



## **ASPEN GROUP LIMITED**

(THE COMPANY)

(ABN: 50 004 160 927)

## **ASPEN PROPERTY TRUST**

(THE TRUST)

(ARSN: 104 807 767)

## **ASPEN FUNDS MANAGEMENT LIMITED**

(AS RESPONSIBLE ENTITY)

(ABN: 48 104 322 278)

**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED  
31 December 2016**

# INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 December 2016

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## Directors' report

The directors present their report together with the consolidated interim financial statements of Aspen Group comprising Aspen Group Limited ("the Company"), its subsidiaries, Aspen Group's interest in associates, and its stapled entity Aspen Property Trust ("the Trust") and its subsidiaries, which form the Aspen Group ("Aspen Group"), for the period ended 31 December 2016 ("period") and the auditor's review report thereon.

## Directors

The directors of the Company and Aspen Funds Management Limited ("AFM"), the responsible entity of the Trust, at any time during or since the end of the period are:

### **Non – Executive Directors**

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Clive Appleton

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Guy Farrands

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John Carter

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### **Executive Director**

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Clem Salwin

Resigned 30 September 2016

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## Operating and financial review

Aspen recorded a profit after tax of \$0.533 million for the period (1H FY16: profit of \$5.986 million) calculated in accordance with International Financial Reporting Standards ("IFRS").

### **Operating results**

Operating Profit (also referred to as "net profit after tax before non-underlying items") is a non-IFRS measure that is determined to present, in the opinion of the directors, the operating activities of Aspen in a way that appropriately reflects Aspen's operating performance. Operating Profit excludes items such as consolidation/deconsolidation losses and gains and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial assets and investment property). Other Non-Operating Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Aspen's core ongoing business activities.

Operating Profit is determined having regard to principles which include providing clear reconciliation between statutory profit and Operating Profit in the directors' report and financial report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration property industry practices.

# Aspen Group

for the period ended 31 December 2016

## Directors' Report (continued)

Operating Profit after adjusting for non-controlling interests and management fees as assessed by the directors, for the period was \$2.541 million (1H FY16: \$2.731 million).

The table below has not been audited by PwC.

	<b>31-Dec 2016 \$ '000</b>	31-Dec 2015 \$ '000
<b>Consolidated statutory net profit / (loss) after tax</b>	533	5,986
<b>Specific non-underlying items</b>		
Fair value gain on deconsolidation of APPF	-	17,492
Change in fair value of investment properties and PPE	823	(9,485)
Property expenses	(6)	(432)
Administration and restructuring expenses	(402)	(250)
Finance expenses (including mark to market of interest rate swap position)	97	(1,110)
Other expenses (including transaction and relocation costs)	838	(4,021)
Change in fair value of assets held for sale	-	(74)
Loss from discontinued operations	658	(49)
<b>Total specific non-underlying items</b>	<b>2,008</b>	<b>2,071</b>
Tax expense	-	-
Tourism / retirement operating profit before tax	1,457	6,453
Corporate operating profit before tax	1,571	2,439
Non-core operations operating profit before tax	1,566	2,862
Other operating loss before tax	(2,053)	(7,840)
<b>Total operating profit before tax</b>	<b>2,541</b>	<b>3,914</b>
Non-controlling interest adjustments*	-	(1,183)
<b>Total operating profit before tax attributable to securityholders of Aspen</b>	<b>2,541</b>	<b>2,731</b>

\*Non-controlling interest adjustments relating to Aspen Parks Property Fund ("APPF") only

Income distributions paid during the period and payable as at 31 December 2016 to Aspen securityholders were as follows:

	Cents per Unit	Total \$ '000
<b>Paid during the period</b>		
Final distribution for the previous year	4.6	4,990
<b>Proposed and unpaid at the end of the period</b>		
Interim distribution for the period	Nil	Nil

On 19 January 2017, Aspen announced a distribution of 2.1 cents per security in respect of the period from 1 July 2016 up to the announcement date. This distribution shall be paid on 28 February, 2017.

## Directors' Report (continued)

### **Reconciliation of carrying amount to net asset value for stapled security pricing**

Net asset value ("NAV") is a non-IFRS measure that is determined to present, in the opinion of the directors, the fair value of Aspen's net assets in a way that appropriately reflects the market value of Aspen's net assets.

Net asset value is determined having regard to principles which include providing clear reconciliation between net assets in the Consolidated Balance Sheet and NAV in the Directors' Report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration property industry practices.

The table below provides reconciliation between the net assets per the Consolidated Balance Sheet and NAV. The NAV includes the value attributed to goodwill and acquisition costs above its carrying value that exists in respect to Aspen's accommodation parks. Further detail in respect to this reconciliation is outlined in the table below:

	<b>31 December</b>	30 June
	<b>2016</b>	2016
	<b>\$ '000s</b>	\$ '000s
Property, plant and equipment per the Consolidated Balance Sheet	40,115	34,904
Investment properties per the Consolidated Balance Sheet	29,000	29,000
Goodwill per the Consolidated Balance Sheet	15,148	14,248
Carrying value of park properties	84,263	78,152
Acquisition costs	2,494	1,842
Adjusted value of park properties	86,757	79,994
Net assets per the Consolidated Balance Sheet	127,135	127,764
Acquisition costs *	2,494	1,842
NAV	129,629	129,606
NAV per security \$	1.27	1.26
NAV per security \$ net of 1H distribution **	1.25	1.26

\* Acquisition costs pertain to transaction costs on accommodation park acquisitions.

\*\* Subsequent to 31 December 2016, Aspen announced a distribution of 2.1 cents per security which primarily relates to the period ended 31 December 2016.

## Directors' Report (continued)

### Operating performance

Aspen has three business segments, as outlined below:

ACCOMMODATION		NON CORE
TOURISM / RETIREMENT	CORPORATE	
<ul style="list-style-type: none"> <li>2 land lease communities ("LLC") previously referred to as "MHE"</li> <li>1 tourism / retirement parks</li> <li>2 tourism parks</li> <li>GAV<sup>1</sup> of \$ 47.4 million</li> <li>Caters to short stay residents (cabins and sites), and permanent residents</li> </ul>	<ul style="list-style-type: none"> <li>1 resource park</li> <li>GAV<sup>1</sup> of \$10.3 million</li> <li>Caters primarily to corporate resource clients and contractors.</li> </ul>	<ul style="list-style-type: none"> <li>Spearwood South industrial complex</li> <li>Development assets (1 remaining)</li> <li>GAV<sup>1</sup> of \$29 million</li> </ul>

<sup>1</sup>Gross Asset Value ("GAV") represents carrying value of property, plant and equipment, goodwill and acquisition costs relating to transactions.

The above accommodation parks are wholly owned by Aspen Group. In 2015, Aspen consolidated the results of an additional 21 accommodation properties through its 42% interest in Aspen Park Property fund ("APPF"). These were deconsolidated effective 9 December 2015.

