



AIMS

AIMS Funds Management
A Member of AIMS Financial Group

AIMS PROPERTY SECURITIES FUND

ASX Code: APW SGX Code: BVP

Annual Report 2018





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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 wide 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: BVP).

Financial Results Summary

Financial results summary for the year ended 30 June 2018

Income Statement		\$Million
Year to 30 June 2018		
Distribution and Interest Income		2.92
Net Gains On Financial Assets Held At Fair Value Through Profit Or Loss		12.04
Total Expenses		(0.94)
Net Profit For The Year Before Finance Costs		14.02
Finance Costs		1.28
Change In Net Assets Attributable To Unitholders		12.74
Balance Sheet		\$Million
30 June 2018		
Total Assets		106.13
Net Assets		105.83
Summary Statistics		
Year to 30 June 2018		
Ordinary Units On Issue (Million)		44.61
Earning Per Unit: (Cents)		28.56
Distribution Per Unit (Cents)		2.8652
NTA Per Unit		\$2.37
Unit Price (Last Trade Price)		A\$1.58 S\$1.66

Chairman's Report

Overview

It has been 10 years since the Global Financial Crisis (GFC), which triggered one of the greatest financial downturns in recent history. A sudden and large drop in commercial real estate, followed the breakdown of global financial systems and since that time, the commercial real estate market, has made a steady and strong recovery. Currently, we find ourselves in challenging times, with value in the real estate sector being difficult to come by. Most assets are overvalued and sellers come to market with unrealistic expectations of price, which are surprisingly being met by local and foreign buyers.

We believe the real estate cycle is at a high point, with many factors looking to tip it over the edge. The trade war between America and China is one example of global influence that may trigger a downturn in the commercial real estate sector. Furthermore, the Royal Commission has put a lot of pressure on local banks to tighten lending policy and focus only on high quality loans. The regulators have also increased the lender's requirements for capital reserves putting additional strain on their lending requirements. Our Fund is an excellent position to take advantage of the opportunities that will arise, once these several pressures eventuate into reduced prices in the commercial real estate market.

Prudential Investment Management

Learning from our experience in the GFC, AIMS has carefully followed its prudent, conservative and patient investment approach, focusing not only on income but also capital growth potential. We have adhered to the following principles in our investment strategy:

1. Power as investor. Where possible, hold material or majority interest in unlisted investments, such that the Fund is able to influence the strategy and direction of the investment.
2. Alignment of investor and fund manager's interest. Invest in funds where the fund manager holds a material interest in the fund to ensure that the fund manager's interests are aligned with our unitholders.
3. Sufficient liquidity for listed investments. There must be acceptable liquidity if the investment is listed.
4. Investment direction. Underlying assets must typically be in good locations, with value add or long-term development potential. The assets should ideally produce an income stream, to service conservative borrowings and have potential for rental increases through active management.
5. Conservative gearing. Maintained zero gearing since 2013 and also monitor the underlying investments' debt facilities, so as to sustain a conservative look-through gearing level.

Performance Highlights

- Over the past financial year, Net Asset Value (NAV) has increased from \$93.1 million to \$105.8 million and Net Tangible Assets (NTA) have grown from \$2.09 to \$2.37 per unit, an increase of 13.4%.
- Since June 2013, the fund has maintained a debt free position, keeping in line with our conservative investment strategy highlighted above.
- Since June 2013, NTA has grown from \$1.17 to \$2.37, representing an increase of 103.3%.
- Since June 2013, share price has risen from \$0.67 to \$1.58 in June 2018, representing an increase of 137%.
- Over the past 5 years (Jun-13 – Jun-18), the Fund's compound total return p.a. has been a spectacular 22.1%. This has significantly outperformed the S&P/ASX 200 A-REIT's compound total return index p.a., which only achieved 12.0% for the same period.

Management and Staff

I would like to take this opportunity to thank the Board, our senior management team and all the staff, for their commitment and contribution over the past financial year, which has enabled the Fund to deliver an outstanding result.

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 and continue to show their commitment to this Fund.

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 to delivering the best outcomes for all unitholders.

Yours faithfully,



George Wang
Executive Chairman
AIMS Fund Management Limited

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 nearly 30 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 five 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 (formerly known as Asia Pacific Stock Exchange)



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 five years has acted as a non-executive director of the following entities:

- Prime Insurance Group
- RHG Limited



Mr John Love

Non-Executive Independent Director

John is currently a non-Executive Director. He was the former Chairman of Mortgage Guaranty Insurance Corporation Australia and former Chairman and a member of the Audit, Governance and Risk Management Committee for The Australian Wine Society Cooperative Limited. 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 Practicing 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 five years he 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 managed investment scheme whose units are traded on the Australian Securities Exchange (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 (“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 2018 financial 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 three 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.

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.

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 1 11 442 150)

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Directors' Report

for the year ended 30 June 2018

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 2018.

The Responsible Entity's registered office and principal place of business is Level 41, 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 nearly 30 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.

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

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- 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.

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Directors' Report Continued

Mr John Love

BCom, MBA, MIRM, CPA

Non-Executive Independent Director

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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.

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

COMPANY SECRETARIES

Claud Chaaya (Appointed on 7 August 2017)

Claud is currently the director of property funds management at AIMS Financial Group. The business unit has over AU \$2 billion in assets under management.

With over 10 years' experience in the real estate sector, he has worked in funds management, equity raisings, research, project management and transactions in both domestic and offshore capital markets. He has been involved in real estate transactions totalling over AU \$1 billion, covering both multi-sector and multi-risk portfolios.

He has helped raise over half a billion dollars in equity from offshore and domestic capital, including the Australian Federal Government. He has also aided in the establishment of proprietary risk management software for real estate, a first of its kind in the industry.

