial REIT one of the best performing REITs on the Singapore Exchange year after year.

### AIMS Property Securities Fund

Since AIMS acquired MacarthurCook, our primary focus has been to stabilise the Fund's balance sheet. In June 2009 the Fund's debt was \$44.5 million representing gearing of 38% and in June 2010 this had reduced to 36%. The Fund is now debt free and the NTA continues to rise. The Fund reinstated income distributions in the quarter ended 31 December 2013 and has made a number of new investments in line with the revised investment guidelines announced to the market early this year.

## Management and Staff

Once again, I would like to take this opportunity to thank the Board, senior management team and all of the staff for their commitment and contribution over the past year that enable the Fund to deliver an outstanding result for the financial year ended 30 June 2016.

Finally, I would like to thank all of the unitholders for their continued support during the past year. In particular I would like to extend our gratitude to those investors who showed their faith in AIMS since it took over MacarthurCook back in 2009.

Yours faithfully,



George Wang  
Executive Chairman  
AIMS Fund Management Limited

# Fund Manager's Report



Mr Michael Goldman  
Fund Manager

## Macroeconomic Environment

Besides the growth in the residential housing market, in particular in Sydney and Melbourne, the growth rate for the economy in Australia has increased to 3.1% as a result of the rebalancing of the Australian economy continues away from mining investments and towards services, construction and manufacturing.

The current economic conditions has enabled the Reserve Bank of Australia to lower the cash rate to 1.50%, its lowest level in more than five decades and also contributed to the decline in the Australian dollar to around US\$0.74 as at 30 June 2016.

## Property Market Review

However, the lower interest rate environment, together with the lower Australian dollar has contributed towards a substantial increase in transaction volumes in the commercial property market, in particular for large scale offshore acquisitions.

During the year, transaction volumes surpassed \$15 billion across the Australian office market with Sydney being the most active office market. Investor demand for core product was strong, resulting in new pricing benchmarks in Sydney and Melbourne to below 6.0% yield.

The retail sector also achieved record transaction volumes of \$8.4 billion over the past year. Competition for assets intensified during the year together with growing investor confidence drove a tightening of yields across all of the retail sub-sectors and right across the risk spectrum.

Institutional investors, such as funds, trusts and syndicates, together with foreign investors and private investors are attracted to industrial property investments nationally due to the higher yields and generally longer term leases to a single tenant in a relatively low capital intense building.

## Fund Review

For the financial year ended 30 June 2016 distribution income was \$4.671 million which was 23% higher than the distribution income for the previous corresponding period of \$3.799 million. The higher income distributions received from the Fund's investments was indicative of growth in regular income distributions for existing and new investee funds.

## Distributions

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During the financial year ended 30 June 2016, I am pleased to advise unitholders in the Fund that the Fund paid (or is payable) income distributions of \$2.644 million (2015: \$2.337million).

The Board is pleased to have been able to declare a regular quarterly income distribution for each quarter during the year, 13% increase compared to prior financial year.

## Property Outlook

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The past year was a year of significant asset accumulation for institutional investors, both domestic and offshore. In fact, unlisted funds, including major wholesale funds and smaller boutique investment funds or syndicators, have been the most active buyer group for the past few years. Some of these buyers, who have seemingly relaxed their investment mandates or have a greater willingness to take on assets with risks attached, will be looking to invest more capital over the next 12 months or so. The challenge will be to identify the right opportunities via both acquisitions and through development channels.

## Investment Outlook

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The AIMS team has worked hard since taking over MacarthurCook to achieve its objective of providing our investors with a fund that pays regular quarterly income distributions with the potential for modest capital growth over time and no debt. We will continue to assess and explore new investment opportunities that provide investors with an appropriate risk adjusted return.

Yours faithfully



Michael Goldman  
Fund Manager  
AIMS Fund Management Limited



# Investment Approach

## Strategy

In order to provide investors access to broad range of property investment vehicles, the AIMS Property Securities Fund invests in:

- unlisted property trusts/syndicates;
- listed wholesale direct property funds;
- listed property trusts (REITs);
- listed property-related companies; and
- cash and fixed interest securities.

The Responsible Entity has established sector categories and indicative medium to long term asset allocation ranges of the Fund as follows:

Asset sector	Range %
Unlisted direct property funds	0-59
Listed property trusts (REITs) and companies	0-25
Cash and fixed interest securities	0-15

These asset allocation ranges have been reviewed in light of current market conditions and as noted previously, investments may fall outside these ranges due to the divestment of underlying investments to meet requirements associated with the Fund's debt facility.

## Approach

The fundamental objective of the investment approach is to provide portfolio diversification designed to minimize risk through exposing the Fund to a weighted mix of property-based income streams generated by a large number of properties in a variety of property categories, situated in different geographic locations.

While the capital values of all categories of the income-producing investments fluctuate, the least volatile investments are those that are assessed by the market as having sound, long term revenue stream.

The research of specific investment opportunities in which the Fund may purchase units, shares or syndicated/unlisted interests includes:

Appraising the skills and fees of asset and fund managers, including their:

- Overall investment philosophy, and whether it is capable of delivering a sustainable competitive advantage;
- Staff capacity/resources to manage upgrade, extension and re-leasing programs;
- Debt management skills and experience;
- Current level of funds/assets under management;
- Commitment to growing the rate of distributable income generated by the assets they manage;
- Ownership structure/stability of the management team; and
- Assessing the fund's long term utility of underlying assets

## Investment in AIMS managed property funds

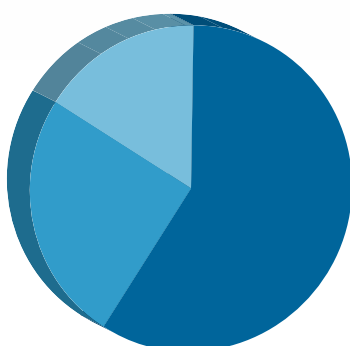
Where the Fund invests in any property funds of which a member of the AIMS Group is the Responsible Entity, the property funds must satisfy all of the relevant above-mentioned investment guidelines. In addition, they also require Independent Board approval and must satisfy regulatory issues for related party investments. Any investments in the AIMS Group managed property funds must not incur entry or exit fees and must incur a wholesale annual management fee of no greater than 0.75% per annum of gross assets.

# Investment Portfolio

## Overview

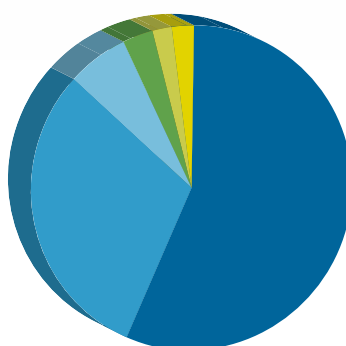
The fund as at 30 June 2016 had total assets of \$93.12 million (including receivables). Of this, \$78.03 million is invested in unlisted and listed property funds covering 9 different property related investments managed by 6 different specialist property investment managers.

Asset Allocation %



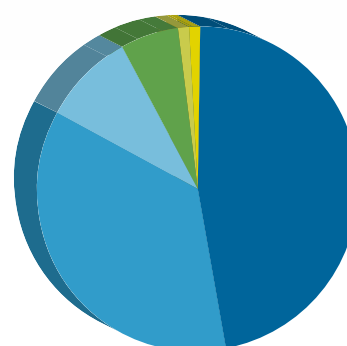
● Unlisted Property	59%
● Listed	25%
● Cash and Receivable	16%

Sector Diversification %



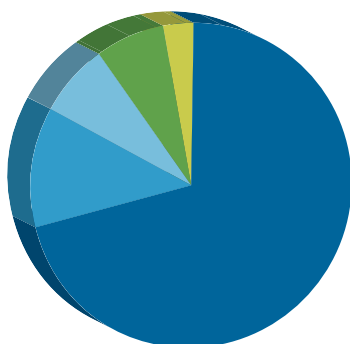
● Office	56%
● Industrial	30%
● Childcare	6%
● Retail	3%
● Bulky Retail	2%
● Healthcare	2%

Geographic Diversification %



● VIC	47%
● QLD	36%
● NSW	9%
● SINGAPORE	6%
● ACT	1%
● WA	1%

Manager Allocation %



● AIMS	71%
● Blackwall	12%
● AIMSAMP	7%
● ARENA	7%
● APN	3%

## Investment Portfolio Continued

### The portfolio

	Sector	Fund Size (\$m) 30 June 2016	Investment Allocation (%)	Ownership of Investment
<b>UNLISTED PROPERTY FUNDS / SECURITIES</b>				
AIMS Property Fund (St Kilda Road)	Office	\$36.20	24.62%	90.2%
MacarthurCook Office Property Trust	Office	\$23.01	8.24%	36.9%
AIMS Australia Property Investment Fund	Office	\$14.91	17.19%	89.9%
AIMS Property Fund (Laverton)	Industrial	\$38.23	20.65%	100.0%
<b>TOTAL UNLISTED INVESTMENTS</b>			<b>70.7%</b>	
<b>PROPERTY FUNDS LISTED ON EXCHANGE</b>				
Blackwall Limited <sup>1</sup>	Diversified	\$18.70	2.12%	5.5%
Blackwall Property Trust	Diversified	\$136.00	9.44%	10.1%
APN Regional Property Fund	Office	\$45.02	2.89%	7.5%
AIMS AMP Capital Industrial REIT	Industrial	\$1,459.00	7.42%	0.7%
Arena REIT	Childcare	\$480.74	7.42%	1.3%
<b>TOTAL LISTED INVESTMENTS</b>			<b>29.30%</b>	
<b>TOTAL INVESTMENTS</b>			<b>100%</b>	

The 30 June 2016 data in the above table has been sourced from: fund surveys completed by the respective funds managers, their websites and investor updates.