### Accommodation

Aspen's accommodation business comprises two key business segments:

- Tourism / retirement; and
- Corporate

The contribution of both of these segments to the operating result is detailed below.

	31 December 2016 \$'000	31 December 2015 \$'000	Change %
<b>Tourism / retirement</b>			
Underlying profit	1,457	6,453	-77.42%
Non-underlying items	(668)	(1,287)	-48.09%
<b>Total tourism / retirement</b>	<b>789</b>	<b>5,166</b>	<b>-84.73%</b>
<b>Corporate</b>			
Underlying profit	1,571	2,439	-35.59%
Non-underlying items	(807)	(9,541)	-91.55%
<b>Total corporate</b>	<b>764</b>	<b>(7,102)</b>	<b>-110.76%</b>
<b>Total accommodation profit / (loss)</b>	<b>1,553</b>	<b>(1,936)</b>	<b>-180.22%</b>
Non-controlling interest	-	(3,270)	-100.00%
<b>APZ share</b>	<b>1,533</b>	<b>(5,206)</b>	<b>-129.83%</b>

### Tourism / retirement

At 31 December 2016, Aspen owned five parks. Two of these are 100% short stay tourism, two are 100% LLC retirement and one is a mixed tourism / retirement park.

During the period, Aspen acquired one park with a value of \$6.800 million (plus acquisition costs). Aspen's total tourism / retirement assets, as at 31 December 2016, had a GAV of \$47.4 million.

# Aspen Group

for the period ended 31 December 2016

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## Directors' Report (continued)

As at 31 December 2016, Aspen had \$1.175 million of value enhancing works in progress on its parks, with \$0.423 million being incurred during the period. Value enhancing works are aimed at generating additional revenue through increasing either accommodation capacity intensification or improving the amenity of residents or visitors at a number of parks.

### a) Underlying earnings

Aspen's operating profit from tourism / retirement parks during the period was \$1.457 million (1H FY16: \$6.453 million), a 77.4% decrease against the comparative period. This is related to the inclusion of five months of APPF earnings in the comparative period.

### b) Non underlying earnings

Aspen had a non-underlying loss of \$0.668 million (1H FY16: \$1.287 million) within the tourism / retirement segment. The non-underlying transactions were primarily driven by acquisition costs of \$0.652 million which have been included in NAV as at 31 December 2016.

## Corporate

At 31 December 2016, Aspen held one corporate park on its balance sheet, being Aspen Karratha Village. Aspen's lease with its sole tenant extends to January 2018. This lease secures 83% occupancy within this resource park.

### a) Underlying earnings

Aspen's operating profit from resource parks during the period was \$1,571 million (1H FY16: \$2.439 million), a 35.5% reduction against the prior period, primarily driven by reduction in room tariffs compared to the comparative period.

### b) Non-underlying items

Aspen had a total non-underlying loss of \$0.807 million (1H FY16: \$9.541 million) within the resource segment. The non-underlying items were predominantly attributed to net changes in the fair value of Aspen Karratha Village (a devaluation of \$0.807 million).

## Non-core

During the period, Aspen recorded an operating profit of \$1.566 million (1H FY16: \$2.862 million) and a non-underlying loss of \$0.828 million (1H FY16: loss of \$0.500 million). The reduction in underlying earnings primarily reflects the contributions of disposed APPF resort-style properties, and the Spearwood North industrial property included in the comparative period.

# Aspen Group

for the period ended 31 December 2016

## Directors' Report (continued)

### Industrial

At 31 December 2016, the industrial property portfolio consists of one property (Spearwood South) at balance date. Net income from this industrial asset during the period was \$1.694 million.

### Assets held for sale

At 31 December 2016, Aspen had \$7.748 million of development related assets remaining. Of these, \$2.525 million were contracted for sale.

During the period, Aspen continued the wind up of four of the five development syndicates.

Aspen Whitsunday Shores Pty Ltd is the remaining syndicate continuing to hold land assets, and upon the sale and settlement of its land assets, this syndicate will also commence a process to wind up.

### Capital management

Following the divestment of Aspen's interest in APPF, the Group has operated without debt facilities. Cash reserves as at 31 December 2016 totalled \$36.663 million.

### Financial position

The NAV of Aspen at 31 December 2016 is \$1.27 per security (30 June 2016: \$1.26 per security). Including the 1H distribution announced 19 January 2017, the adjusted NAV is \$1.25 per security.

The following diagram outlines the key components of the NAV assessed as at 31 December 2016:





# Aspen Group

for the period ended 31 December 2016

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## Directors' Report (continued)

### Assets

Total assets have decreased by \$6.241 million to \$132.407 million during the period. This was primarily due to cash movements for distributions paid to equity holders \$5.248 million and payments for the securities buy back \$0.693 million.

### Liabilities

Total liabilities decreased by \$5.612 to \$5.272 million during the period. These are primarily a result of the reduction in the distributions payable to equity holders which were settled during the period.

### Equity

Total equity decreased by \$0.629 million during the period, primarily as a result of the following:

- Security buy back \$0.693
- Share based compensation movement \$0.433 million
- offset by net profit (\$0.533 million) and revaluation reserve movements (\$0.117 million) for the period.

### **Likely developments**

The immediate focus for Aspen is to continue to pursue growth opportunities in the affordable accommodation sector, both in acquisitions of assets and selected development works on existing accommodation parks.

In addition to this, Aspen will continue to progress the sale of remaining non-core held for sale property assets (carrying value of \$5.910 million).

### **Safety and environment**

No significant accidents or injuries were recorded during the period in respect to Aspen employees.

There were no significant environmental issues during, or subsequent to, the period.

### **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 Aspen Group that occurred during the period under review.

## Principal activities

The principal activities of Aspen during the period were to focus on the affordable accommodation sector, and to continue the divestment of certain remaining non-core assets.

Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the period.

## Events subsequent to reporting date

The following material events have occurred between the reporting date and the date of this report:

- On 19 January 2017, Aspen announced a distribution of 2.1 cents per security in respect of the period from 1 July 2016 up to the announcement date. This dividend shall be paid on 28 February, 2017;
- On 31 January 2017, Aspen settled its acquisition of Barlings Beach Holiday Park for \$13.25 million. \$12.0 million of the purchase consideration has been paid using cash reserves of the Group. The balance of \$1.25 million is deferred until 31 January 2018; and
- On 17 February 2017, Aspen reduced its cash backed bank guarantee facility from \$2.5 million to 1.3 million.

Other than as noted above, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Aspen, to affect significantly the operations of Aspen, the results of those operations, or the state of affairs of Aspen, in future financial periods.

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report.

## Rounding off

The Consolidated Group is of the kind referred to in ASIC Class Order 2016/191 and in accordance with the Class Order, 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 made pursuant to Sec 298(2) of the *Corporations Act 2001*.