His qualifications include a double degree in Law and Commerce, majoring in Finance, with qualifying subjects in Actuarial Studies and Computer Science. He has taught as a lecturer at the University of Technology Sydney (UTS) and is occasionally invited as a guest lecturer at the Universities of Sydney and New South Wales, given his specialist knowledge in real estate financial modelling and legal real estate structuring.

Jim Stewart (Appointed on 24 May 2017, Resigned on 7 August 2017)

Jim currently holds the position of Managing Director, Investment Funds for AIMS Financial Group and has significant experience in Funds Management, Corporate Management and Company Secretary duties.

Jim has held a number of Directorships and Company Secretary positions for both listed and private companies over the last 25 years, and has experience in many countries and jurisdictions. He has managed Investment Funds, Corporate Groups, Wealth Funds and Government Enterprises, and has a background in audit, corporate finance and investment management

PRINCIPAL ACTIVITIES

The Fund is a registered managed investment scheme domiciled in Australia. The Fund is listed on both the Australian Securities Exchange (ASX) and the Singapore Exchange (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 2018, dividends and distributions made up 18.4% of the Fund's total revenue (2017: 65%). The variance in distribution income from 2017 to 2018 is only \$3,714,000 million vs \$2,753,000, respectively. The make-up when compared to overall revenue is vastly different between both years, due to the large net gains on financial assets held at value, which rose significantly in 2018 from \$1,832,000 (2017) to \$12,037,000.

The Fund's costs of operation have fallen by 20% in this financial year, given that the Responsible Entity no longer receives a funds management fee (from 1 December 2016). During the financial year, the Fund's annual expenses were equivalent to 0.88% of total assets, which is significantly lower than last year's value of 1.25%. The Fund's main expense items are generally rent and employee expenses, professional fees, listing fee, custodian fee, share registry fee and general expenses.

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 five years, the Fund has produced a compound annual total return of 22.10% as measured by the movement in traded unit prices assuming distributions paid are reinvested. This return compares favourably with a return of 12.01% per annum from the total return of S&P/ASX 200 A-REIT Index, which includes the reinvestment of 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 stock exchanges. 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. Over the past financial year, the Fund's total return compared to the S&P/ASX 200 Total Return Index was lower being 7.59% vs 13.04% (5.45% under-performance). This is mainly due to the discount on the Fund, as can be seen from below, the Net Assets Attributable To Unitholders grew by 13.63%, which is marginally higher than the total return of the S&P/ASX 200 Total Return Index.

Over the course of the financial year, the Fund's investment portfolio returned 14.76%* and the Fund's market unit price increased by 4.65% for the financial year, however the market unit price is 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	2,164,364	4,802,000
Blackwall Property Trust	5,847,669	7,561,000
Total		12,363,000

Purchases	No. of Units	Amount (\$)
AIMS Real Estate Opportunity Fund	19,000,000	19,000,000
Total		19,000,000

Overall the number of investments held in the portfolio remained the same at 10 (2017: 10) and the number of managers remained the same at 7 (2017: 7).

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 2018 is \$14,020,000 (2017: \$4,541,000). This result includes an unrealised gain on investments of \$12,037,000 (2017: unrealised gain of \$1,832,000). The Fund's distribution income decreased from \$3,714,000 to \$2,753,000 during the year, a drop of 25.88%. The Fund decreased its distributions to unitholders from \$2,946,000 to \$1,279,000 during the year.

The Fund's financial position improved over the course of the year, with net assets increasing from \$93,137,000 to \$105,828,000. The cash asset at year-end was \$4,822,000, representing 4.54% 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 \$106,129,000 as at 30 June 2018 (2017: \$93,910,000) in accordance with the accounting policies set out in Note 3 of the Financial Report. The net tangible asset value was \$2.37 per ordinary unit (2017: \$2.09 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 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	%	%	%	%
Distribution Return	2.59	5.33	1.77	5.43
Growth Return	5.00	15.38	6.41	20.00
Total Return	7.59	20.71	8.18	25.43

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 2018 and the closing trade prices on 30 June 2017. The market price of the Fund's Units (as represented by the closing trade price) on the ASX at 30 June 2018 was AUD\$1.58 (2017: AUD\$1.50). The market price of the Fund's units on the SGX at 30 June 2018 was SGD\$1.66 (2017: SGD\$1.56).

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. It 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.

The Fund is conservatively managed and the diversification of the investment portfolio holdings helps 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.

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

	\$'000 2018	Cents per unit 2018	\$'000 2017	Cents per unit 2017
Sep quarter distribution paid	523	1.1707	965	2.1443
Dec quarter distribution paid	220	0.4926	657	1.4660
Mar quarter distribution paid	357	0.8001	652	1.4622
Jun quarter distribution payable	179	0.4018	672	1.5059
	1,279	2.8652	2,946	6.5784

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 2018.

AFTER BALANCE DATE EVENTS

Other than the events mentioned in Note 18 of the Financial Report, 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.

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 16 to the financial statements;
- Units held by the directors of the Responsible Entity – refer to note 16 to the financial statements;
- Units held by the Responsible Entity and Associates – refer to note 16 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.

Total fee paid and expenses reimbursed to the Responsible Entity is \$604,497 (2017: \$615,425). 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.

Non-audit services paid to the auditor, amounted to \$13,535 (2017: \$13,535). These figures were approved by the Audit Risk & Compliance Committee.

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 17 and forms part of the directors' report for the financial year ended 30 June 2018.

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



George Wang
Executive Chairman

21st day of September 2018

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 of AIMS Property
Securities Fund for the financial year ended 30 June 2018 there have been:

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

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Peter Zabaks'.

