Aspen Property Trust

ARSN: 104 807 767

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED

31 December 2018

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Trust particulars

The various services providers for the Trust are detailed below:

Service	Provider
Responsible Entity	Evolution Trustees Limited*
Investment Manager and Custodian	Aspen Funds Management Limited*
Statutory Auditor	PricewaterhouseCoopers (“PwC”)

*On 30 November 2018 Evolution Trustees Limited replaced Aspen Funds Management Limited as the Responsible Entity (RE) of the Trust. Aspen Funds Management Limited remained as investment manager and custodian for the period. Aspen Funds Management Limited is in the process of being replaced as custodian by Perpetual Corporate Trust Limited.

Directors

The following persons held office as Directors of Evolution Trustees Limited (RE) during the period 30 November 2018 to 31 December 2018:

David Grbin	Non-executive chairman
Alexander Calder	Non-executive director
Rupert Smoker	Executive director

The following persons held office as Directors of Aspen Funds Management Limited for the period 1 July 2018 to 31 December 2018:

Clive Appleton	Non-executive chairman
Guy Farrands	Non-executive director
John Carter	Non-executive director

Registered Offices

Evolution Trustees Limited (RE)
Suite 703B, 7th Floor
1 York Street
Sydney NSW 2000, Australia
Telephone: (61 2) 8866 5150
Email: info@evolutiontrustees.com.au
Web Address: www.evolutiontrustees.com.au

Aspen Funds Management Limited
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Sydney NSW 2000
Telephone: (61 2) 9151 7500
Facsimile: (61 2) 9151 7599
Email: homemail@aspengroup.com.au
Web Address: www.aspengroup.com.au

Auditor

PricewaterhouseCoopers (“PwC”)
One International Towers Sydney,
Waterman’s Quay,
Barangaroo,
Sydney NSW 2001

Stock Exchange Listing

Aspen Property Trust’s units are listed on the Australian Securities Exchange (“ASX”) through Aspen Group Limited (“AGL”) under the ASX code APZ (stapled securities). Each stapled security comprises one unit in Aspen Property Trust (“the Trust”) and one share in AGL. The Trust and AGL (and their controlled entities) form the consolidated entity (“Aspen Group” or “the Group”). The Trust and its wholly owned subsidiaries, Midland Property Trust (“MPT”) and Aspen Equity Investments Pty Limited (“AEI”), form the “Consolidated Trust”.

Directors' report

The directors of Evolution Trustees Limited ("ET") as responsible entity of the Trust present their report together with the condensed consolidated interim financial statements which comprises of the Trust, its subsidiaries, and the Trust's interest in jointly controlled entities (collectively referred to as "The Consolidated Trust"), for the period ended 31 December 2018 and the auditor's review report thereon.

Directors

The directors of ET were appointed at any time during or since the end of the half year are:

Directors	
David Grbin	Non-executive chairman
Alexander Calder	Non-executive director
Rupert Smoker	Executive director

Operating and financial review

The Consolidated Trust recorded a profit attributable to unit holders of $0.789 million for the period ended 31 December 2018 ($4.788 million for the period ended 31 December 2017).

Income distributions declared during the period were as follows:

Half year ended	Record date	Amount per unit 31 December 2018	Amount per unit 31 December 2017
31 December 2018	31 December 2018	2.3 cents	2.1 cents
Total		**2.3 cents**	**2.1 cents**

Aspen's distributions policy considers taxable income of the Trust, operating profits, stay in business capital requirements and forecast cash flows.

In respect of the half year ended 31 December 2018, on 21 December 2018, Aspen announced a distribution of 2.3 cents per security in respect of the period from 1 July 2018 up to the announcement date. This distribution is payable to securityholders on or around 26 February 2019.

Review of financial conditions

Property portfolio

During the period:

- the Consolidated Trust acquired one new caravan and tourist park in South Australia for $17.470 million;
- settled on the sale of its Midland property for $2.537 million (net of GST); and
- there was a downward net fair value movement of $0.750 million across its property portfolio.