On behalf of the directors of AGL and AFM



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Clive Appleton

Chairman

SYDNEY, 21 February 2017

PWC independence declaration

PWC auditor's report

PWC auditor's report

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Key numbers	Capital	Risk	Corporate Structure	Unrecognised items	Other
1. Revenue	7. Distributions	10. Financial risk management	11. Business combinations	15. Commitments and contingencies	17. Related party transactions
2. Expenses	8. Equity and reserves		12. Goodwill	16. Subsequent events	18. Other accounting policies
3. Property, plant and equipment	9. Earnings per stapled security		13. Discontinued operations		
4. Investment property			14. Non-controlling interests		
5. Assets classified as held for sale					
6. Liabilities classified as held for sale					

# Condensed consolidated statement of profit or loss

for the period ended 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 \$'000
<b>Continuing operations</b>			
Revenue	1	9,002	27,121
Cost of sales	2	(3,866)	(13,867)
<b>Gross profit</b>		<b>5,136</b>	<b>13,254</b>
<b>Expenses</b>			
Administration expenses	2	(2,341)	(8,508)
Property depreciation, fair value adjustments and other	2	(1,896)	(13,482)
<b>Total expenses</b>		<b>(4,237)</b>	<b>(21,990)</b>
Other income		-	1
Fair value gain on deconsolidation of APPF		-	17,492
		-	17,493
<b>Earnings before interest and income tax expense (EBIT)</b>		<b>899</b>	<b>8,757</b>
Finance income	2	502	88
Finance costs	2	(97)	(3,468)
<b>Profit before income tax</b>		<b>1,304</b>	<b>5,377</b>
Income tax expense	2	-	-
<b>Profit from continuing operations</b>		<b>1,304</b>	<b>5,377</b>
<b>Discontinued operations</b>			
(Loss) / Profit for the period from discontinued operations	13	(771)	609
<b>Profit for the period</b>		<b>533</b>	<b>5,986</b>
Profit attributable to ordinary equity holders of the parent entity		886	5,503
(Loss) / profit attributable to non-controlling interest		(353)	483
<b>Profit for the period</b>		<b>533</b>	<b>5,986</b>
<b>Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per security	9	1.277	4.783
Diluted earnings per security	9	1.265	4.700
<b>Earnings per security attributable to ordinary equity holders of the parent entity</b>			
Basic earnings per security	9	0.868	4.862
Diluted earnings per security	9	0.860	4.777

The above condensed consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

# Condensed consolidated statement of comprehensive income

for the period ended 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 \$'000
<b>Profit for the period</b>		<b>533</b>	5,986
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		117	324
<b>Total comprehensive income for the period, net of tax</b>		<b>650</b>	6,310
<b>Total comprehensive income / (loss) for the period from:</b>			
Continuing operations		1,421	5,701
Discontinued operations		(771)	609
		650	6,310
<b>Total comprehensive income / (loss) for the period attributable to:</b>			
Ordinary equity holders of the parent entity		1,003	5,639
Non-controlling interest		(353)	671
		650	6,310

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# Condensed consolidated balance sheet

as at 31 December 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents		31,663	43,800
Restricted cash at bank		5,000	5,000
Trade and other receivables		2,010	2,888
Assets classified as held for sale	5	7,748	8,210
Inventories		34	78
Deposits		1,173	-
<b>Total current assets</b>		<b>47,628</b>	<b>59,976</b>
<i>Non-current assets</i>			
Property, plant and equipment	3	40,115	34,904
Investment property	4	29,000	29,000
Intangible asset - goodwill	12	15,148	14,248
Other		516	520
<b>Total non-current assets</b>		<b>84,779</b>	<b>78,672</b>
<b>Total assets</b>		<b>132,407</b>	<b>138,648</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables		2,903	7,528
Liabilities classified as held for sale	6	52	12
Provisions		2,317	3,344
<b>Total current liabilities</b>		<b>5,272</b>	<b>10,884</b>
<i>Non-current liabilities</i>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,272</b>	<b>10,884</b>
<b>Net assets</b>		<b>127,135</b>	<b>127,764</b>
<b>Equity</b>			
<i>Equity attributable to equity holders of the parent entity</i>			
Issued capital	8	500,985	501,665
Reserves	8	186	69
Accumulated losses		(354,336)	(354,623)
<b>Total equity attributable to equity holders of the parent entity</b>		<b>146,835</b>	<b>147,111</b>
Non-controlling interest	14	(19,700)	(19,347)
<b>Total equity</b>		<b>127,135</b>	<b>127,764</b>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

# Condensed consolidated cash flow statement

for the period ended 31 December 2016

	31 December 2016	31 December 2015
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	11,645	36,130
Payments to suppliers and employees	(9,063)	(31,464)
Dividends and distributions received from associates	-	1
Interest received	487	138
Borrowing costs	-	(2,049)
Income tax received	-	556
<b>Net cash flows from operating activities</b>	<b>3,069</b>	<b>3,312</b>
<b>Cash flows from (used in) / investing activities</b>		
Proceeds from sale of assets held for sale, net of selling costs	-	71,807
Acquisition of property, plant and equipment and goodwill, including acquisition costs	(7,951)	(23,507)
Acquisition of subsidiary, net of cash acquired	-	(49)
Deposits for acquisition of businesses	(1,173)	-
Cash received from term deposits and restricted funds	-	2,005
<b>Net cash flows (used in) / from investing activities</b>	<b>(9,124)</b>	<b>50,256</b>
<b>Cash flows (used in) / from financing activities</b>		
Proceeds from borrowings	-	9,300
Repayment of borrowings	-	(69,800)
Settlement of interest rate swaps cancelled	-	(1,367)
Payments for deferred finance costs	(60)	-
Payments for securities buy-back	(697)	-
Distributions paid to equity holders of the parent entity	(5,248)	(5,076)
Payments for security issue costs	-	(7)
Distribution paid to non-controlling interest	-	(2,258)
<b>Net cash flows (used in) / from financing activities</b>	<b>(6,005)</b>	<b>(69,208)</b>
Net decrease in cash and cash equivalents	(12,060)	(15,640)
Cash and cash equivalents at beginning of period including assets of disposal groups held for sale	45,441	19,784
Less: cash derecognised on deconsolidation of APPF	-	(1,303)
Less: cash included in assets of disposal groups held for sale	(1,718)	(1,490)
<b>Cash and cash equivalents at end of period</b>	<b>31,663</b>	<b>1,351</b>