Peter Zabaks

Partner

Sydney

21 September 2018

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	2018 (\$'000s)	2017 (\$'000s)
Distribution income		2,753	3,714
Interest income	13	166	172
Net gains on financial assets held at fair value through profit or loss		12,037	1,832
Net investment income	13	14,956	5,718
Responsible Entity fees	16	-	181
Administration expenses	6	936	996
Total expenses		936	1,177
Net gain for the year before financial costs		14,020	4,541
Finance costs			
Distributions to Unitholders	7	1,279	2,946
Other comprehensive income			
Other comprehensive income for the year		-	-
Change in net assets attributable to Unitholders	12	12,741	1,595

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 2018

	Note	2018 (\$'000s)	2017 (\$'000s)
CURRENT ASSETS			
Cash and cash equivalents	8	4,822	1,649
Trade and other receivables	9	1,122	1,641
Financial assets held at fair value through profit or loss	10	-	11,000
Total current assets		5,944	14,290
NON-CURRENT ASSETS			
Financial assets held at fair value through profit or loss:			
Listed property securities	10	12,081	24,277
Unlisted property securities	10	86,104	55,343
Other financial assets:			
Loan to Felix St Fund	16	2,000	-
Total non-current assets		100,185	79,620
Total assets		106,129	93,910
CURRENT LIABILITIES			
Financial liabilities held at amortised cost:			
Trade and other payables	11	301	773
Total current liabilities		301	773
Non-current Liabilities		-	-
Total liabilities (excluding net assets attributable to Unitholders)		301	773
Net assets attributable to Unitholders	12	105,828	93,137

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 2018

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 2018

	Note	2018 (\$'000s)	2017 (\$'000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Distributions received		3,272	3,144
Interest received		166	172
Management fees paid		-	(217)
Other expenses paid		(915)	(959)
Net cash inflows from operating activities	8	2,523	2,140
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from returns of capital		109	66
Proceeds from matured term deposit		11,000	-
Proceeds from sale of investments		12,363	515
Acquisition of Investments		(19,000)	(11,329)
Net cash flows (used in) / from investing activities		4,472	(10,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for unit buyback	12	(50)	(650)
Payments for loan to Felix St Fund		(2,000)	-
Distributions paid		(1,772)	(3,098)
Net cash flows (used in) financing activities		(3,822)	(3,748)
Net (decrease) / increase in cash and cash equivalents		3,173	(12,356)
Cash and cash equivalents at beginning of the year		1,649	14,005
Cash and cash equivalents at the end of the year	8	4,822	1,649

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 2018

1. GENERAL INFORMATION

These financial statements cover AIMS Property Securities Fund (“the Fund”) as an individual entity domiciled in Australia. The address of the Fund’s registered office is at Level 41, 259 George Street, Sydney, NSW 2000. 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 Responsible Entity of the Fund is AIMS Fund Management Limited.

The annual financial report for the year ended 30 June 2018 was authorised for issue by the Directors of the Responsible Entity on 21 September 2018.

The Fund invests in a portfolio of property related securities diversified by property sectors, geographic locations and fund managers.

2. BASIS OF PREPARATION

(A) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian 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.

3. 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.

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 estimates of fair value for unlisted property securities (see notes 10 and 14).

5. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies have been applied consistently to all periods presented in these financial statements, except where otherwise stated.

A number of significant accounting policies are presented below. Other significant accounting policies are contained in the notes to the financial statements to which they relate.

(A) 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 is recognised in the profit or loss as it accrues, using the effective interest method.

(B) Income tax and other taxes

(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.

(C) Investment entities

The Fund has determined that it is an investment entity under the definition in AASB 10 Consolidated Financial Statements as it meets the following criteria:

- (a) The Fund has obtained funds for the purpose of providing unitholders with investment management services;
- (b) The Fund’s business purpose, which are communicated directly to unitholders, is investing solely for returns from capital appreciation and investment income; and
- (c) The performance of investments made through the Fund are measured and evaluated on a fair value basis.

As a result, the Fund accounts for its investments in investees on a fair value basis.

(D) 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 2018 and have not been applied early in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund did not adopt these standards early.

Notes to the Financial Statements Continued

Standard/Interpretation	Impact
AASB 9 <i>Financial Instruments</i>	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 9 is applicable to the Fund from 1 July 2018. AASB 9 does not have a material impact on the Fund's Financial statements as it measures its investments at fair value through profit or loss.
AASB 15 Revenue from Contracts with Customers	<p>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 recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. AASB 15 is applicable to the Fund from 1 July 2018.</p> <p>The Fund's main sources of revenue are interest, distribution income and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, AASB15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.</p>

6. ADMINISTRATION EXPENSES

	2018 (\$'000s)	2017 (\$'000s)
Professional fees	128	303
Admin fee (paid up to 30 November 2016) (note 16)	-	82
Rent, Admin and employee expenses reimbursement (note 16)	605	352
Listing fees	95	101
Custodian fees	48	60
Share registry fees	37	70
Other expenses	23	28
	936	996

7. DISTRIBUTIONS PAID AND PAYABLE

	2018		2017	
	(\$'000s)	Cents per unit	(\$'000s)	Cents per unit
Sep quarter distribution paid	523	1.1707	965	2.1443
Dec quarter distribution paid	220	0.4926	657	1.4660
Mar quarter distribution paid	357	0.8001	652	1.4622
Jun quarter distribution payable	179	0.4018	672	1.5059
	1,279	2.8652	2,946	6.5784

*Previous year figure is adjusted due to the unit consolidation.

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.