Capital management and financial position

At 31 December 2018, the Consolidated Trust had an $55.000 million finance facility comprised of a $45.000 million (30 June 2018: $45.000 million) cash advance facility, a $5.000 million bank overdraft facility and a $5.000 million bank guarantee facility. At 31 December 2018, the Consolidated Trust has drawn debt of $30.300 million. (30 June 2018: $4.700 million) and as a result, the gearing ratio is 28.82% (30 June 2018 4.41%).

During the period, the Consolidated Trust cancelled 0.011 million stapled securities, at an average price of $1.04 (30 June 2018 $0.92).

Directors' report (continued)

Likely developments

The Consolidated Trust will look to pursue growth opportunities that may arise in the accommodation sector, which meet the Consolidated Trust's strategic focus on affordable accommodation.

Significant changes in the state of affairs

Other than noted elsewhere in this Interim Financial Report, there were no significant changes in the state of affairs of the Consolidated Trust that occurred during the period under review.

Principal activities

The principal activities of the Consolidated Trust during the period were to invest in the accommodation sector and to divest non-core assets.

Other than as disclosed within the Operating and Financial Review, there was no significant change in the nature of the activities of the Consolidated Trust during the period.

Events subsequent to reporting date

There has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of ET, to affect significantly the operations of the Consolidated Trust, the results of those operations, or the state of affairs of the Consolidated Trust, in future financial periods.

Auditor's independence declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration is included on page 6 and forms part of the directors' report for the period ended 31 December 2018.

Rounding off

The Consolidated Trust is of the kind referred to in ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with the ASIC Corporations Instrument, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Rupert Smoker
Director
SYDNEY, 20 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Aspen Property Trust for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aspen Property Trust and the entities it controlled during the period.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
20 February 2019

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Independent auditor's review report to the unitholders of Aspen Property Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aspen Property Trust (the Trust), which comprises the condensed consolidated interim balance sheet as at 31 December 2018, the condensed consolidated interim statement of changes in equity, condensed consolidated interim cash flow statement and condensed consolidated interim statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Aspen Property Trust (the consolidated Trust). The consolidated Trust comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Evolution Trustees Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Trustee determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated Trust's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aspen Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aspen Property Trust is not in accordance with the *Corporations Act 2001* including:

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1. giving a true and fair view of the consolidated Trust's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

J A Dunning
Partner

Sydney
20 February 2019

Interim Consolidated Financial Statements Contents

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the period ended 31 December 2018

		Consolidated	
		31 December 2018	31 December 2017
	Note	**$ '000**	$ '000
Rent from investment properties		**2,570**	2,782
Property expenses		**(1)**	(151)
Gross profit		**2,569**	2,631
Change in fair value of investment properties		**(750)**	4,317
Operating expenses		**(1,232)**	(2,431)
Administration and general expenses		**(120)**	(120)
Profit from operating activities		**467**	4,397
Finance income		**790**	715
Finance expenses		**(468)**	(324)
Net finance income		**322**	391
Profit for the period		**789**	4,788
Total comprehensive income for the period		**789**	4,788
Profit attributable to:			
Unit holders of the Consolidated Trust	11	**789**	4,788
Profit for the period		**789**	4,788
Total comprehensive income attributable to:			
Unit holders of the Consolidated Trust	11	**789**	4,788
Total comprehensive income for the period		**789**	4,788
		Cents per unit	Cents per unit
Basic earnings per unit	11	**0.82**	4.71
Diluted earnings per unit	11	**0.82**	4.69

The Condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Condensed consolidated interim balance sheet