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

## Condensed consolidated statement of changes in equity

for the period ended 31 December 2016

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non- interest \$'000	Total equity \$'000
<b>CONSOLIDATED</b>					
<b>Balance at 1 July 2015</b>	514,473	2,660	(357,179)	36,108	196,062
Net profit for the period	-	-	5,503	483	5,986
Revaluation of property, plant & equipment	-	136	-	188	324
<b>Total comprehensive income for the period</b>	-	136	5,503	671	6,310
Transfer to accumulated losses	-	(2,796)	2,796	-	-
Issue of stapled securities	59	-	-	-	59
Purchase of securities by parent entity	-	-	-	(49)	(49)
Effect of deconsolidation of APPF	-	-	-	(53,678)	(53,678)
Equity costs	-	-	-	(7)	(7)
Security based compensation	-	-	372	-	372
Distributions to securityholders of the parent entity	-	-	(5,208)	(2,282)	(7,490)
<b>Balance at 31 December 2015</b>	514,532	-	(353,716)	(19,237)	141,579
<b>Balance at 1 July 2016</b>	<b>501,665</b>	<b>69</b>	<b>(354,623)</b>	<b>(19,347)</b>	<b>127,764</b>
Net profit for the period	-	-	886	(353)	533
Revaluation of property, plant & equipment	-	117	-	-	117
<b>Total comprehensive income for the period</b>	-	117	886	(353)	650
Issue of stapled securities	13	-	-	-	13
Security buy back	(693)	-	-	-	(693)
Security based compensation	-	-	(434)	-	(434)
Distributions to securityholders of the parent entity	-	-	(165)	-	(165)
<b>Balance at 31 December 2016</b>	<b>500,985</b>	<b>186</b>	<b>(354,336)</b>	<b>(19,700)</b>	<b>127,135</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

Aspen was established for the purpose of facilitating a joint quotation of the Trust and the Company and their controlled entities on the ASX. The Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen's registered office is Level 3, 37 Pitt Street, Sydney, New South Wales 2000. The Deed of the Trust and the Constitution of the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and that unit holders and shareholders be identical.

The condensed consolidated financial statements of Aspen as at and for the period ended 31 December 2016 comprise the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. Aspen is a for-profit entity and is primarily involved in investment in the 'value for money' accommodation sector.

The condensed consolidated interim financial statements do not include all information required for full annual financial statements prepared in accordance with Australian Accounting Standards ("AAS"), and should be read in conjunction with the consolidated annual financial statements of Aspen as at and for the year ended 30 June 2016. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of Aspen since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

Except as noted within this interim financial report, the accounting policies applied by Aspen in these condensed consolidated interim financial statements are consistent with those applied by Aspen in its consolidated financial statements as at and for the year ended 30 June 2016.

The condensed consolidated interim financial statements were authorised for issue by the Board on 21 February 2017.

The condensed consolidated interim financial statements are general purpose consolidated financial statements which:

- have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the AASB.
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- has been prepared on a historical cost basis, except for derivative financial instruments, available for sale financial instruments, investment property, assets held for sale, assets of disposal group held for sale, assets of discontinued operations held for sale, certain classes of property, plant and equipment and share-based payments.
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000) unless otherwise stated, in accordance with ASIC Class Order 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to

the operations of Aspen and effective for reporting periods beginning on or after 1 July 2016. Refer to note 18 for further details; and

- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

## Key judgements and estimates

The preparation of the condensed consolidated 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 expenses. Actual results may differ from these estimates

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Information about judgements, estimates and assumptions that have a significant effect on the condensed consolidated financial statements are found in the following notes:

<b>Note 3:</b>	Property, plant and equipment	Page 24
<b>Note 11:</b>	Business combinations	Page 30
<b>Note 12:</b>	Goodwill	Page 30

## Comparative information

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

## Financial Position

During the period ended 31 December 2016 Aspen recorded a profit after tax of \$0.533 million (1H FY16: profit of \$5.986 million). At 31 December 2016 Aspen had net assets of \$127.135 million (30 June 2016: \$127.764 million), cash reserves of \$36.663 million (30 June 2016: \$48.800 million) and current assets exceeded current liabilities by \$42.356 million (30 June 2016: \$49.092 million).

The consolidated interim 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 Aspen will continue as a going concern, and Aspen's cash flow forecast supports the Board's opinion that Aspen's working capital position will remain positive for at least the next twelve months from the date of signing these consolidated interim financial statements.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

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## Operating segments

Aspen has three operating segments as detailed below, which hold different asset classes and offer different products and services and are based on Aspen's management reporting and oversight.

Internal management reports on each of these segments are reviewed on at a least a monthly basis by the executive management team, representing the chief operating decision makers. Segment results and assets include items directly attributable to the operating segments as well as those that can be allocated on a reasonable basis.

The following details the three operating and reporting segments, namely tourism/retirement, corporate, and non-core in addition to the other segment:

- Tourism / retirement – this segment includes income and expenses relating to two land lease communities (previously referred to as manufactured housing estates), two tourism parks and one mixed use accommodation park. These properties cater to permanent and short stay residents.

In addition, for the period ended 31 December 2015, this segment includes an allocation of earnings associated with Aspen's investment in, and funds management of APPF, as it related to APPF's 17 mixed use parks. With the deconsolidation of APPF on 9 December 2015, earnings from the 17 APPF mixed use accommodation assets were no longer reported in this segment.

- Corporate – this segment includes income and expenses relating to Aspen's sole resource accommodation park, being Aspen Karratha Village. This property primarily caters to one corporate resource client.

In addition, for the period ended 31 December 2015, this segment includes an allocation of earnings associated with Aspen's investment in, and funds management of APPF, as it relates to APPF's 4 resource accommodation parks. With the deconsolidation of APPF on 9 December 2015, earnings from the 4 APPF resource parks were no longer reported in this segment.

- Non-core – this segment includes income and expenses relating to discontinued development assets and resort / short stay parks, continuing Spearwood South industrial property, and any other activities deemed non-core by the Board.

Details of assets within the non-core segment are included in the Operating and Financial Review within this financial report. In addition, for the period ended 31 December 2015, this segment includes an allocation of earnings associated with Aspen's investment in and funds management of APPF as it relates to the resort accommodation assets which were settled during the period.

- Other – this segment includes income and expenses that is not allocated to an operating segment. This includes corporate overheads, interest revenue and interest expenses. In addition, for the period ended 31 December 2015, this segment includes the gain on deconsolidation of APPF on 9 December 2015.

## Geographical segments

Aspen is Australian based, and as such has its current operating activities spread throughout Australia. There are no other geographical segments.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

	Tourism / retirement		Corporate		Non-core		Other		Consolidated	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b> <sup>1</sup>	<b>2,901</b>	12,940	<b>4,131</b>	8,134	<b>1,970</b>	6,047	-	-	<b>9,002</b>	27,121
<b>Operating EBIT</b> <sup>2</sup>	<b>1,457</b>	6,453	<b>1,571</b>	2,439	<b>1,565</b>	2,900	<b>(2,554)</b>	(5,613)	<b>2,039</b>	6,179
Finance income	-	-	-	-	<b>1</b>	2	<b>501</b>	88	<b>502</b>	90
Finance costs	-	-	-	-	-	(40)	-	(2,315)	-	(2,355)
<b>Profit / (loss) before income tax</b>	<b>1,457</b>	6,453	<b>1,571</b>	2,439	<b>1,566</b>	2,862	<b>(2,053)</b>	(7,840)	<b>2,541</b>	3,914
Non-underlying items <sup>3</sup>	<b>(668)</b>	(1,287)	<b>(807)</b>	(9,541)	<b>(828)</b>	(500)	<b>295</b>	13,400	<b>(2,008)</b>	2,072
Income tax benefit / (expense)	-	-	-	-	-	-	-	-	-	-
<b>Profit / (loss) after tax</b>	<b>789</b>	5,166	<b>764</b>	(7,102)	<b>738</b>	2,362	<b>(1,758)</b>	5,560	<b>533</b>	5,986

<sup>1</sup> All segment revenues are derived from external customers.