**Note:**

<sup>1</sup> Previously known as Blackwall Property Funds Limited

Current Unit Price	Annualised Distribution Yield	Investment Value	Gearing (Debt/ Total Assets)	Term Expiry	Number of Properties	Weighted Average Lease duration by Income (years)
\$0.47	2.8%	\$19,213,472	43.2%	31-Dec-22	1	2.2
\$0.60	0.0%	\$6,432,300	24.2%	Open-ended	1	5.1
\$0.96	6.0%	\$13,411,284	55.2%	Open-ended	1	1.8
\$0.96	6.0%	\$16,112,579	57.9%	Open-ended	1	8.9
		<b>\$55,169,636</b>				
\$0.60	5.0%	\$1,657,200	14.1%	Listed	-	-
\$1.26	9.5%	\$7,368,063	45.5%	Listed	11	6.3
\$0.93	9.7%	\$2,257,447	34.9%	Listed	2	3.7
\$1.40	7.7%	\$5,791,768	31.5%	Listed	26	2.9
\$1.99	5.6%	\$5,787,617	27.3%	Listed	201	8.8
		<b>\$22,862,094</b>				
		<b>\$78,031,730</b>				

# Board of Directors



**Mr George Wang**  
Executive Chairman

George is the founding CEO of AIMS Financial Group and an active participant in both the Australian and Chinese financial services industries. George came to Australia from China some 20 years ago and founded AIMS Financial Group two years later. Since inception, AIMS has evolved into a diversified financial services group, active in the areas of lending, securitisation, investment banking, real estate funds management and property, resources, high-tech and infrastructure investment.

In the course of developing AIMS Financial Group into a significant financial services group in Australia, George has developed a strong skill base in the areas of lending, securitisation, real estate funds management, structured finance and innovative financial product development.

George has developed an extensive business network in both Australia and China. In China, George is active in the Chinese financial sector. He is an advisor for a number of Chinese Government bodies and Government agencies. He holds the position of Deputy President of the International Trade Council of China, a constituent body of China Council for the Promotion of International Trade.

In Australia, George is the President of the Australia-China Finance & Investment Council. As the President of Australia-China Finance & Investment Council, George has been laying the foundation for the financial bridge between Australia and China for many years.

George was appointed as director on 14 July 2009 and as Executive Chairman on 7 August 2009.

During the past four years he has acted as a non-executive director or director of the following entities:

- AIMS Financial Group
- AIMS AMP Capital Industrial REIT
- Sydney Stock Exchange Limited (formerly known as Asia Pacific Exchange Limited)



**Mr Richard Nott AM**  
Non-Executive Independent Director  
Chairman of the Audit Committee

Richard Nott is a former General Manager and Chief Executive of CGU Lenders Mortgage Insurance Ltd, General Manager Corporate Banking at Standard Chartered Bank Australia Ltd, General Manager Banking and Associate Director at Australian Bank. He has also had a twenty six year career with CBC/National Australia Bank throughout Australia and Europe. Richard was Managing Director Australia for Mortgage Guaranty Insurance Corporation until April 2016.

Richard's qualifications include a Bachelor of Science (Hons), Master of Business Administration, Master of Commerce and Master of Insurance and Risk Management. He is a Fellow of Australian and New Zealand Institute of Insurance and Finance, the Chartered Insurance Institute (UK), the Chartered Institute of Bankers (UK) and various Accounting, Chartered Secretaries, Governance, HR and Management Institutes. He is also a Senior Fellow and life member of Finsia.

Richard is President of the Australia-Britain Society and he is Australian Representative of the Friends of St. George's and Descendants of the Knights of the Garter. He is a member of the Cook Society and Fred Hollows Foundation. He was made a Member of the Order of Australia (AM) in 2012 for services to banking, insurance and several major charities.

Richard was appointed as a Non-Executive Independent Director and Chairman of the Audit Committee on 5 August 2010.

During the past four years has acted as a non-executive director or director of the following entities:

- First American Title Insurance Company of Australia Limited
- Four Hats Financial Services Pty Ltd
- Prime Insurance Group
- RHG Limited



## Mr John Love

Non-Executive Independent Director

John is currently a non-Executive Director, the Chairman and a member of the Audit, Governance and Risk Management Committee for The Australian Wine Society Cooperative Limited. He was the former Chairman of Mortgage Guarantee Insurance Corporation Australia. He was previously the General Manager of an Australian mezzanine property finance company. John was also previously the Head of Corporate Banking Australia and Head of Credit at Standard Chartered Bank Australia Limited.

John's qualifications include a Bachelor of Commerce (Qld), a Master of Business Administration (AGSM) and a Master of Insurance and Risk Management (Deakin). In addition, he is a Certified Practising Accountant, a Fellow of the Tax Institute of Australia, a Fellow of the Chartered Institute of Secretaries, a Fellow of FINSIA, a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian and New Zealand Institute of Insurance and Finance, Certified Insurance Professional and a Fellow of the Australian Mutuals Institute.

John was appointed as a Non-Executive Independent Director on 30 March 2011.

During the past four years has acted as a non-executive director or director of the following entities:

- Mortgage Guarantee Insurance Corporation Australia
- The Australian Wine Society Co-operative Limited

# Corporate Governance Statement

AIMS Property Securities Fund (“the Fund”) is a listed management investment scheme whose units are traded on the Australian Securities Exchange Limited (ASX) and the Singapore Exchange (SGX). The fund has no employees and its day-to-day functions and investments are managed by the Responsible Entity, AIMS Fund Management Limited. The parent company of AIMS Fund Management Limited is Great World Financial Group Pty Ltd (formally named AIMS Group Holding Pty Ltd), (“the Group”).

The directors of the Responsible Entity (“the Board”) recognise the importance of good corporate governance. The Fund’s corporate governance framework, policies and practices are designed to ensure the effective management and operations of the Fund and will remain under regular review.

A description of the Fund’s practices in respect of the 8 Principles and Recommendations from the ASX Corporate Governance Council’s Revised Corporate Governance Principles and Recommendations (ASX Recommendations) are set out below. All these practices, unless otherwise stated, were in place for the entire year.

## Principle 1. Lay solid foundations for management and oversight

### 1.1 Functions of Board and senior executives

Primary responsibility for the management and oversight of the Responsible Entity rests with the Board, whose overall role is to build long term sustainable value for the Fund’s Unitholders, while respecting the interests

of all stakeholders. In meeting its responsibilities, the Board undertakes the following functions:

- The Board is responsible for the overall corporate governance of the Responsible Entity, including formulating its strategic direction and monitoring the business objectives. The Board delegates day to day management of the Responsible Entity’s affairs to the Executive Chairman and senior executives.
- The structure, roles and functions of the Board are set out in a Board Charter, but in broad terms, the Board Charter clarifies the respective roles of the Board and senior management
- To assist in the execution of its oversight and management responsibilities, the Board has established an Audit, Risk and Compliance Committee. This committee has its own written mandate, which is reviewed on a regular basis and it reports back to the Board on their activities through the presentation of reports and minutes of committee meetings.
- The Board holds regular two monthly meetings, plus strategy meetings and extraordinary meetings at such times as may be required during the year.
- An agenda for the meetings is determined to ensure that certain standing information is addressed and other items which are relevant to reporting deadlines and/or regular review are scheduled when appropriate.

### 1.2 Evaluation performance of senior executives

The performance of senior executives is reviewed annually against certain criteria. Non-Executive Independent Directors may meet periodically without any executive management to ensure that there is full and frank discussion amongst Directors of issues affecting the Responsible Entity.

## Principle 2. Structure the Board to add value

### 2.1 Board Composition

The composition of the Board is structured to maintain a mix of directors from difference backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Director’s report, including the period in office, skills, experience, and expertise relevant to the position of the director.

The Board may comprise up to ten individual Directors with a minimum of three. Directors will be classified as Independent, Non-Executive or Executive.

The attributes of the Board are to include expertise and experience in business and financial management, capital raising and legal experience, property, lending and financial services industry knowledge and compliance orientation.

When a Board vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the existing Board selects a candidate with the appropriate experience and expertise. Appropriate checks of the potential candidates will be undertaken including but not limited to reference checks, national police checks and bankruptcy checks.

In addition to the above, Non-Executive Directors must retire and re-elect every three years. The Board also has the responsibility of reviewing the performance of Directors where relevant.

The directors of the Responsible Entity at the date of this report are:

- George Wang
- Richard Nott
- John Love

The Board assessed the independence of its Non-Executive Independent Directors according to the definition contained within the Principles and concluded that two of the members of the Board were independent.