As at 31 December 2018

	Note	Consolidated 31 December 2018 $ '000	Consolidated 30 June 2018 $ '000
Assets			
Current assets			
Cash at bank and on hand	13	**113**	861
Cash in term deposits	13	**150**	150
Trade and other receivables		**86**	143
Assets classified as held for sale	5	**-**	2,525
Total current assets		**349**	3,679
Non-current assets			
Deferred finance costs		**26**	66
Receivables from related parties	6	**48,518**	39,424
Investment property	7	**89,335**	70,239
Total non-current assets		**137,879**	109,729
Total assets		**138,228**	113,408
Liabilities			
Current liabilities			
Trade and other payables	8	**2,804**	2,147
Total current liabilities		**2,804**	2,147
Non-current liabilities			
Interest bearing loans and borrowings	9	**30,300**	4,700
Total non-current liabilities		**30,300**	4,700
Total liabilities		**33,104**	6,847
Net assets		**105,124**	106,561
Equity			
Equity attributable to unit holders			
Units on issue	10	**367,168**	367,179
Accumulated losses		**(262,044)**	(260,618)
Total equity		**105,124**	106,561

The Condensed consolidated interim balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

Condensed consolidated interim statement of changes in equity

For the period ended 31 December 2018

	Note	Units on issue $ '000	Accumulated losses $ '000	Total equity $ '000
Balance at 1 July 2018		**367,179**	**(260,618)**	**106,561**
Total comprehensive income for the period				
Profit for the period		**-**	**789**	**789**
Total comprehensive income for the period		**-**	**789**	**789**
Transactions with unit holders of the Trust, recognised directly in equity				
Contributions by and distributions to unit holders of the Trust				
Units cancelled during the period	10	**(11)**	**-**	**(11)**
Distributions to unit holders	10	**-**	**(2,215)**	**(2,215)**
Total contributions by and distributions to unit holders		**(11)**	**(2,215)**	**(2,226)**
Total transactions with unit holders of the Trust		**(11)**	**(2,215)**	**(2,226)**
Balance at 31 December 2018		**367,168**	**(262,044)**	**105,124**

	Note	Units on issue $ '000	Accumulated losses $ '000	Total equity $ '000
Balance at 1 July 2017		377,374	(263,686)	113,688
Total comprehensive income for the period				
Profit for the period		-	4,788	4,788
Total comprehensive income for the period		-	4,788	4,788
Transactions with unit holders of the Trust, recognised directly in equity				
Contributions by and distributions to unit holders of the Trust				
Distributions to unit holders		-	(2,120)	(2,120)
Capital return		(5,095)	-	(5,095)
Buy back of units		(918)	-	(918)
Total contributions by and distributions to unit holders		(6,013)	(2,120)	(8,133)
Total transactions with unit holders of the Trust		(6,013)	(2,120)	(8,133)
Balance at 31 December 2017		371,361	(261,018)	110,343

The Condensed consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Aspen Property Trust

Condensed consolidated interim statement of cash flows

For the period ended 31 December 2018

		Consolidated	
		31 December 2018	31 December 2017
	Note	**$ ‘000**	$ ‘000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		**51**	1,521
Cash payments to suppliers and employees (inclusive of GST)		**(75)**	(438)
Cash generated from operating activities		**(24)**	1,083
Interest received		**10**	158
Net cash from operating activities		**(14)**	1,241
Cash flows from investing activities			
Proceeds from sale of assets held for sale, net of selling costs		**2,791**	27,865
Acquisition of investment property, including acquisition costs		**(19,875)**	(18,509)
Net cash generated / (used in) from investing activities		**(17,084)**	9,356
Cash flows from financing activities			
Proceeds from borrowings		**25,600**	-
Payments for securities buy back		**-**	(918)
Loan to related entity		**(12,626)**	(25,594)
Proceeds from repayment of related entity loan		**5,666**	14,093
Distributions paid		**(2,020)**	(2,531)
Capital returns to unit holders		**-**	(5,095)
Borrowing costs		**(270)**	(119)
Net cash used in financing activities		**16,350**	(20,164)
Net decrease in cash and cash equivalents		**(748)**	(9,567)
Cash and cash equivalents at beginning of period		**1,011**	13,752
Cash and cash equivalents at end of period	13	**263**	4,185
<u>Cash and cash equivalents comprised of:</u>			
Cash at bank and on hand		**113**	3,385
Cash in term deposits		**150**	800
		263	4,185