8. CASH AND CASH EQUIVALENTS

	2018 (\$'000s)	2017 (\$'000s)
Cash at bank	4,822	1,649
	4,822	1,649
Reconciliation of cash flows from operating activities		
Profit for the year before finance costs	14,020	4,541
<i>Adjustments for:</i>		
Net unrealised gain on investments	(12,147)	(1,828)
Net realised loss/(gain) on investments	110	(12)
Change in trade and other payables	21	-
Change in trade and other receivables	519	(561)
Cash flows from operating activities	2,523	2,140

Cash and cash equivalents in the statement of financial position consist of 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 at bank.

9. TRADE AND OTHER RECEIVABLES

	2018 (\$'000s)	2017 (\$'000s)
Accrued income	1,118	1,637
GST receivable	4	4
	1,122	1,641

Recognition and measurement

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.

Notes to the Financial Statements Continued

10. FINANCIAL ASSETS

	2018 (\$'000s)	2017 (\$'000s)
(i) Financial assets at fair value		
Term Deposits	-	11,000
Listed property securities	12,081	24,277
Unlisted property securities ⁽¹⁾	86,104	55,343
Total financial assets at fair value	98,185	90,620
Reconciliation		
Carrying amount at the beginning of the year	90,620	58,032
Additions - cost	19,000	11,329
The conversion of financial assets at cost	-	20,000
Revaluation to fair value	12,147	1,828
Term deposit matured	(11,000)	-
Disposals including returns of capital	(12,582)	(569)
	98,185	90,620

⁽¹⁾ 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, which are closed-end or open-ended with no redemption windows. As the underlying assets and liabilities of these funds are measured at fair value or their carrying value approximates their fair value, the net tangible asset represents the best estimate of fair value of these investments in unlisted funds. The realisable value and liquidity of the investments are subject to the underlying funds' performance, their ability to comply with loan covenants, and/or their ability to sell down assets. As at 30 June 2018 the fair value of investments in closed end funds and open ended funds with no redemption windows amounted to \$86,104,000 (2017: \$55,343,000).

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 and 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 applicable for all 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 assets at fair value through profit or loss are measured initially at fair value (excluding transaction cost). Transaction costs on financial assets 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.

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

11. TRADE AND OTHER PAYABLES

	2018 (\$'000s)	2017 (\$'000s)
Accrued expenses	122	101
Distributions payable	179	672
Total payables	301	773

Trade and other payables are carried at amortised cost and due to their short-term nature 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 60 days of recognition.

12. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2018				2017			
	No. of Ordinary Units ('000s)	No. of Deferred Units ('000s)	No. of Total Units ('000s)	\$ ('000s)	No. of Ordinary Units ('000s)	No. of Deferred Units ('000s)	No. of Total Units ('000s)	\$ ('000s)
Opening balance	44,659	1,753	46,412	93,137	450,907	1,753	452,660	92,192
Consolidated (1 for 10)	-	-	-	-	-	-	(405,816)	-
Share buyback	(53)	-	(53)	-	(432)	-	(432)	(650)
				(50)				
Change in net assets attributable to Unitholders	-	-	-	12,741	-	-	-	1,595
Closing balance	44,606	1,753	46,359	105,828	44,659	1,753	46,412	93,137

Notes to the Financial Statements Continued

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 2018, 1,752,605 (2017: 1,752,605) Deferred Units were on issue. Deferred units were issued to the Responsible Entity and are convertible to Ordinary Units to settle performance fees if the performance hurdles were met. However, the supplemental deed of the Fund's constitution removed the payment of performance fees to the Responsible Entity (see Note 16) and as such the Deferred Units will no longer be converted to Ordinary Units.

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.

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. Capital includes cash and cash equivalents as presented on the statement of financial position.

13. OPERATING SEGMENTS

The Fund invests in a portfolio of property related securities diversified by property sectors, geographic locations and fund managers. The performance of the portfolio as a whole and of each investment is reported to and reviewed by the Board of the Responsible Entity at least quarterly. All decisions relating to acquisitions, disposal and asset allocation are made in accordance with the Fund's investment policy and required to be approved by the Board of the Responsible Entity. The Fund has assessed that each investment is considered a reportable segment.

Information related to each reportable segment is set out below. Distribution income and changes in fair value of each investment are used to measure performance because the Board believe that this information is the most relevant in evaluating the results of the respective segments. The accounting policies for distribution income and changes in fair value are disclosed in notes 5(A) and 10.

Financial Performance

Investments	Sectors	2018		2017			
		Distribution Income \$ ('000s)	Changes in Fair Value \$ ('000s)	Total Segment Income \$ ('000s)	Distribution Income \$ ('000s)	Changes in Fair Value \$ ('000s)	Total Segment Income \$ ('000s)
Listed							
Blackwall Limited	Diversified	102	139	241	99	829	928
Blackwall Property Trust	Diversified	380	(42)	338	497	1,177	1,674
APN Regional Property Fund	Office	232	317	549	260	134	394
Arena REIT	Childcare	272	(118)	154	320	718	1,038
AIMS AMP Capital Industrial REIT	Industrial	275	(130)	145	383	3	386
Unlisted							
AIMS Property Fund (St Kilda Road)	Office	285	7,178	7,463	456	608	1,064
MacarthurCook Office Property Trust	Office	-	310	310	-	96	96
AIMS Property Fund (Felix St)	Office	-	(289)	(289)	600	(2,964)	(2,364)
AIMS Property Fund (Laverton)	Industrial	1,144	3,273	4,417	1,066	38	1,104
Pelathon Pub Fund	Pubs	63	(35)	28	33	1,193	1,226
AIMS Real Estate Opportunity Fund	Diversified	-	1,434	1,434	-	-	-
Total by Segments		2,753	12,037	14,790	3,714	1,832	5,546