## 2.2 Independent chair

The Chairman of the Board is Mr George Wang, who is not independent according to the criteria set out in the Principles. The position of Chairman for the purposes of Board meetings may however rotate on a regular basis. Given the independence of the Board, it is not considered necessary at this stage for the Chairman to be independent.

## 2.3 Roles of Chairman and Fund Manager

The roles of Chairman of the Board and Fund Manager are not held by the same individual.

## 2.4 Nomination Committee

Given the size and structure of the AIMS, the Board does not have a Nomination Committee. Some of the roles and responsibilities (where practical) are undertaken by the Board or some of its members.

## 2.5 Performance evaluation processes

The Board is responsible for reviewing the performance of Directors.

## 2.6 Diversity

As the RE and the Fund do not employ any employees the principle of diversity is not applicable to the RE or the Fund.

Each Director has the right to access all relevant information in respect of the Responsible Entity and to make appropriate enquiries of senior management. Subject to prior consultation with the Executive Chairman, a Director may seek independent professional advice from a suitably qualified advisor.

## Principle 3 - Promote ethical and responsible decision making

The Board actively promotes ethical and responsible decision making.

## 3.1 Code of conduct

The Board has adopted a Code of Conduct which can be viewed on the website of AIMS. The Code of Conduct applies to all Directors, and staff of the Responsible Entity. The Code sets out the core values of the Responsible Entity and the expectations for how employees should conduct their business affairs including:

- Acting in the best interests of Unitholders over and above their own interests.
- Acting with due skill, care and diligence in conducting their business.
- Preserving Unitholder confidentiality at all times.
- Respecting the intellectual property rights of others.
- Protecting and promoting the integrity of the market.

- Avoiding and/or disclosing any real or perceived conflicts of interest.
- Being true to their word.
- Respecting the dignity of others.
- Never knowingly misleading or deceiving others.
- The Code of Conduct is discussed with each new employee as part of their induction training.

## 3.2 Share trading policy

The Board has adopted a Share Trading Policy, which can be viewed on the website of AIMS. Directors and staff (including their immediate family or any entity for which they control investment decisions) must ensure that any trading in securities issued by the Fund is undertaken within the framework set out in this Policy.

The Policy reflects the insider trading provisions of the Corporations Act 2001, such that Directors and management are prohibited from trading in securities of any fund controlled by the Responsible Entity whilst in possession of unpublished price sensitive information. Subject to any knowledge or circumstances that impose a specific prohibition on some or all Directors and management trading, as a general policy, price sensitive information is deemed to be in the public domain once a reasonable time (generally 48 hours) has elapsed following an announcement to allow the market to absorb the contents of the announcement. For reporting of financial results under the ASX's periodic disclosure requirements, the general rule adopted by the Responsible Entity is to restrict trading by Directors and staff for a period of six weeks before the announcement of the results.



## Corporate Governance Statement Continued

### Principle 4 - Safeguard integrity in financial reporting

#### 4.1 Audit Committee

The Board has established an Audit, Risk and Compliance Committee, which provides assistance to the Board in fulfilling its corporate governance responsibilities in relation to the Responsible Entity's financial reporting, internal controls structure, risk management systems and external audit functions.

The Audit, Risk and Compliance Committee review the performance of the external auditors on an annual basis and meets with them during the year to review findings. The Committee has full access to all books, records, facilities and personnel of the Responsible Entity, as well as the authority to engage independent counsel and other advisers it determines necessary to carry out its duties.

#### 4.2 Structure of the Audit Committee

The members of the Audit, Risk and Compliance Committee are:

- Mr Richard Nott - Chairman
- Mr John Love

At any given time, the Committee must comprise no less than two Independent Directors as selected by the Board. All the Committee members are financially literate.

#### 4.3 Audit Committee Charter

The role and responsibilities, composition, structure, membership requirements and procedures for the Audit, Risk and Compliance Committee are set out in the Audit, Risk and

Compliance Committee Charter, which can be viewed on the website of AIMS.

The Board relies on management for day to day monitoring of the internal controls within the Responsible Entity. Financial performance is monitored on a regular basis by management who report to the Board at the scheduled Board meetings and through Audit, Risk and Compliance Committee meetings.

The Board requires the Executive Chairman and the Chief Financial Officer (or his/her equivalent) to provide a written statement that the financial statements of the Responsible Entity present a true and fair view, in all material respects, of its financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

### Principle 5 - Make timely and balanced disclosure

#### 5.1 Disclosure policies

The Board is committed to the promotion of investor confidence by providing full and timely information to all Unitholders and market participants about the Responsible Entity's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the ASX Listing Rules.

The Responsible Entity has a Continuous Disclosure Policy to ensure that it meets the continuous disclosure obligations.

### Principle 6 - Respect the rights of Unitholders

#### 6.1 Communications policy

AIMS's policies for communication with Unitholders are set out in its Communications Policy, which can be viewed on the website of AIMS. The aim of the Board is to ensure that investors are informed of all major developments affecting AIMS through:

- the annual report;
- disclosures made to the ASX in the form of market announcements and investor updates;
- notices and explanatory memoranda of annual general meetings and other Unitholder meetings;
- responses to enquiries from Unitholders; and
- occasional letters/updates from the Executive Chairman or the Fund Manager to specifically inform Unitholders of key matters of interest.

The Responsible Entity, when it convenes one, makes available at the annual general meeting a lead partner from the Responsible Entity's auditors, to answer questions about the conduct of the audit and the content of the Auditor's Report.

## Principle 7 - Recognise and manage risk

### 7.1 Risk management policies

AIMS has established procedures for:

- the oversight of risk management activities through the roles of the Board and the Audit, Risk and Compliance Committee; and
- a risk management framework and policy for the identification, management and monitoring of material business risks.

The Risk Management Framework and Policy forms a part of the Responsible Entity's Policy Manual.

### 7.2 Risk management systems

The Board has primary oversight of risk management policies and practices and has adopted an appropriate risk management framework and policy.

In accordance with its Charter, the Audit, Risk and Compliance Committee has more direct responsibility for overseeing the risk management framework and risk management practice. AIMS has a Legal & Compliance team, who are responsible for reporting to the Board on compliance issues and recommending ways in which the Responsible Entity may improve its systems and compliance monitoring.

The Board reviews the effectiveness of the risk management and internal control systems on an ongoing basis through regular certifications and review undertaken by

the finance and compliance functions together with a formal annual review.

### 7.3 Executive risk management declaration

The Board requires the Executive Chairman and the Chief Financial Officer (or his/her equivalent) to report to it on the effectiveness of the Responsible Entity's management of its material business risk in conjunction with the review of the half year and full year financial results. The Board also receives assurances from the Executive Chairman and the Chief Financial Officer (or his/her equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to the financial reporting of risks.

The Fund does not have any material exposure to economic, environmental and social sustainability risks.

## Principle 8 - Remunerate fairly and responsibly

### 8.1 Remuneration committee

Due to the size and structure of AIMS, the Board does not have a Remuneration Committee. The role and responsibilities of the Remuneration Committee are carried out by the Executive Chairman in conjunction with the Human Resources Manager.

The Responsible Entity also reviews and approves senior executive total remuneration

packages and terms of employment annually, having regard to performance, relevant comparative information and, where relevant, independent expert advice.

### 8.2 Remuneration structure

The Executive Chairman and senior executives receive salary packages which may include performance based components designed to reward and motivate. Non-Executive Independent Directors receive fees agreed on an annual basis by the Board. There are no retirement schemes in place for Non-Executive Independent Directors.

The remuneration for the Board and senior executives is paid by the Responsible Entity.

## Financial Report

AIMS Property Securities Fund (ARSN 111 442 150)

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# Directors' Report

for the year ended 30 June 2016

The Directors of AIMS Fund Management Limited, the Responsible Entity of AIMS Property Securities Fund ("the Fund"), present their report together with the Financial Report of the Fund for the financial year ended 30 June 2016.

The Responsible Entity's registered office and principal place of business is Level 41, Suncorp Building, 259 George Street, Sydney, NSW 2000.

## DIRECTORS

The Directors of the Responsible Entity during the financial year are shown below. Directors were in office to the date of the report unless otherwise stated:

### Mr George Wang

BE

#### Executive Chairman

George is the founding CEO of AIMS Financial Group and an active participant in both the Australian and Chinese financial services industries. George came to Australia from China some 20 years ago and founded AIMS Financial Group two years later. Since inception, AIMS has evolved into a diversified financial services group, active in the areas of lending, securitisation, investment banking, real estate funds management and property, resources, high-tech and infrastructure investment.

In the course of developing AIMS Financial Group into a significant financial services group in Australia, George has developed a strong skill base in the areas of lending, securitisation, real estate funds management, structured finance and innovative financial product development.

George has developed an extensive business network in both Australia and China. In China, George is active in the Chinese financial sector. He is an advisor for a number of Chinese Government bodies and Government agencies. He holds the position of Deputy President of the International Trade Council of China, a constituent body of China Council for the Promotion of International Trade.

In Australia, George is the President of the Australia-China Finance & Investment Council. As the President of Australia-China Finance & Investment Council, George has been laying the foundation for the financial bridge between Australia and China for many years.