The Condensed consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

1. Reporting entity

Aspen Property Trust ("the Trust") is a trust in Australia. On 30 November 2018 Evolution Trustees Limited replaced Aspen Funds Management Limited as the Responsible Entity (RE) of the Trust. The address of the Trust's registered office is Suite 703B, 7th Floor 1 York Street, Sydney, New South Wales 2000. The Trust forms part of the Aspen Group Limited's (Aspen) stapled security structure consisting of one share in Aspen and one unit in the Trust. The consolidated financial statements of the Trust (the Consolidated Trust) as at and for the half year ended 31 December 2018 comprise the Trust, its subsidiaries and its interests in jointly controlled entities. The Trust is a for-profit entity and is primarily involved in the investment in income-producing accommodation property.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting,* selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Consolidated Trust since the last annual consolidated financial statements as at and for the year ended 30 June 2018. These condensed consolidated interim financial statements do not include all the information required for the full annual financial statements prepared in accordance with Australian Accounting Standards.

These condensed consolidated interim financial statements were authorised for issue by the Board of ET on 20 February 2019.

(b) Use of key estimates and judgements

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the Consolidated Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

(c) Financial position

During the period ended 31 December 2018, the Consolidated Trust recorded a profit after tax of $0.789 million (December 2017: profit after tax of $4.788 million). At 31 December 2018, the Consolidated Trust had net assets of $105.124 million (June 2018: $106.561 million). While current liabilities exceeded current assets by $2.455 million (June 2018: current assets exceed current liabilities by $1.532 million), the Consolidated Trust had $14.700 million (June 2018: $40.300 million) of undrawn secured cash facilities which will be used to fund short term cash requirements. The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Board believes that the Consolidated Trust will continue as a going concern and the Consolidated Trust's pre-distribution cash flow forecast supports the Board's opinion that the Consolidated Trust's working capital position will remain positive for at least the next twelve months from the date of these financial statements.

(d) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure, with current period amounts and other disclosures.

3. Significant accounting policies

With the exception of the changes in accounting policies outlined at Note 18, all other accounting policies applied by the Consolidated Trust in these condensed consolidated interim financial statements are the same as those applied by the Consolidated Trust in its consolidated financial statements as at and for the year ended 30 June 2018 and the prior corresponding interim reporting period.

4. Operating segments

The Consolidated Trust operated in only one segment, being investment in properties within Australia for the periods ended 31 December 2018 and 31 December 2017.

5. Assets classified as held for sale	31 December 2018 $ '000	30 June 2018 $ '000
At 1 July	2,525	2,525
Disposal	(2,525)	-
At 31 December / 30 June	-	2,525

6. Receivables from related parties	31 December 2018 $ '000	30 June 2018 $ '000
Non-Current		
Amounts receivable from AGL (net of loan forgiveness and impairment)	48,518	39,424
At 31 December / 30 June	48,518	39,424

Notes:

The consolidated trust has a loan agreement with AGL. The maturity date of the loan is 30 June 2021. The investment manager believes the provisions of AASB 9 does not require an impairment of the intercompany receivable from the related entity AGL having calculated the estimate for expected credit loss under the general model under AASB 9.

7. Investment property	31 December 2018 $ '000	30 June 2018 $ '000
At 1 July	70,239	46,625
Acquisition and additions #	19,846	18,547
Fair value adjustments	(750)	5,067
At 31 December / 30 June	89,335	70,239

Notes:

Includes one new property acquired and development expenditure incurred during the half year ended 31 December 2018.