Segment Assets

Investments	Sectors	Carrying Value \$ ('000s)	Distribution/ Dividend Income Receivables \$ ('000s)	2018		2017		
				Total Segment Assets \$ ('000s)	Carrying Value \$ ('000s)	Distribution/ Dividend Income Receivables \$ ('000s)	Total Segment Assets \$ ('000s)	
Listed								
Blackwall Limited	Diversified	2,624	-	2,624	2,486	-	2,486	
Blackwall Property Trust	Diversified	-	-	-	7,602	-	7,602	
APN Regional Property Fund	Office	2,709	58	2,767	2,392	58	2,450	
Arena REIT	Childcare	1,075	16	1,091	5,995	82	6,077	
AIMS AMP Capital Industrial REIT	Industrial	5,673	-	5,673	5,803	98	5,901	
Unlisted								
AIMS Property Fund (St Kilda Road)	Office	26,999	-	26,999	19,821	-	19,821	
MacarthurCook Office Property Trust	Office	6,838	-	6,838	6,528	-	6,528	
AIMS Property Fund (Felix St)	Office	10,155	600	10,755	10,444	600	11,044	
AIMS Property Fund (Laverton)	Industrial	19,423	400	19,823	16,150	765	16,915	
Pelathon Pub Fund	Pubs	2,255	44	2,299	2,399	34	2,433	
AIMS Real Estate Opportunity Fund	Diversified	20,434	-	20,434	-	-	-	
Total by Segments		98,185	1,118	99,303	79,620	1,637	81,257	

Reconciliations of segment assets	2018	2017	Reconciliations of segment income	2018	2017
	\$ ('000s)	\$ ('000s)		\$ ('000s)	\$ ('000s)
Total segment assets	99,303	81,257	Total segment income	14,790	5,546
Cash and cash equivalents	4,822	1,649	Interest income	166	172
Other assets	4	4	Net investment income	14,956	5,718
Term deposit	-	11,000			
Loan to a related party	2,000	-			
Total assets	106,129	93,910			

14. 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 their fair value.

30 June 2018	Fair Value (\$'000)					Carrying Value \$ ('000s)
	Level 1	Level 2	Level 3	Total		
Financial assets measured at fair value						
Listed property securities	12,081	-	-	12,081		12,081
Unlisted property securities	-	-	86,104	86,104		86,104
	12,081	-	86,104	98,185		98,185
Financial liabilities not measured at fair value						
Net Assets attributable to Unitholders	70,255	-	-	70,255		105,828
	70,255	-	-	70,255		105,828
30 June 2017						
Financial assets measured at fair value						
Listed property securities	24,277	-	-	24,277		24,277
Unlisted property securities	-	-	55,343	55,343		55,343
Term Deposits	-	11,000	-	11,000		11,000
	24,277	11,000	55,343	90,620		90,620
Financial liabilities not measured at fair value						
Net Assets attributable to Unitholders	66,989	-	-	66,989		93,137
	66,989	-	-	66,989		93,137

Notes to the Financial Statements Continued

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.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Listed property securities	Market price: Quoted close market prices at the reporting date	Not applicable	Not applicable
– Level 1	Market price: Quoted closing market prices at the reporting date	Not applicable	Not applicable
Net Assets attributable to Unitholders – Level 1	Market price: Quoted closing market prices at the reporting date	Not applicable	Not applicable
Term Deposits – Level 2	Discounted cash flow	Not applicable	Not applicable
Unlisted property securities – Level 3	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	As the underlying funds are unlisted and frozen for redemptions, it is uncertain that the investments can be realised at NTA	The estimated fair value would increase/ (decrease) if the NTA of the underlying funds increases/(decreases)

Level 3 fair values

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

	\$(’000s)	\$(’000s)
Level 3 Reconciliation		
Balance at 1 July	55,343	35,170
Change in fair value - unrealised	11,871	(1,016)
Change in fair value - realised	-	(13)
Acquisitions	19,000	329
Acquisitions - receipt of capital return	-	943
Conversion of financial assets at cost	-	20,000 ⁽¹⁾
Disposals including returns of capital	(110)	(70)
Balance at 30 June 2018	86,104	55,343

⁽¹⁾ The amount represents investments in income units of property funds, AIMS Property Fund (Felix St) and AIMS Property Fund (Laverton). The units were purchased at capital cost of \$1 each and earn fixed distribution income of up to 6% p.a. subject to the financial ability of the underlying funds as determined by the Trustee. On 30 June 2017, the Trustee of AIMS Property Fund (Laverton) have consolidated the Income Units and Class A units into 1,000,000 Ordinary Units. There has been no impact on ownership or changes to the AIMS Property securities Fund’s financial position, with relation to its holding in the AIMS Property Fund (Laverton). Similarly, the Trustee of AIMS Australia Property Investment Fund, which owns all the units in the AIMS Property Fund (Felix St.), have consolidated the Income Units and Class A units into 1,000,000 Ordinary Units. The 1,000,000 Ordinary Units held by AIMS Australia Property Investment Fund (AAPIF) were distributed to the AIMS Property Securities Fund. The end structure is simply AIMS Property Securities Fund now owns 1,000,000 Ordinary Units in the AIMS Property Fund (Felix St.). Where before the Fund held the units in AIMS Property Fund (Felix St) through AAPIF, in a flow through structure, it now directly holds all the interest in AIMS Property Fund (Felix St). There has been no impact on ownership or changes to the AIMS Property Securities Fund’s financial position, in relation to its holdings.

Sensitivity analysis

For the fair values of investments in closed end funds and open ended funds with no redemption window (see note 10), reasonably possible changes to the NTA, holding other inputs constant, would have the following effects.