George was appointed as director on 14 July 2009 and as Executive Chairman on 7 August 2009.

During the past four years he has acted as a non-executive director or director of the following entities: AIMS Financial Group

- AIMS Financial Group
- AIMS AMP Capital Industrial REIT
- Sydney Stock Exchange (formerly known as Asia Pacific Stock Exchange)

### Mr Richard Nott AM

BSc (Hons), MCom, MBA, MIRM

Non-Executive Independent Director & Chairman of the Audit Committee

#### Non-Executive Independent Director Chairman of the Audit Committee

Richard Nott is a former General Manager and Chief Executive of CGU Lenders Mortgage Insurance Ltd, General Manager Corporate Banking at Standard Chartered Bank Australia Ltd, General Manager Banking and Associate Director at Australian Bank. He has also had a twenty six year career with CBC/National Australia Bank throughout Australia and Europe. Richard was Managing Director Australia for Mortgage Guaranty Insurance Corporation until April 2016.

Richard's qualifications include a Bachelor of Science (Hons), Master of Business Administration, Master of Commerce and Master of Insurance and Risk Management. He is a Fellow of Australian and New Zealand Institute of Insurance and Finance, the Chartered Insurance Institute (UK), the Chartered Institute of Bankers (UK) and various Accounting, Chartered Secretaries, Governance, HR and Management Institutes. He is also a Senior Fellow and life member of Finsia.

Richard is President of the Australia-Britain Society and he is Australian Representative of the Friends of St. George's and Descendants of the Knights of the Garter. He is a member of the Cook Society and Fred Hollows Foundation. He was made a Member of the Order of Australia (AM) in 2012 for services to banking, insurance and several major charities.

Richard was appointed as a Non-Executive Independent Director and Chairman of the Audit Committee on 5 August 2010.

During the past four years has acted as a non-executive director or director of the following entities:

- First American Title Insurance Company of Australia Limited
- Four Hats Financial Services Pty Ltd
- Prime Insurance Group
- RHG Limited

# Directors' Report Continued

## **Mr John Love**

BCom, MBA, MIRM, CPA

### **Non-Executive Independent Director**

John is currently a non-Executive Director, the Chairman and a member of the Audit, Governance and Risk Management Committee for The Australian Wine Society Cooperative Limited. He was the former Chairman of Mortgage Guarantee Insurance Corporation Australia. He was previously the General Manager of an Australian mezzanine property finance company. John was also previously the Head of Corporate Banking Australia and Head of Credit at Standard Chartered Bank Australia Limited.

John's qualifications include a Bachelor of Commerce (Qld), a Master of Business Administration (AGSM) and a Master of Insurance and Risk Management (Deakin). In addition, he is a Certified Practising Accountant, a Fellow of the Tax Institute of Australia, a Fellow of the Chartered Institute of Secretaries, a Fellow of FINSIA, a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian and New Zealand Institute of Insurance and Finance, Certified Insurance Professional and a Fellow of the Australian Mutuals Institute.

John was appointed as a Non-Executive Independent Director on 30 March 2011.

During the past four years has acted as a non-executive director or director of the following entities:

- Mortgage Guarantee Insurance Corporation Australia
- The Australian Wine Society Co-operative Limited

## **COMPANY SECRETARIES**

### **Alan Wong (Appointed 16 Nov 2012 Resigned on 17 Jun 2016)**

Alan has over 9 year's experiences as a qualified legal practitioner in Australia. Alan is the General Counsel for AIMS Financial Group and is responsible for legal, compliance and risk management matters for the whole group of companies. Alan was also appointed as co-company secretary of AIMS Investment Managers Limited in 2012.

Prior to his current role, Alan worked in both top tier and mid-tier Australian law firms, most recently Gadens Lawyers Sydney where he was involved in restructuring real estate funds, establishing lending programs, providing compliance and risk management services as well as banking litigation and recoveries. Alan has experience across the areas of transactional, financial products, litigation, recoveries and compliance work.

Alan holds a Bachelor of Commerce (Finance & Accounting) and a Bachelor of Law from the University of Sydney.

### **Moni An (Appointed 16 July 2012 Resigned on 23 Sep 2015)**

Moni is presently responsible for AIMS Financial Group's investor relationships for funds management and structured product program developments in the Asia Pacific region. Moni also oversees the existing securitisation programs, treasury functions and fixed income investments for AIMS and is co-company secretary of AIMS Investment Managers Limited.

Moni has over 13 years of experience with AIMS in the areas of structured products, funds management, treasury, mergers & acquisitions and stock exchange operations in Australia. Moni has a Master of Applied Finance degree from Macquarie University.

### **Michael Goldman (Appointed on 17 Jun 2016)**

Michael has 20 years' experience in the real estate industry across acquisitions, development, investment banking and funds management. Michael is the Head of Property Funds for AIMS Fund Management Limited and was appointed as company secretary on 17 June 2016.

Prior to his current role, Michael was a Director of National Australia Bank's Property Equity & Advisory division where he led numerous equity capital raising, M&A and advisory transactions. Michael also worked for the Recreational Tourism Group as General Manager for Acquisitions and Developments, Charter Hall Group in the Property Investment Banking division on the establishment and structuring of a series of investment funds, as well as other firms including Bridges Financial Services and Ord Minnett.

Michael holds Bachelor of Economics and a Graduate Diploma in Applied Finance and Investment Analysis from FINSIA.

## **PRINCIPAL ACTIVITIES**

The Fund is a registered management investment scheme domiciled in Australia. The Fund is listed on both the Australian Securities Exchange Limited (ASX) and the Singapore Exchange Limited (SGX). The investment objective of the Fund is to provide investors with regular quarterly income and the potential for long term capital growth. During the year, the Fund held investments in a portfolio of property related securities diversified by property sectors, geographic locations and fund managers.

## REVIEW OF OPERATIONS

### *Summary of business model*

The Fund is a listed fund which manages a portfolio of real estate securities investments with the objective of providing regular stable income and the potential for capital growth.

The Fund generates its revenue primarily by 'harvesting' the dividends and distributions received from the companies and trusts in its portfolio. Additional income is derived from interest earned on cash deposits. In the financial year ended 30 June 2016, dividends and distributions made up 99% of the Fund's total revenue, with the portfolio's top 5 investments contributing 61% of total revenue.

The Fund's costs of operation are relatively stable. During the financial year, the Fund's annual expenses were equivalent to 0.99% of average assets, which is 0.12% lower than last year. The Fund's main expense items are generally management fee, professional fee, listing fee, custodian fee, share registry fee and general expenses.

The above characteristics make for an efficient business model which benefits from economies of scale. The low proportion of variable costs implies that in general, profit will fluctuate according to the performance, and in particular the distributions of each of the underlying investments in the portfolio.

The Fund offers investors a professionally managed, diversified and traded exposure to the Australian and Singapore property markets. During the past three years, the Fund's has produced a compound annual return of 27.8% as measured by the movement in traded unit prices assuming distributions paid are reinvested. This return compares favourably with a return of 18.5% per annum from the total return of S&P/ASX 200 A-REIT Index, which includes distributions.

### *Investment process*

The investment team, led by the Chief Executive Officer and overseen by the non-executive Directors, is responsible for constructing and maintaining an appropriately diversified portfolio which generates stable income and the potential for long-term capital growth.

The investment process, which involves the monitoring and review of existing investments as well as analysing potential new investments, includes extensive research, site visits and industry conferences, as well as economic and sector analysis to help identify emerging trends and assist with the timing of transactions.

The structure of a listed fund is ideally suited to building a long-term portfolio, as the Fund does not experience investor redemptions which might otherwise force desirable long-term holdings to be sold. Instead, unitholders wishing to liquidate their holding in the Fund simply sell their shares on the securities market. This stability allows the Fund to take advantage of short-term market fluctuations in order to buy or add to long-term holdings when prices trade below the long-term valuations calculated by the investment team. The selling of investments is relatively rare and generally only occurs due to takeovers or when it is perceived that the long-term value of an investment is compromised by deteriorating industry conditions or other concerns.

### *Review of activities and events during the year*

The Fund's assets are invested in a mix of listed and unlisted property securities. The capital growth of the Fund's assets showed some extent of divergence from Australian equity market. Despite a weak month in June, when the UK voted to exit the European Union and the S&P/ASX 200 Index ended the financial year slightly higher by 0.56%, the total assets of the Fund grew by 4.9%.

Over the course of the year, the Fund's investment portfolio returned 8.9%\* and the Fund's unit price remained stable for the financial year, however the unit price still trading at a discount to net tangible asset backing per unit.

\*Fund's investment portfolio return is equal to total return of investment (distribution income + gain in fair value of investments) is divided by the value of the investment (total non-current assets).

## Directors' Report Continued

The major changes to the portfolio during the year are as follows:

Sales	No. of Units	Amount (\$)
Arena REIT	3,096,969	6,022,414
Australian Unity Office Property Fund	7,816,535	6,361,998
<b>Total</b>		<b>12,384,412</b>

Purchases	No. of Units	Amount (\$)
AIMS AMP Capital Industrial REIT*	70,664	101,545
MacarthurCook Office Property Trust	13,145	3,286
<b>Total</b>		<b>104,831</b>

\*AAREIT income distribution reinvestment

Overall the number of investments held in the portfolio decreased to 9 and the number of managers decreased to 5, with AIMS accounting for 72% of the portfolio by value of investment.