<sup>2</sup> Operating EBIT represents earnings before interest and tax excluding non-underlying items.

<sup>3</sup> Non-underlying items include depreciation, gains and losses on fair value movements and disposals, and non-recurring items which are not part of ordinary operating performance.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 1. Revenue

	31 December 2016 \$'000	31 December 2015 \$'000
Rental income from investment property	1,970	1,890
Revenue from accommodation parks	6,840	24,814
Fund management fees from associates	-	194
Revenue from development activities	192	223
<b>Revenue</b>	<b>9,002</b>	<b>27,121</b>

### Impact of the consolidation and deconsolidation of the Aspen Parks Property Fund

On 10 October 2014, Aspen consolidated APPF following Aspen's participation and underwriting of the APPF entitlement offer. The consolidation of APPF has resulted in the inclusion of revenue from accommodation parks and the removal of management fees relating to APPF from the date of consolidation by Aspen.

On 9 December 2015, Aspen deconsolidated APPF when it was deemed Aspen had lost control of APPF. Aspen subsequently disposed of its interest and terminated its management rights during the year ended 30 June 2016.

## 2. Expenses

### Cost of sales

	31 December 2016 \$'000	31 December 2015 \$'000
Investment property expenses	280	295
Cost of sales from accommodation parks	2,625	8,062
Direct employee benefits expenses	856	5,379
Cost of sales from development activities	105	131
<b>Cost of sales</b>	<b>3,866</b>	<b>13,867</b>

### Administration expenses

Salary and wages	1,461	3,573
Superannuation	91	234
Share based payment expenses	(434)	372
Less: employee benefits expenses capitalised	(157)	(187)
Occupancy costs	71	293
Restructuring and relocation costs	-	(120)
Transaction costs	-	2,198
Corporate depreciation	51	83
Corporate and fund administration costs	1,082	1,849
Other expenses	176	213
<b>Administration expenses</b>	<b>2,341</b>	<b>8,508</b>

### Property depreciation, fair value adjustments and other

Acquisition costs	652	1,166
Depreciation expense	421	2,831
Fair value adjustment of PPE	823	9,485
<b>Property depreciation, fair value adjustments and other</b>	<b>1,896</b>	<b>13,482</b>

## Finance costs

	31 December 2016 \$'000	31 December 2015 \$'000
Interest – bank deposits	502	88
<b>Finance income</b>	<b>502</b>	<b>88</b>
Interest and borrowing costs – loan and borrowings	73	2,358
Unwinding of discount on provisions	24	-
Change in fair value of interest rate swap	-	1,110
<b>Finance costs</b>	<b>97</b>	<b>3,468</b>

## Income tax expense

Aspen has a nil income tax expense for the period ended 31 December 2016 as it has unrecognised carried forward tax losses in excess of taxable profits generated during the period.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 3. Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Corporate assets \$'000	Total \$'000
<b>At 30 June 2016</b>					
Cost or valuation	24,400	9,059	4,216	402	38,077
Accumulated depreciation and impairment		(1,413)	(1,618)	(142)	(3,173)
<b>Net book amount</b>	<b>24,400</b>	<b>7,646</b>	<b>2,598</b>	<b>260</b>	<b>34,904</b>
<b>Period ended 31 December 2016</b>					
Opening net book amount	24,400	7,646	2,598	260	34,904
Disposals and write-offs	-	-	-	(55)	(55)
Additions	3,800	-	2,639	6	6,445
Depreciation	-	(43)	(377)	(52)	(472)
Revaluation gains / (losses)	-	(906)	199	-	(707)
<b>Net book amount</b>	<b>28,200</b>	<b>6,697</b>	<b>5,059</b>	<b>159</b>	<b>40,115</b>
<b>At 31 December 2016</b>					
Cost or valuation	28,200	8,153	7,055	307	43,715
Accumulated depreciation and impairment	-	(1,456)	(1,996)	(148)	(3,600)
<b>Net carrying amount</b>	<b>28,200</b>	<b>6,697</b>	<b>5,059</b>	<b>159</b>	<b>40,115</b>

### Valuation of assets

One independent valuation was commissioned during the period in relation to Tween Waters Holiday Park which was acquired on 13 December 2016. The independent valuation values this asset at higher than the purchase price however the carrying value of this asset is reflected at its purchase price pending finalisation of consultant reports to finalise allocation of values to PPE and goodwill.

As a result of a Directors' valuation, a downward movement of \$0.949 million was recognised in relation to the valuation of Aspen Karratha Village "AKV" during the period ended 31 December 2016.

### Level 3 fair value

The fair value measurement of PPE of \$40.115 million (30 June 2016: \$34.904 million) has been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used.

The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values.

Segment	Percentage of property assets independently valued during the period	Total of latest independent valuation *	Total carrying value <sup>(1)</sup>
		\$'000	\$'000
Tourism / retirement	20%	44,370	44,775
Corporate	-	12,000 – 17,000	10,329
Other (corporate assets)	-	-	159
<b>Total</b>	<b>17%</b>	<b>56,370 – 61,370</b>	<b>55,263</b>

(1) The carrying values outlined in the above table include goodwill of \$15.148 million as outlined in Note 12, however exclude any acquisition costs which are included in Aspen's NAV as calculated on page 5 of the directors report.

### \* Aspen Karratha Village valuation

During the year ended 30 June 2016, Aspen commissioned two independent valuations on Aspen Karratha Village "AKV".

One of the independent valuers was the incumbent valuer, with the other valuer not having valued AKV since 2009. The two independent valuations received were \$17.000 million from the incumbent valuer and \$12.000 million from the second valuer.

Both valuations consider the value of AKV on the same basis, which considers the existing lease of 83% of available rooms through to January 2018, and separately on a post January 2018 lease basis.



# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

An overview of the key assumptions used within the two independent valuations, on a post-January 2018 lease basis, is as follows.