7. Investment property (continued)

The following table presents the individual property owned by the Consolidated Trust:

Property	Original acquisition date	Original acquisition costs $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 31 December 2018 $ '000	Book value at 30 June 2018 $ '000
Accommodation parks:						
Karratha Village WA	Jun 2005	28,881	Nov 2017	10,250	**10,250**	11,000
Four Lanterns NSW	Jan 2015	6,986	Apr 2017	9,300	**10,697**	8,320
Mandurah WA	Jun 2015	7,525	Nov 2017	11,250	**8,190**	8,190
Tomago NSW	Aug 2015	2,455	Nov 2017	12,750	**4,705**	4,705
Adelaide SA	Oct 2015	7,121	Nov 2017	10,750	**8,221**	8,221
Tween Waters NSW	Dec 2016	4,678	Nov 2016	7,000	**4,678**	4,678
Barlings Beach NSW	Jan 2017	6,909	Dec 2016	13,250	**6,909**	6,909
Koala Shores NSW	Sep 2017	4,341	Oct 2016	10,200	**4,341**	4,341
Darwin FreeSpirit NT	Dec 2017	13,875	Oct 2017	19,250	**13,875**	13,875
Highway 1 SA	Oct 2018	17,470	Oct 2018	23,000	**17,470**	-
At 31 December / 30 June					**89,335**	70,239

Notes:

As at 31 December 2018, the above investment properties were pledged as security against the Consolidated Trust's finance facilities. Refer to note 9 for further details.

Investment properties are measured at fair value. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the date of the balance sheet, or directors' valuation.

Independent valuations of property investments are obtained at intervals of not more than three years with directors' valuations in intervening years. Independent valuations were performed by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuation represents a whole-of-business valuation that includes assets held by the stapled group comprising the Trust and Aspen Group Limited and is accordingly not directly comparable to the book values for the Trust on a standalone basis.

8. Trade and other payables

	31 December 2018 $ '000	30 June 2018 $ '000
Current		
Trade payables	**490**	2
Distributions payable	**2,314**	2,119
Accrued liabilities	**-**	26
At 31 December / 30 June	**2,804**	2,147

9. Financing arrangements

The Consolidated Trust has in place financing arrangements with a total limit of $55.000 million comprising of a cash advance facility, a bank overdraft facility and a bank guarantee facility. These financing facilities are secured over the Consolidated Trust's investment properties.

Secured cash advance facility

At 31 December 2018, the Consolidated Trust had a secured cash advance facility of $45.000 million (30 June 2018: $45,000 million), maturing in June 2020.

Secured bank overdraft facility

At 31 December 2018, the Consolidated Trust had a secured bank overdraft facility of $5.000 million (30 June 2018: $5.000 million).

Secured bank guarantee facilities

At 31 December 2018, the Consolidated Trust had a secured bank guarantee facilities totalling $5.000 million (30 June 2018: $5.000 million).

	31 December 2018	30 June 2018
	$ '000	$ '000
Financing facilities		
Secured cash advance facility	**45,000**	45,000
Secured bank guarantee and overdraft facilities	**10,000**	10,000
	55,000	55,000
Facilities utilised at reporting date		
Secured cash advance facility	**30,300**	4,700
Secured bank guarantee and overdraft facilities	**298**	298
	30,598	4,998
Facilities not utilised at reporting date		
Secured cash advance facility	**14,700**	40,300
Secured bank guarantee and overdraft facilities	**9,702**	9,702
	24,402	50,002

10. Units on issue

	Securities	
	31 December 2018	30 June 2018
Units on issue	**Units'000**	Units'000
On issue at 1 July	**96,333**	101,897
Stapled units issued during the period	**-**	36
Stapled units cancelled during the period	**(11)**	(5,600)
On issue at 31 December / 30 June – fully paid	**96,322**	96,333

For the six months period ended 31 December 2018	**31 December 2018**	31 December 2018
Units on issue	**Units'000**	$'000
On issue at 1 July	**96,333**	367,179
Stapled units issued during the period	**-**	-
Stapled units cancelled during the period	**(11)**	(11)
On issue at 31 December – fully paid	**96,322**	367,168

10. Units on issue (continued)

The Consolidated Trust recorded the following amounts within unit holders' equity as a result of the issuance of units.