### REVIEW OF FINANCIAL POSITION AND PERFORMANCE

A number of key performance indicators are used by the Directors and management in their assessment of the Fund's performance, including profit, earnings per unit, distributions paid to unitholders, unitholders' equity, net tangible asset backing per unit, total portfolio return and control of management costs. The Directors are pleased these indicators were all assessed positively, indicating a very successful year.

The comprehensive gain attributable to unitholders for the year ended 30 June 2016 is \$6,939,000 (2015: unrealised gain of \$14,177,000). This result includes an unrealised gain on investments of \$1,913,000 (2015: gain of \$10,924,000). The Fund received an increase in distribution income from \$3.8 million to \$4.7 million during the year, a rise of 23%. The Fund again increased its distributions to unitholders from \$2.3 million to \$2.6 million during the year.

The Fund's financial position improved over the course of the year, with net assets increasing from \$88.2 million to \$92.2 million. The cash asset at year-end was \$14 million, representing 15% of the Fund's total assets. Cash on hand fluctuates throughout the year according to the timing of distributions received, distributions paid, and investment purchases or disposals.

The Fund's total assets were valued at \$93,117,000 as at 30 June 2016 (2015: \$88,762,000) in accordance with the accounting policies set out in Note 3 of the Financial Report. The net tangible asset value was 20.45 cents per ordinary unit (2015: 19.45 cents per unit). The net tangible asset calculation excludes the Deferred Units on issue.

The performance of the Fund is represented by the aggregation of the percentage capital growth and percentage distribution of income to Australian registered Unitholders and Singapore registered Unitholders respectively, in the following table:

	ASX listed Units		SGX listed Units	
	Year ended 30 June 2016 %	Year ended 30 June 2015 %	Year ended 30 June 2016 %	Year ended 30 June 2015 %
Distribution Return	4.81	4.80	4.48	4.44
Growth Return	0.00	18.18	-7.14	7.69
<b>Total Return</b>	<b>4.81</b>	<b>22.98</b>	<b>-2.66</b>	<b>12.13</b>

The distribution return is calculated on the basis of the gross distribution to Unitholders before deducting any withholding tax which may be applicable. The growth return relates to the movement between closing trade prices on the respective ASX and SGX at 30 June 2016 and the closing trade prices on 30 June 2015. The market price of the Fund's Units (as represented by the closing trade price) on the ASX at 30 June 2016 was \$0.13 (2015: \$0.13). The market price of the Fund's units on the SGX at 30 June 2016 was SGD\$0.13 (2015: SGD\$0.14).

Returns have been calculated after fees and assuming reinvestment of distributions within Australia, in accordance with IFSA Standard 6.00 Product Performance - calculation and presentation of returns. Reinvestment of distributions is not available to Singaporean Unitholders whose registered address with The Central Depository (Pte) Limited is outside Australia.

## **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Fund has cash available for additional long-term investment opportunities and other capital initiatives, and will continue to focus on producing results in accordance with its stated investment objective.

The results of the Fund's future investment activities will depend primarily on the performance of the unit price of, and the distributions received from, the entities in which the Fund has invested. The performance of those entities is influenced by many factors which are difficult to predict, including economic growth rates, inflation, interest rates, exchange rates, regulatory changes and taxation levels. There are also specific issues such as management competence, capital strength, industry trends and competitive behaviour.

Due to the above factors and general market and economic conditions which can change rapidly, the nature of the Fund's business makes it very difficult to forecast future performance. However, the Fund is conservatively managed and the diversification of the investment portfolio holdings will help to reduce overall risk and the volatility of the Fund's earnings and capital fluctuations.

The Fund will continue to focus on controlling costs whilst growing its unitholder funds. The constantly changing nature of markets and other investment conditions requires management and the Directors to diligently appraise any opportunities that may present themselves. The Fund does not envisage any significant changes to its business model aside from the recent changes discussed above.

The Fund will continue to be managed in accordance with the investment objectives and guidelines as outlined in the current product disclosure statement and in accordance with the provisions of the Fund Constitution.

## **DISTRIBUTIONS PAID OR RECOMMENDED**

In respect of the financial year ended 30 June 2016, a total distribution of 0.4026 Australian cents per unit was paid of which 0.1221 Australian cents per unit for September quarter, 0.1472 Australian cents per unit for December quarter and 0.1333 Australian cents per unit for March quarter, with an announced distribution for June quarter at 0.1829 Australian cents per unit.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than as noted in "Results and Review of Operations", there were no significant changes in the state of affairs of the Fund which occurred during the financial year ended 30 June 2016.

## **AFTER BALANCE DATE EVENTS**

On 20 July 2016, the unit consolidation announced and detailed in the letter sent to Unitholders on 4 July 2016 was completed. The Fund's units were consolidated on a 1 for 10 basis which resulted in the total ordinary units on issue decreasing from 450,906,537 to 45,091,007 with a corresponding increase in the unit price by ten times the pre-consolidation price.

Other than the above matter, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



# Directors' Report Continued

## **ENVIRONMENTAL ISSUES**

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

## **OTHER RELEVANT INFORMATION**

The following is a list of other relevant information required to be reported under the *Corporations Act 2001*:

- Fees paid to the Responsible Entity – refer to note 14 to the financial statements;
- Units held by the directors of the Responsible Entity – refer to note 14 to the financial statements;
- Units held by the Responsible Entity and Associates – refer to note 14 to the financial statements;

## **INDEMNIFYING OFFICERS OR AUDITOR**

Under the Fund's constitution, the Responsible Entity is indemnified out of the Fund's assets for any loss, damage expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial year for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Fund.

## **ROUNDING OF AMOUNTS**

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191, and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## **AUDITOR'S INDEPENDENCE**

The auditor's independence declaration is set out on page 23 and forms part of the directors' report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors of AIMS Fund Management Limited:



Mr George Wang  
Executive Chairman

Dated this 19<sup>th</sup> day of August 2016

# Auditor's Independence Declaration



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

To: the directors of AIMS Fund Management Limited, the responsible entity of AIMS Property Securities Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

KPMG

Peter Russell

Partner

Sydney

19 August 2016

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	2016 (\$'000s)	2015 (\$'000s)
Distribution income		4,671	3,799
Interest income		42	709
Change in fair value of investments		3,124	10,589
<b>Net investment income</b>		<b>7,837</b>	<b>15,097</b>
Responsible Entity fees	14	427	385
Administration expenses	5	471	535
<b>Total expenses</b>		<b>898</b>	<b>920</b>
<b>Net gain for the year before financial costs</b>		<b>6,939</b>	<b>14,177</b>
<b>Finance costs</b>			
Distributions to Unitholders	6	2,644	2,337
<b>Change in net assets attributable to Unitholders</b>	10	<b>4,295</b>	<b>11,840</b>

*The Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial statements*

# Statement of Financial Position

as at 30 June 2016

	Note	2016 (\$'000s)	2015 (\$'000s)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	14,005	760
Trade and other receivables	7	1,080	753
<b>Total current assets</b>		<b>15,085</b>	<b>1,513</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets held at fair value through profit or loss:			
Listed property securities	8	22,862	25,139
Unlisted property securities	8	35,170	42,110
Financial assets held at cost through profit or loss:			
Unlisted property securities - income units	8	20,000	20,000
<b>Total non-current assets</b>		<b>78,032</b>	<b>87,249</b>
<b>Total assets</b>		<b>93,117</b>	<b>88,762</b>
<b>CURRENT LIABILITIES</b>			
Financial liabilities held at amortised cost:			
Trade and other payables	9	925	520
<b>Total current liabilities</b>		<b>925</b>	<b>520</b>
<b>Total liabilities (excluding net assets attributable to Unitholders)</b>		<b>925</b>	<b>520</b>
<b>Net assets attributable to Unitholders</b>	10	<b>92,192</b>	<b>88,242</b>

*The Statement of Financial Position is to be read in conjunction with the notes to the financial statements*

## Statement of Changes in Equity

for the year ended 30 June 2016

*The Fund's net assets attributable to Unitholders are classified as a liability under AASB132 Financial Instruments: Presentation. As such the Fund has no equity, and no changes in equity have been presented for the current or comparative year.*

*The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements*

# Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 (\$'000s)	2015 (\$'000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Distributions received		4,237	3,291
Interest received		42	709
Other income received		-	321
Management fees paid		(439)	(352)
Other expenses paid		(447)	(609)
<b>Net cash inflows from operating activities</b>	4	<b>3,393</b>	<b>3,360</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from returns of capital		59	7,318
Proceeds from sale of investments		12,384	14,387
Acquisition of Investments		(3)	(40,788)
<b>Net cash flows (used in) investing activities</b>		<b>12,440</b>	<b>(19,083)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for unit buyback	10	(345)	(283)
Distributions paid		(2,243)	(1,991)
<b>Net cash flows (used in) financing activities</b>		<b>(2,588)</b>	<b>(2,274)</b>
Net increase / (decrease) in cash and cash equivalents		13,245	(17,997)
Cash and cash equivalents at beginning of the year		760	18,757
<b>Cash and cash equivalents at the end of the year</b>	4	<b>14,005</b>	<b>760</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements

# Notes to the Financial Statements

for the year ended 30 June 2016

## 1. GENERAL INFORMATION

These financial statements cover AIMS Property Securities Fund as an individual entity domiciled in Australia. The Fund is a registered Managed Investment Scheme under Corporations Act 2001 and is listed on both the ASX and SGX. The fund is a for-profit entity.