	2018 \$(‘000s)	2017 \$(‘000s)
Impact on gain before finance cost		
+10.00% (1,000 basis points) of the NTA	8,610	5,534
- 10.00% (1,000 basis points) of the NTA	(8,610)	(5,534)

15. 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
- 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 a compliance plan which outlines the processes that will ensure both the 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.

The Fund manages its credit risk from cash and cash equivalents by placing deposits with AA- rated banks. Trade and other receivables as at the balance date primarily relate to distribution income receivables as at 30 June 2018, \$600,000 in distributions receivable is past due. However, the amount is not impaired (2017: nil).

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. The table excludes the net asset attributable to unitholders liability which is only payable if liquidated.

30 June 2018	Carrying amount \$’000	Contractual cash flows \$’000	3 mths or less \$’000	Above 4 mths \$’000
Accounts payable	301	301	301	-
Total	301	301	301	-

30 June 2017	Carrying amount \$’000	Contractual cash flows \$’000	3 mths or less \$’000	Above 4 mths \$’000
Accounts payable	773	773	773	-
Total	773	773	773	-

Notes to the Financial Statements Continued

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 investments in listed and unlisted property securities as disclosed in note 10. A change of 10% in price/NTA at the reporting date would be increase (decrease) gain before finance cost by the amounts below. This sensitivity analysis assumes that all other variables remain constant.

	2018 (\$'000s)	2017 (\$'000s)
Impact on gain before finance cost		
+10.00%	9,819	7,962
-10.00%	(9,819)	(7,962)

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 increase (decrease) gain before finance cost by the amounts below. This interest sensitivity analysis assumes that all other variables remain constant.

	2018 (\$'000s)	2017 (\$'000s)
Impact on gain before finance cost		
+1.00% (100 basis points)	48	126
-1.00% (100 basis points)	(48)	(126)

16. RELATED PARTIES

Key management personnel compensation and unitholdings

The fund deems the following Directors and Executives of the responsible entity to be key management personnel (as at 30 June 2018):

George Wang	- Executive chairman
Richard Nott	- Non-executive Independent Director
John Love	- Non-executive Independent Director
Jim Stewart	- Company Secretary (resigned on 7 August 2017)
Claud Chaaya	- Company Secretary (appointed on 7 August 2017)

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	2018 No. of units (<i>'000s</i>)	% holding	2017 No. of units (<i>'000s</i>)	% holding
Richard Nott	188	0.42	110	0.25
John Love	310	0.69	310	0.69
George Wang*	14,070	31.54	14,070	31.50

*George Wang holds the units indirectly through AIMS Capital Management Limited.

Responsible Entity Fees and other transactions

	2018 \$	2017 \$
Management fee expense	-	181,146
Admin fee	-	82,081
Subtotal fees paid to the Responsible Entity	-	263,227
Rent, admin and employee expenses reimbursed to the Responsible Entity	604,497	352,198
Total fees paid and expenses reimbursed to the Responsible Entity	604,497	615,425

Total accrued Responsible Entity fees included in trade and other payables as at 30 June 2018 is nil (2017: \$49,950).

From 1 December 2016, the supplemental deed of the Fund's constitution removed the payment of any management fee, performance fee or other remuneration to AIMS Fund Management Limited, as the responsible entity of the Fund. AIMS Fund Management Limited continues to act as Responsible Entity and manager of the Fund but will not be entitled to receive any fees under the Constitution. Under the supplemental deed, AIMS Fund Management Limited continues to be entitled to be reimbursed out of the assets of the Fund for the reasonable and proper costs and expenses incurred by Responsible Entity in engaging key persons to provide the necessary management services for the ongoing management of the Fund.

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.

Loan and guarantee to AIMS Property Fund (Felix St)

AIMS Property Fund (Felix St), the Fund's investee has a loan facility of 14,190,000 with a bank which was due to renew on 30 June 2018. The bank required AIMS Property Fund (Felix St) to provide a financial guarantee and a security deposit as conditions for renewing the loan until 16 December 2020.

To support the investee to obtain the loan renewal, the Fund:

- signed a Guarantee and Indemnity with the bank on 12 June 2018, which guarantees repayment (up to \$1,500,000) by the Fund for any interest or expenses shortfall by AIMS Property Fund (Felix St) for the full term of the loan; and
- provided an interest free loan of \$2,000,000 to AIMS Property Fund (Felix St), to be placed in the bank's security deposit account, as an offset to the overall loan amount of \$14,190,000. The amount was placed with the bank as at 30 June 2018 by AIMS Property Fund (Felix St). The deposit is required to be maintained with the bank until the maturity of the loan.

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. Details of the Fund's investments in other funds operated by the Responsible Entity on its related entity are set out below.

Entity	2018			2017		
	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 (Whole-sale units)	10,781	36.85	-	10,781	36.85	-
AIMS AMP Capital Industrial REIT Management Ltd	4,148	0.65	275,615	4,148	0.65	394,864
AIMS Property Fund (St Kilda Rd)	40,672	90.24	284,869	40,672	90.24	456,180
AIMS Property Fund (Felix St)	1,000	100	-	1,000	100	600,000
AIMS Property Fund (Laverton)	1,000	100	1,143,888	1,000	100	1,065,751
AIMS Real Estate Opportunity Fund	19,000	99.0	-	-	-	-

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	2018			2017		
		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	3,990	8.94	114,489	3,405	7.63	198,489
AIMS Capital Management Limited	Other related party	14,070	31.54	403,264	14,070	31.5	925,558
KMP	Other related party	498	1.11	12,019	420	0.94	27,629

* Units were directly acquired from the ASX by MacarthurCook Office Property Trust.