For the year ended 30 June 2018

Units on issue	June 2018 Units'000	June 2018 $'000
On issue at 1 July 2017	101,897	377,374
Stapled units issued during the year	36	35
Stapled units cancelled during the year	(5,600)	(5,136)
Special capital distribution	-	(5,094)
On issue at 30 June 2018 – fully paid	96,333	367,179

Distributions

31 December 2018	Cents per security	Total amount $'000	Date of payment
July 2018 – December 2018	2.3	2,215	26 February 2019

11. Earnings per unit

	31 December 2018 Cents per unit	31 December 2017 Cents per unit
Basic earnings per unit	0.82	4.71
Diluted earnings per unit	0.82	4.69

Profit attributable to ordinary stapled unit holders

	31 December 2018 $ '000	31 December 2017 $ '000
Continued Operations	789	4,788

Weighted average number of units	31 December 2018 '000 units	31 December 2017 '000 units
Basic units at 31 December	96,322	101,620
Diluted units at 31 December	96,322	102,085

Note: Excludes non-dilutive LTI instruments.

12. Financial risk management

The Consolidated Trust's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2018.

13. Cash and cash equivalents for the Condensed Consolidated Interim Statement of Cash Flows

	31 December 2018	30 June 2018
	$ '000	$ '000
Cash at bank and in hand	113	861
Term deposits	150	150
Cash and cash equivalents at the end of the period	263	1,011

14. Related party transactions

Related parties' arrangements are consistent with those disclosed in the financial report for the year ended 30 June 2018.

15. Contingent liabilities

	31 December 2018	30 June 2018
	$ '000	$ '000
Secured bank guarantees issued to third parties	298	298

Other than the above, the directors of the responsible entity are not aware of any material contingent liabilities existing at 31 December 2018 or at the date of completion of these condensed consolidated interim financial statements.

16. Commitments

	31 December 2018	30 June 2018
Capital commitments	$ '000	$ '000
Within one year	-	-

The directors of the responsible entity are not aware of any material commitments existing at 31 December 2018 or at the date of completion of these condensed consolidated interim financial statements.

17. Subsequent events

There has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the responsible entity, to affect significantly the operations of the Consolidated Trust, the results of those operations, or the state of affairs of the Consolidated Trust, in future financial periods.

18. Changes in accounting policies

(a) New and amended standards adopted from 1st July 2018

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* and other new and amended standards and interpretations commencing 1 January 2018 which have been adopted where applicable.

(b) Recently changed accounting standards

The Consolidated Trust has adopted AASB 9 and AASB 15 at 1 July 2018. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

There has been no financial impact as a result of adopting AASB 9 or AASB 15 and new disclosures have been included where required.

AASB 9 Financial Instruments

The requirements of AASB 9 represent a significant change from AASB 139 *Financial Instruments: Recognition and Measurement*. The nature and effects of the key changes to the Consolidated Trust's accounting policies resulting from the adoption of AASB 9 are summarised below.

(i) Classification and measurement of financial assets and financial liabilities

On 1 July 2018 (the date of initial application of AASB 9), The Consolidated Trust's management has assessed which business models apply to the financial assets held by the Trust and has classified its financial instruments into the appropriate AASB 9 categories. The adoption of AASB 9 has not impacted the classification and carrying value of financial assets.

Available for sale financial assets are classified and measured at fair value through profit and loss.

AASB 9 requires that all financial liabilities be subsequently classified at amortised cost, except in certain circumstances. None of these circumstances apply to the Consolidated Trust and accordingly there is no change to the classification of the Consolidated Trust's payables and borrowings on adoption of AASB 9.