The financial statements were authorised for issue by the Board of Directors 19 August 2016.

The Fund is primarily involved in investments in a portfolio of property related securities diversified by property sector, geographic location and fund manager.

## 2. BASIS OF PREPARATION

### (A) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements also comply with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

### (B) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical cost with the exception of investments in property securities, which are measured at fair value.

### (C) Functional and presentation currency

The Financial Report is presented in Australian dollars, which is the Fund's functional currency.

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports)

instrument 2016/191, and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### (D) Use of estimates and judgements

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting of estimates made in determining the fair value of unlisted property securities are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements at the reporting date and have a significant risk of causing material adjustments to the financial statements in the next annual reporting period include estimate of fair values of property securities (see notes 8 and 12).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in the preparation of the financial statements.

### (A) Cash and cash equivalents

Cash and cash equivalents in the

statement of financial position consist of cash on hand, cash at bank and short-term deposits that are readily convertible into known amounts of cash. The Fund considers a short-term deposit to have a maturity of three months or less and be subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and at bank, short-term deposits (as outlined above) net of any bank overdrafts.

### (B) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Fund may not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the difference between the receivable carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment losses are recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised before it becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against doubtful debt expense in the profit or loss.

## **(C) Financial assets at fair value through profit or loss**

### **Classification**

The financial assets at fair value through profit or loss comprise financial instruments designated at fair value through profit or loss upon initial recognition. These financial assets include unlisted property securities that are not held for trading purposes, listed property securities which may be sold and term deposits.

The fair value through profit or loss classification is in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The fair value through profit or loss classification is available for the majority of the financial assets 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.

### **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 their part of the contract, or the contract is a derivative contract not exempted from the scope of AASB 139.

### **Measurement**

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

financial liability. Transaction costs on financial assets and financial liabilities classified at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or losses are measured at fair value with changes in their fair value recognised in the profit or loss. Financial assets, other than those classified at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

### **Fair value measurement principles**

The fair value of financial instruments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid price, whilst financial liabilities are priced at current asking price.

Investments in unlisted managed investment schemes are recorded at the exit price or the Net Tangible Asset (NTA) price as reported by the managers of such schemes as at the reporting date if the exit price is not available.

### **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 de-recognition in accordance with AASB 139. The Fund uses the weighted average method to determine realised gains and losses on de-recognition of financial assets not at fair value. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

## **(D) Financial assets held at cost**

Where the fair value of investments in unlisted property securities is not reliably measured, the investments are measured at cost less impairment. The impairment is measured as the difference between the carrying value and the estimate future cash flows discounted at the current market rate of similar assets. Impairment losses shall not be reversed.

## **E) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

## **(F) Income and expenses**

Income and expenses are brought to account on an accruals basis except where stated otherwise.

### *Distribution income*

For all listed and unlisted securities, distribution income is recognised at the date the securities are quoted ex-distribution.

### *Interest income and expense*

Interest income and expense are recognised in the profit or loss as they accrue, using the effective interest method.

### *Placement fee income*

Placement fee income is recognised when the Fund becomes unconditionally entitled to the fee.

**(G) Income tax and other taxes**

Income and expenses are brought to account on an accruals basis except where stated otherwise.

**(i) Income Taxes**

Under current income tax legislation the Fund is not liable to pay income tax provided that the taxable income and taxable realised gains are fully distributed to unitholders each year.

**(ii) Goods and Services Tax**

Management fees, custody 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 in the Statement of Financial Position 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, respectively in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows with the amount of GST included.

**(H) Distributions**

In accordance with the Fund's constitution and applicable taxation legislation, the Fund distributes its taxable income in full to the Unitholders who are presently entitled to the income. As the Fund fully distributes its taxable income, it is not subject to tax.

Financial assets 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 and 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.

Distributions to Unitholders are made net of any applicable withholding tax. Distributions to Singapore Unitholders are the Singapore dollar (SGD) equivalent of the Australian distribution, net of exchange and other transaction costs incurred in converting the distribution to SGD.

**(I) Performance fees**

The Fund accrues a Performance Fee where the Fund outperforms the S&P/ASX200 Property Trust Accumulation Index. The Responsible Entity waives such part of the Performance Fee as is necessary so that the Performance Fee payable in any year is capped at the lesser of \$2 million or 0.50% per annum of the Fund value for each financial year since the last Performance Fee was paid.

**(J) 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, is reflected in the profit or loss as a 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.

**(K) Accounting Standards and Interpretations issued but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been early applied in preparing these financial statements. Those which may be relevant to the Trust are set out below. The Fund does not plan to adopt these standards early.



# Notes to the Financial Statements Continued

Standard/Interpretation	Impact
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognized 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 gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Funds' accounting policies or the amounts recognized in the financial statements.

## L) Comparative

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the current financial year, where required.

## 4. CASH AND CASH EQUIVALENTS

	2016 (\$'000s)	2015 (\$'000s)
Cash at bank	14,005	760
	<b>14,005</b>	<b>760</b>

Reconciliation of cash flows from operating activities		
Net operating gain for the year	6,939	14,177
<i>Adjustments for:</i>		
Net unrealised (gain) on investments	(1,913)	(10,924)
Net realised (gain) / loss on investments	(1,209)	381
Investment distribution reinvested	(102)	(287)
Change in trade and other payables	5	(88)
Change in trade and other receivables	(327)	101
<b>Cash flows from operating activities</b>	<b>3,393</b>	<b>3,360</b>

## 5. ADMINISTRATION EXPENSES

	2016 (\$'000s)	2015 (\$'000s)
Professional fees	81	82
Legal fees	-	59
General expenses	194	174
Listing fees	91	84
Custodian fees	53	51
Share registry fees	41	48
Other expenses	11	13
Due Diligence Costs	-	24
	<b>471</b>	<b>535</b>

## 6. DISTRIBUTIONS PAID AND PAYABLE

	2016		2015	
	(\$'000s)	Cents per unit	(\$'000s)	Cents per unit
Sep 2015 distribution paid	553	0.1221	498	0.1088
Dec 2015 distribution paid	664	0.1472	600	0.1317
Mar 2016 distribution paid	602	0.1333	815	0.1791
June 2016 distribution payable	825	0.1829	424	0.0934
<b>Closing balance</b>	<b>2,644</b>		<b>2,337</b>	

## 7. TRADE AND OTHER RECEIVABLES

	2016 (\$'000s)	2015 (\$'000s)
Accrued income	1,066	734
GST receivable	14	19
	<b>1,080</b>	<b>753</b>

## 8. FINANCIAL ASSETS

	2016 (\$'000s)	2015 (\$'000s)
<b>(i) Financial assets at fair value</b>		
Listed property securities	22,862	25,139
Unlisted property securities <sup>1</sup>	35,170	42,110
<b>Total financial assets at fair value</b>	<b>58,032</b>	<b>67,249</b>
<b>Reconciliation</b>		
Carrying amount at the beginning of the year	67,249	52,399
Additions - cost	105	21,076
Revaluation to fair value	1,913	10,924
Disposals including returns of capital	(11,235)	(17,150)
	<b>58,032</b>	<b>67,249</b>
<b>(ii) Financial assets at cost</b>		
Unlisted property securities	20,000	20,000
<b>Total financial assets at fair value<sup>2</sup></b>	<b>20,000</b>	<b>20,000</b>
<b>Reconciliation</b>		
Carrying amount at the beginning of the year	20,000	-
Additions - cost	-	20,000
	<b>20,000</b>	<b>20,000</b>

<sup>1</sup> This includes \$35.17 million investments in closed end funds and open ended funds with no redemption window. The fair value of these unlisted property securities as at the end of the reporting periods are estimated based on the net tangible asset of the underlying funds whose underlying assets are measured at fair value or whose underlying assets' carrying value is approximate their fair value. This represents the best estimate of their fair value. The valuation of these investments will vary in line with the changes in the net tangible asset value of the underlying schemes. The liquidity of the investments is subject to the underlying schemes' performance and/or their ability to sell down assets.

## Notes to the Financial Statements Continued

<sup>2</sup> The amount represents investments in income units of related property funds. The units were issued at \$1 each and earn fixed distributions income of 6% p.a. As there is no market for the units and their fair value is not reliably measured using valuation techniques, the investments are measured at cost. The comparative has been reclassified to comply with the current year's disclosure.

The income units may be redeemed at \$1 per units adjusted for any unpaid distributions at any time by the underlying trustee, AIMS Fund Management Limited or at the request of the Fund subject to the trustee's discretion.

Investments in listed and unlisted property funds represent the Fund's investment in structured entities under AASB 12 Disclosure of Interests in Other Entities.