Notes to the Financial Statements Continued

At 30 June 2018, the Responsible Entity also held 1,752,605 Deferred Units (2017:1,752,605) 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. However, the supplemental deed of the Fund's constitution removed the payment of performance fees to the Responsible Entity (see Note 12) and as such the Deferred Units will no longer be converted to Ordinary Units.

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES AND ASSETS

Except for loan to related party and guarantee disclosed in note 16, 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.

18. SUBSEQUENT EVENTS

Except for the following matters, 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.

The Fund's Responsible Entity is aware that AIMS Real Estate Funds Limited, the responsible entity of the MacarthurCook Office Property Trust (OPT), has undertaken a strategic review of OPT. As part of the strategic review, OPT's responsible entity has indicated their ongoing commitment to manage OPT and provide an opportunity to generate further value for members of OPT. OPT's responsible entity is proposing to introduce a one-off process that allows existing members of OPT to sell or buy their units from other OPT members. This may provide members of OPT with an additional liquidity opportunity. OPT's responsible entity is organising a meeting with members of OPT, which will discuss and vote on a range of matters, including but not limited to: a resolution proposed by certain members holding retail units in OPT to wind-up OPT; and a resolution in relation to the proposed amendments to the constitution of OPT in connection with the future strategy for OPT. The Responsible Entity of the Fund has assessed that the matter has no material impact on the Fund's investment in OPT measured at NTA as at 30 June 2018, which is considered the best estimate of fair value as at 30 June 2018.

On 16 March 2018, AIMS Property Fund (Felix St) signed a loan extension arrangement with the financier. This agreement removed the Interest Cover Ratio (ICR) as a covenant and replaced this with a financial guarantee (see Note 16) and a loan review event based on the investment property's occupancy rate. As at 31 August 2018, the occupancy rate fell marginally below the required occupancy level, creating a loan review event. The review event is not a breach of covenant. The Responsible Entity is endeavouring to rectify the shortfall and is working closely with the leasing agent to engage additional tenant interest in the asset. The Responsible Entity has provided the financier with all the updated leasing information and as a result of the financial guarantee, security deposit for the loan (see Note 16), marginal nature of the reduction in occupancy and anticipated leasing activity, the Directors are of the view that the loan facility will continue to be made available by the financier through to the maturity date.

Notwithstanding the aforementioned disclosures, as disclosed in Note 10 the fair value of the unlisted property securities as at the end of the reporting periods are estimated based on the net tangible asset of the underlying funds. As the underlying assets and liabilities of these funds are measured at fair value or their carrying value approximates fair value, the net tangible asset represents the best estimate of fair value of these investments in unlisted funds. The valuation of the investments will vary in line with the changes in the net tangible asset values of the underlying funds. The realisable value and liquidity of the investments are subject to the underlying funds' performance, their ability to comply with loan covenants, and/or their ability to sell down assets.

19. AUDITORS' REMUNERATION

	2018 \$	2017 \$
Audit services		
Auditors of the Fund - KPMG		
Audit and review of the financial reports	55,500	54,500
Other regulatory audit services	7,000	7,000
Total	62,500	61,500
Other services:		
Auditors of the Fund - KPMG		
Taxation services	13,535	13,535
Total	13,535	13,535

Director's Declaration

for the year ended 30 June 2018

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

- (a) The financial report as set out in pages 18 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position of the Fund as at 30 June 2018 and of its performance, 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
21st day of September 2018

Independent auditor's report

for the year ended 30 June 2018



Independent Auditor's Report

To the unitholders of AIMS Property Securities Fund

Opinion

We have audited the **Financial Report** of AIMS Property Securities Fund (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2018.
- Statement of profit or loss and other comprehensive income and Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Fund in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current year. This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Estimation of fair value of \$86,104,000 Investments in unlisted property securities

Refer to Notes 10 and 18 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Fund holds investments in unlisted property securities comprising closed end funds or open ended funds with no redemption windows (no exit prices) or quoted prices in an active market. The Fund measured these investments at fair value. The estimation of the fair value of these investments in unlisted property securities is a key audit matter due to:</p> <ul style="list-style-type: none"> The size of the balance, being 81.13% of the Fund's total assets; The nature of these investments and the greater judgement associated to valuing them. These investments are classified as level 3 in the valuation hierarchy. The Fund has determined their estimation of fair value to be based on the exit price or the net tangible assets (NTA) value as reported by the managers of those funds, if the exit price is not available. We focused our assessment on the reasonableness and authoritative nature of the sources used for inputs to the NTA valuations, given the greater judgement associated. We also considered the need for adjustments by the Fund to address NTA being used as a proxy for fair value in the absence of observable transactions between willing 'buyer' and 'seller'. <p>In addition to the above, the following matters as they relate to the Fund's investments measured at NTA occurred subsequent to year end:</p> <ul style="list-style-type: none"> unitholders of one of the Fund's unlisted funds have requested the responsible entity of the fund to redeem their units at market 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Checking the NTA/unit to the financial statements of the underlying funds for the year ended 30 June 2018. We assessed the audit reports relevant to the underlying funds' financial statements for existence of modifications impacting valuation. Recalculating the NTA/unit as at 30 June 2018. Assessing NTA as a proxy for fair value and associated adjustments by: <ul style="list-style-type: none"> inspecting the Product Disclosure Statements of the underlying funds and unit subscription agreements for rights and obligations inherent in the Fund's ownership interest in the underlying funds which may not be reflected in the NTA proxy fair value measurements; assessing the impact of the unitholders of the Fund's underlying unlisted fund request to redeem their units at market value or to wind up the fund on the going concern basis of accounting of the underlying fund. We did this with reference to the legal advice received by the responsible entity of the underlying unlisted fund, its constitution and the accounting standards; and checking the underlying funds' compliance with loan covenants against the current loan facility. For underlying funds, we assessed, for the quantitatively significant underlying assets and liabilities, the key assumptions used by