	Independent valuation 1	Independent valuation 2
Occupancy (%)	35%	35% - 65%
Average daily room rate (ex primary tenant) (\$)	\$187	\$160
Capitalisation rate (%)	16%	15%
Average cost margin (%)	68%	69%
Independent valuation (\$'000)	12,000	17,000

Given the subjectivity that exists within the forecast performance of AKV as part of the Board's consideration, sensitivities have been conducted on the lower valuation, to analyse the impact that varying occupancy levels and lower cost bases would have on the valuation (assuming all other assumptions remain constant). The outcome of modelling these sensitivities is outlined as follows.

	Independent valuation	Sensitivities			
Occupancy rate (%)	35%	40%	45%	50%	55%
Potential valuation (\$'000)	12,000	13,200	14,300	15,500	16,600
Net operating profit margin (%)	32%	35%	40%	45%	50%
Potential valuation (\$'000)	12,000	12,700	13,600	14,800	16,300

The Board considers it appropriate to recognise the progressively diminishing value of the AKV leasing arrangement which assures 83% occupancy until January 2018. Accordingly a downward revaluation of \$0.949 million has been recognised during the period.

## 4. Investment property

	31 December 2016 \$'000	30 June 2016 \$'000
Net carrying amount at 1 July	29,000	-
Transfer in from assets held for sale	-	29,000
<b>Investment property</b>	<b>29,000</b>	<b>29,000</b>

All investment property forms part of the non-core segment.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 5. Assets classified as held for sale

	Non-core assets classified as held for sale	Assets of disposal group held for sale	Discontinued operations' assets classified as held for sale	Assets classified as held for sale
	\$'000	\$'000	\$'000	\$'000
<b>Opening balance at 1 July 2015</b>	2,525	8,443	97,517	108,485
Additions	-	412	892	1,304
Disposals	-	(3,212)	(69,496)	(72,708)
Transfers out	-	-	(29,000)	(29,000)
Other movements	-	42	-	42
Fair value adjustments	-	-	87	87
<b>Closing balance at 30 June 2016 and opening balance at 1 July 2016</b>	<b>2,525</b>	<b>5,685</b>	<b>-</b>	<b>8,210</b>
Additions	-	156	-	156
Fair value adjustments	-	(619)	-	(619)
Other movements	-	1	-	1
<b>Closing balance at 31 December 2016</b>	<b>2,525</b>	<b>5,223</b>	<b>-</b>	<b>7,748</b>

During the period ended 31 December 2015, Aspen settled the sale of Spearwood North. On 31 December 2015 the Spearwood South property, with a carrying value of \$29.000 million, was transferred out of assets held for sale to investment property, reflecting that the Board did not intend to sell the property within twelve months of reporting date.

Disposal groups held for sale includes all assets and liabilities pertaining to development syndicates consolidated by Aspen. These development syndicates have all made resolutions to sell all of their remaining assets and liabilities, and to complete an orderly wind up. At 31 December 2016, four development syndicates included in disposal groups held for sale were in liquidation. Refer to page 8 and note 13 of the directors report for further details on these development syndicates.

All assets held for sale form part of the non-core segment.

## 6. Liabilities classified as held for sale

	Non-core liabilities classified as held for sale	Liabilities of disposal group held for sale	Discontinued operations' liabilities classified as held for sale	Liabilities classified as held for sale
	\$'000	\$'000	\$'000	\$'000
<b>Opening balance at 1 July 2015</b>	-	602	-	602
Other movements	-	(590)	-	(590)
Transfers out	-	-	-	-
<b>Closing balance at 30 June 2016 and opening balance at 1 July 2016</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>
Other movements	-	40	-	40
<b>Closing balance at 31 December 2016</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>52</b>

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 7. Distributions

	Aspen securityholders			
	Cents per security		Total amount	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	Cents	Cents	\$'000	\$'000
<b>Paid during the period</b>				
Final distribution for the previous year	4.9	4.5	4,990	5,093
<b>Proposed and unpaid at the end of the period</b>				
Interim distribution for the period	Nil	4.6	Nil	5,208

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

On 19 January 2017, Aspen announced a distribution of 2.1 cents per security in respect of the period from 1 July 2016 up to the announcement date. This distribution shall be paid to securityholders on 28 February 2017.

	APPF securityholders			
	Cents per security		Total amount	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	Cents	Cents	\$'000	\$'000
<b>Paid during the period</b>				
Monthly Distribution – June	-	0.329	-	765
Monthly Distribution – July	-	0.339	-	788
Monthly Distribution – August	-	0.339	-	788
Monthly Distribution – September	-	0.328	-	763
Monthly Distribution – October	-	0.339	-	788
	-	1.673	-	3,892
<b>Proposed and unpaid at the end of the period</b>				
Monthly Distribution – November	-	0.328	-	763
	-	0.328	-	763

APPF was deconsolidated from 9 December 2015. The November 2015 distribution payable was derecognised at this date.

## 8. Equity and reserves

	Stapled Securities	
	'000 units	\$'000
<b>Movement in stapled securities</b>		
<b>At 1 July 2015</b>	<b>113,161</b>	<b>514,473</b>
Issue of stapled securities	45	59
Effect of securities buy-back	(10,730)	(12,867)
<b>At 30 June 2016 and 1 July 2016</b>	<b>102,476</b>	<b>501,665</b>
Issue of stapled securities	11	13
Effect of securities buy-back	(590)	(693)
<b>At 31 December 2016</b>	<b>101,897</b>	<b>500,985</b>

### The nature of Aspen's contributed equity

Aspen does not have an authorised capital or par value in respect of its issued stapled securities. Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote

per stapled security at securityholder meetings. The liability of a member is limited to any remaining unpaid amount in relation to a member's subscription for securities.

	Revaluation reserve	Total Reserves
	\$'000	\$'000
<b>Reserves</b>		
<b>At 1 July 2015</b>	<b>2,660</b>	<b>2,660</b>
Transfer to retained losses	(2,796)	(2,796)
Revaluation of property, plant and equipment, net of tax	205	205
<b>At 30 June 2016 and 1 July 2016</b>	<b>69</b>	<b>69</b>
Revaluation of property, plant and equipment, net of tax	117	117
<b>At 31 December 2016</b>	<b>186</b>	<b>186</b>

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 9. Earnings per stapled security

	31 December 2016	31 December 2015
Profit for the period attributable to ordinary equity holders of the parent entity (\$ '000)	<b>886</b>	5,503
Basic weighted average number of stapled securities (No. '000)	<b>102,124</b>	113,184
Diluted weighted average number of stapled securities (No. '000)	<b>103,081</b>	115,188
EPS from total operations:		
Basic earnings per stapled security (cents per security)	<b>0.868</b>	4.862
Diluted earnings per stapled security (cents per security)	<b>0.860</b>	4.777
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	<b>1.277</b>	4.783
Diluted earnings per stapled security (cents per security)	<b>1.265</b>	4.700
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	<b>(0.409)</b>	0.079
Diluted earnings per stapled security (cents per security)*	<b>(0.409)</b>	0.078

\* Potential ordinary securities are only considered dilutive if loss per security increases on conversion to ordinary securities.