The maximum exposure to loss is limited to the fair value as at 30 June 2016. The fair value of the exposure will change throughout the period and in subsequent periods and will cease once the investments are disposed.

The investments of the funds are managed in accordance with the investment mandates with the respective underlying investment managers. The return of the Fund is exposed to the variability of the performance of the underlying investment assets. The underlying investment managers receive a management fee for undertaking the management of these investments. All underlying funds invest in industrial, retail and office properties.

The Fund has concluded that unlisted investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- Each fund's activities are restricted by its prospectus; and
- The funds have narrow and well-defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors	Investments in units issued by the funds

### 9. TRADE AND OTHER PAYABLES

	2016 (\$'000s)	2015 (\$'000s)
Accrued expenses	101	96
Distributions payable	824	424
<b>Total payables</b>	<b>925</b>	<b>520</b>

### 10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2016		2015	
	No. of Units (('000s)	\$ (('000s)	No. of Units (('000s)	\$ (('000s)
Opening balance	455,464	88,242	457,410	76,685
Change in net assets attributable to Unitholders	-	4,295	-	11,840
Unit buyback	(2,806)	(345)	(1,946)	(283)
<b>Closing balance</b>	<b>452,658</b>	<b>92,192</b>	<b>455,464</b>	<b>88,242</b>

All Ordinary Units in the Fund carry equal rights and each unit represents a right to the underlying assets of the Fund. Deferred Units in the Fund carry no right to participate in any distribution of the Fund. Deferred Units are converted to ordinary units on the terms set out in the Fund's constitution. At 30 June 2016: 1,752,605 (2015: 1,752,605) Deferred Units were on issue. These are included in the totals above.

## Capital risk management

The Responsible Entity manages the Fund's capital to ensure that it will be able to continue as a going concern with the primary objective being the protection of unitholder value.

## 11. OPERATING SEGMENTS

The Fund invests in a portfolio of property related securities diversified by property sectors, geographic locations and fund managers. Revenue, profit, net assets and other financial information reported to and monitored by the Fund Manager of the Responsible Entity for the single identified operating segment are the amounts reflected in the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

The Responsible Entity, which operates and is domiciled in Australia, is responsible of assessing performance and determining the allocation of resources.

## 12. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

		Fair Value ('000s)		
		Level 1	Level 2	Level 3
<b>30 June 2016</b>				
<b>Financial assets measured at fair value</b>				
Listed property securities		22,862	-	-
Unlisted property securities		-	-	35,170
		<b>22,862</b>	<b>-</b>	<b>35,170</b>
		Fair Value ('000s)		
		Level 1	Level 2	Level 3
<b>30 June 2015</b>				
<b>Financial assets measured at fair value</b>				
Listed property securities		25,139	-	-
Unlisted property securities		-	-	42,110
		<b>25,139</b>	<b>-</b>	<b>42,110</b>

The different levels have been defined as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 1 and 3 fair values, as well as the significant unobservable inputs used.

## Notes to the Financial Statements Continued

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Listed property securities – Level 1	Market price: Quoted market bid prices at the reporting date	Not applicable	Not applicable
Unlisted property securities – Level 3	<ul style="list-style-type: none"> <li>Net Tangible Asset: Investments in unlisted managed investment schemes are recorded at the Net Tangible Asset (NTA) price as reported by the managers of such schemes at the reporting date</li> <li>Exit unit price provided by the fund managers</li> </ul>	<ul style="list-style-type: none"> <li>As the underlying funds are unlisted and frozen for redemptions, it is uncertain that the investments can be realised at NTA</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase/(decrease) if the NTA of the underlying funds increases/(decreases)</li> </ul>

### Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2016 \$('000s)	2015 \$('000s)
<b>Level 3 Reconciliation</b>		
Balance at 1 July 2015	42,110	31,170
Change in fair value - unrealised	(478)	5,805
Change in fair value - realised	(44)	(382)
Acquisitions	3	20,302
Disposals including returns of capital	(6,421)	(14,785)
Balance at 30 June 2016	<b>35,170</b>	<b>42,110</b>

### Sensitivity analysis

For the fair values of investments in closed end funds and open ended funds with no redemption window (see note 8), reasonably possible changes to the NTA, holding other inputs constant, would have the following effects.

	2016 \$('000s)	2015 \$('000s)
<b>Impact on profit or (loss)</b>		
+10.00% (1,000 basis points) of the NTA	3,571	4,211
- 10.00% (1,000 basis points) of the NTA	(3,571)	(4,211)

## 13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Overview

The Fund's principal financial instruments are comprised of listed and unlisted property securities, receivables, payables, and cash. The Fund has exposure to the following risks from its use of financial instruments: Credit risk

- Credit risk
- Liquidity risk
- Market risk

### Financial risk and risk management network

The board of directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management network. The Fund's risk management policies, including those related to its investment activities is developed and monitored by an Audit and Risk Committee.

In addition to the policies adopted by the Audit and Risk Committee, the Responsible Entity has in place compliance plan which outlines the processes that will ensure both Fund and Responsible Entity comply with the requirements of the Australian Securities and Investment Commission (ASIC).

### Credit risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk arises from the financial assets of the Fund, which comprise cash and cash equivalents and trade and other receivables. The Fund's exposure to credit risk arises from potential default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

### Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following is the contractual maturity of financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

30 June 2016	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	5 years and more \$'000
Accounts payable	925	925	925	-	-
<b>Total</b>	<b>925</b>	<b>925</b>	<b>925</b>	<b>-</b>	<b>-</b>

30 June 2015	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	5 years and more \$'000
Accounts payable	520	520	520	-	-
<b>Total</b>	<b>520</b>	<b>520</b>	<b>520</b>	<b>-</b>	<b>-</b>

### Market risk

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

#### Price risk

The Company's exposure to price risk relates primarily to the Company's other financial assets as disclosed in note 8. A change of 10% basis points price at the reporting date would be increased (decreased) equity and profit or loss by the amounts below. This sensitivity analysis assumes that all other variables remain constant.

	2016 (\$'000s)	2015 (\$'000s)
<b>Impact on profit or (loss)</b>		
+10.00% (1,000 basis points)	5,803	6,725
-10.00% (1,000 basis points)	(5,803)	(6,725)

#### Interest rate risk

The Fund's exposure to market interest rates relates primarily to the Fund's cash and cash equivalents and term deposits investments. A change of 100 basis points in interest rates at the reporting date would be increased (decreased) equity and profit or loss by the amounts below. This cash flow sensitivity analysis assumes that all other variables remain constant.

	2016 (\$'000s)	2015 (\$'000s)
<b>Impact on profit or (loss)</b>		
+1.00% (100 basis points)	140	8
-1.00% (100 basis points)	(140)	(8)

# Notes to the Financial Statements Continued

## 14. RELATED PARTIES

### Key management personnel compensation and unitholdings

The fund deems the following Directors and Executives to be key management personnel of the responsible entity:

George Wang	- Managing Director
Richard Nott	- Non-executive Independent Director
John Love	- Non-executive Independent Director
Michael Goldman	- Fund Manager
Alan Wong	- Company Secretary
Moni An	- Company Secretary

As at the reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

Director	2016 No. of units (‘000s)	2015 No. of units (‘000s)
Richard Nott	1,100	3,100
John Love	3,100	3,100
George Wang*	140,697	140,697

\* George Wang holds the units indirectly through AIMS Capital Management Limited as detailed in page 42.

### Responsible Entity Fees and other transactions

	2016 \$	2015 \$
Management fee expense	427,364	385,050
Fund expenses reimbursed to the Responsible Entity	193,645	174,474

Total accrued Responsible Entity fees included in trade and other payables as at 30 June 2016 is \$52,598 (2015: \$47,518).

### Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time, the Responsible Entity or its director-related entities may buy or sell units in the Fund. 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 AIMS Financial Group.

### Related party investments held by the Fund

The Fund may purchase and sell units in other approved funds managed by the Responsible Entity in the ordinary course of business at application and redemption prices calculated in accordance with the constitution of those Funds. The Fund meets the typical characteristics of an investment entity. Details of the Fund’s investments in other funds operated by the Responsible Entity are set out below.

Entity	2016			2015		
	No. of units (‘000)	% of units on issue	Distribution received /receivables (\$)	No. of units (‘000)	% of units on issue	Distribution received /receivables (\$)
MacarthurCook Office Property Trust (Wholesale units)	10,781	36.85	-	10,768	36.81	-
AIMS AMP Capital Industrial REIT Management Ltd	4,148	0.65	429,527	4,077	0.64	395,006
AIMS Property Fund (St. Kilda Road)	40,672	90.24	547,773	40,672	90.24	452,609
AIMS Australia Property Investment Fund	13,981	89.93	601,644	13,981	89.93	228,493
AIMS Property Fund (Laverton)	16,775	100	1,000,289	16,775	100	-

### Units in the Fund held by related parties

Details of holdings in the Fund by the Responsible Entity, other funds operated by the Responsible Entity and other related parties are set out below:

Entity	Relationship	2016			2015		
		No. of units ('000)	% of units on issue	Distribution paid /payables (\$)	No. of units ('000)	% of units on issue	Distribution paid /payables (\$)
MacarthurCook Office Property Trust	Other related party	26,612	5.90	150,071	24,896	5.49	118,222
AIMS Capital Management Limited	Other related party	140,697	31.20	823,778	140,697	31.01	717,857

At 30 June 2016, the Responsible Entity also held 1,752,605 Deferred Units (2015: 1,752,605) issued at \$0.00001 per unit. A Deferred Unit carries no voting rights and no right to participate in any distribution from the Fund until it converts into an Ordinary Unit. The Deferred Units will only convert into Ordinary Units on the terms set out in the Fund's Constitution. Performance fees are paid to the Responsible Entity by converting a number of Deferred Units into Ordinary Units. Performance fees policy is detailed in Note 3(I).