<p>value or to wind up the Trust.</p> <ul style="list-style-type: none"> The occupancy rate on one of the Fund's unlisted investments fell below the required level triggering a loan review event on the current loan facility. <p>These matters further increased our audit effort in this area.</p> <p>There is significant uncertainty on the timing of realising investments in closed end funds and open ended funds with no redemption windows or quoted prices in an active market. As a result there is a significant risk that the value currently ascribed to these unlisted property securities is not representative of the value the Fund will be able to realise through a future sale or redemption. The underlying asset value and on-going compliance with debt funding requirements also impact this assessment of fair value. Given the nature of these investments, the lack of realisation activity via redemption results in greater uncertainty attached to the Fund's fair value determination. In our judgement, this uncertainty is fundamental to users' understanding of the financial report, the financial position and performance of the Fund.</p>	<p>the respective fund managers and adopted by the Responsible Entity in estimating their fair value as at 30 June 2018, by;</p> <ul style="list-style-type: none"> - For investment properties: We evaluated the objectivity, competency and scope of the underlying funds' external valuers. We compared the key assumptions used in their valuation reports (capitalisation rates, discount rates, terminal growth rates and market rents) to market observable data, such as the latest property market reports. We also compared rental income used in the external valuers' valuation reports to the tenancy schedules, and checked a sample of rental income from the tenancy schedules to the signed lease agreements. - For bank borrowings: We challenged the Responsible Entity's estimation the carrying value is an approximation of the fair value by comparing the interest rates and margins stated in the loan agreements to quoted industry rates as at the reporting date. We investigated significant variances to identify management bias. <ul style="list-style-type: none"> We checked the financial statement disclosures for these investments to the requirements of AASB 13 <i>Fair Value Measurement</i>.
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Other Information

Other Information is financial and non-financial information in AIMS Property Securities Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of AIMS Fund Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of the Directors for the Financial Report

The Directors of AIMS Fund Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error: and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Peter Zabaks

Partner

Sydney

21 September 2018

Stock Exchange Information

for the year ended 30 June 2018

STATEMENT OF QUOTED SECURITIES AS AT 30 JUNE 2018

- There are 1,054 unitholders holding a total 44,606,083 ordinary units
- The 20 largest unitholders between them hold 83.87% of the total units on issue

DISTRIBUTION OF QUOTED UNITS AS AT 30 JUNE 2018

Distribution of Unitholders Category (size of holding)	Number of Unitholders
1 - 1,000	403
1,001 – 5,000	393
5,001 – 10,000	92
10,001 – 100,000	137
100,001 and over	29
Total	1,054

SUBSTANTIAL UNITHOLDINGS AS AT 30 JUNE 2018

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	14,069,656

DIRECTORS' UNITHOLDINGS

As at 30 June 2018, Directors of the Fund held a relevant interest in the following securities on issue by the Fund.

Director	No. of units ('000)
Richard Nott	188
John Love	310
George Wang	14,070

RESTRICTED SECURITIES

There are no restricted securities on issue by the Fund

TOP 20 UNITHOLDERS

Top 20 holders of ordinary units at 30 June 2018

Rank	Name	Units	% of Units
1.	AIMS CAPITAL MANAGEMENT LIMITED	14,069,656	31.54%
2.	The CENTRAL DEPOSITORY (PTE) LIMITED	4,491,149	10.07%
3.	WO NOMINEES AC FUND PTY LTD	3,430,656	7.69%
4.	PERPETUAL TRUSTEE COMPANY LIMITED <MCK	2,263,336	5.07%
5.	OFFICE PROPERTY A/C>	2,082,676	4.67%
6.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,726,267	3.87%
7.	PERPETUAL TRUSTEE COMPANY LTD <MCKOPT A/C>	1,432,470	3.21%
8.	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	1,423,000	3.19%
9.	MR SIMON ROBERT EVANS + MRS KATHRYN MARGARET EVANS <KAMIYA-CHO SUPER FUND A/C>	1,232,136	2.76%
10.	HSBC CUSTODY NOMINEES	1,039,662	2.33%
11.	NATIONAL NOMINEES LIMITED	970,335	2.18%
12.	MR MICHEL GEERDINK	764,951	1.71%
13.	MR WARWICK SAUER	575,000	1.29%
14.	BT PORTFOLIO SERVICES LIMITED <MRS MEREDYTH SAUER APP A/C>	409,000	0.92%
15.	BT PORTFOLIO SERVICES LIMITED <DR TREVOR SAUER APP A/C>	374,579	0.84%
16.	MS JIANFEI YU	310,000	0.69%
17.	MR JOHN ROBERT LOVE	250,000	0.56%
18.	MR GREGORY HUGH HALLIDAY + MR SIMON ROBERT EVANS + MR THOMAS VERNON FURNER <RED OCTOBER SUPER FUND A/C>	195,817	0.44%
19.	MR DARRELL HUNTER RANDALL	189,626	0.43%
20.	CITICORP NOMINEES PTY LIMITED	180,000	0.40%
Totals: Top 20 holders of FULLY PAID ORDINARY UNITS (TOTAL)		37,410,316	83.86%

TRANSACTIONS

The total number of transactions in securities during the reporting year was 18.

MANAGEMENT AGREEMENT

Management fees payable to the Responsible Entity are stipulated in the Fund's constitution and are disclosed in Note 16 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 code is BVP.

AIMS Property Securities Fund

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Sydney NSW 2000

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Responsible Entity

AIMS Fund Management Limited
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Australia Unit Register managed by

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Website: www-au.computershare.com

Auditors

KPMG

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Website: www.kpmg.com.au

Singapore Unit Register managed by

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