### Calculation of earnings per stapled security

#### Basic earnings per stapled security

Basic earnings per stapled security is calculated by dividing the profit / (loss) attributable to securityholders of Aspen by the weighted average number of ordinary stapled securities outstanding during the year.

#### Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by dividing the profit / (loss) attributable to securityholders of Aspen by the weighted average number of ordinary stapled securities outstanding during the year after adjusting for the effective dilutive securities granted under security plans including options and rights granted under employee security plans.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 10. Financial risk management

### Financial risk management

Aspen Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 30 June 2016.

### Liquidity risk

#### Nature of the risk

Liquidity risk is the risk that Aspen will not be able to meet its financial obligations as they fall due. Aspen is exposed to liquidity risk primarily due to its capital management policies, which view debt as an element of Aspen's capital structure.

#### Liquidity risk management

Liquidity risk is managed by monitoring cash flow requirements on at least a monthly basis to ensure that Aspen will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses and to optimise its cash return on investments. Aspen endeavours to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. Surplus funds are, where possible, paid against debt, or invested in instruments that are tradeable in highly liquid markets with highly rated counterparties.

	31 December 2016 \$'000	30 June 2016 \$'000
<b>Financing facilities</b>		
Bank overdraft and guarantees	2,500	1,509
<b>Facilities used at balance date</b>		
Bank guarantees	1,297	1,509
<b>Facilities unused at balance date</b>		
Bank overdraft and guarantees	1,203	-

### Fair values

The carrying amounts and estimated fair values of all Aspen's financial instruments recognised in the financial statements are materially the same.

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

#### Cash

The carrying amount of cash is considered as the fair value due to the liquid nature of these assets.

#### Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to approximate their fair values.

#### Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

### Other financial assets / liabilities

The fair values of derivatives, corporate bonds, term deposits held at fair value and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value are recognised immediately in profit or loss. Aspen does not hold any derivatives which are designated as a hedging instrument.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that Aspen commits itself to purchase or sell the asset.

### Valuation of financial instruments

For financial instruments measured and carried at fair value, Aspen uses the following to categorise the method used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

Aspen has an established control framework with respect to the measurement of fair values. This includes finance staff that have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and that report directly to the CFO.

These finance staff regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or external valuations is used to measure fair values, then the finance staff assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of accounting standards, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation matters are reported to the Aspen Audit Committee.

Aspen's financial instruments valued using market observable inputs (Level 2) with the exception of available for sale financial assets at fair value (level 3) that were valued at \$0.416 million (30 June 2016: \$0.416 million).

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period (1H FY16: nil).

The following table shows a reconciliation of movements in Aspen's financial instruments classified as Level 3 within the fair value hierarchy for the periods ended 31 December 2016 and year ended 30 June 2016:

	31 December 2016 \$'000	30 June 2016 \$'000
<b>Opening Balance at 1 July</b>	416	431
<u>Total gains or losses</u>		
In profit or loss	-	(15)
Disposals	-	-
<b>Closing Balance</b>	416	416

The fair value of financial assets including those available for sale has been determined by reference to the published unit price of the investments at the period-end date. The investment comprises an investment in a closed fund which is not currently meeting redemption requests.

## 11. Business combinations

### Acquisition of business – accommodation properties

During the period, Aspen acquired one accommodation property:

- Tween Waters Holiday Park on 13 December 2016;

This acquisition included the tangible assets of the park property as well as the existing park business and as a result, this transaction is accounted for as a business combination.

The fair values at acquisition date of identifiable assets and liabilities have been determined on a provisional basis as external consultant reports on the value of individual asset acquired have not been finalised for all properties acquired during the period.

Goodwill calculations	\$'000
Consideration transferred	6,800
Less: fair value of identifiable net assets	(5,900)
<b>Goodwill</b>	<b>900</b>

The goodwill is mainly attributable to the value of the existing business which is in excess of PPE.

Consideration transferred	\$'000
Cash – acquisition of accommodation properties	6,800
	6,800
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	5,900
	5,900

### Revenue and profit contribution

The accommodation properties acquired during the period contributed revenues of \$0.121 million and a net profit of \$0.066 million to Aspen for the period from settlement of the accommodation property to 31 December 2016.

## 12. Goodwill

	31 December 2016 \$'000	30 June 2016 \$'000
Opening	14,248	11,953
Additions	900	8,605
Transfers	-	2,643
Deconsolidation of APPF	-	(8,953)
	15,148	14,248

### Goodwill - additions

One business combination during the period as disclosed in note 11, resulted in the acquisition of \$0.900 million of goodwill.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 13. Discontinued operations

	Disposal groups held for sale		Non-core and accommodation operations held for sale		Total discontinued operations	
	31 December	31 December	31 December	31 December	31 December	31 December
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Results of discontinued operations</b>						
Revenue	-	2	-	4,156	-	4,158
Expenses	(152)	(115)	-	(3,232)	(152)	(3,347)
<b>Profit / (loss) before income tax</b>	<b>(152)</b>	<b>(113)</b>	<b>-</b>	<b>924</b>	<b>(152)</b>	<b>811</b>
Gain / (loss) on disposal after income tax	-	(81)	-	(47)	-	(128)
Net change in fair value	(619)	-	-	(74)	(619)	(74)
<b>Profit / (loss) after tax from discontinued operations</b>	<b>(771)</b>	<b>(194)</b>	<b>-</b>	<b>803</b>	<b>(771)</b>	<b>609</b>
	<b>31 December</b>	30 June	<b>31 December</b>	30 June	<b>31 December</b>	30 June
	<b>2016</b>	2016	<b>2016</b>	2016	<b>2016</b>	2016
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Assets and liabilities of discontinued operations</b>						
<b>Assets</b>						
Cash and cash equivalents	1,718	1,641	-	-	1,718	1,641
Trade and other receivables	110	180	-	-	110	180
Properties held for sale	3,385	3,854	-	-	3,385	3,854
Prepayments and other assets	10	10	-	-	10	10
<b>Total assets</b>	<b>5,223</b>	<b>5,685</b>	<b>-</b>	<b>-</b>	<b>5,223</b>	<b>5,685</b>
<b>Liabilities</b>						
Trade and other payables	52	12	-	-	52	12
<b>Total liabilities</b>	<b>52</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>12</b>
<b>Net assets</b>	<b>5,171</b>	<b>5,673</b>	<b>-</b>	<b>-</b>	<b>5,171</b>	<b>5,673</b>

### Disposal groups held of sale

Aspen has a number of its development subsidiaries classified as a disposal group held for sale. At 31 December 2016, this primarily comprises AWSS.

The disposal group held for sale also includes \$1.425 million of cash, which is restricted from use until the wind up of these entities is finalised by an external liquidator. On finalisation of wind up, after settling liabilities and related costs the remaining cash will be paid to Aspen, and will be available for use.