### 15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES AND ASSETS

The directors of the Responsible Entity are not aware of any other potential liabilities, claims, contingent assets or capital commitments against the Fund as at balance date.

### 16. SUBSEQUENT EVENTS

Units on issue in the Fund will be consolidated on a 1 for 10 basis (Consolidation). The Consolidation will result in a reduction in the number of ordinary units on issue from 450,906,537 to approximately 45,091,007 subject to adjustment for fractional entitlements.

Other than the above matter, there have not been any other events of a material and unusual nature likely in the opinion of the Responsible Entity, to significantly affect the operations of the Fund, the results of the operations, or the state of affairs of the Fund, in future financial years.

### 17. AUDITORS' REMUNERATION

	2016 \$	2015 \$
<b>Audit services</b>		
Auditors of the Fund - KPMG		
Audit and review of the financial reports	50,900	50,900
Other regulatory audit services	6,600	6,600
<b>Total</b>	<b>57,500</b>	<b>57,500</b>
<b>Other services:</b>		
Auditors of the Fund - KPMG		
Taxation services	13,535	13,535
<b>Total</b>	<b>13,535</b>	<b>13,535</b>



# Director's Declaration

for the year ended 30 June 2016

The directors of the Responsible Entity for AIMS Property Securities Fund ("the Fund") declare that:

- (a) The financial report as set out in pages 24 to 37 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 2016 and of its performance, for the financial year ended on that date;
  - (ii) In compliance with International Financial Reporting Standards as stated in note 2 to the financial statements; and
  - (iii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) The directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.
- (c) As at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the *Corporations Act 2001*:

Signed in accordance with a resolution of directors of the Responsible Entity.



**Mr George Wang**  
Executive Chairman

**AIMS Fund Management Limited**  
Sydney  
Dated this 19<sup>th</sup> day of August 2016

# Independent auditor's report



## **Independent auditor's report to the unitholders of AIMS Property Securities Fund Report on the financial report**

We have audited the accompanying financial report of AIMS Property Securities Fund (the Fund), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of AIMS Fund Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(A), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

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

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

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

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



*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of AIMS Property Securities Fund is in accordance with the *Corporations Act 2001*, including:


- (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(A).

*Emphasis of matter*

Material uncertainty regarding the estimation of the fair value of investments:

Without modification to our audit opinion, we draw attention to note 8 of the financial statements. The amount of \$35.17 million as at 30 June 2016 represents the best estimate of the fair value of investments in closed end funds and open ended funds with no redemption windows. The valuation of these investments will vary in line with the changes in the net tangible asset value of the underlying schemes. The liquidity of the investments is subject to the underlying schemes' performance and/or their ability to sell down assets. As such, although the directors of the AIMS Fund Management Limited, the Responsible Entity of the Fund, consider this amount to represent the best estimate of fair value as at 30 June 2016, it should be noted that uncertainty exists as to the timing of the cash flows and whether the full amount of the investments will be realised.

  
KPMG  
Peter Russell  
Partner

19 August 2016

# Stock Exchange Information

for the year ended 30 June 2016

## STATEMENT OF QUOTED SECURITIES AS AT 30 JUNE 2016

- There are 1,362 unitholders holding a total 450,906,537 ordinary units
- The 20 largest unitholders between them hold 76.58% of the total units on issue

## DISTRIBUTION OF QUOTED UNITS AS AT 30 JUNE 2016

Distribution of Unitholders Category (size of holding)	Number of Unitholders
1 - 1,000	85
1,001 – 5,000	164
5,001 – 10,000	196
10,001 – 100,000	691
100,001 and over	226
<b>Total</b>	<b>1,362</b>

## SUBSTANTIAL UNITHOLDINGS AS AT 30 JUNE 2016

The names of the Fund's substantial unitholders pursuant to the provisions of section 671B of the *Corporations Act 2001* are as follows:

Entity	Unitholdings
AIMS Capital Management Limited	140,696,555

## DIRECTORS' UNITHOLDINGS

As at 30 June 2016 directors of the Fund held a relevant interest in the following securities on issue by the Fund.

Director	No. of units ('000)
Richard Nott	1,100
John Love	3,100
George Wang *	140,697

\* George Wang holds the units indirectly through AIMS Capital Management Limited as detailed on page 42.

## RESTRICTED SECURITIES

There are no restricted securities on issue by the Fund

## Stock Exchange Information Continued

### TOP 20 UNITHOLDERS

Rank	Name	Units	% of Units
1.	AIMS CAPITAL MANAGEMENT LIMITED	140,696,555	31.20
2.	The CENTRAL DEPOSITORY (PTE) LIMITED	53,517,518	11.87
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	37,610,748	8.34
4.	PERPETUAL TRUSTEE COMPANY LIMITED <MCK OFFICE PROPERTY A/C>	22,633,353	5.02
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,750,262	3.27
6.	MR MICHIEL GEERDINK	11,803,343	2.62
7.	MR SIMON ROBERT EVANS + MRS KATHRYN MARGARET EVANS <KAMIYA-CHO SUPER FUND A/C>	7,750,000	1.72
8.	MR WARWICK SAUER	7,339,506	1.63
9.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	6,613,395	1.47
10.	NOONBAH PTY LTD <NOONBAH S/F A/C>	6,200,000	1.38
11.	NATIONAL NOMINEES LIMITED	5,900,523	1.31
12.	BT PORTFOLIO SERVICES LIMITED <MRS MEREDYTH SAUER APP A/C>	5,750,000	1.28
13.	MR RODNEY PRYOR	4,750,000	1.05
14.	PERPETUAL TRUSTEE COMPANY LTD <MCKOPT A/C>	3,978,554	0.88
15.	MS JIANFEI YU	3,745,786	0.83
16.	BT PORTFOLIO SERVICES LIMITED <DR TREVOR SAUER APP A/C>	3,650,000	0.81
17.	MR JOHN ROBERT LOVE	3,100,000	0.69
18.	MR GREGORY HUGH HALLIDAY + MR SIMON ROBERT EVANS + MR THOMAS VERNON FURNER <RED OCTOBER SUPER FUND A/C>	2,000,000	0.44
19.	MR DARRELL HUNTER RANDALL	1,958,167	0.43
20.	MR KEVIN LEONARD CRYAN	1,564,523	0.35
<b>Totals: Top 20 holders of FULLY PAID ORDINARY UNITS (TOTAL)</b>		<b>345,312,233</b>	<b>76.58</b>

### TRANSACTIONS

The total number of transactions in securities during the reporting year was 11.

### MANAGEMENT AGREEMENT

Management fees payable to the Responsible Entity are stipulated in the Fund's constitution and are disclosed in Note 14 of the financial report. As at the date of the report, no management agreement is required between the Fund and the Responsible Entity.

# Corporate Directory

The Fund's units are quoted on the official list of the Australian Securities Exchange Limited (ASX) and the Singapore Exchange Limited (SGX). The ASX code is APW and the SGX counter name is AIMS Property.

## **AIMS Property Securities Fund**

(ABN 79 004 956 558)  
Level 41, Suncorp Place  
259 George Street  
Sydney NSW 2000

Telephone                      Facsimile  
+61 2 9217 2727              +61 2 9281 7611  
Email  
trust@aims.com.au  
Website: www.aimsfunds.com.au

## **Responsible Entity**

AIMS Fund Management Limited  
(ABN 79 004 956 558) (AFSL 258 052)

Level 41, Suncorp Place  
259 George Street  
Sydney NSW 2000

Telephone                      Facsimile  
+61 2 9217 2727              +61 2 9226 0111  
Email  
trust@aims.com.au  
Website: www.aimsfunds.com.au

## **Australia Unit Register managed by**

Computershare Investors Services Pty Limited  
Yarra Falls 452 Johnston Street  
Abbotsford VIC 3067

Telephone  
+61 3 9415 4349  
Website: www-au.computershare.com

## **Auditors**

KPMG  
10 Shelley Street  
Sydney NSW 2000 Australia

Telephone                      Facsimile  
+61 3 9288 5555              +61 3 9288 6666  
Website: www.kpmg.com.au

## **Singapore Unit Register managed by**

Boardroom Corporate & Advisory Services Pte.  
Ltd. 3 Church Street #09-01 Samsung Hub  
Singapore 049483

Telephone                      Facsimile  
+65 6536 5355              +65 6536 1360  
Website: www.boardroomlimited.com



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20 Gul Way, Singapore



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3 James Street and 78-118  
Cherry Lane Laverton VIC 3028



## AIMS Fund Management Limited

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