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to Receivables from related parties, financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. The Consolidated Trust's trade receivables have maturities of less than 12 months therefore will be adopting the 'simplified' model approach. Under this approach current trade receivables will recognised 'lifetime expected credit losses' from the first reporting period. These are the credit losses expected over the term of the receivables.

The Consolidated Trust has assessed the impact of the adoption of an ECL model under AASB 9 and no adjustment to the opening balance has been recognised. See section (iv)'Recoverability of loans and receivables' section below for details on how ECL amounts are determined.

(iii) Derivatives and hedge accounting

On 1 July 2018 (the date of initial application of AASB 9 for the Consolidated Trust), the Consolidated Trust has elected to adopt the new general hedge accounting model in AASB 9. There has been no impact with the adoption of AASB 9 on the Consolidated Trust's derivatives and hedge accounting, due to the absence of these instruments at the reporting date.

18. Changes in accounting policies (continued)

(b) Recently changed accounting standards (continued)

(iv) Accounting policies

Policy applicable from 1 July 2018

AASB 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit and loss (FVTPL)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the ECL model.

All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

Recoverability of loans and receivables

At each reporting date, the Consolidated Trust assesses whether financial assets are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Consolidated Trust recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Consolidated Trust in accordance with the contract and the cash flows that the Consolidated Trust expects to receive).

For trade receivables, the Consolidated Trust uses historical information adjusted for other current observable data as a means to estimate lifetime ECL. Other current observable data may include:

- forecasts of economic conditions such as unemployment, interest rates, gross domestic product and inflation;
- financial difficulties of a counterparty or probability that a counterparty will enter bankruptcy; and
- conditions specific to the asset to which the receivable relates.

For intercompany loans, the general model is used. Debts that are known to be uncollectable are written off when identified.

Derivatives and hedge accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Consolidated Trust did not utilise derivatives during the reporting period.

AASB 15 Revenue from Contracts with Customers

The requirements of AASB 15 replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

Classification and measurement of revenue

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

18. Changes in accounting policies (continued)

(b) Changes in accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Classification and measurement of revenue (continued)

Where the aforementioned criteria is not met, revenue is recognised at a point in time.
From our assessment of when performance obligations are satisfied, there is no change in the timing of revenue recognition when comparing the previous accounting policies to those now under AASB 15.

Transition
Changes in accounting policies resulting from the adoption of AASB 15 have been applied retrospectively. There has been no impact on Aspen's previously reported financial position as a result of the adoption AASB 15.

(c) New accounting standards and interpretations issued but not yet applied

The following standards and amendments to standards are relevant to the Consolidated Trust.

Reference	Description	Application of standard by the group
AASB 16 Leases	The new standard supersedes AASB 117 Leases and specifies recognition, measurement, presentation and disclosure requirements of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from AASB 117.	1 July 2019

19. Impact of adopting the new accounting standards

The table below sets out the impact of adopting the new accounting standards set out in note 18.

Reference	Impact
AASB 9 Financial Instruments	Management believes the provisions of AASB 9 does not require an impairment of the intercompany receivable from the related entity AGL. When applying the general model under AASB 9, the calculated estimate for the expected credit loss is immaterial.
AASB 15 Revenue from contracts with customers	Adoption of this standard has been applied retrospectively. There has been no impact on the Consolidated Trust's current or previously reported financial position as a result of the adoption AASB 15.
AASB 16 Leases	Given that there is currently no operating lease in place, there is no impact on the financial statements from the adoption of this standard.

Directors' declaration

1. In the opinion of the directors of the responsible entity of the Consolidated Trust, Evolution Trustees Limited:

(a) the interim financial statements and notes set out on pages 9 to 22 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Consolidated Trust's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

- (ii) complying with Accounting Standards, (including the Australian Accounting Interpretations), the *Corporations Regulations* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

2. The directors draw attention to note 2(a) to the financial statements, which includes statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

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Rupert Smoker
Director
SYDNEY, 20 February 2019