# Notes to the condensed consolidated interim financial statements

for the period ended 31 December 2016

## 14. Non-controlling interests

	ADF	AWSS	FBSV	ADLL	APPF	Total
<b>NCI percentage as at 31 December 2016</b>	<b>24.9%</b>	<b>45.9%</b>	<b>54.6%</b>	<b>56.8%</b>	-	
<b>Year ended 30 June 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July 2015	(15,063)	(2,926)	920	(2,075)	55,252	36,108
Share of comprehensive income / (expense)	16	(254)	2	33	764	561
Distribution to non-controlling interest	-	-	-	-	(2,282)	(2,282)
Purchase of equity by parent	-	-	-	-	(49)	(49)
Effect of consolidation of APPF	-	-	-	-	(53,678)	(53,678)
Equity costs	-	-	-	-	(7)	(7)
<b>Closing balance at 30 June 2016 and opening balance at 1 July 2016</b>	<b>(15,047)</b>	<b>(3,180)</b>	<b>922</b>	<b>(2,042)</b>	<b>-</b>	<b>(19,347)</b>
Share of comprehensive income / (expense)	(3)	(337)	(7)	(6)	-	(353)
<b>Closing balance at 31 December 2016</b>	<b>(15,050)</b>	<b>(3,517)</b>	<b>915</b>	<b>(2,048)</b>	<b>-</b>	<b>(19,700)</b>

### Negative non-controlling interests

Aspen has recognised NCI for AWSS, ADF and ADLL as at 31 December 2016 even though these NCIs are negative. AWSS, ADF and ADLL are limited companies, and there is no ability for Aspen to recoup the negative equity attributed to NCI.



# Notes to the condensed consolidated financial statements

for the period ended 31 December 2016

## 15. Commitments and Contingencies

The following material contingent liabilities exist at 31 December 2016.

	31 December 2016 \$'000	30 June 2016 \$'000
<b>Contingent liabilities</b>		
Defect maintenance periods	3,006	3,006
Tenant fitout incentives received	646	903
Finance facility bonds	100	100
	<b>3,752</b>	4,009
<b>Operating lease commitments</b>		
<i>Group as lessee (i)</i>		
Within 1 year	1,277	1,595
Greater than 1 year but not more than 5 years	5,365	7,012
More than 5 years	980	253
	<b>7,622</b>	8,860
<i>Group as lessor (ii)</i>		
Within one year	9,443	9,354
Greater than 1 year but not more than 5 years	11,924	16,501
More than 5 years	250	452
	<b>21,617</b>	26,307
<b>Capital commitments (iii)</b>		
<i>Contracted but not provided for and payable:</i>		
Within 1 year (iv)	13,250	-
	<b>13,250</b>	-
<b>Other expenditure commitments</b>		
Bank guarantees issued to third parties	1,297	1,509
Insurance bond guarantees	2,500	2,500
	<b>3,797</b>	4,009

- (i) Aspen leases various offices under non-cancellable operating leases. In addition, Aspen leases properties, under non-cancellable leases, on which it operates accommodation businesses. Operating lease expense for the period was \$0.056 million (1H FY16: \$0.808 million).
- (ii) Relates to leases of Aspen owned properties and former corporate offices sub leased.
- (iii) Comprises commitments to expenditure on PPE.
- (iv) Represents total purchase price of Barlings Beach Holiday Park. PPE and goodwill components will be determined as part of the business combination accounting. A deposit of \$0.663 million was paid on this acquisition during the period.

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 31 December 2016 or at the date of completion of these condensed consolidated interim condensed financial statements.

## 16. Subsequent events

The following material events have occurred between the reporting date and the date of this report:

- On 19 January 2017, Aspen announced a distribution of 2.1 cents per security in respect of the period from 1 July 2016 up to the announcement date. This dividend shall be paid on 28 February 2017;
- On 31 January 2017, Aspen announced the settlement of its acquisition of Barlings Beach Holiday Park for \$13.25 million. \$12.0 million of the purchase consideration has been paid using cash reserves of the Group. The balance of \$1.25 million is deferred until 31 January 2018; and
- On 17 February 2017, Aspen reduced its cash backed bank guarantee facility from \$2.5 million to \$1.3 million.

Other than as noted above, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Aspen, to affect significantly the operations of Aspen, the results of those operations, or the state of affairs of Aspen, in future financial periods.

## 17. Related party transactions

Related party arrangements during the period are consistent with those at 30 June 2016. Refer to the consolidated financial statements for the year ended 30 June 2016 for details of related party arrangements.

# Notes to the condensed consolidated financial statements

for the period ended 31 December 2016

## 18. Other accounting policies

### (a) New and amended standards adopted from 1<sup>st</sup> July 2016

All new and amended accounting policies and measurement bases have been adopted in this report for the period ended 31 December 2016. There has been no change to the group's accounting policies and are consistent with those disclosed in the Annual Report for the year ended 30 June 2016.

### (a) New and amended standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by Aspen in this financial report.

Reference	Description	Application of Standard	Application by Group
AASB 9 <i>Financial Instruments</i> AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)	AASB 9 includes requirements for the classification and measurement of financial assets and was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements aim to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . It also includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.  Aspen is assessing the potential impact of this future standard amendment.	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers	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.	1 January 2018	1 July 2018
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	A new five-step process must be applied before revenue can be recognised: <ul style="list-style-type: none"> <li>Identify contracts with customers</li> <li>Identify the separate performance obligations</li> <li>Determine the transaction price of the contract</li> <li>Allocate the transaction price to each of the separate performance obligations, and</li> <li>Recognise the revenue as each performance obligation is satisfied.</li> </ul> <p>Key changes to current practice are:</p> <ul style="list-style-type: none"> <li>Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.</li> <li>Revenue must be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.</li> <li>The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at some point in time at the end of a contract may have to be recognised over the contract term and vice versa.</li> <li>There are new specific rules on licences, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.</li> <li>As with any new standard, there are also increased disclosures.</li> </ul> <p>Entities will have a choice of full retrospective application, or prospective application with additional disclosures.</p> <p>Aspen is assessing the potential impact of this future standard amendment.</p>		
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.  Aspen is assessing the potential impact of this future standard.	1 January 2019	1 July 2019

# Notes to the condensed consolidated financial statements

for the period ended 31 December 2016

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## Directors' Declaration

1. In the opinion of the directors of Aspen Group Limited and Aspen Fund Management Limited (as responsible entity for Aspen Property Trust):
  - (a) the condensed consolidated interim financial statements and notes on pages 14 to 34, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; and other mandatory professional reporting requirements.
  - (b) there are reasonable grounds to believe that Aspen Group Limited will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the CEO and CFO for the period ended 31 December 2016.
3. The directors draw attention to the notes to the condensed consolidated interim financial statements, which includes statement of compliance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

Signed in accordance with a resolution of the directors.



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Clive Appleton

Chairman

SYDNEY, 21 February 2017